May 26, 2020

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 [IFRS]

Company name:	Konica Minolta, Inc.
Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
URL:	http://konicaminolta.com
Representative:	Shoei Yamana President and CEO, Representative Executive Officer
Contact:	Toru Tanaka General Manager, Corporate Accounting Division
Telephone number:	(81) 3-6250-2100
Scheduled date for Ordinary General Meeting of Shareholders:	June 30, 2020
Scheduled date for dividends payment:	June 10, 2020
Scheduled date for submission of securities report:	Undecided
Availability of supplementary information for the quarterly financial results:	Yes
Organization of briefing on the quarterly financial results:	Yes (for institutional investors)

(Amounts less than one million yen are rounded down to the nearest million yen.)

1. Consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated results of operations

(Percentage figures represent changes from the previous fiscal year.)

Fiscal year ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	996,101	-6.0	8,211	-86.8	284	-99.5
March 31, 2019	1,059,120	2.7	62,444	16.0	60,138	22.4

Fiscal year ended	Profit for the year		Profit attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	(3,086)	–	(3,073)	–	(24,628)	–
March 31, 2019	41,729	29.6	41,705	29.3	41,654	20.2

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of the Company	Profit before tax ratio to total assets	Operating profit ratio
	Yen	Yen	%	%	%
March 31, 2020	(6.21)	(6.21)	−0.6	0.0	0.8
March 31, 2019	84.33	84.03	7.7	5.0	5.9

(Reference) Share of profit (loss) of investments accounted for using the equity method:
Fiscal year ended March 31, 2020: (255) million yen
Fiscal year ended March 31, 2019: (624) million yen

(Note) Basic earnings per share and diluted earnings per share are calculated based on the profit attributable to owners of Konica Minolta, Inc. (the "Company").

(2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of the Company	Equity ratio attributable to owners of the Company	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2020	1,276,768	533,766	523,745	41.0	1,058.29
March 31, 2019	1,218,986	565,983	555,689	45.6	1,123.39

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	30,148	(50,043)	(11,910)	89,901
March 31, 2019	57,166	(41,480)	(40,246)	124,830

2. Dividends per share

	End of the three-month period	End of the six-month period	End of the nine-month period	End of the year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	15.00	–	15.00	30.00
Fiscal year ended March 31, 2020	–	15.00	–	10.00	25.00
Fiscal year ending March 31, 2021 (forecast)	–	–	–	–	–

	Dividends paid (annual)	Dividends payout ratio (consolidated)	Dividends on equity attributable to owners of the Company ratio (consolidated)
	Millions of yen	%	%
Fiscal year ended March 31, 2019	14,876	35.6	2.7
Fiscal year ended March 31, 2020	12,400	–	2.3
Fiscal year ending March 31, 2021 (forecast)		–	

(Note) Dividend forecast for the fiscal year ending March 31, 2021 remains undetermined, given that it is difficult to project business results at this time.

3. Consolidated forecasts for the fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

Consolidated forecasts for the fiscal year ending March 31, 2021 remain undetermined, given that it is difficult to reasonably assess the impact of the spread of COVID-19 at this time. The Company will announce a forecast as soon as it becomes possible to project business results.

■ Notes

(1) Changes in significant subsidiaries during the fiscal year ended March 31, 2020 (changes in the scope of consolidation): None

(2) Changes in accounting policies or changes in accounting estimates

a. Changes in accounting policies required by International Financial Reporting Standards (IFRS): Yes

b. Changes in accounting policies other than the above a.: None

c. Changes in accounting estimates: None

(3) Number of issued and outstanding shares (common stock)

a. Number of issued and outstanding shares (including treasury shares)

As of March 31, 2020: 502,664,337 shares

As of March 31, 2019: 502,664,337 shares

b. Number of treasury shares

As of March 31, 2020: 7,764,241 shares

As of March 31, 2019: 8,008,984 shares

c. Average number of issued and outstanding shares during the year

The fiscal year ended March 31, 2020: 494,794,257 shares

The fiscal year ended March 31, 2019: 494,572,664 shares

(Note) The Company has established the Board Incentive Plan in which beneficiaries include Directors, Executive Officers, Group Executives, and Technology Fellows. The shares owned by the trust account relating to this trust of 1,184,094 shares as of March 31, 2020, and 1,250,538 shares as of March 31, 2019, are accounted for as treasury shares.

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated results of operations

(Percentage figures represent changes from the previous fiscal year.)

Fiscal year ended	Revenue		Operating profit		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	430,914	-4.8	(1,614)	–	12,545	57.3
March 31, 2019	452,680	3.8	5,745	–	7,976	4.2

Fiscal year ended	Net income		Net income per share	Net income per share (fully-diluted)
	Millions of yen	%	Yen	Yen
March 31, 2020	12,100	57.2	24.45	24.38
March 31, 2019	7,695	-39.7	15.56	15.50

(2) Non-consolidated financial position

As of	Total assets	Total equity	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2020	751,295	329,468	43.8	664.25
March 31, 2019	766,679	335,001	43.6	675.55

(Reference) Equity:
Fiscal year ended March 31, 2020: 328,739 million yen
Fiscal year ended March 31, 2019: 334,165 million yen

■ This summary of consolidated financial results falls outside the scope of audit procedures to be performed by certified public accountants or an audit firm.

■ Explanation concerning the appropriate use of the forecasts for results of operations and other special matters

Note on the forecasts for the consolidated financial results

The forecasts for results of operations in this report are based on information currently available to the Company and its subsidiaries (the "Group"), and assumptions determined to be reasonable, and are not intended to assure achievement of the Group's operations. Consolidated forecasts for the fiscal year ending March 31, 2021, remain undetermined, given that it is difficult to reasonably assess the impact of the spread of COVID-19 at this time. The Company will announce a forecast as soon as it becomes possible to project business results. For further discussion on forecasts, refer to "1. OVERVIEW OF FINANCIAL RESULTS, (1) Overview of Consolidated Operating Results, c. Outlook for the Fiscal Year Ending March 31, 2021" in the attached Supplementary Information on page 8.

Supplementary information for the financial results and briefing on the financial results

The Company will hold a briefing on the financial results for institutional investors on Tuesday, May 26, 2020. The proceedings and details of the briefing, along with the supplementary information on the financial results to be presented at the briefing, will be posted on the website of the Group soon after the briefing.

Scheduled date for the submission of securities report

The scheduled date for the submission of securities report is yet to be determined. The Company is currently considering the timing of submission, pursuant to Paragraph 4 of the Article of "The Partial Revision of "Cabinet Office Order on Disclosure of Corporate Affairs" (Cabinet Office Ordinance No.37, April 17, 2020).

Supplementary Information

Table of Contents

1. OVERVIEW OF FINANCIAL RESULTS

(1) Overview of Consolidated Operating Results

a. Overview

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	1,059.1	996.1	(63.0)	-6.0
Gross profit	508.8	466.3	(42.5)	-8.4
Operating profit	62.4	8.2	(54.2)	-86.8
Profit before tax	60.1	0.2	(59.8)	-99.5
Profit (loss) attributable to owners of the Company	41.7	(3.0)	(44.7)	–
	Yen	Yen	Yen	%
Basic earnings (loss) per share	84.33	(6.21)	(90.54)	–
	%	%		
ROE	7.7	-0.6	-8.3	–
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	52.5	50.8	(1.6)	-3.2
Depreciation and amortization expenses	59.0	77.1	18.0	30.6
Research and development expenses	78.3	74.0	(4.3)	-5.6
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	15.6	(19.8)	(35.5)	–
	Number	Number	Number	%
Number of employees in the Group	44,360	43,961	(399)	-0.9
Foreign exchange rates	Yen	Yen	Yen	%
U.S. dollar	110.91	108.74	(2.17)	-2.0
Euro	128.41	120.82	(7.59)	-5.9

(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 landscape during the fiscal year ended March 31, 2020 (the “current fiscal year”), Europe continued to slowdown from the latter half of the previous fiscal year and uncertainty remained in the economy, given that negotiations between the UK and the EU went on even after the UK left the EU in the beginning of February 2020. Economic growth weakened in the United States and China due to additional tariffs attributable to the United States-China trade friction and other factors, causing companies, mainly in the manufacturing industry, to lose their appetite for making investments. The global economy with remaining uncertainty also affected the Japanese economy, which saw a sluggish movement in exports and capital spending; however, an overall moderate growth was retained in Japan throughout the year. Further, strong yen continued year-on-year on the backdrop of such economic landscape. When entered in 2020, as the COVID-19 pandemic spread across geographies, economic activities started slowing down substantially due to lockdown and other mandates implemented from around February 2020 in different countries, including China, Europe, and the United States.

Amid the business environment, the Group recorded revenue of 996.1 billion yen for the current fiscal year, a decrease of 6.0% year-on-year. Decrease in revenue due to the effect of strong yen was 32.9 billion yen year-on-year. On a segment basis, revenue declined in the Office Business due to decreasing sales volume in China and North America despite showing some signs of recovery supported by sales in Europe. As for the Professional Print Business, revenue in the production print business unit was driven by North America and successfully turned into an increase on a constant currency basis up until December 2019; however, when entered into 2020, sales decreased globally excluding ASEAN regions, resulting in a decline in overall revenue in the current fiscal year. Meanwhile, the industrial printing business unit, which is one of the growth businesses of the Group, retained the status of revenue increase on a constant currency basis. Revenue went down in the Healthcare Business due to the drop in China, although sales grew in areas other than China. With respect to the Industrial Business, revenue decreased mainly due to the following: in the performance materials business unit, client companies conducted inventory adjustments; in the inkjet component business unit and the measuring instruments business unit, major customers were located in China and were hit by the COVID-19 outbreak. The impact of COVID-19 on the Group's revenue is expected to be around 23.0 billion yen.

In the new businesses where the Group continues to invest to develop its future revenue pillars as initiatives for sustainable growth over the medium to long term, the sales area of the Workplace Hub, an edge IoT platform provided by the Company, expanded from 9 countries to 26 countries during the current fiscal year, and measures were implemented to reinforce sales activities, leading to an increase in the number of customers. In the bio-healthcare field, the world's first commercialization of the ribonucleic acid (RNA) testing that assesses germline mutations to enhance the accuracy of genetic diagnostics dramatically was highly recognized by medical institutions, contributing to a significant increase in the number of orders for genetic testing. Additionally, preparatory work was commenced to offer full-scale services to imaging centers with an aim to further expand the business. Revenue in new businesses substantially increased due to progresses made in these areas.

Operating profit was 8.2 billion yen, a decrease of 86.8% year-on-year. Decrease due to the effect of strong yen was 7.1 billion yen year-on-year. The overall decrease in operating profit was mainly due to the following: a temporary gain of 20.2 billion yen generated from the liquidation of assets through sale and leaseback arrangements was recorded in the previous fiscal year; additional tariffs of 2.4 billion yen arising from the United States-China trade friction were borne in the current fiscal year; and 7.4 billion yen was recorded in the current fiscal year as for the cost of structure reform. The impact of COVID-19 on the Group's operating profit is expected to be around 11.0 billion yen.

Although the profit substantially declined year-on-year, certain measures were taken as originally planned during the current fiscal year in order to improve the sluggish performance that was seen in the first half of the year in the Office Business and the Professional Print Business. In detail, the Company implemented the structure reform, took measures to cut manufacturing costs, and shifted to high value-added new products with an aim to reinforce marketing competitiveness, all with an expectation that they would contribute to the profitability improvement in the next fiscal year. Particularly, the Company expects the structure reform will help the profit boost in the next fiscal year, and the benefit will certainly outweigh the costs put in the current fiscal year.

Profit before tax marked 0.2 billion yen, a decrease of 99.5% year-on-year, and loss attributable to owners of the Company was 3.0 billion yen (whereas in the previous fiscal year, profit attributable to owners of the Company was 41.7 billion yen).

b. Overview by Segment

		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	587.8	546.4	(41.4)	-7.0
	Operating profit	47.1	23.8	(23.3)	-49.4
Professional Print Business	Revenue	227.7	210.0	(17.6)	-7.8
	Operating profit	13.8	4.3	(9.4)	-68.5
Healthcare Business	Revenue	90.9	87.8	(3.0)	−3.4
	Operating profit	2.3	0.6	(1.7)	−73.1
Industrial Business	Revenue	116.7	109.6	(7.0)	-6.1
	Operating profit	20.9	19.2	(1.7)	−8.3
Subtotal	Revenue	1,023.2	954.0	(69.2)	-6.8
	Operating profit	84.3	48.0	(36.2)	-43.0
Others and adjustments (Note 2)	Revenue	35.8	42.0	6.2	17.3
	Operating profit	(21.9)	(39.8)	(17.9)	–
Amount reported in the Consolidated Statement of Profit or Loss	Revenue	1,059.1	996.1	(63.0)	-6.0
	Operating profit	62.4	8.2	(54.2)	-86.8

(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 color models turned to an increase in the third quarter of the current year due to the effect of new products. However, because of the COVID-19 outbreak, sales volume plummeted from February to March in 2020, the busiest season for sales activities, especially in China where the sales volume of A3 MFPs declined substantially. Although Japan and Europe were starting to see some adverse changes under the COVID-19 outbreak, the sales volume of color models was about the same level year-on-year thanks to the new product effect that was in place before the lockdown. North America, the largest market for high-speed color models, saw a decline in sales volume towards the end of the current fiscal year especially in the area of direct sales, because a new product was launched in February 2020 when the market was hit hard by the lockdown around the same time. As a result of the above, the sales volume of color models turned to a decrease year-on-year, and further decline was seen in sales of monochrome models year-on-year.

In the IT services solution business unit, some of the IT services offered were streamlined in an effort to increase profit, and measures were undertaken to further enhance profitability through standardization and automation of support services. However, sales went down in the month of March 2020, ending up in a decline in revenue for the current fiscal year.

As a result of the above, the Office Business segment recorded revenue of 546.4 billion yen, a decrease of 7.0% year-on-year. Operating profit was 23.8 billion yen, a decrease of 49.4% year-on-year, partly due to the effects of tariffs of 1.9 billion yen linked to the United States-China trade friction as well as the cost of structure reform of 5.8 billion yen recorded in the current fiscal year.

ii. Professional Print Business

In the production print business unit, a recovery of sales was seen in the third quarter of the current fiscal year in North America thanks to the effect of certain measures taken, including emphasized values of IQ-501 Intelligent Quality Optimizer. "AccurioPress C14000" series, the Company's first high-speed model launched in February 2020, were successfully receiving orders, enabling the business to expand into the heavy production print market. However, the overall sales volume decreased globally, except the ASEAN region, against a backdrop of the COVID-19 outbreak, which caused delays in equipment installments at customers' site, pullbacks in customers' investment activities, and postponements of investment decisions.

In the industrial printing business unit, sales of "AccurioJet KM-1" digital inkjet press through direct sales showed significant growth. The sales of label printers and digital decoration printing equipment showed substantial growth, reflecting the effects of new products and reinforced sales capacity, and maintaining the highest market share in the targeted markets.

In the marketing services business unit, despite the continuing efforts into transition as a business that provides high value-added solutions and expanding sales driven by the United States and Asia, revenue fell mainly due to the following: a slowdown in marketing activities at client companies of the Group from the latter half of February 2020; and a decrease in the number of customers visiting Kinko's stores, which offer on-demand printing services.

As a result of the above, the Professional Print Business segment recorded revenue of 210.0 billion yen, a decrease of 7.8% year-on-year. Operating profit was 4.3 billion yen, a decrease of 68.5% year-on-year, partly due to the effects of tariffs of 0.5 billion yen linked to the United States-China trade friction and an impairment loss of 1.6 billion yen on a subsidiary's goodwill, which was recorded under the marketing services business unit.

iii. Healthcare Business

In the healthcare (modality) business unit, the sales volume of the digital radiography (DR) in Japan, Europe, and Asia increased throughout the year, and also solid sales were seen in South America as for Americas. Accordingly, the overall sales volume of DR increased on a year-on-year basis. The sales volume of diagnostic ultrasound systems increased steadily: sales were strong in Japan throughout the current fiscal year, supported by the effect of a new product for obstetrics and a sales volume increase in new fields, including artificial dialysis and anesthesia; and overseas sales also grew, primarily in Europe and Asia. However, the total revenue in the healthcare (modality) business unit decreased, mainly due to the declining revenue in China under the COVID-19 outbreak.

In the medical IT business unit, a large-scale order of the Picture Archiving and Communication System (PACS) was received in North America, and solid sales of PACS were seen in Japan likewise. PACS sales also started in Asia. All of this enabled the unit to maintain an increase in revenue despite the severe economic environment in the second half of the current fiscal year.

As a result, the Healthcare Business segment recorded revenue of 87.8 billion yen, a decrease of 3.4% year-on-year. Operating profit was 0.6 billion yen, a decrease of 73.1% year-on-year, partly due to the recognition of valuation loss on property, plant and equipment of 0.5 billion yen related to a sale of subsidiaries' business bases.

iv. Industrial Business

In the field of materials and components, sales shifted steadily to high value-added products in the performance materials business unit; however, overall revenue slightly decreased partly because the unit was affected by customers' temporary inventory adjustment in the latter half of the current fiscal year. The new resin film which had been successfully developed by the Company over the past few years has obtained wide recognition from customers, and the Company has already started sales of the product. The Company is on track to transform the product portfolio and grow its customer base. In the optical component business unit, sales of projector lenses remained robust throughout the current fiscal year, whereas sales of other optical parts were sluggish, resulting in a decrease in revenue. In the inkjet component business unit, sales plummeted because of the spread of COVID-19, also resulting in a decrease in revenue. Based on above, overall revenue in the field of materials and components went down.

In the field of optical systems for industrial use, overall revenue in the measuring instruments business unit declined: demand for object color measurement instruments was sluggish but further deteriorated when business activities faced restrictions under the COVID-19 outbreak; and sales of light source color measurement instruments fell in the current fiscal year partly because of the absence of large demand that had been seen in the previous fiscal year derived from diversification of display products. Such decrease in sales of light source color measurement instruments was showing signs of improvement in the latter half of the current fiscal year; however, many of the customer deliveries had to be postponed until the next fiscal year because of the COVID-19 outbreak, as many of the business activities were restricted and it took longer than usual time at China Customs. That said, the measuring instruments business unit continues to receive inquiries from customers in China and Korea and has restarted business negotiations from the end of the current fiscal year.

As a result, the Industrial Business segment recorded revenue of 109.6 billion yen, a decrease of 6.1% year-on-year. Operating profit was 19.2 billion yen, a decrease of 8.3% year-on-year.

(Reference) Overview of the quarterly consolidated accounting period

	Three months ended March 31, 2019	Three months ended March 31, 2020	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	281.5	249.0	(32.4)	−11.5
Gross profit	131.2	111.7	(19.4)	−14.8
Operating profit (loss)	11.9	(2.3)	(14.3)	–
Profit (loss) before tax	12.1	(5.2)	(17.4)	–
Profit (loss) attributable to owners of the Company	7.9	(5.2)	(13.2)	–
	Yen	Yen	Yen	%
Basic earnings (loss) per share	16.10	(10.60)	(26.70)	–
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	19.0	16.5	(2.4)	−13.0
Depreciation and amortization expenses	14.9	19.6	4.6	31.2
Research and development expenses	19.0	16.9	(2.0)	−10.8
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	(1.1)	6.7	7.8	–
Foreign exchange rates	Yen	Yen	Yen	%
U.S. dollar	110.20	108.92	−1.28	−1.2
Euro	125.15	120.11	−5.04	−4.0

Overview of major segments

		Three months ended March 31, 2019	Three months ended March 31, 2020	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	151.3	134.2	(17.1)	−11.3
	Operating profit	12.8	1.3	(11.5)	−89.7
Professional Print Business	Revenue	62.6	51.3	(11.2)	−18.0
	Operating profit	5.1	(0.6)	(5.7)	–
Healthcare Business	Revenue	29.8	24.6	(5.1)	−17.3
	Operating profit	1.2	0.0	(1.1)	−95.3
Industrial Business	Revenue	28.2	26.6	(1.6)	−5.7
	Operating profit	3.8	3.8	(0.0)	−1.4
Subtotal	Revenue	272.1	237.0	(35.1)	−12.9
	Operating profit	23.0	4.5	(18.5)	−80.3
Others and adjustments	Revenue	9.3	12.0	2.6	28.8
	Operating profit	(11.1)	(6.9)	4.2	–
Amount reported in the Consolidated Statement of Profit or Loss	Revenue	281.5	249.0	(32.4)	−11.5
	Operating profit	11.9	(2.3)	(14.3)	–

c. Outlook for the Fiscal Year Ending March 31, 2021

As the COVID-19 pandemic unfolds, a challenging situation continues where economic activities are restricted across geographies. At this time, it is uncertain as to when the outbreak will level off, and various risks and opportunities are still expected. Given such circumstances, it would be difficult to determine a forecast in a reasonable manner. Accordingly, the Company will refrain from releasing the forecast for the fiscal year ending March 31, 2021. The Company will announce a forecast as soon as it becomes possible to reasonably project business results. For the time being, the Company sees risks and opportunities in the following areas:

Provided that many client companies of the Group are adopting telecommuting and their business activities are restricted, the Office Business segment, the Professional Print Business segment, and the "Workplace Hub," one of the new businesses, are likely to continue struggling with delays at customers for the timing of product purchases and equipment installments, limited opportunities for or longer-than-expected sales negotiations with customers, and an overall decline in printing volume. Meanwhile, the Company's IT service solutions and the "Workplace Hub," which are supporting customers' telecommuting and other new working styles, are expected to expand sales opportunities going forward. This is because the solution services will enable small- and medium-sized companies as well as governmental organizations, which are the Company's major customers, to establish a robust information security system while achieving collaborative remote work environment.

In the Healthcare Business and the new bio-healthcare field, the Company foresees a tentative decline in sales attributable to a decrease in the number of general patients and examinees and also restrictions on the Company's visit to hospitals and pharmaceutical companies. On the other hand, the Company expects to see sequential improvement in demand once the COVID-19 outbreak levels out. Further, sales opportunities are expected to increase for the Company's products that support a sustainable medical environment, covering infection control measures, which include remote diagnostic imaging systems, dynamic X-ray systems, AI image reading support systems, "Informity" which supports medical image management and collaboration between medical institutions, remote medical exams, and counseling systems. The Company is also preparing to receive orders for polymerase chain reaction (PCR) tests for employers in response to requests from the U.S. government. In addition, the Company's drug discovery support business is striving to support research on COVID-19 drugs.

It is likely that the Industrial Business will be adversely affected by delays at client companies in increasing their flat panel display (FPD) production lines as well as the fluctuation in market demand for end products. Meanwhile, sales opportunities are expected to increase in the following areas: parts for small- and medium-sized display products, such as laptop computers, tablets, and smartphones, whose market is supposed to grow as new working styles gain popular support; and the Company's originally developed solution service that contributes to labor saving at customers' production lines through automated inspection systems.

With regard to the financial foundation, the Company is further securing the liquidity on hand at a sufficient level mainly through obtaining finance from financial institutions, keeping its commitment line agreements without drawing on them, and entering into another commitment line agreement. Moreover, the Company is committed to streamline its business operations through strictly tightening inventory at a minimum level, strengthening its cash flow management by sorting and reducing the level of capital spending as well as investment and lending transactions, and keeping the mindset that "costs are also part of investment."

(2) Overview of Consolidated Financial Position

a. Analysis of Consolidated Financial Position

	As of March 31, 2019	As of March 31, 2020	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,218.9	1,276.7	57.7
Total liabilities	653.0	743.0	89.9
Total equity	565.9	533.7	(32.2)
Equity attributable to owners of the Company	555.6	523.7	(31.9)
	Yen	Yen	Yen
Equity per share attributable to owners of the Company	1,123.39	1,058.29	(65.10)
	%	%	%
Equity ratio attributable to owners of the Company	45.6	41.0	−4.6

Total assets as of March 31, 2020, were 1,276.7 billion yen, an increase of 57.7 billion yen (4.7%) from March 31, 2019. This is primarily attributed to an increase of 102.3 billion yen in property, plant and equipment mainly due to the adoption of IFRS 16 *Leases* (“IFRS 16”), an increase of 17.8 billion yen in inventories, a decrease of 34.9 billion yen in cash and cash equivalents, a decrease of 14.7 billion yen in trade and other receivables, a decrease of 8.3 billion yen in goodwill and intangible assets, and a decrease of 5.6 billion yen in other financial assets.

Total liabilities as of March 31, 2020, were 743.0 billion yen, an increase of 89.9 billion yen (13.8%) from March 31, 2019. This is primarily attributed to an increase of 114.2 billion yen in lease liabilities due to the adoption of IFRS 16, an increase of 15.5 billion yen in bonds and borrowings, a decrease of 12.3 billion yen in trade and other payables, a decrease of 9.4 billion yen in other financial liabilities, and a decrease of 7.5 billion yen in income tax payables.

Total equity as of March 31, 2020, was 533.7 billion yen, a decrease of 32.2 billion yen (5.7%) from March 31, 2019.

Equity attributable to owners of the Company was 523.7 billion yen as of March 31, 2020, a decrease of 31.9 billion yen (5.7%) from March 31, 2019. This is primarily attributed to a decrease of 22.4 billion yen in other components of equity (mainly exchange differences on translation of foreign operations) 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 the owners of the Company came to 1,058.29 yen, and the equity ratio attributable to owners of the Company decreased 4.6 percentage points to 41.0%.

b. Analysis of Cash Flows

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	57.1	30.1	(27.0)
Cash flows from investing activities	(41.4)	(50.0)	(8.5)
Total (Free cash flows)	15.6	(19.8)	(35.5)
Cash flows from financing activities	(40.2)	(11.9)	28.3

During the fiscal year ended March 31, 2020, net cash provided by operating activities was 30.1 billion yen, and net cash used in investing activities totaled 50.0 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were an outflow of 19.8 billion yen for the current fiscal year.

Net cash used in financing activities was 11.9 billion yen.

In addition, cash and cash equivalents as of March 31, 2020, decreased by 34.9 billion yen from March 31, 2019, to 89.9 billion yen, reflecting the effect of exchange rate fluctuations on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities was 30.1 billion yen. This is attributable to net effects of cash inflows mainly due to profit before tax of 0.2 billion yen and depreciation and amortization expenses of 77.1 billion yen, and cash outflows mainly due to an increase in inventories of 23.1 billion yen, a decrease in trade and other payables of 4.8 billion yen, and payment of income taxes of 15.7 billion yen.

Cash flows from investing activities

Net cash used in investing activities was 50.0 billion yen, mainly due to purchases of property, plant and equipment of 36.6 billion yen, purchases of intangible assets of 12.9 billion yen, and purchases of investments in subsidiaries of 6.3 billion yen.

As a result, free cash flows (the sum of cash flows from operating and investing activities) were an outflow of 19.8 billion yen (an inflow of 15.6 billion yen in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was 11.9 billion yen (net cash outflows of 40.2 billion yen in the previous fiscal year), reflecting mainly proceeds, including net increase in short-term loans payable of 11.6 billion yen and proceeds from bonds issuance and long-term loans payable of 30.9 billion yen, netted with redemption of bonds and repayments of long-term loans payable of 20.8 billion yen, repayments of lease liabilities of 18.7 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.

2. ISSUES TO BE ADDRESSED

(1) Konica Minolta Philosophy

Under our philosophy of "The Creation of New Value," the Company has successfully created innovative solutions with its original technology centered around image inputs/outputs and image processing, responding to the customers' needs around the globe to "see" things. The Company has made a wide range of things visible, including the following: latent risks of errors and inefficiencies in the operation process of client companies; counting on intuition and inspirations of skilled professionals in printing and manufacturing fields; and potential risks, such as a slight indication of diseases or genetic abnormalities, which may threaten people's healthy life and stable society. By providing unique value in these ways, the Company has dedicated itself to become an entity that solves various issues faced by customers and the society.

(2) Focus Areas in Fiscal 2020

In the first half of the fiscal year ended March 31, 2020 (or "fiscal 2019"), profitability declined in the Company's core businesses, mainly the Office Business and the Professional Print Business, owing to both external and internal factors. As for external factors, the economic environment surrounding the Company deteriorated as an economic slowdown was seen in Europe followed by progressive appreciation of yen against euro, and also the United States-China trade friction led to an economic downturn in both countries. On top of that, certain internal factors affected the Company, including the delay in reducing manufacturing costs when shifting to new models for low- and medium-speed color MFPs in the Office Business. In the latter half of fiscal 2019, although negatively affected by additional tariffs attributable to the United States-China trade friction, the Company succeeded in taking additional measures to improve profitability. Further, starting from January 2020, the Company proceeded with releasing high value-added products into the market, including new models of the Office Business's high-speed color MFP and also new models in the newly-entered field of high-speed color digital production printing. In addition, the Company implemented the structure reform as originally planned, expecting it to contribute to the improvement of fiscal 2020 financial results.

However, the global pandemic caused by COVID-19 started to disrupt the Company's production and marketing activities from around February 2020. In particular, lockdowns in the United States and Europe not only caused delays in equipment installments and service renderings related to orders already received from customers, but also prevented the Company from conducting further marketing activities. Given the nature of the Company's business, which relies heavily on revenue from the United States and Europe, the Company's financial results were hit hard by the economic downturn in these regions due to the pandemic. That said, it is important to understand that the Company's profitability deteriorated simply because it was unable to conduct sufficient marketing activities. It is not because the demand disappeared somewhere or because the Company became less competitive.

Amid this difficult situation where many businesses were experiencing a decline in both revenue and profit due to the spread of COVID-19, the Company boosted profitability in the performance materials business unit thanks to the product portfolio strategy that had been successfully implemented over the past years.

The Company expects that the impact due to the COVID-19 pandemic will become more significant in the first quarter ending June 30, 2020, and the situation will remain unpredictable in the following periods. Although the situation may ease for a while, the Company assumes that economic activities will continue to be affected by COVID-19 over the next year or two like a wave that comes and goes. With these in mind, the Company strives to establish a robust business structure that can endure tough times in a changing environment. In detail, the Company will focus on the following five areas as its key policies in fiscal 2020:

i. **Continue and reinforce profitability improvement measures:** Achieve significant success in the structure reform implemented in fiscal 2019. Focus on reducing inventory. Enhance competitiveness by cutting manufacturing costs and launching new products while decreasing the level of production. Support solving social issues in business areas that respond to growing needs in the era of COVID-19 spread, including telecommuting support for small- and medium-sized entities, early diagnosis using medical images and other technologies that reduce burden in the field of medical practices, and body temperature testing systems at the entrance of buildings or large-scale facilities.

ii. **Secure liquidity on hand**: Successfully secure finance that approximates six-month worth of revenue in order to establish a system where the Company can concentrate on its own business without being bothered by liquidity issues. Strictly tighten inventory at a minimum level and reduce capital spending.

iii. **Cut down fixed costs**: Accelerate sales activities and service renderings without face-to-face contact using digital technology. Provide customer-oriented digital innovation in operation processes. Fundamentally reassess working styles and find the right level of resource allocation and spending based on the assessment.

iv. **Improve capital efficiency**: Reinforce capital efficiency management for each business segment by assessing key performance indicators (or "KPI"), such as KM-ROIC, which is the Company's original KPI based on business profit, and return from invested capital. Reduce the level of capital expenditure. Regarding M&A as well as other investment and lending, put the highest priority on achieving successful return from investments made in the past, and then focus on making new investments that are essential to the Group's future growth.

v. **Reform the organization**: Establish an organization where people can act swiftly and independently as they see changes as an opportunity. Build a business culture and train people that are committed to create social value from bottom-up.

(3) Initiatives for the Medium- to Long-Term Growth

The unfold of COVID-19 shall fundamentally change the world and the way we live. More people will start thinking outside the box, and more people will start appreciating the importance of connecting to each other and to the society, and supporting each other, in order to create a better society on their own. The Company believes this will become a global phenomenon.

By leveraging the Company's "making the invisible visible" technologies, which have been developed since its foundation, the following have now become more visible: in the office business field, inefficiencies and risks embedded in the operation process for small- and medium-sized client companies can be visualized; in the digital printing field, losses and damages to the global environment arising from fluctuations in industry demand can be visualized; and in the healthcare field, infectious diseases and other diseases which may threaten people's healthy life can be visualized. By bringing out potential and creativity of professionals working in the business fields in these ways, the Company is dedicated to build a society where more people feel fulfilment and happiness.

The Company is ready to face the post COVID-19 world. Undoubtedly, there will be many challenges in the coming years to become a company that can achieve sustainable growth together with the society. The Company commits itself to take bold steps to promote innovation mainly through digitalization and digitization, the areas the Company has been working on restlessly. Looking back, the Company has a history of withdrawing from its founding businesses, namely the photographic film and camera businesses. Likewise, the Company will accelerate actions required for the impending paperless society and make vigorous efforts to fundamentally transform the business portfolio that reflects upcoming changes. The Company will fearlessly beef up the strategy of selection and concentration of businesses based on the Company's original strategy of "Value Genre-Top" to become a company that is truly needed and supported by the society and is capable of evolving its business together with the society.

3. BASIC VIEWS ON SELECTION OF ACCOUNTING STANDARDS

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) for its consolidated financial statements in order to unify accounting methods within the Group and improve the international comparability of financial information disclosed to the capital markets.

4. CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	124,830	89,901
Trade and other receivables	275,563	260,850
Inventories	144,703	162,575
Income tax receivables	3,305	4,775
Other financial assets	3,406	6,113
Other current assets	27,128	26,938
Total current assets	578,937	551,154
Non-current assets		
Property, plant and equipment	207,138	309,457
Goodwill and intangible assets	346,133	337,785
Investments accounted for using the equity method	913	644
Other financial assets	46,711	38,394
Deferred tax assets	32,505	34,562
Other non-current assets	6,647	4,770
Total non-current assets	640,048	725,614
Total assets	1,218,986	1,276,768

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Trade and other payables	175,268	162,886
Bonds and borrowings	24,648	59,267
Lease liabilities	–	18,456
Income tax payables	7,875	286
Provisions	12,260	12,028
Other financial liabilities	463	2,927
Other current liabilities	50,857	47,556
Total current liabilities	271,374	303,409
Non-current liabilities		
Bonds and borrowings	249,088	230,027
Lease liabilities	–	95,760
Retirement benefit liabilities	38,457	33,840
Provisions	15,540	15,205
Other financial liabilities	58,284	46,381
Deferred tax liabilities	12,497	11,973
Other non-current liabilities	7,760	6,404
Total non-current liabilities	381,628	439,593
Total liabilities	653,002	743,002
Equity		
Share capital	37,519	37,519
Share premium	188,333	196,135
Retained earnings	324,628	307,179
Treasury shares	(9,979)	(9,684)
Share acquisition rights	836	728
Other components of equity	14,350	(8,133)
Equity attributable to owners of the Company	555,689	523,745
Non-controlling interests	10,294	10,020
Total equity	565,983	533,766
Total liabilities and equity	1,218,986	1,276,768

(2) Consolidated Statements of Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Revenue	1,059,120	996,101
Cost of sales	550,231	529,780
Gross profit	508,888	466,321
Other income	25,402	4,615
Selling, general and administrative expenses	458,194	443,071
Other expenses	13,652	19,654
Operating profit	62,444	8,211
Finance income	6,091	4,923
Finance costs	7,772	12,594
Share of profit (loss) of investments accounted for using the equity method	(624)	(255)
Profit before tax	60,138	284
Income tax expense	18,409	3,371
Profit (loss) for the year	41,729	(3,086)
Profit (loss) attributable to:		
Owners of the Company	41,705	(3,073)
Non-controlling interests	24	(12)
Earnings (loss) per share	Yen	Yen
Basic	84.33	(6.21)
Diluted	84.03	(6.21)

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit (loss) for the year	41,729	(3,086)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(1,770)	1,031
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	(1,701)	(2,782)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	0	–
Total items that will not be reclassified to profit or loss	(3,471)	(1,750)
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	977	(779)
Exchange differences on translation of foreign operations (net of tax)	2,438	(18,998)
Share of other comprehensive income (loss) of investments accounted for using the equity method (net of tax)	(18)	(13)
Total items that may be subsequently reclassified to profit or loss	3,396	(19,791)
Total other comprehensive income (loss)	(75)	(21,542)
Total comprehensive income (loss)	41,654	(24,628)
Total comprehensive income (loss) attributable to:		
Owners of the Company	42,311	(24,213)
Non-controlling interests	(656)	(414)

(4) Consolidated Statements 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 as of April 1, 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 as of April 1, 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 (loss)	–	–	–	–	–	605	605	(681)	(75)
Total comprehensive income (loss)	–	–	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 as of March 31, 2019	37,519	188,333	324,628	(9,979)	836	14,350	555,689	10,294	565,983

(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 as of March 31, 2019	37,519	188,333	324,628	(9,979)	836	14,350	555,689	10,294	565,983
Effect of changes in accounting policies	–	–	(744)	–	–	–	(744)	–	(744)
Restated balance as of March 31, 2019	37,519	188,333	323,884	(9,979)	836	14,350	554,944	10,294	565,238
Profit (loss) for the year	–	–	(3,073)	–	–	–	(3,073)	(12)	(3,086)
Other comprehensive income (loss)	–	–	–	–	–	(21,139)	(21,139)	(402)	(21,542)
Total comprehensive income (loss)	–	–	(3,073)	–	–	(21,139)	(24,213)	(414)	(24,628)
Dividends	–	–	(14,842)	–	–	–	(14,842)	(21)	(14,864)
Acquisition and disposal of treasury shares	–	–	(132)	295	–	–	162	–	162
Share-based payments	–	13	–	–	(107)	–	(93)	–	(93)
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	7	7
Equity and other transactions with non-controlling shareholders	–	360	–	–	–	–	360	155	515
Put options written on non-controlling interests	–	7,427	–	–	–	–	7,427	–	7,427
Transfer from other components of equity to retained earnings	–	–	1,343	–	–	(1,343)	–	–	–
Total transactions with owners	–	7,801	(13,630)	295	(107)	(1,343)	(6,984)	140	(6,843)
Balance as of March 31, 2020	37,519	196,135	307,179	(9,684)	728	(8,133)	523,745	10,020	533,766

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	60,138	284
Depreciation and amortization expenses	59,039	77,105
Impairment losses and reversal of impairment losses	942	3,074
Share of (profit) loss of investments accounted for using the equity method	624	255
Interest and dividends income	(4,544)	(4,503)
Interest expenses	6,642	9,279
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	(17,395)	3,394
(Increase) decrease in trade and other receivables	(14,113)	(228)
(Increase) decrease in inventories	(5,954)	(23,197)
Increase (decrease) in trade and other payables	3,472	(4,842)
Decrease due to transfer of rental assets	(7,333)	(7,505)
Increase (decrease) in retirement benefit liabilities	(10,335)	(2,376)
Others	(1,482)	(416)
Subtotal	69,698	50,322
Dividends received	640	676
Interest received	3,787	3,925
Interest paid	(6,586)	(9,066)
Income taxes (paid) refunded	(10,373)	(15,709)
Net cash provided by (used in) operating activities	57,166	30,148

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,064)	(36,625)
Purchase of intangible assets	(16,281)	(12,928)
Proceeds from sales of property, plant and equipment, and intangible assets	21,576	3,993
Purchase of investments in subsidiaries	(9,957)	(6,368)
Purchase of investments accounted for using the equity method	(250)	–
Proceeds from sales of investments accounted for using the equity method	2,341	–
Purchase of investment securities	(143)	(388)
Proceeds from sales of investment securities	2,227	1,537
Payments for transfer of business	(3,062)	(325)
Others	(2,865)	1,061
Net cash provided by (used in) investing activities	(41,480)	(50,043)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,301	11,680
Proceeds from bonds issuance and long-term loans payable	375	30,937
Redemption of bonds and repayments of long-term loans payable	(27,039)	(20,862)
Repayments of lease liabilities	–	(18,764)
Purchase of treasury shares	(5)	(2)
Cash dividends paid	(14,831)	(14,876)
Payment of dividends to non-controlling shareholders	(46)	(21)
Others	0	0
Net cash provided by (used in) financing activities	(40,246)	(11,910)
Effect of exchange rate changes on cash and cash equivalents	(522)	(3,123)
Net increase (decrease) in cash and cash equivalents	(25,083)	(34,929)
Cash and cash equivalents at the beginning of the year	149,913	124,830
Cash and cash equivalents at the end of the year	124,830	89,901

(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 policy effective from the fiscal year ended March 31, 2020. Other than the policy, 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, 2019.

(Adoption of IFRS 16)

The Group adopted IFRS 16 *Leases* (issued in January 2016) effective from the fiscal year ended March 31, 2020.

For lease transactions as a lessee, excluding short-term leases and leases of low-value assets, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Interest expense is allocated over the lease period using a constant rate on the remaining balance of lease liabilities, and is recognized as an expense in the attributable period.

Right-of-use assets are measured at the amount of the initial measurement of the lease liability, adjusted by any initial direct costs and adding restoring costs of the underlying asset. After the initial measurement, the Group applies a cost model and measures the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses, presented as property, plant and equipment in the consolidated statements of financial position. Costs are depreciated over the shorter period of the estimated useful life or the lease term of the underlying asset on a straight-line basis.

Lease payments relating to short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

IFRS 16 is applied retrospectively in accordance with the transitional provisions, recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2020. The comparative information included in the consolidated financial statements is not restated. With regard to assessing whether a contract contains a lease or not, the Group has selected a practical expedient under IFRS 16 and applied the assessments made under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

Associated with the adoption of IFRS 16, right-of-use assets and lease liabilities are recognized at the date of initial application of IFRS 16 for leases previously classified as operating leases applying IAS 17, excluding short-term leases and leases of low-value assets. A lease liability is measured at the present value of the remaining lease payments at the commencement date, discounted using the lessee's incremental borrowing rate. A right-of-use asset is measured at either of the following:

- its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application of IFRS 16; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The following practical expedients under IFRS 16 are used when applying IFRS 16 to leases previously classified as operating leases applying IAS 17:

- relying on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- accounting for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases; and

- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a result, right-of-use assets, included in property, plant and equipment, and lease liabilities increased by 110,923 million yen and 111,979 million yen, respectively, and retained earnings decreased by 744 million yen in the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2020, compared with those accounted for under the previous accounting standards. The weighted average incremental borrowing rate applied to the measurement of lease liabilities is 2.44%.

For lease transactions as a lessor, there is no significant change in the accounting policies applied to the previous accounting standards.

[Other Income]

Components of other income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Gain on sales of property, plant and equipment, and intangible assets	20,490	302
Others	4,912	4,313
Total	25,402	4,615

[Other Expenses]

Components of other expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Business structure improvement expenses	2,902	5,060
Loss on sales and disposals of property, plant and equipment, and intangible assets	3,095	3,696
Impairment loss	942	3,074
Special extra retirement payments	–	1,609
Loss on disposal of mass-produced trial products	1,777	1,219
Others	4,935	4,992
Total	13,652	19,654

[Segment Information]

(a) Reportable segments

Operating segments of the Group are its components 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 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 product and service category, the Group has established four reportable segments as the "Office Business," "Professional Print Business," "Healthcare Business," and "Industrial Business" based on its operating segments 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 "Others."

The business 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	Materials and Components Development, manufacture, and sales of products, such as functional film displays, OLED lighting, industrial inkjet printheads, and lenses for industrial and professional use
	Optical Systems for Industrial Use Development, manufacture, and sales of measuring instruments and others

(b) Information by reportable segment

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

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

Fiscal year ended March 31, 2020

(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	546,457	210,085	87,885	109,605	954,034	42,067	–	996,101
Intersegment (Note 1)	1,941	432	657	3,374	6,406	18,281	(24,687)	–
Total	548,399	210,518	88,542	112,980	960,440	60,348	(24,687)	996,101
Segment profit (loss)	23,870	4,361	644	19,202	48,078	(17,848)	(22,017)	8,211
Other items								
Depreciation and amortization expenses	37,233	11,714	4,352	9,335	62,636	6,843	7,625	77,105
Impairment losses on non-financial assets	14	1,698	591	769	3,074	–	–	3,074

(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 or “Others”. They include other revenue and other 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, 2019	Fiscal year ended March 31, 2020
Japan	197,644	191,789
USA	293,740	279,774
Europe	318,560	294,237
China	86,700	79,247
Asia	83,366	78,463
Others	79,107	72,588
Total	1,059,120	996,101

(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, 2019	As of March 31, 2020
Japan	215,855	268,883
USA	200,747	222,064
Europe	107,626	120,334
China	17,253	19,658
Asia	15,248	16,542
Others	3,857	4,844
Total	560,590	652,328

(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, 2019	Fiscal year ended March 31, 2020
Basis of calculating basic earnings per share	Millions of yen	Millions of yen
Profit (loss) for the year attributable to owners of the Company	41,705	(3,073)
Profit for the year not attributable to owners of the Company	–	–
Profit (loss) for the year to calculate basic earnings per share	41,705	(3,073)
	Thousands of shares	Thousands of shares
Weighted average number of ordinary shares outstanding during the year	494,572	494,794
	Yen	Yen
Basic earnings (loss) per share	84.33	(6.21)
Basis of calculating diluted earnings per share	Millions of yen	Millions of yen
Profit (loss) for the year to calculate basic earnings per share	41,705	(3,073)
Adjustments of profit for the year	–	–
Profit (loss) for the year to calculate diluted earnings per share	41,705	(3, 073)
	Thousands of shares	Thousands of shares
Weighted average number of ordinary shares outstanding during the year	494,572	494,794
Impact of dilutive effects	1,756	–
Weighted average number of diluted ordinary shares outstanding during the year	496,329	494,794
	Yen	Yen
Diluted earnings (loss) per share	84.03	(6.21)

[Events after the Reporting Period]

Not applicable.