







The value chain supporting growth

To produce high added-value products and services, Konica Minolta has built a value chain supporting everything from development to procurement, production, distribution, marketing and sales, and after-sales support. Alongside leveraging this value chain to optimize costs, we are also working to improve quality, reduce environmental impact, and develop the people who make it all possible.

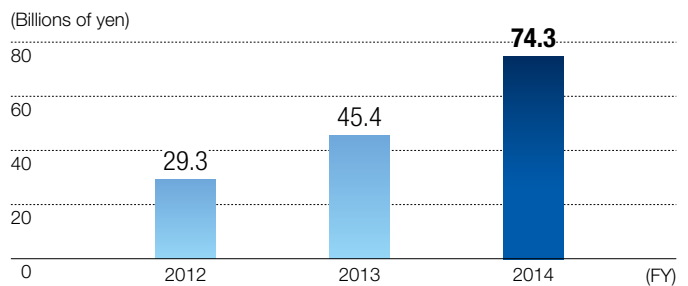
Value Chain

| | R&D P.53 | Procurement P.54 | Production P.54 | Distribution P.54 |
|---|--|---|--|--|
| Quality Improvement Initiatives |  <ul style="list-style-type: none"> Utilize the four core technologies of materials, optics, nanoscale fabrication, and imaging to develop revolutionary products |  <ul style="list-style-type: none"> Mitigate procurement quality risk through supplier diversification Work with business partners to conduct quality improvement activities |  <ul style="list-style-type: none"> Improve quality and avoid the risk of overconcentrating production sites in China by developing additional production facilities in ASEAN Share quality issues and cross-deploy countermeasures by conducting Production Capability Assessments |  <ul style="list-style-type: none"> Improve and maintain logistics quality (improve lead times and reduce damage and losses) through KPI management in cooperation with logistics (shipping and inventory) partners (contractors) Conduct logistics network design and respond flexibly to reduce logistics risks (freight congestion caused by natural disasters, government policies, conflicts, etc.) |
| Quality Management (pg. 56) | | | | |
| Environmental Initiatives | <ul style="list-style-type: none"> Create the green products that customers and society need Develop the environmental technologies for creating green products | <ul style="list-style-type: none"> Work with business partners to promote the Procurement Collaboration activities for ongoing mutual improvement of business environments Work with business partners to conduct green supplier activities and reduce environmental impact and costs | <ul style="list-style-type: none"> Conduct green factory operations that simultaneously reduce environmental impact and cut costs Conduct upgrade recycling (using upgraded recycled materials) to solve regional environmental issues | <ul style="list-style-type: none"> Reduce CO₂ emissions through better logistics efficiency Make packaging smaller and lighter |
| Environmental Management (pg. 57) | | | | |
| Human Resource Initiatives | <ul style="list-style-type: none"> Hold the Challenge Engineers Forum to develop young technicians Develop technology management staff (MOT education) Provide intellectual property education in China, where patent acquisition is heating up | <ul style="list-style-type: none"> Improve skills through personnel rotation in and outside of Japan | <ul style="list-style-type: none"> Conduct Product Safety Education to improve awareness and technologies aimed at product safety At production sites, conduct activities for building well-rounded people and provide safety and health education | <ul style="list-style-type: none"> Strengthen logistics strategy planning ability aimed at overall optimization Strengthen ability to execute when building a distribution network |
| Human Resource Management (pg. 58) | | | | |
| Cost Initiatives | <ul style="list-style-type: none"> Acquire patents in Japan, the U.S., China, and other countries Invest at least 70 billion yen annually in R&D | <ul style="list-style-type: none"> Work with business partners to control costs, beginning at the development stage Conduct efficient global procurement activities that account for logistics, exchange rate volatility and other factors | <ul style="list-style-type: none"> Achieve highly-efficient production through digital manufacturing (ICT, automation) Introduce universal production processes by using modules | <ul style="list-style-type: none"> Reduce costs by improving shipping efficiency (improving container/truck loading efficiency) Optimize inventory and improve shipping efficiency through optimal placement of distribution facilities |

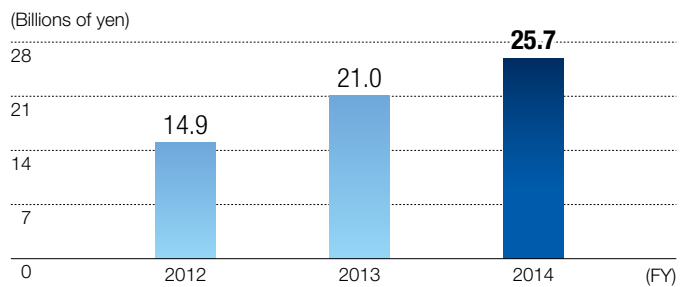
| | |
|---|---|
| <p>Marketing & Sales P.55</p>  <ul style="list-style-type: none"> Conduct face-to-face sales to understand and provide the value customers truly need | <p>After-Sales Support P.55</p>  <ul style="list-style-type: none"> Homogenize support operations through the launching of the Global Support Center Implement SLA (Service Level Agreement) to provide customers with high quality services and peace of mind |
| <ul style="list-style-type: none"> Provide support for decreasing customers' environmental impact with OPS Provide support for customers' environmental management using environmental technologies and expertise | <ul style="list-style-type: none"> Collect and recycle used MFPs and printers Carry out the Clean Planet Program for collecting toner cartridges |
| <ul style="list-style-type: none"> Acquire expertise and human resources to strengthen ability to provide services such as OPS, MPM, and MCS | <ul style="list-style-type: none"> Invest human resources in service businesses Strengthen ability to help customers at the call center |
| <ul style="list-style-type: none"> Consolidate sales facilities | <ul style="list-style-type: none"> Make support operations more efficient with the launching of the Global Support Center |

Resulting Impact

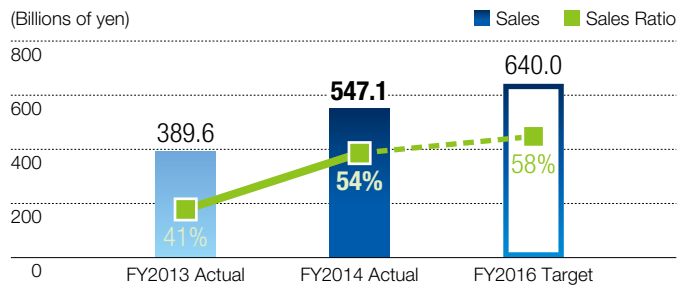
Expanded sales* of OPS, which help customers cut costs and enhance efficiency



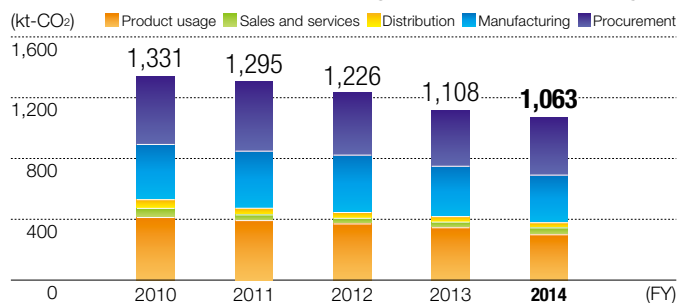
Expanded sales* of GMA, which provide services and solutions to customers with a global sphere of business



Expanded sales* of green products



Reduced CO₂ emissions throughout the product lifecycle



*J-GAAP

Value Chain Research and Development

Developing valuable products and services with a two-pronged strategy involving Japan and local sites

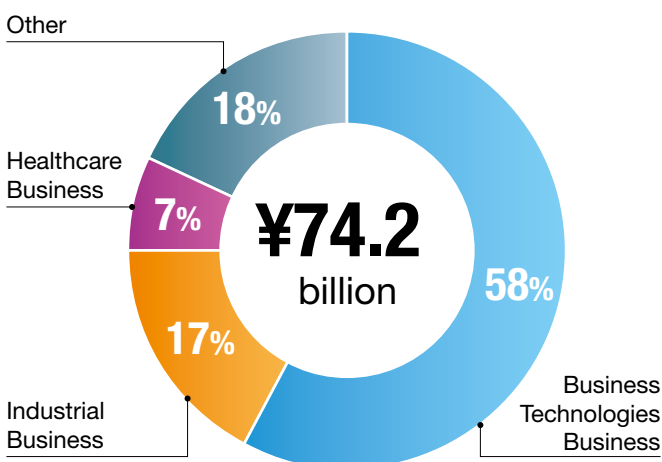
Research and development activities

The three basic policies governing Konica Minolta's companywide technology strategies are: accelerating innovation to drive continued growth; differentiating technologies to create customer value; and nurturing first-class technical personnel while strengthening organizational development capabilities.

Under these policies, Konica Minolta is committed to R&D aimed at both growing new businesses and strengthening existing businesses, while at the same time maintaining an R&D-to-sales ratio of 8% or below. We are also carrying out initiatives to strengthen the quality of our technical personnel, including conducting a program for selecting MOT (management of technology) managers and recruiting global personnel for R&D work.

Our development framework is two-pronged system whereby we develop in Japan the technologies that will become a platform used around the world and develop, at development sites physically near customers, technologies which need to be customized to that individual customer. Under this system, we are quickly addressing customer needs in each region while making large-scale investment decisions throughout the Group and developing common-platform technologies. In April 2014, we established Konica Minolta Hachioji SKT, a core center for technology development and one of the Group's largest R&D facilities. The facility conducts R&D that transcends the boundaries of business units, while promoting open innovation inside and outside the Company.

Percentage of R&D expenses (FY2014)



Primary R&D themes of our businesses

| | |
|--------------------------------|---|
| Business Technologies Business | <ul style="list-style-type: none"> Strengthening system technologies in coordination with the cloud and mobile devices Developing inkjet printers and ink for industrial use Developing next-generation office systems |
| Healthcare Business | <ul style="list-style-type: none"> Developing in vitro diagnostic technologies (serum protein detection, fluorescent nanoparticle labeling materials) |
| Industrial Business | <ul style="list-style-type: none"> Developing optical systems for industrial use |

Intellectual property activities

Konica Minolta conducts its business activities with an awareness that intellectual property management forms one of the Company's three key overarching strategies, together with its business strategy and technology strategy.

Konica Minolta makes 70% of its net sales overseas and has sales and production sites around the world. To support our business activities with intellectual properties, we submit patent applications and secure intellectual property rights for key markets and countries producing Konica Minolta products around the world. We are proactively submitting patent applications and securing intellectual property rights in sites involved in intellectual property activities in Japan, the U.S., and China, and are achieving appreciable growth in the number of patents registered and held in these countries.

Moreover, as support for these efforts involving intellectual property, we are educating and training overseas development personnel. One such initiative is an education program that teaches the basic principles of intellectual property to local development personnel in China.

Focused Topic

Green Product development

The Green Products Certification System is Konica Minolta's proprietary system for evaluating and certifying products with superior environmental performance. The criteria that must be met are set for different businesses and product characteristics, and the product is certified at one of three levels based on its degree of achievement. In fiscal 2014 the Group created 33 new certified products, increasing the total number of certified products to 147.

Net sales from green products was ¥547.1 billion*, which comprises 54%* of the Group's net sales.

*J-GAAP

Value Chain Procurement, Production, and Distribution

Pursuing optimization throughout the supply chain while enhancing cost competitiveness and practicing environmental conservation

Procurement optimization

To ensure cost-effective, stable procurement, Konica Minolta builds procurement ICT infrastructure and ensures optimal procurement logistics from a global perspective, while at the same time analyzing market changes such as exchange rate and raw material cost fluctuations and industry restructuring, then applying the knowledge gained to procurement activities.

Key to success here is engaging in Procurement Collaboration to mutually improve business conditions with business partners in order to build sound relations with them. In fiscal 2014, Konica Minolta worked with its suppliers to launch Green Supplier Activities. These activities aim to reduce costs and environmental impact by providing business partners with Konica Minolta's environmental technologies and know-how.

We also address supply chain risks such as those involving labor and human rights by conducting CSR procurement and conflict mineral surveys.



On-site assessment conducted through Procurement Collaboration

An efficient production system

At Konica Minolta, key parts and items that use Konica Minolta's proprietary technologies such as toners are primarily manufactured in Japan. Our manufacturing contractors in Asia make the general parts and units, and China and Malaysia handle final assembly. This system improves equipment production efficiency and quality. Our Chinese facilities have achieved high production efficiency by leveraging expertise gained through 20 years of experience. To hedge the risk of overconcentrating production sites in China, we set up a new production facility in Malaysia in May 2014 and expanded the range of products procured in ASEAN countries.

With the goal of further improving efficiency, we have expanded modularity with a universal product platform that utilizes our development technologies and have dramatically reduced part and assembly costs. Going forward, we will seek to avoid reliance on people, places, countries, and fluctuation and aim for even better productivity by utilizing digital manufacturing (see pg. 14 for more details) that combines ICT and automation technologies.

Upgrading our supply chain management

Konica Minolta is building a unique system for centrally managing inventory data from production to sales. This has facilitated inventory optimization and shortened distribution leadtimes worldwide, and allowed market demand to inform production plans. Furthermore, in recent years we have raised the level of our supply chain management by implementing the concept of Sales & Operation Planning (S&OP), which involves integrating business operation plans for procurement, production, distribution, and sales based on demand and supply planning.

We have also optimized shipping efficiency by establishing distribution centers in five key regional markets—Europe, North America, Japan, China, and ASEAN—and consolidating routes for getting products from production sites to markets.

To give a specific example of the success of these supply chain initiatives, we were able to increase inventory in advance and switch our unloading operations to the east coast when port functions were disrupted on the west coast of the U.S. in 2014 due to breakdowns in labor-management negotiations. These efforts allowed us to avoid lost sales opportunities.

Focused Topic

Green Factory operations

Konica Minolta's Green Factory operations aim to both reduce environmental burden and cut costs through environmental conservation activities in line with the production strategies of each business. An example of this is how Konica Minolta Business Technologies (Dongguan), which manufactures MFPs and other products in the city of Dongguan in Guangdong Province, China, is achieving significant energy savings by improving the heating methods of its forming machines and re-examining freezer temperature settings.

FY2014 reductions (compared to FY2005)

| | |
|---------------------------|----------------|
| Cost reduction | ¥5,264 million |
| CO ₂ reduction | 84 ktons |
| Waste reduction | 15 ktons |

Value Chain Sales and After-sales Support

Bolstering customer-centric sales and support systems for a swifter response to customer needs and issues

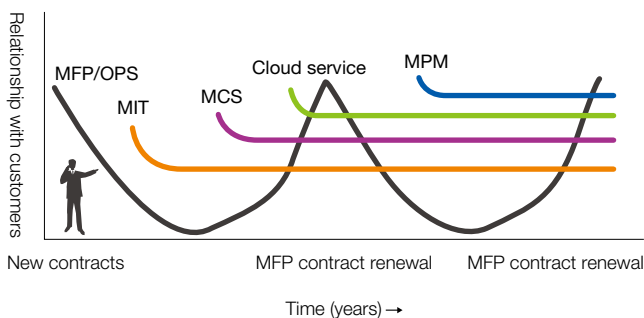
Strengthening customer-focused solutions

Customer needs are growing more diversified and sophisticated as working styles and the business environment change. In order to improve customer satisfaction and develop opportunities to profit while maintaining strong connections with customers, Konica Minolta delves deep into its customers' business processes to provide solutions that combine equipment and services.

With the goal of strengthening our ability to offer service solutions, Konica Minolta has been engaged in M&A activities for IT service providers in the U.S. and Europe since fiscal 2011. To enhance our MPM (Marketing Print Management) services, in fiscal 2014 we acquired UK-based Indicia and Australia-based Ergo. We also entered into a global partnership with US-based Hyland in the MCS (Managed Content Services) segment. In addition, in June 2015 we acquired U.S.-based dealer SymQuest Group, Inc., which provides document solutions and managed IT services.

Furthermore, to expand our customer-centric sales approach, we have been strengthening the direct sales channels in which Konica Minolta excels. In particular, there were a number of moves in the production print (PP) segment in emerging nations, where there is the most promise for market growth. In January 2015, we acquired Milsul, a major local dealer with strong market share in two southern states in Brazil. In April, we also acquired PP-focused business from Montech, a major local dealer in India, as a further effort to build a direct sales network covering the entire region.

Business approaches in the Business Technologies Business



By remaining in constant contact with the customer, we propose and provide a range of services informed by an understanding of various issues common to all business segments.

Konica Minolta is transitioning to a sales style focused on strengthening relationships with customers.

Strengthening after-sales support

In recent years, our efforts have been focused on strengthening our after-sales support in response to increasing opportunities to provide a range of services, as well as equipment, on a global scale.

In fiscal 2014, we launched the Global Support Center to support the activities of GMA, which provide OPS. Concentrated management of support operations has enabled support that is globally uniform in quality while making such operations more efficient.

We have also introduced remote maintenance in the Healthcare Business. A decrease in the number of times technicians were dispatched resulted in a fiscal 2014 cost reduction of approximately ¥70 million when converted into gasoline costs.

Future efforts will focus on expanding our customer base and service domain.

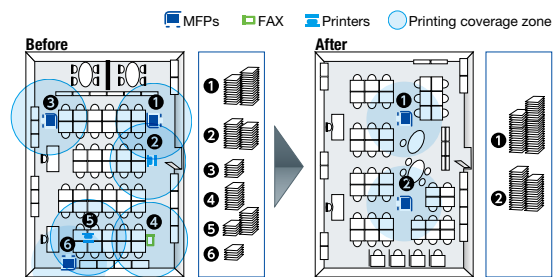
Focused Topic

Green Marketing activities

Through its Green Marketing Activities, Konica Minolta provides products and services that answer the environmental needs of its customers, while at the same time using Konica Minolta environmental technologies and know-how to solve customers' environmental problems. One example is optimized print services (OPS). These provide a solution that delivers optimized equipment arrangement and improved capacity utilization through an all-in-one contract for the operation of printing devices such as printers and MFPs. These efforts streamline business operations and cut costs while reducing the strain on the environment by reducing power consumption and paper usage.

Optimal arrangement of printing equipment

Understanding worker traffic flow and consolidating print devices without compromising convenience



Quality Management

Ensuring safety and reliability for products and services while building an integrated quality assurance system Group-wide

A quality assurance system in line with our quality policy

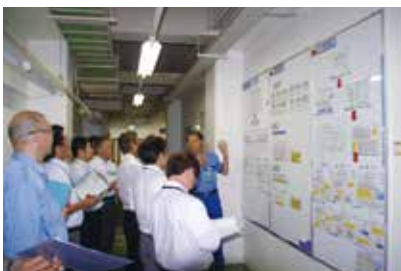
Konica Minolta aspires to maximize customer satisfaction and trust by providing products and services of superior value. The Group has articulated its basic approach to accomplishing this in the Konica Minolta Quality Policy, which governs Group companies worldwide.

An issue of particular importance is ensuring safe, reliable products and services. Accordingly, Konica Minolta has established a unified quality assurance system across the Group and addresses quality assurance in terms of the entire product lifecycle. Konica Minolta is determined to help create a better world by resolving customers' problems. To do this, it seeks to build deeper relationships with customers so that it can identify and satisfy both apparent and latent needs.

Sharing quality issues within the Group and cross-deploying countermeasures

Konica Minolta is accelerating its Group-wide effort to share information regarding quality problems and cross-deploy countermeasures as "One Konica Minolta," a policy launched in fiscal 2013. The goal is to increase sensitivity to quality issues, thereby resolving problems early on and ensuring better response.

In fiscal 2014, the Group conducted Production Capability Assessments at 19 production sites, including sites outside Japan. Site personnel at one site act as assessors at different sites, conducting assessments that quantify different aspects including the 5Ss (Sort, Straighten, Shine, Standardize, and Sustain), visualization, elimination of inefficiencies, and factory management. These efforts seek to share issues with production capability across all business segments. In terms of the 5Ss and visualization, presenting ideals as guidelines encourages proactive improvements on the production floor. Additionally, good practices are cross-deployed by sharing assessment results and examples of initiatives from each site on the Company intranet.



Production Capability Assessment

Global Customer Relations Conference held to share local information globally

Since fiscal 2013, Konica Minolta has held an annual Global Customer Relations Conference in collaboration with sales companies in and outside Japan. The sharing of various issues and initiatives in the improvement of customer relationships around the world and the knowledge gained from those efforts lead to the pursuit of best practices Group-wide.

In fiscal 2014, the second conference was held in January and was attended by customer relationship managers from sales companies in Japan, the U.S., Europe, and the Asia Pacific region, as well as members of the development, production, and marketing departments. The conference was a vehicle for sharing knowledge on such issues as the establishment and utilization of global KPI and the adoption of a "transaction survey" to measure customer satisfaction in response to each company's actions. Participants also took part in a Customer Value Creation Workshop implemented in Japan ahead of other countries, and participants learned methods for thinking about value from the customer's point of view.



Global Customer Relations Conference

Focused Topic

Konica Minolta ranked first place in Quality Management Level Research

Konica Minolta ranked first place overall on the 8th JUSE Quality Management Level Research, announced by the Union of Japanese Scientists and Engineers in October 2014. It earned the top position in two out of six assessment areas: customer orientation, and system utilization and deployment capability. It also received top-three assessments in the training of human resources who carry out quality management and in the management of reliability, safety, and trust.

The Company believes that the results reflect recognition of the way Konica Minolta has globally developed a system for quality improvement through development-production-marketing cooperation and pursued customer value with a customer-centric focus.

Environmental Management

Reducing environmental impact throughout a product's lifecycle while achieving corporate growth

Eco Vision 2050

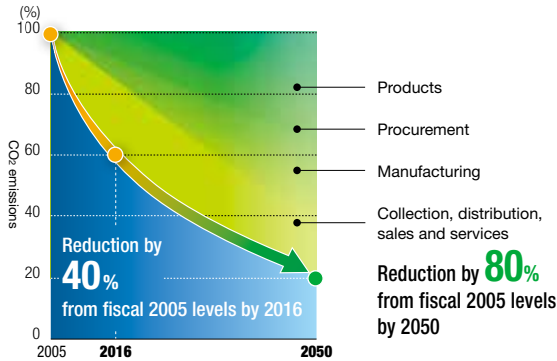
In order to grow sustainably into the future, a company must reduce its environmental impact while achieving corporate growth. Namely, it is essential to practice environmental management that creates new value for society and the economy.

Under our management philosophy "The Creation of New Value," we put environmental management forward as a corporate growth strategy, with a determination to achieve goals expressed in Eco Vision 2050, our set of long-term environmental goals that look forward to the year 2050.

Eco Vision 2050

1. Reduce CO₂ emissions throughout the product life cycle by 80% by 2050, compared to fiscal 2005 levels
2. Promote recycling and effective use of Earth's limited resources
3. Work to promote restoration and preservation of biodiversity

CO₂ emission reduction targets



Medium-Term Environmental Plan 2016

Konica Minolta has established the Medium-Term Environmental Plan 2016, which is in step with our business plans as a further measure towards achieving Eco Vision 2050. The Medium-Term Environmental Plan 2016 lays out Three Green Activities—Green Products (planning and development), Green Factories (procurement and production), and Green Marketing (distribution, sales and services, and collection and recycling) as key themes. In the process of creating this plan, we classified environmental factors concerning our business as either opportunities or risks, and identified key issues concerning the environment. The plan ultimately seeks to strengthen our business through the resolution of environmental problems.

Furthermore, Konica Minolta practices highly-effective environmental management as a commitment that extends from our top executives to employees throughout the organization, an achievement made possible by aligning targets for solving environmental problems with KPIs for strengthening business, namely enhancing brand appeal, improving sales and service profitability, and cutting costs.

Enhancing environmental value

- Preventing global warming
- Supporting a recycling-oriented society
- Reducing chemical substance risks
- Restoring and preserving biodiversity

Vision

A company that creates value for both society and itself by integrating efforts to resolve societal challenges and improve corporate competitiveness and profits



FY2016

Goals set for both reduction of environmental impact and corporate growth

Enhancing corporate value

- Net sales
- Risk avoidance
- Cost reductions
- Branding

Environmental Accounting

Konica Minolta has implemented global-scale, consolidated environmental accounting in order to quantitatively assess the costs of environmental preservation in business operations and the benefits obtained from those activities.

Fiscal 2014 environmental accounting

| | Breakdown (%) | |
|--------------------------------------|---------------------------|----|
| Investment ¥1,202 million | Pollution prevention | 17 |
| | Preventing global warming | 30 |
| | Resource circulation | 9 |
| | R&D | 45 |
| Expenditures ¥14,243 million | Pollution prevention | 10 |
| | Preventing global warming | 5 |
| | Resource circulation | 9 |
| | Upstream/downstream | 15 |
| | Administration | 11 |
| | R&D | 48 |
| | Social activity | 1 |
| | Environmental remediation | 2 |
| Economic Benefits ¥22,391 million | Preventing global warming | 13 |
| | Resource circulation | 73 |
| | Upstream/downstream | 14 |

Note: Percentages do not necessarily total to 100 because of rounding.

Human Resource Management

Creating workplaces where the diverse range of people can thrive as our business globalizes

Leveraging and developing Konica Minolta's global personnel

• Building a Global Platform

In order to grow sustainably, a company must respond to the intensification of global competition as well as market changes such as the increasing sophistication and diversification of customer needs. Talented employees go above and beyond from a global standpoint and from the customer's perspective. Konica Minolta has created a Group-wide platform (system, tools, and mindset definition) for training personnel and making the most of their skills in an effort to boost the collective strengths of its employees. While making roles at the global, regional, and individual company levels clear, the Group is pursuing global personnel training and deployment as "One Konica Minolta."

In fiscal 2014, the Group established an HR management system in each region, namely North America, Europe, China, and Asia. It conducts evaluations of the Group's senior personnel under uniform global evaluation standards to identify strengths and challenges. Based on these results, the Company then chooses the right people for the right posts while also fostering successors.

• Regional Implementation of Business Leader Development Program

Since fiscal 2010, the Group has run a Global Executive Program (GEP) for executives at affiliated companies around the world, looking to develop business leaders. The goals of GEP are to raise participants' awareness as business leaders within the Konica Minolta Group and to enable participants to forge a global network of personal contacts among themselves. During the program, which lasts about one week, participants embrace a global mindset and develop their leadership skills via face-to-face discussions with top managers and debates on key issues among themselves. As of the end of fiscal 2014, the program had been held 9 times with 148 people from 60 companies participating.

In addition, since fiscal 2013 the Group has held Regional GEP conferences, bringing together manager-level personnel with the aim of developing potential future executives. The first Regional GEP was held in China and the second was held in Singapore in May 2015.



Global Executive Program

Occupational health and safety

• Preventing Accidents Inside and Outside of Japan

Konica Minolta's top management maintains a deep commitment to safety based on the idea of "safety first for employees," and we are working to improve individuals' safety awareness while enhancing the safety of our equipment. Our goals are to achieve zero serious accidents and a frequency rate of accidents causing absence from work of 0.1 or less, and we have implemented various measures worldwide to prevent accidents during working hours.

In fiscal 2014, the Group implemented measures to strengthen safety management at sites outside Japan, which account for the majority of production operations. In China, for instance, in addition to each site's usual health and safety initiatives, the Group launched the China Health and Safety Managers' Committee for all sites, including production and sales. The Committee promotes the strengthening of health and safety, including employee health management.

As a result of these efforts, the Group reported zero serious accidents in fiscal 2014. The frequency rate of accidents causing absence from work was 0.28 in Japan and 0.19 outside Japan. Due to our many years of conducting work safety and health activities, Konica Minolta's number of work accidents is low, both inside and outside of Japan.

In January 2015, our Malaysian plant established in May 2014 acquired OHSAS 18001 certification.

Focused Topic

Konica Minolta becomes 2014 Health and Productivity Stock Selection

In March 2015, Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange selected Konica Minolta as a company that represents enhanced corporate value through health and productivity management. This selection recognizes listed companies that strategically implement employee health programs from a business perspective and introduces them to investors as attractive investment destinations. 22 companies were recognized, with one chosen from each industry. Konica Minolta was selected in the electrical equipment industry.

