Management's Discussion and Analysis

Operating Environment

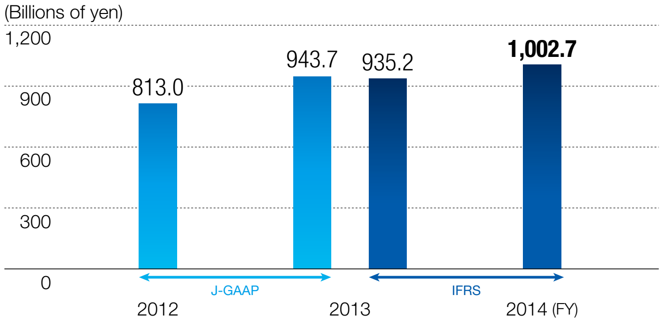
Looking back at the world economy in fiscal year ended March 31, 2015, strong individual spending in the U.S. supported by robust jobs numbers and a bullish stock market drove global growth. Uncertainty remained in Europe amid ongoing fears concerning Greece's financial problems and the problem involving Ukraine. China saw its economic growth rate cool, and the speed of growth slackened in emerging countries in Asia and Latin America. The Japanese economy waxed and waned throughout the year, with export-related industries enjoying improved business performance as a result of a rising dollar-yen exchange rate while the domestic economy felt the repercussions of a last-minute surge in demand prior to a consumption tax hike in April 2014.

Operating Results

• Revenue

Average Japanese yen rates against the U.S. dollar and euro for the period were ¥109.93 and ¥138.77, respectively, constituting a ¥9.69 (9.7%) decrease against the dollar and a ¥4.40 (3.3%) decrease against the euro compared to last period. Revenue for the fiscal year under review increased 7.2% year on year to ¥1,002.7 billion, primarily driven by exchange-rate gains from a weaker yen and by the Business Technologies Business, which increased sales more than 10% over last period. The strong sales figures for the Business Technologies Business were supported by M&A activities, as well as original Konica Minolta sales strategies that leveraged the Company's considerable direct marketing acumen and ability to offer suitable solutions to customers.

Revenue



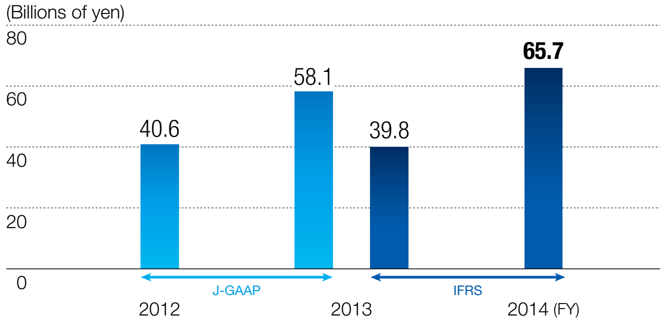
• Gross profit

Gross profit for the period rose 10.1% year on year to ¥489.6 billion as a result of exchange-rate gains from a weaker yen, as well as a gross profit increase in the Business Technologies Business and cost-cutting measures throughout the organization. The gross profit margin increased 1.3 points year on year to 48.8%.

• Operating profit

Other income stood at ¥6.8 billion, a ¥1.9 billion year-on-year increase owing to the sale of fixed assets as an effort to further slim down the balance sheet. Selling, general and administrative expenses increased ¥39.1 billion year on year to ¥411.1 billion due in part to a weaker yen, M&A strategy implementation, and an increase in upfront investment towards a transformation of our business portfolio. Other expenses fell to ¥19.5 billion, a ¥18.2 billion decrease year on year owing significantly to a total loss of ¥16.1 billion comprising an impairment loss and loss on withdrawal from the glass substrates for HDDs business posted last period. As a result, operating profit for the period was up 65.0% year on year to ¥65.7 billion, while the operating profit ratio rose to 6.6%, a 2.3 point increase year on year.

Operating profit



• Income before tax and minority interests

Financial revenue climbed ¥0.4 billion year on year to ¥2.5 billion, financial expenses decreased ¥0.2 billion to ¥2.8 billion, and the financial account balance improved by ¥0.6 billion. The Group posted a ¥1.1 billion loss on equity method investments attributed in part to a loss posted last period in connection with the liquidation of an affiliate company. As a result, profit before tax rose 73.5% year on year to ¥65.4 billion.

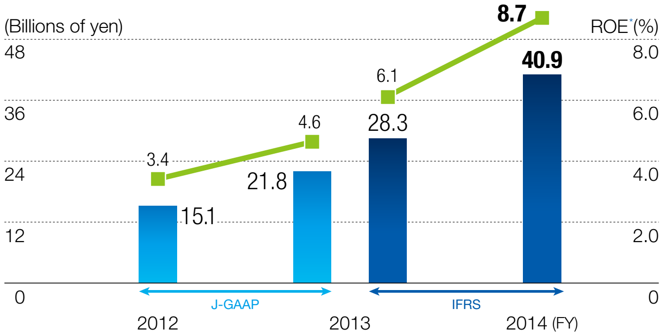
• Profit attributable to owners of the company

Net profit attributable to owners of the company stood at ¥40.9 billion, a 44.4% year-on-year increase. Tax expenses for the fiscal year climbed to ¥7.9 billion as a result of a reversal of deferred tax assets in connection with taxation system amendments.

Basic earnings per share were ¥81.01, a more than 50% increase over the last period.

Return on equity* for the period significantly improved from last fiscal year's 6.1% to 8.7%. This was due to balance sheet improvements from such factors as acquisition of treasury stock and an increase in net profit attributable to owners of the company.

Profit attributable to owners of the company



*ROE (J-GAAP) = Net income / Average shareholders' equity
ROE (IFRS) = Profit attributable to owners of the company / (Share capital + Share premium + Retained earnings + Treasury shares (average at start of fiscal year and end of fiscal year))

Operating Results by Segment

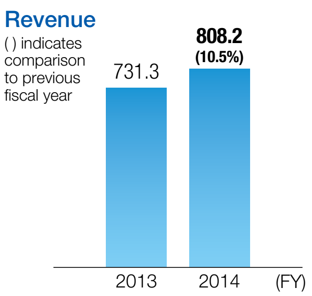
• **Business Technologies Business**

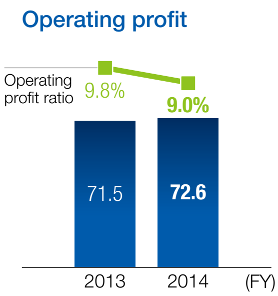
In the office services field, sales of mainstay A3 color MFPs remained firm, with all regions reporting unit sales growth compared to the previous fiscal year. A4 color MFP unit sales also grew, partially due to the strengthening of our global sales and support framework targeted at major accounts and to a steady increase in business deals and sales involving OPS, which optimizes customers' output environments. Concerning initiatives targeting small- and medium-sized companies, we have launched MCS, which is an advanced form of our hybrid-type sales rolled out primarily in Europe and the U.S. that provides customers with IT services and equipment. MCS optimizes our customers' content management by putting ourselves inside their business processes. We already have a strong MCS track record centered in North America. Going forward, these services will drive user base expansion and print volume growth.

In the commercial and industrial printing field, models such as the bizhub PRESS C1100 and bizhub PRESS C1085 showed robust sales throughout the year and resulting in unit sales for color models as a whole that beat the previous year. Regarding MPM services, which help companies' marketing departments improve their business processes and optimize their printed material costs, we established a subsidiary of Charterhouse (headquartered in the U.K.) in the U.S. and a subsidiary of Ergo (headquartered in Australia) in Japan. Through these efforts, we have completed a global system for providing services that cover Europe, Asia Pacific, the U.S., and Japan. In the industrial inkjet business, healthy sales of both components and textiles resulted in a sales boost over the previous year.

As a result, external revenue in this business rose 10.5% year on year to ¥808.2 billion. Operating profit increased 1.6% year on year to ¥72.6 billion, which, although partially offset by business structure improvement expenses at sales companies in Europe, is attributed to an increase in gross profit resulting from increased sales of color units combined with our services, as well as increased sales of digital printing systems and increased sales and income arising from exchange-rate gains owing to a weak yen.

Fiscal 2014 changes in revenue and operating profit (Billions of yen)





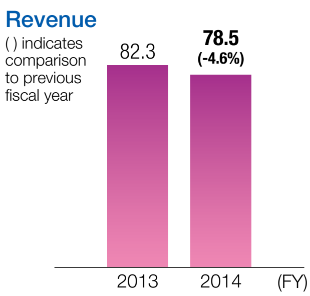
• **Healthcare Business**

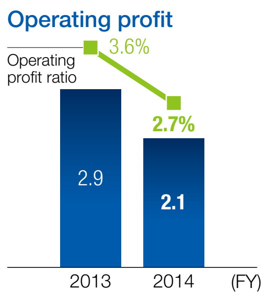
Although sales were strong in North America, China, India, and other overseas markets, conditions remained poor in Japan, with sales of local procurements declining as a result of a cooling market.

Compared with last year, worldwide sales of core Konica Minolta products increased. Unit sales saw an uptick for AeroDR, a mainstay cassette-type digital X-ray imaging system. We also released the SONIMAGE HS1, a new product developed by Konica Minolta for the diagnostic ultrasound system business that we are working to develop as a new field. The product has been well received for its product capabilities, and we have seen sales expand towards the end of the period. Film products sold well in emerging countries, and unit sales was roughly on par with the previous year. Sales of local procurements slid due to a domestic market downturn.

As a result, external revenue in this business dropped 4.6% year on year to ¥78.5 billion. Operating profit fell 28.7% year on year to ¥2.1 billion, attributable to a drop in gross profit resulting from decreased sales of local procurements in Japan, and to anticipatory expenses associated with the launch of the diagnostic ultrasound system business.

Fiscal 2014 changes in revenue and operating profit (Billions of yen)





• **Industrial Business**

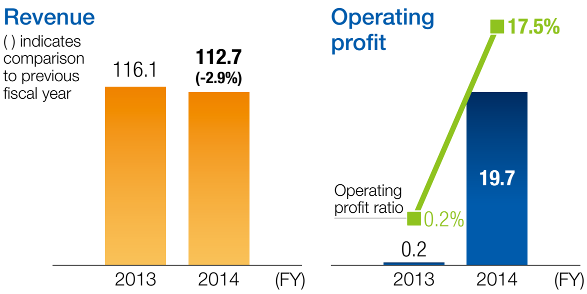
In the field of optical systems for industrial use, robust sales were seen for mainstay products such as spectrophotometers for measuring device displays and lenses for industrial and professional use in the optics field. In the performance materials field, sales were good for small, medium, and large panels. This owed to steadfast demand for large-screen LCD televisions, a growing trend towards larger screen sizes, and firm sales of smartphones. Unit sales of thin-type TAC films increased over last fiscal year, centered on VA-TAC films for increasing viewing angle, an area in which Konica Minolta excels.

Despite an increase in sales over the previous fiscal year in the performance materials field, overall sales for this business declined. This is attributable to shrinking demand for lenses for compact cameras in the field of optical systems for industrial use, downsizing of the lens business for mobile phone cameras, and a withdrawal from the glass substrates for HDDs business. However, profit from this business increased as a result of sales increases for the performance materials field and for measuring instruments, along with the effects of business restructuring in the field of optical systems for industrial use conducted in the previous fiscal year.

As a result, external revenue in this business dropped 2.9% year on year to ¥112.7 billion, while operating profit rose to ¥19.7 billion, a ¥19.5 billion increase year on year.

Konica Minolta has established its new OLED lighting business as a driver of future growth, and in the autumn of 2014 we began operations at the world's first plant engaged in the mass production of plastic substrate flexible OLED lighting panels. OLED lighting panels designed by Konica Minolta were used for an outdoor illumination at a well-known theme park in Japan, an example of how these panels are bringing new value in being thin, light, and flexible—characteristics not seen in conventional light sources.

Fiscal 2014 changes in revenue and operating profit (Billions of yen)



Cash Flows

• **Cash flows from operating activities**

Net cash provided by operating activities increased to ¥101.9 billion, up from ¥90.0 billion in the previous period. Cash inflows included profit before tax of ¥65.4 billion, depreciation and amortization of ¥47.9 billion, an impairment loss of ¥5.1 billion, ¥10.6 billion caused by a decrease in operating receivables and other receivables, and ¥0.6 billion caused by a decrease in inventory. Cash outflows included ¥11.7 billion for payment of income taxes, and ¥5.5 billion owing to a decrease in operating debt and other debt.

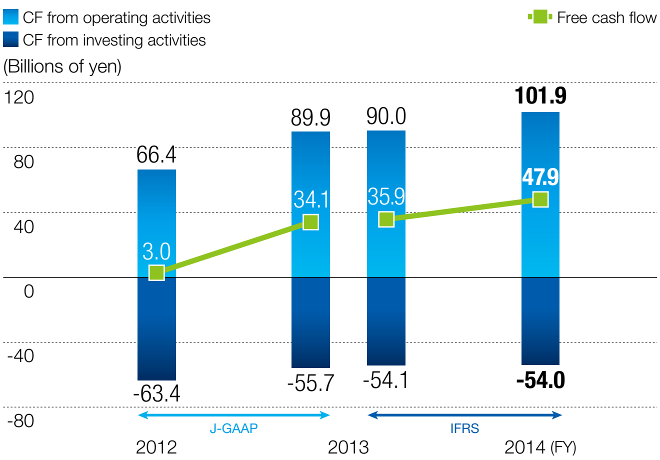
• **Cash flows from investing activities**

Cash of ¥39.0 billion was used in the acquisition of property, plant and equipment, primarily for the construction of a new R&D building, capital investment in the Business Technologies Business, and new business investments in the Industrial Business. Other cash outflows included ¥11.0 billion in payments for transfer of business in the Business Technologies Business and for the acquisition of subsidiary shares and ¥8.6 billion in payments for the acquisition of intangible assets. This resulted in an outflow of ¥54.0 billion in cash flows used in investing activities, compared with ¥54.1 billion in the previous period. As a result, free cash flow, calculated as the sum of cash flows from operating and investing activities, rose to an inflow of ¥47.9 billion, up from ¥35.9 billion in the previous fiscal year.

• **Cash flows from financing activities**

Cash flows from financing activities amounted to an outflow of ¥62.1 billion, compared with ¥63.6 billion in the previous fiscal year, primarily due to a ¥41.9 billion net decrease in corporate bonds and debts payable, ¥13.5 billion in expenditures for the purchase of treasury stocks, and 8.9 billion in expenditures for the payment of dividends.

Cash flows



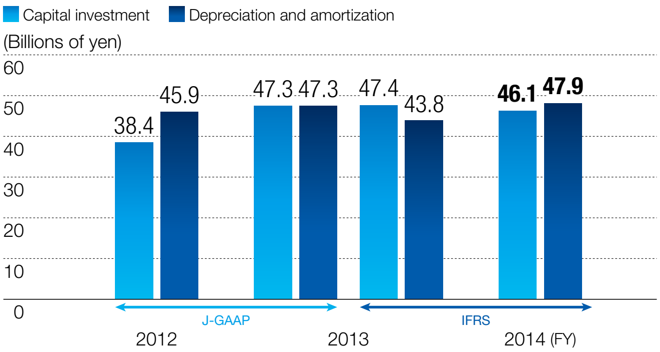
Capital Expenditure, etc.

Total capital expenditure for the year ended March 31, 2015 came to ¥46.1 billion. Investment focused on the Group's core Business Technologies Business and Industrial Business, aimed mainly at support for new product development and increasing production capacity, as well as rationalization and power saving.

Principal investments included machinery and equipment, tools and furniture, and molds for the Business Technologies Business, machinery and equipment for the Industrial Business, and buildings and R&D facilities for the entire Group.

All of these investments were paid for with cash on hand. There was no sale, disposal or loss of important facilities.

Capital investment/Depreciation and amortization



Research and Development Expenses

A new R&D center opened at Konica Minolta Tokyo Site Hachioji, the Group's core technology development campus, in April 2014. The new building integrates overall development functions for digital printing systems, a growth driver of the Group's mainstay Business Technologies Business. In addition, the new R&D center functions as an accelerator for the fusion and combination of varied technologies across diverse business sectors and as a promoter for internal and external "open innovation" with an aim to create new value.

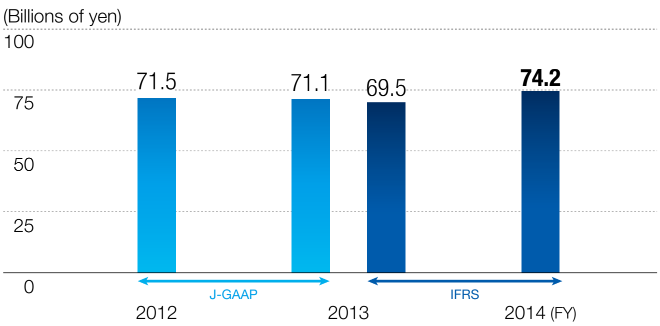
In line with a new basic policy for Medium-term Business Strategy—which is focused on realizing sustainable profit growth, transforming into a customer-centric company, and establishing a strong corporate structure—based on its TRANSFORM 2016 Medium Term Business Plan, the Group conducts all of its research activities under three new basic policies concerning technological strategies. These are "accelerate incubation to drive continued growth," "build in differentiating technologies to create customer value," and "develop first-class technological personnel and strengthen organizational development capabilities."

In existing production printing segment, Konica Minolta is expanding its business into heavy production printing, which involves large print volumes and requires a high level of productivity and the ability to accommodate a variety of paper types. This will be done alongside efforts to provide services unique to Konica Minolta. In the healthcare segment, the Group developed and launched hand-carried diagnostic ultrasound systems featuring top-of-the-line resolving power. This will serve as a catalyst for further development of the ultrasound business.

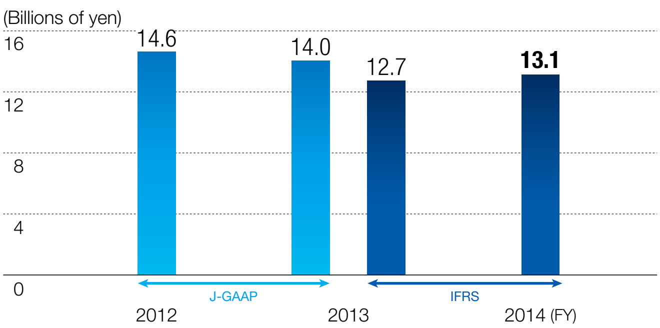
Konica Minolta is also focused on new growth segments, developing new products and services aimed at the environment and energy field and the health and safety field. One example of such products is the inkjet textile printer. Compared to traditional analog printers, inkjet printers are better for the environment as they use far less water and energy and provide better print quality. In response to ever more stringent environmental regulations in China, Konica Minolta has established a business facility in Shanghai to actively pursue business development in the country. Additionally, Konica Minolta's Business Innovation Center (BIC) in Singapore, which was launched to accelerate our transformation into a service-oriented business, has signed a joint research agreement with Singapore's Institute for Infocomm Research. Through this joint research, we are beginning business incubation focused on communities in a range of business segments, with a view to achieving new growth through business transformation.

Groupwide R&D expenditure for the fiscal year under review increased ¥4.6 billion, or 6.7%, year on year to ¥74.2 billion. R&D expenditures include amounts not included in figures posted by the Business Technologies Business, Healthcare Business, and Industrial Business, as well as ¥13.1 billion—a 2.6% increase year on year—in basic research expenditure.

Research and development expenses



R&D expenditure for common fundamental technologies and advanced technologies



Financial Position and Liquidity

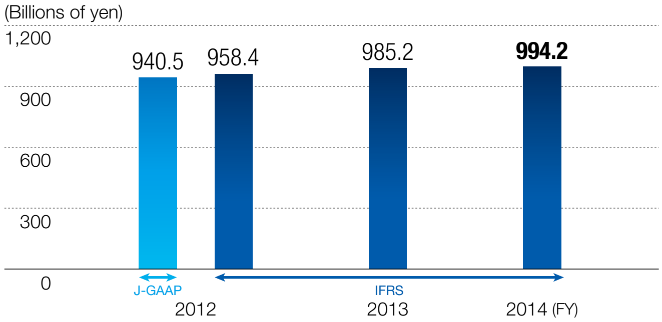
• Assets

Assets at fiscal year end increased ¥9.0 billion, or 0.9%, over last fiscal year end to ¥994.2 billion. Current assets rose ¥1.0 billion, or 0.2%, to ¥570.6 billion (57.4% of total assets), and non-current assets climbed ¥7.9 billion, or 1.9%, to ¥423.6 billion (42.6% of total assets).

For current assets, cash and cash equivalents decreased by ¥10.9 billion to ¥177.4 billion. Operating receivables and other receivables stood at ¥252.9 billion, a ¥5.8 billion increase. Additionally, inventories rose ¥5.6 billion to ¥120.8 billion.

Although there was overall progress in the amortization of property, plant, and equipment, non-current assets increased ¥4.5 billion to ¥181.6 billion partially as a result of the construction of a new R&D center, as well as capital investment in the Business Technologies Business and investments into new businesses in the Industrial Business. Goodwill and intangible assets climbed ¥6.5 billion to ¥126.1 billion. Other financial assets grew to ¥41.4 billion due in part to a ¥2.9 billion increase in investment in securities caused by a rising stock market, while deferred tax assets fell ¥10.0 billion compared to previous fiscal year end to ¥64.2 billion partially as a result of taxation rate changes prompted by taxation system amendments. Other non-current assets amounted to ¥9.6 billion due to factors including a ¥1.4 billion increase in long-term prepaid expenses.

Total assets



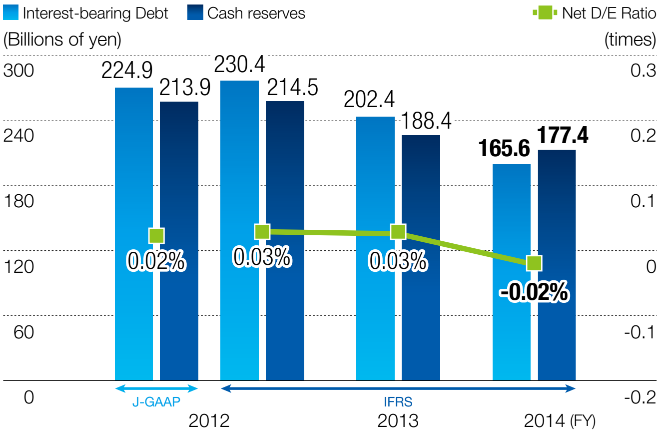
• Liabilities

Compared with the end of the previous fiscal year, liabilities dropped ¥27.6 billion, or 5.6%, to ¥464.7 billion (46.7% of total assets). Current liabilities fell ¥1.7 billion, or 0.6%, to ¥281.8 billion and non-current liabilities dropped ¥25.9 billion, or 12.4%, to ¥182.8 billion.

Regarding current liabilities, trade and other payables increased ¥6.2 billion to ¥177.5 billion while income tax payables rose ¥1.2 billion to ¥7.5 billion. Bonds and borrowings decreased ¥12.7 billion to ¥53.3 billion and provisions dropped ¥1.2 billion to ¥5.5 billion. Other current liabilities amounted to ¥36.8 billion, reflecting an accrued tax increase of ¥2.2 billion and increase in the provision for paid vacation of ¥1.9 billion.

Regarding non-current liabilities, bonds and borrowings decreased ¥24.1 billion to ¥112.2 billion and net defined benefit liabilities dropped ¥2.8 billion to ¥62.0 billion.

Interest-bearing debt, Cash reserves, Net D/E ratio



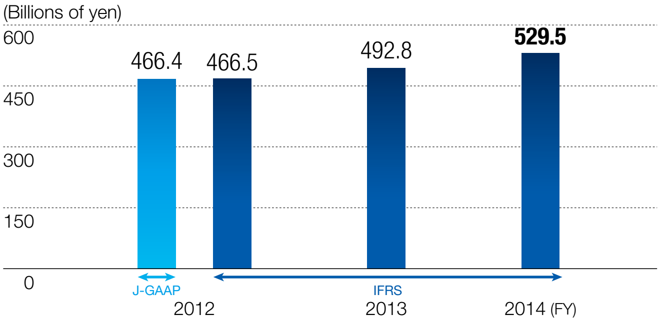
• Equity

Compared to the end of the previous fiscal year, total equity increased ¥36.6 billion, or 7.4%, to ¥529.5 billion. Retained earnings rose ¥11.8 billion to ¥251.3 billion. Major factors included net profit of ¥40.9 billion, an ¥8.9 billion decrease owing to dividends of surplus, and a ¥20.7 billion decrease attributable to cancelation of treasury shares.

Furthermore, treasury shares decreased ¥6.5 billion due to such factors as a ¥14.2 billion increase due to purchase of shares and a ¥20.7 billion decrease owing to cancellation of shares. Other components of equity increased ¥17.8 billion to ¥45.9 billion, reflecting a ¥15.0 billion foreign currency translation adjustment increase and a ¥3.1 billion marketable securities valuation difference increase, among other factors.

As a result, compared to the end of the previous fiscal year, the total equity attributable to owners of the company increased ¥36.3 billion, or 7.4%, to ¥528.4 billion, earnings per share attributable to owners of the company stood at ¥1,052.94, and the ratio of equity attributable to owners of the company increased 3.2 points to 53.1%.

Equity

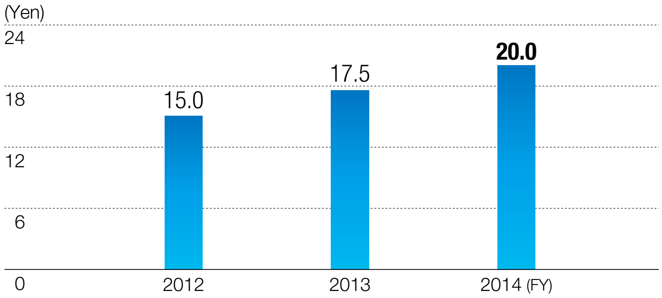


Dividend Policy

• Basic dividend policy

The Company's basic policy regarding the payment of dividends is to proactively distribute earnings to shareholders after comprehensive consideration of factors including consolidated business results and strategic investment in growth areas. The Group strives to improve shareholder return by increasing the per-share dividend and practicing flexible purchasing of treasury stocks.

Dividend per share



• Dividends for the fiscal year ended March 31, 2015 and projected dividends for the fiscal year ending March 31, 2016

Dividends for the end of the fiscal year ended March 31, 2015 were paid at a rate of ¥10 per share, a ¥2.50 increase over the end of the previous fiscal year. Combined with the dividend of ¥10 per share already paid at the end of the second quarter, the total annual dividend was ¥20 per share.

Regarding ordinary dividends for the fiscal year ending March 31, 2016, the Group plans to distribute a total annual dividend of ¥30 per share in order to strengthen shareholder returns, assuming we achieve the results forecasts outlined on the right.

Outlook for the Fiscal Year Ending March 31, 2016

Looking at the global economic conditions surrounding the Group, the U.S. economy is expected to make a gradual recovery despite a slowdown in various economic indicators at the start of the year 2015. Major economies in Europe—including Germany, France and the United Kingdom—are expected to make a strong showing due in part to quantitative easing, despite the risk of the Greek financial crisis reigniting. We also forecast a continued slowdown in economic growth in China and stagnant growth in emerging countries, including those in Asia and Latin America. Meanwhile, in the Japanese economy, personal consumption is projected to recover moderately reflecting solid corporate results.

As for the outlook for demand in the Group's related markets, in the Business Technologies Business, we expect demand for A3 color MFPs for the office to continue expanding in overseas markets. In the commercial and industrial printing field, we project expanding sales of color units and a resulting increase in print volume. For the Healthcare Business, we expect continued high growth in cassette-type digital X-ray systems and diagnostic ultrasound systems in each region.

In the Industrial Business, we expect growth of smartphones to continue and the trend for increasing screen size to persist in the TV market in line with continued enhancement of image quality. In digital cameras, we expect the markets for compact models and models with interchangeable lenses to continue contracting.

Forecast for the fiscal year ending March 31, 2016

Published May 13, 2015
(Billions of yen)

Revenue	1,100
Operating profit	77
Operating profit ratio	7.0 %
Profit attributable to owners of the company	50
Capital investment	55
Depreciation	55
Free cash flow	15
Investment and financing	35

*Assumed exchange rates: 1 U.S. dollar = ¥120; 1 euro = ¥130