

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 [IFRS]

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Stock exchange listings:	Tokyo (First Section)
Securities code number:	4902
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Scheduled date for submission of securities report:	August 7, 2020
Scheduled date for dividends payment:	-
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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(1) Consolidated results of operations

(Percentage figures represent changes from the same period of the previous fiscal year)

Three months ended	Revenue		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	173,167	-28.4	(22,639)	-	(23,801)	-
June 30, 2019	241,743	-5.3	554	-96.4	(1,378)	-

Three months ended	Profit for the period		Profit attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	(17,446)	-	(17,305)	-	(18,259)	-
June 30, 2019	(1,470)	-	(1,208)	-	(16,165)	-

Three months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2020	(34.96)	(34.96)
June 30, 2019	(2.44)	(2.44)

(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
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2020	1,309,673	511,065	501,510	38.3
March 31, 2020	1,276,768	533,766	523,745	41.0

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, 2020	—	15.00	—	10.00	25.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (forecast)		—	—	—	—

(Note 1) Changes from the latest dividend forecasts: None

(Note 2) 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 for the three months ended June 30, 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): None
 - 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 June 30, 2020: 502,664,337 shares
 - As of March 31, 2020: 502,664,337 shares
 - b. Number of treasury shares
 - As of June 30, 2020: 7,433,166 shares
 - As of March 31, 2020: 7,764,241 shares
 - c. Average number of issued and outstanding shares during the period
 - The three months ended June 30, 2020: 495,001,762 shares
 - The three months ended June 30, 2019: 494,690,678 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 are accounted for as treasury shares (915,606 shares as of June 30, 2020, and 1,184,094 shares as of March 31, 2020).

- This summary of quarterly consolidated financial results falls outside the scope of quarterly review 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

(Description of forecasts)

The forecasts for results of operations in this report are based on information currently available to the Company and its subsidiaries (the “Group”) and certain 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. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2020, (3) Explanation Regarding the Forecasts for the Consolidated Financial Results” in the attached Supplementary Information on page 8.

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

The Company will hold a briefing on the quarterly financial results for institutional investors on Thursday, July 30, 2020. The proceedings and details of the briefing, along with the supplementary information on the quarterly financial results to be presented at the briefing, will be posted on the website of the Group soon after the briefing.

Supplementary Information

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1. QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2020

(1) Qualitative Information on the Consolidated Operating Results

a. Overview

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	241.7	173.1	(68.5)	-28.4
Gross profit	116.6	71.6	(44.9)	-38.6
Operating profit (loss)	0.5	(22.6)	(23.1)	-
Profit (loss) before tax	(1.3)	(23.8)	(22.4)	-
Profit (loss) attributable to owners of the Company	(1.2)	(17.3)	(16.0)	-
	Yen	Yen	Yen	%
Basic earnings (loss) per share	(2.44)	(34.96)	(32.52)	-
	Billions of yen	Billions of yen	Billions of yen	%
Capital expenditures	9.6	6.3	(3.3)	-34.5
Depreciation and amortization expenses	18.8	19.4	0.5	2.8
Research and development expenses	18.9	16.1	(2.8)	-14.8
	Billions of yen	Billions of yen	Billions of yen	%
Free cash flows	(15.0)	(13.9)	(1.0)	-
	Number	Number	Number	%
Number of employees in the Group	44,600	42,964	(1,636)	-3.7
	Yen	Yen	Yen	%
Foreign exchange rates				
U.S. dollar	109.90	107.62	(2.28)	-2.1
Euro	123.49	118.48	(5.01)	-4.1

In the three months ended June 30, 2020 (the “current period”), the Group recorded revenue of 173.1 billion yen, a decrease of 28.4% year-on-year. The current period was hit hard by lockdowns due to the COVID-19 outbreak in the United States and Europe, from which approximately 60% of the global revenue is generated, causing a significant revenue decline mainly in the Office Business and Professional Print Business. Revenue in China gradually recovered to the same level year-on-year as it began to reopen businesses and also equipment installments at customers’ site carried over from previous periods were performed in the current period. But the economic slowdown in client companies’ export destinations adversely affected the revenue in China in an indirect way. In Japan, sales activities gradually came back after the lifting of the nationwide state of emergency, although signs of recovery were still weak amid the pandemic. The United States and Europe were also hit hard by lockdowns. That said, Europe gradually reopened business activities from mid-May thanks to the lockdown easing, and sales activities were picking up the pace of recovery in June. The overall revenue of the Group saw signs of improvement over the period, given that the monthly revenue went up in June compared to April and May and also the decrease in monthly revenue year-on-year improved in the month of June.

Operating loss during the current period was 22.6 billion yen, a substantial decrease year-on-year (operating profit of 0.5 billion yen was marked in the same period of the previous fiscal year). Despite the Company’s all-out effort to significantly reduce selling and administrative expenses through the structure reform that had been implemented in the previous fiscal year and also through additional measures taken in the current period, operating profit deteriorated as gross profit plummeted under the shrinking revenue. The impact of COVID-19 on the operating profit is expected

to be around 30.0 billion yen in the current period.

Loss before tax of 23.8 billion yen was marked in the current period (whereas loss before tax was 1.3 billion yen in the same period of the previous fiscal year). Loss attributable to owners of the Company was 17.3 billion yen (whereas loss attributable to owners of the Company was 1.2 billion yen in the same period of the previous fiscal year).

The four core technologies of the Company in the fields of materials, optics, nano-fabrication, and imaging enables the Company to detect or identify all kinds of visible and invisible things and convert or interpret them into digital information, thereby enhancing the usefulness of information (i.e. making the invisible visible). In addition, by further applying image-processing technologies to the information, the Company is creating value for customers who need to take actions or make judgments. Centered around its original imaging IoT technologies, the Company is able to support customers' digital transformation, thereby enriching the life of end users and other people, including their safety and security. The Company is dedicated to enhance its corporate value sustainably by integrating the concepts of "the creation of new value for the society (social value)" and "the growth of businesses (economic value)."

In detail, amid the outbreak of COVID-19, the Company is leveraging know-how to digitalize work place, which has been developed through its own experience from the early days, in order to provide various services that support client companies in implementing telecommuting environment. The Company has also started offering an imaging IoT application which can measure non-contact, real-time body surface temperature by using thermal camera. In the field of medical practice, the Company is offering portable equipment, including digital X-ray systems, diagnostic ultrasound systems, and pulse oximeters. In the United States, the Company is now ready to provide remote diagnostic services for COVID-19 as well as polymerase chain reaction (PCR) testing and antigen/antibody testing services for companies and other organizations by utilizing the Company's facilities and know-how in the bio-healthcare field.

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 Workplace Hub, an edge IoT platform provided by the Company, is gaining a growing reputation from customers amid the spread of COVID-19 as a managed IT service platform, including information security infrastructure. In the bio-healthcare field, although the number of genetic testing services decreased during the current period due to a drop in the number of patients coming into hospitals as the pandemic unfolded, improving trends are seen in the number of testing month by month. Further, starting from May 2020, the Company launched a full-scale service for imaging centers called "CARE Program," aiming to expand the genetic testing service to healthy people to examine their disease risks. The service is gathering momentum as the Company has successfully signed contracts with major hospital groups.

b. Overview by Segment

		Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	
		Billions of yen	Billions of yen	Billions of yen	%
Office Business	Revenue	134.5	93.9	(40.5)	-30.2
	Operating profit	7.6	(7.5)	(15.2)	-
Professional Print Business	Revenue	50.6	31.7	(18.8)	-37.2
	Operating profit	1.0	(7.0)	(8.1)	-
Healthcare Business	Revenue	18.6	16.4	(2.1)	-11.8
	Operating profit	(0.2)	(1.1)	(0.8)	-
Industrial Business	Revenue	28.1	23.3	(4.8)	-17.1
	Operating profit	4.8	3.2	(1.5)	-32.4
Subtotal	Revenue	231.9	165.5	(66.4)	-28.6
	Operating profit	13.2	(12.4)	(25.7)	-
Others and adjustments (Note 2)	Revenue	9.7	7.6	(2.1)	-21.8
	Operating profit	(12.6)	(10.1)	2.5	-
Amount reported in the Condensed Consolidated Statement of Profit or Loss	Revenue	241.7	173.1	(68.5)	-28.4
	Operating profit	0.5	(22.6)	(23.1)	-

(Notes)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES, (6) Notes to the Condensed Consolidated Financial Statements [Segment Information]." "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 A3 MFPs declined year-on-year in both color models and monochrome models because sales activities at customers' site were restricted under COVID-19 lockdowns, leading to delays in sales negotiations and equipment installments. That said, sales volume in June went up compared to April and May driven by color models sales, seeing an improvement in the decrease in monthly sales year-on-year in the month of June. Looking by geography, China experienced the mildest revenue declining curve as its business activities started to recover during the current period, and next came Japan. Although the United States and Europe continued to struggle with a declining trend in revenue over the prolonged lockdown measures, Europe saw gradual signs of recovery thanks to the relaxation of lockdowns from around mid-May, leading to a relative improvement in the downward trend in the month of June. Lockdown measures across geographies also dented non-hard revenue, such as consumables and services, as employees of client companies were unable to go to work, causing a decline in office printing volume. Looking by geography, non-hard revenue followed a similar trend as that observed for MFPs sales. No significant issues were seen in the supply side and the Company continuously strived to generate cash by strictly tightening the level of inventory at a minimum level.

In the IT services solution business unit, the downward trend in revenue was not as bad compared to the office products business unit, because it had more chances to conduct sales negotiations or implement services without making face-to-face contact with customers, including supporting services for the implementation of telecommuting network for client companies.

As a result of the above, and also because of the weak euro, the Office Business segment

recorded revenue of 93.9 billion yen, a decrease of 30.2% year-on-year. Operating loss was 7.5 billion yen (operating profit of 7.6 billion yen for the same period in the previous fiscal year).

ii. Professional Print Business

The production print business unit followed a similar pattern to the office products business unit, and saw a substantial decline in sales volume year-on-year in both color models and monochrome models because sales activities at customers' site were restricted, leading to delays in sales negotiations and equipment installments. Sales volume in June successfully increased compared to April and May, and the decrease in monthly sales year-on-year improved; however, the improvement was not as significant as that of the office products business unit. Non-hard revenue also went down as printing companies, major customers of the Company, faced a plunge in printing orders against a backdrop of a slowdown in corporate marketing and sales promotion activities as well as postponement or cancellation of events, causing a significant decline in their printing volume during the current period. However, non-hard revenue thankfully saw signs of recovery in June compared to May.

In the industrial printing business unit, although sales of "AccurioJet KM-1" digital inkjet press declined, a sequential improvement in demand was seen from medium- and large-sized printing companies, which are key customers of the Company. Further, the Company successfully launched "AccurioJet KM-1e," the successor model with higher quality settings that enables printing on various types of materials. Sales of label printers and digital embellishment printing equipment grew particularly in the United States and Europe, and related non-hard revenue remained to be around the same level year-on-year. This was due to an increasing demand for packages and labels for daily necessities, offset by a plunge in demand for textile inks arising from the weakness in the apparel industry. Based on above, the declining trend in revenue in the industrial printing business unit came out in a better shape compared to the production print business unit.

In the marketing services business unit, overall revenue dropped during the current period due to the following: marketing-related printing demand declined in the United States, Europe, and Asia due to postponement or cancellation of sales promotion activities and events held by client companies; and in Japan, a decline was seen 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 31.7 billion yen, a decrease of 37.2% year-on-year. Operating loss was 7.0 billion yen (operating profit of 1.0 billion yen for the same period in the previous fiscal year).

iii. Healthcare Business

Although many hospitals and clinics facing financial difficulties lost their appetite for making investments, the healthcare (modality) business unit saw an uplift in sales volume of the digital radiography (DR) primarily in North America, responding to the increasing needs on digital mobile X-ray systems to be used for COVID-19 exams. Sales volume of diagnostic ultrasound systems decreased because many of the Company's sales activities were restricted under the pandemic and also orthopedics, one of the Company's focus areas, halted their investments due to a decline in the number of patients. Meanwhile, film sales in China slowly came back from April 2020. The total revenue in the healthcare (modality) business unit decreased mainly due to the declining revenue in China and Japan.

In the medical IT business unit, although sales of "Informity," an IT service supporting medical image management and collaboration between medical institutions, went up year-on-year, the overall revenue declined in the unit mainly because sales of the Picture Archiving and Communication System (PACS) dropped under the restrictive environment of sales activities.

As a result, the Healthcare Business segment recorded revenue of 16.4 billion yen, a decrease of 11.8% year-on-year. Operating loss was 1.1 billion yen (operating loss of 0.2 billion yen for the same period in the previous fiscal year).

iv. Industrial Business

In the field of materials and components, the performance materials business unit enjoyed healthy sales in thin films, which are used for laptop computers, tablets, and other IT equipment,

to meet growing demand for telecommuting. However, overall revenue declined year-on-year in the unit because sales of high value-added products for televisions fell along with the shrinking demand for end products, including televisions, under the spread of COVID-19. The optical component business unit also saw an overall decline in revenue year-on-year due to sluggish sales of projector lenses, mainly because movie theaters were closed and events were cancelled or postponed under the spread of COVID-19. In the inkjet component business unit, export destinations of customers were devastated by the pandemic, causing a decrease in sales to such customers. Accordingly, the unit also saw a revenue decline year-on-year.

In the field of optical systems for industrial use, although the demand for object color measurement instruments continued to be sluggish during the current period, overall revenue in the measuring instruments business unit went up year-on-year because of the following positive factors: sales of light source color measurement instruments increased driven by strong demands from major customers; and equipment installments at customers' site, which had been postponed from the previous periods because of the COVID-19 outbreak, were finally completed in the current period.

As a result, the Industrial Business segment recorded revenue of 23.3 billion yen, a decrease of 17.1% year-on-year. Operating profit was 3.2 billion yen, a decrease of 32.4% year-on-year.

(2) Qualitative Information on the Consolidated Financial Position

a. Analysis of Consolidated Financial Position

	As of March 31, 2020	As of June 30, 2020	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Total assets	1,276.7	1,309.6	32.9
Total liabilities	743.0	798.6	55.6
Total equity	533.7	511.0	(22.7)
Equity attributable to owners of the Company	523.7	501.5	(22.2)
	%	%	%
Equity ratio attributable to owners of the Company	41.0	38.3	-2.7

Total assets as of June 30, 2020, were 1,309.6 billion yen, an increase of 32.9 billion yen (2.6%) from March 31, 2020. This is primarily attributed to an increase of 62.5 billion yen in cash and cash equivalents, an increase of 8.5 billion yen in inventories, an increase of 6.9 billion yen in income tax receivables, a decrease of 35.2 billion yen in trade and other receivables, and a decrease of 8.0 billion yen in property, plant and equipment.

Total liabilities as of June 30, 2020, were 798.6 billion yen, an increase of 55.6 billion yen (7.5%) from March 31, 2020. This is primarily attributed to an increase of 86.9 billion yen in bonds and borrowings and a decrease of 28.4 billion yen in trade and other payables.

Total equity as of June 30, 2020, was 511.0 billion yen, a decrease of 22.7 billion yen (4.3%) from March 31, 2020.

Equity attributable to owners of the Company was 501.5 billion yen as of June 30, 2020, a decrease of 22.2 billion yen (4.2%) from March 31, 2020. This is primarily attributed to the recording of a loss attributable to owners of the Company of 17.3 billion yen and a decrease of 4.9 billion yen in retained earnings due to cash dividends.

As a result of the above, the equity ratio attributable to owners of the Company decreased 2.7 percentage points to 38.3%.

b. Analysis of Cash Flows

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)
	Billions of yen	Billions of yen	Billions of yen
Cash flows from operating activities	(0.4)	(7.7)	(7.3)
Cash flows from investing activities	(14.5)	(6.1)	8.4
Total (Free cash flows)	(15.0)	(13.9)	1.0
Cash flows from financing activities	(11.6)	76.7	88.3

For the three months ended June 30, 2020, net cash used in operating activities was 7.7 billion yen, and net cash used in investing activities totaled 6.1 billion yen. As a result, free cash flows (the sum of cash flows from operating activities and investing activities) were an outflow of 13.9 billion yen for the current period.

Net cash provided by financing activities was 76.7 billion yen.

In addition, cash and cash equivalents as of June 30, 2020, increased by 62.5 billion yen from March 31, 2020, to 152.4 billion yen, reflecting the effect of exchange rate fluctuations on cash and cash equivalents.

Cash flows from operating activities

Net cash used in by operating activities was 7.7 billion yen. On top of the loss before tax of 23.8 billion yen, this is attributable to the net effects of cash inflows mainly due to a decrease in trade and other receivables of 35.6 billion yen and depreciation and amortization expenses of 19.4 billion yen, and cash outflows mainly due to a decrease in trade and other payables of 25.4 billion yen and an increase in inventories of 8.3 billion yen.

Cash flows from investing activities

Net cash used in investing activities was 6.1 billion yen, mainly due to purchases of property, plant and equipment of 6.0 billion yen and purchases of intangible assets of 2.3 billion yen, which were offset by proceeds from sales of property, plant and equipment, and intangible assets of 2.8 billion yen.

As a result, free cash flows (the sum of cash flows from operating and investing activities) were an outflow of 13.9 billion yen (an outflow of 15.0 billion yen for the same period in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was 76.7 billion yen (net cash outflows of 11.6 billion yen for the same period in the previous fiscal year), reflecting proceeds from net increase in short-term loans payable of 89.1 billion yen and proceeds from bonds issuance and long-term loans payable of 8.0 billion yen, netted with redemption of bonds and repayments of long-term loans payable of 10.7 billion yen, repayments of lease liabilities of 4.9 billion yen, and cash dividends paid of 4.8 billion yen.

(3) Explanation Regarding the Forecasts for the Consolidated Financial Results

As the COVID-19 pandemic unfolds, a challenging situation continues in the current period 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 continues to see 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,” 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 continues to foresee 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 in the following areas: remote diagnostic imaging systems that support a sustainable medical environment, including infection control measures; dynamic X-ray systems and AI image reading support systems; “Informity” which supports medical image management and collaboration between medical institutions; and remote medical exam services and counseling systems, including “CARE Program.”

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 entered into another commitment line agreement in May 2020 in order to prepare for a possible deterioration in future cash flows amid the spread of COVID-19. The total balance of credit lines is 300 billion yen as of June 30, 2020, all of which remains untapped, securing the Company’s liquidity on hand at a sufficient level. 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 pursuing the cost-benefit mindset.

*Amounts less than one hundred million yen are rounded down to the nearest million yen in the “1.QUALITATIVE INFORMATION ON FINANCIAL RESULTS FOR THE THREE MONTHS ENDED June 30, 2020” section.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

(1) Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	89,901	152,462
Trade and other receivables	260,850	225,564
Inventories	162,575	171,090
Income tax receivables	4,775	11,772
Other financial assets	6,113	4,206
Other current assets	26,938	28,625
Total current assets	551,154	593,722
Non-current assets		
Property, plant and equipment	309,457	301,413
Goodwill and intangible assets	337,785	334,707
Investments accounted for using the equity method	644	128
Other financial assets	38,394	40,702
Deferred tax assets	34,562	34,237
Other non-current assets	4,770	4,761
Total non-current assets	725,614	715,951
Total assets	1,276,768	1,309,673

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Trade and other payables	162,886	134,455
Bonds and borrowings	59,267	138,419
Lease liabilities	18,456	14,295
Income tax payables	286	1,552
Provisions	12,028	11,377
Other financial liabilities	2,927	43,453
Other current liabilities	47,556	44,634
Total current liabilities	303,409	388,188
Non-current liabilities		
Bonds and borrowings	230,027	237,814
Lease liabilities	95,760	99,244
Retirement benefit liabilities	33,840	34,109
Provisions	15,205	15,360
Other financial liabilities	46,381	5,457
Deferred tax liabilities	11,973	11,660
Other non-current liabilities	6,404	6,773
Total non-current liabilities	439,593	410,419
Total liabilities	743,002	798,608
Equity		
Share capital	37,519	37,519
Share premium	196,135	196,540
Retained earnings	307,179	284,131
Treasury shares	(9,684)	(9,357)
Share acquisition rights	728	680
Other components of equity	(8,133)	(8,003)
Equity attributable to owners of the Company	523,745	501,510
Non-controlling interests	10,020	9,555
Total equity	533,766	511,065
Total liabilities and equity	1,276,768	1,309,673

(2) Condensed Consolidated Statements of Profit or Loss

Three months ended June 30, 2019 and 2020

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue	241,743	173,167
Cost of sales	125,061	101,468
Gross profit	116,681	71,699
Other income	539	3,113
Selling, general and administrative expenses	112,770	93,675
Other expenses	3,895	3,777
Operating profit (loss)	554	(22,639)
Finance income	1,465	1,407
Finance costs	3,339	2,639
Share of profit (loss) of investments accounted for using the equity method	(59)	71
Profit (loss) before tax	(1,378)	(23,801)
Income tax expense (income)	92	(6,354)
Profit (loss) for the period	(1,470)	(17,446)
Profit (loss) attributable to:		
Owners of the Company	(1,208)	(17,305)
Non-controlling interests	(262)	(140)
Earnings (loss) per share	Yen	Yen
Basic	(2.44)	(34.96)
Diluted	(2.44)	(34.96)

(3) Condensed Consolidated Statements of Comprehensive Income

Three months ended June 30, 2019 and 2020

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss) for the period	(1,470)	(17,446)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans (net of tax)	(15)	–
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	(529)	1,120
Total items that will not be reclassified to profit or loss	(544)	1,120
Items that may be subsequently reclassified to profit or loss		
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	(311)	388
Exchange differences on translation of foreign operations (net of tax)	(13,834)	(2,337)
Share of other comprehensive income (loss) of investments accounted for using the equity method (net of tax)	(3)	15
Total items that may be subsequently reclassified to profit or loss	(14,149)	(1,933)
Total other comprehensive income (loss)	(14,694)	(812)
Total comprehensive income (loss)	(16,165)	(18,259)
Total comprehensive income (loss) attributable to:		
Owners of the Company	(15,659)	(17,793)
Non-controlling interests	(506)	(465)

(4) Condensed 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, 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 April 1, 2019	37,519	188,333	323,884	(9,979)	836	14,350	554,944	10,294	565,238
Profit (loss) for the period	–	–	(1,208)	–	–	–	(1,208)	(262)	(1,470)
Other comprehensive income (loss)	–	–	–	–	–	(14,451)	(14,451)	(243)	(14,694)
Total comprehensive income (loss)	–	–	(1,208)	–	–	(14,451)	(15,659)	(506)	(16,165)
Dividends	–	–	(7,438)	–	–	–	(7,438)	–	(7,438)
Acquisition and disposal of treasury shares	–	–	(37)	65	–	–	27	–	27
Share-based payments	–	70	–	–	(27)	–	42	–	42
Equity and other transactions with non-controlling shareholders	–	(22)	–	–	–	–	(22)	(0)	(22)
Put options written on non-controlling interests	–	1,565	–	–	–	–	1,565	–	1,565
Transfer from other components of equity to retained earnings	–	–	(23)	–	–	23	–	–	–
Total transactions with owners	–	1,612	(7,499)	65	(27)	23	(5,826)	(0)	(5,826)
Balance as of June 30, 2019	37,519	189,946	315,175	(9,914)	808	(77)	533,458	9,788	543,246

(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, 2020	37,519	196,135	307,179	(9,684)	728	(8,133)	523,745	10,020	533,766
Profit (loss) for the period	–	–	(17,305)	–	–	–	(17,305)	(140)	(17,446)
Other comprehensive income (loss)	–	–	–	–	–	(488)	(488)	(324)	(812)
Total comprehensive income (loss)	–	–	(17,305)	–	–	(488)	(17,793)	(465)	(18,259)
Dividends	–	–	(4,949)	–	–	–	(4,949)	–	(4,949)
Acquisition and disposal of treasury shares	–	–	(175)	326	–	–	150	–	150
Share-based payments	–	(4)	–	–	(48)	–	(53)	–	(53)
Equity and other transactions with non-controlling shareholders	–	(0)	–	–	–	–	(0)	–	(0)
Put options written on non-controlling interests	–	409	–	–	–	–	409	–	409
Transfer from other components of equity to retained earnings	–	–	(617)	–	–	617	–	–	–
Total transactions with owners	–	404	(5,742)	326	(48)	617	(4,441)	–	(4,441)
Balance as of June 30, 2020	37,519	196,540	284,131	(9,357)	680	(8,003)	501,510	9,555	511,065

(5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit (loss) before tax	(1,378)	(23,801)
Depreciation and amortization expenses	18,871	19,407
Impairment losses and reversal of impairment losses	8	0
Share of (profit) loss of investments accounted for using the equity method	59	(71)
Interest and dividends income	(1,415)	(1,352)
Interest expenses	2,199	2,209
(Gain) loss on sales and disposals of property, plant and equipment, and intangible assets	2,482	157
(Increase) decrease in trade and other receivables	13,243	35,623
(Increase) decrease in inventories	(13,929)	(8,389)
Increase (decrease) in trade and other payables	(5,592)	(25,498)
Decrease due to transfer of rental assets	(1,364)	(1,173)
Increase (decrease) in retirement benefit liabilities	387	477
Others	(7,062)	(4,023)
Subtotal	6,508	(6,434)
Dividends received	345	278
Interest received	1,137	1,235
Interest paid	(2,622)	(2,932)
Income taxes (paid) refunded	(5,789)	85
Net cash provided by (used in) operating activities	(420)	(7,768)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,310)	(6,081)
Purchase of intangible assets	(3,074)	(2,325)
Proceeds from sales of property, plant and equipment, and intangible assets	636	2,802
Purchase of investments in subsidiaries	(3,324)	(244)
Proceeds from sales of investments accounted for using the equity method	–	601
Payments for transfer of business	–	(166)
Others	(522)	(750)
Net cash provided by (used in) investing activities	(14,595)	(6,164)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	283	89,197
Proceeds from bonds issuance and long-term loans payable	22	8,087
Redemption of bonds and repayments of long-term loans payable	(104)	(10,796)
Repayments of lease liabilities	(4,612)	(4,977)
Cash dividends paid	(7,279)	(4,809)
Others	(0)	(0)
Net cash provided by (used in) financing activities	(11,691)	76,700
Effect of exchange rate changes on cash and cash equivalents	(1,969)	(203)
Net increase (decrease) in cash and cash equivalents	(28,676)	62,561
Cash and cash equivalents at the beginning of the period	124,830	89,901
Cash and cash equivalents at the end of the period	96,153	152,462

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

Not applicable.

[Other Income]

Components of other income are as follows:

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Subsidy income including compensation for sustaining businesses	—	2,406
Others	539	707
Total	539	3,113

[Other Expenses]

Components of other expenses are as follows:

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Business structure improvement expenses	379	2,327
Loss on sales and disposals of property, plant and equipment, and intangible assets	2,529	185
Others	987	1,264
Total	3,895	3,777

[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	<u>Materials and Components</u> Development, manufacture, and sales of products, such as functional film 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 segment

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

Three months ended June 30, 2019

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	134,577	50,606	18,646	28,147	231,977	9,765	–	241,743
Intersegment (Note 1)	418	137	171	1,105	1,832	3,868	(5,701)	–
Total	134,995	50,743	18,818	29,252	233,809	13,634	(5,701)	241,743
Segment profit (loss)	7,693	1,050	(297)	4,805	13,252	(6,252)	(6,445)	554

Three months ended June 30, 2020

(Millions of yen)

	Reportable segments					Others	Adjustments (Note 2) (Note 3)	Total
	Office Business	Professional Print Business	Healthcare Business	Industrial Business	Total			
Revenue								
External	93,984	31,756	16,448	23,344	165,534	7,633	–	173,167
Intersegment (Note 1)	477	14	114	531	1,137	3,466	(4,603)	–
Total	94,461	31,771	16,563	23,876	166,672	11,099	(4,603)	173,167
Segment profit (loss)	(7,547)	(7,061)	(1,111)	3,247	(12,473)	(6,352)	(3,814)	(22,639)

(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. They include other revenue and other expenses not attributable to any of the reportable segments or "Others."