KONICA MINOLTA

KONICA MINOLTA, INC.

Integrated Report 2017

Giving Shape to Ideas

On the Release of Integrated Report 2017

Since fiscal 2015, Konica Minolta has released annual reports that provide a comprehensive look at the Company's activities and philosophies. The third report is now available. These reports will be referred to as "integrated reports" from here on. We consider this integrated report to be an important tool that represents a systematic organization of both financial and non-financial information, and is intended to be a communication tool to better familiarize readers with Konica Minolta. The 2016 annual report was externally well-received, winning recognition and awards that included the Grand Prix Runner Up in the Nikkei Annual Report Awards conducted by Nikkei Inc.

Integrated Report 2017 lays out the Konica Minolta Group's strengths and process to creating value with a focus on SHINKA 2019, the new Medium Term Business Plan formulated this year, while explaining the Group's medium- to long-term business strategy and pathway to value creation.

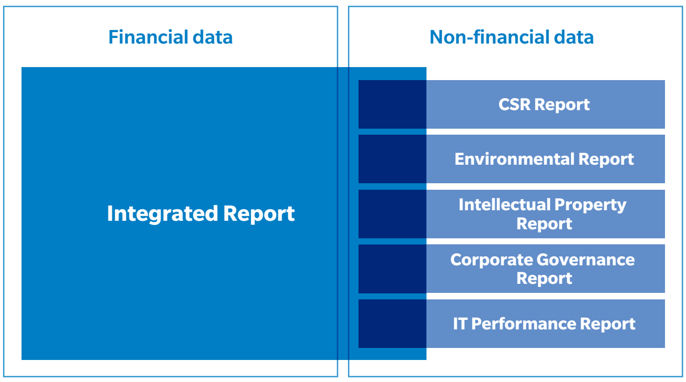
The report was a cross-organizational collaboration accomplished by taking cues from sources such as the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry.

I can attest to the soundness and accuracy of the report creation process and its content.

Konica Minolta will continue using the integrated report as a tool for engaging with all of its stakeholders, including its shareholders and investors, as it works to sustainably improve the corporate value it provides.

Shoei Yamana
President and CEO

Role of Integrated Report 2017



Notes on outlook for future results

The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

C O N T E N T S

Konica Minolta Philosophy

Our Philosophy

The Creation of New Value

Our Vision

A global company that is vital to society

Possessing a mindset that drives us to best serve and improve the quality of society in all our activities, we are determined to become a company that is vital to global society by providing excitement that exceeds the expectations of all.

An innovative company that is robust and constantly evolving

We are committed to becoming an innovative company that stands tall in difficult times with a solid and quality business base, ensuring we remain courageous to provide new value in the face of any challenge.

Brand Proposition

Giving Shape to Ideas

It is our pledge to bring the ideas of customers and society to life through innovation and contribute to the creation of a high quality society.

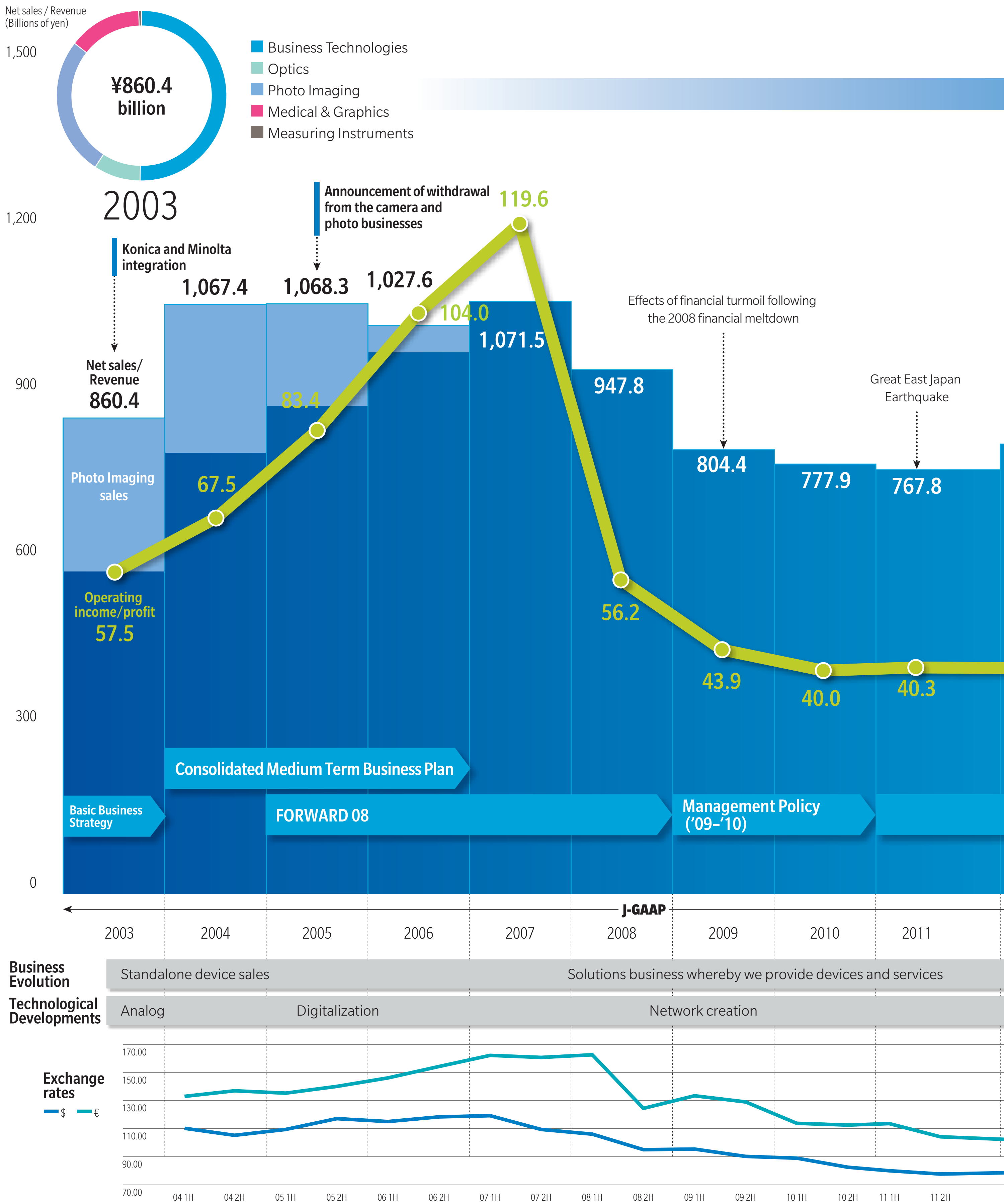
Through innovation which only Konica Minolta can provide,
we create value and share it with society for the betterment of people's lives
today and for the generations to come.

6 Values

Our 6 Values are the essence of our innermost beliefs, our inherited DNA, and define how we go about our business and act towards all our partners. They articulate what we stand for and direct our decision making.

Open and honest	We are convinced that only by acting with integrity and communicating with all our partners in an open and honest way can we create long-lasting partnerships of mutual trust and true significance.
Customer-centric	We exist solely for our customers; always thinking on their behalf, undertaking challenges together with them, and working tirelessly to bring them success and provide excitement that exceeds expectations both now and in the future.
Innovative	Innovation is what drives us. We constantly strive to develop ground-breaking ideas that will form the basis of everything we do going forward, every step of the way.
Passionate	Being passionate, strong-willed and determined is essential to making a meaningful contribution to our customers' businesses and society as a whole.
Inclusive and collaborative	We believe that the power of inclusiveness and collaboration with customers, partners and each other is the best way to come up with game-changing ideas that provide ultimate benefits.
Accountable	Not only must we be individually and collectively responsible and accountable for what we do, all our actions should contribute to the creation of a sustainable society and Konica Minolta.

Konica Minolta's Journey So Far




Operating income/profit
(Billions of yen)
150
120
90
60
30
0
Office Services
Commercial and Industrial Printing
Healthcare
Optical Systems for Industrial Use
Performance Materials
¥962.5
billion
2016
Management system restructuring
Transition from pure holding company
to operating company
Announcement of withdrawal
from the glass substrates for HDDs business
Brexit
813.0
943.7
935.2
1,002.7
1,031.7
962.5
980.0
1,100.0
100.0 or above
75.0 or above
40.6
58.1
39.8
65.7
60.0
50.1
46.0
GPLAN 2013
TRANSFORM 2016
SHINKA 2019
IFRS
2012
2013
2013
2014
2015
2016
2017
(forecast)
2019
(Business targets)
2021
(Medium-term targets)
(FY)
Digital workflow services
Platform business
Mobile device adoption
Moving to cloud computing
Data generation (IoT)
12 1H
12 2H
13 1H
13 2H
14 1H
14 2H
15 1H
15 2H
16 1H
16 2H

Evolution of a Business Model

Alongside conducting M&A to actively strengthen the technologies, expertise, and human capital needed for our platform business, we have been transitioning to a business that provides high added-value solutions with a view to commoditizing products.

Business Evolution	Standalone device sales		Solutions-oriented business that provides devices and services
Technological Developments	Analog	Digitalization	Network creation

Office Services

Acquisition of IT personnel and technologies through M&A in the U.S. and Europe

2011 ▼ Acquired All Covered (U.S.)

Promoted genre-top strategies for A3 color MFPs

\+ Provided OPS*1 and increased GMA*2 count

Output environment optimization

Commercial and industrial printing

Acquired MPM and digital marketing expertise through M&A

2012 ▼ Acquired Charterhouse (UK)

2012 ▼ Acquired FedEx Kinko's Japan

Promoted a genre-top strategy for digital color printers

\+ Provided MPM*5 and MMS*6

Improved printing site workflows

Improved marketing ROI for brand owners

Healthcare Business

Implemented a genre-top strategy for digital radiography detectors (CR / DR)

2013 ▼ Collaborated with GE Healthcare (U.S.)

Made foray into the diagnostic ultrasound business

\+ **Acquired medical IT personnel and technologies through M&A**

Provided medical IT services

Improved primary care efficiency and diagnosis quality

Industrial Business

Light-source color measuring instruments and object color measuring instruments

Pickup lenses and lens units for optical disks

2012 ▼ Acquired Instrument Systems (Germany)

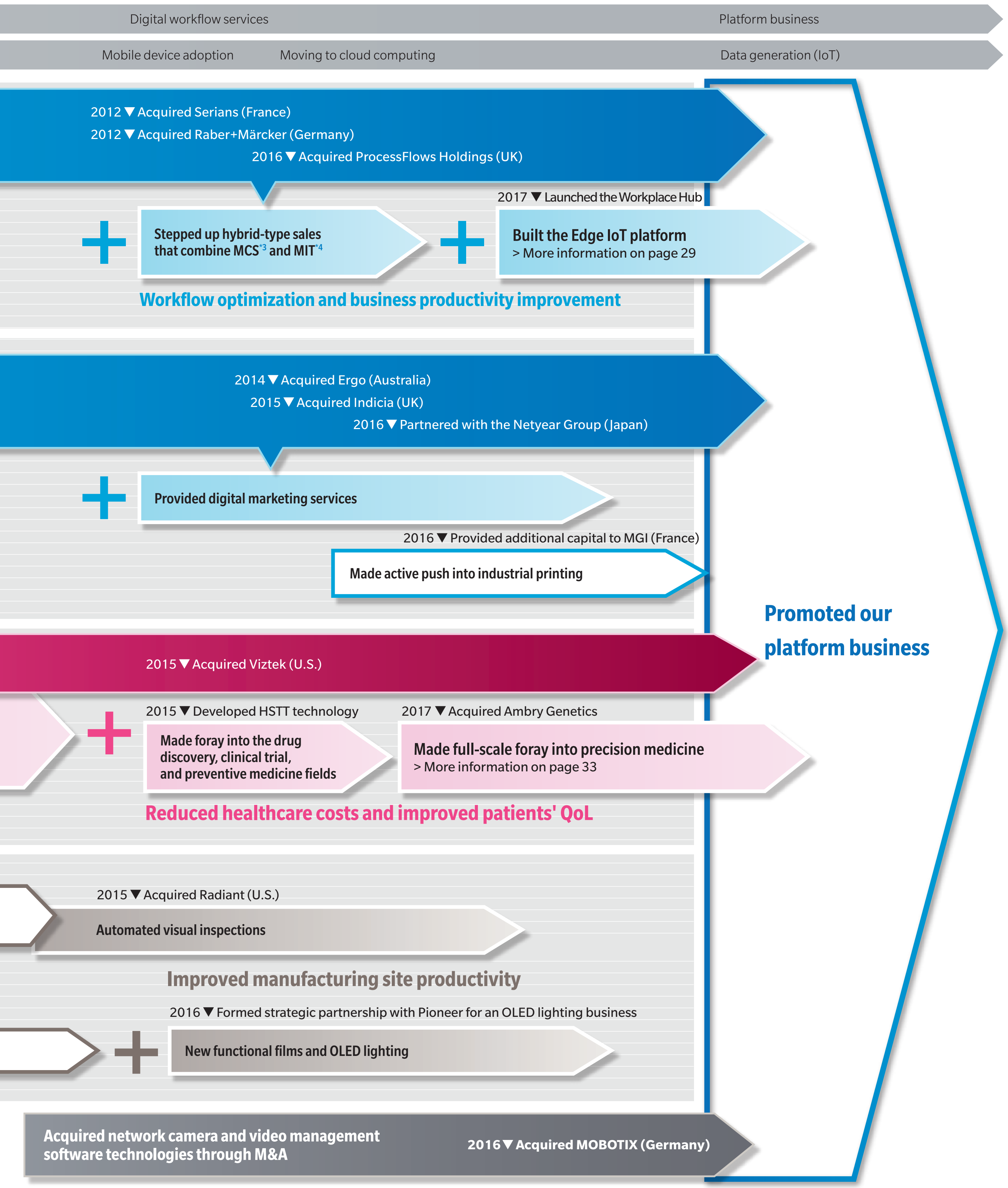
\+ Aiming to become one of the world's top manufacturers in light-source color measuring

Improved industrial product quality

TAC films

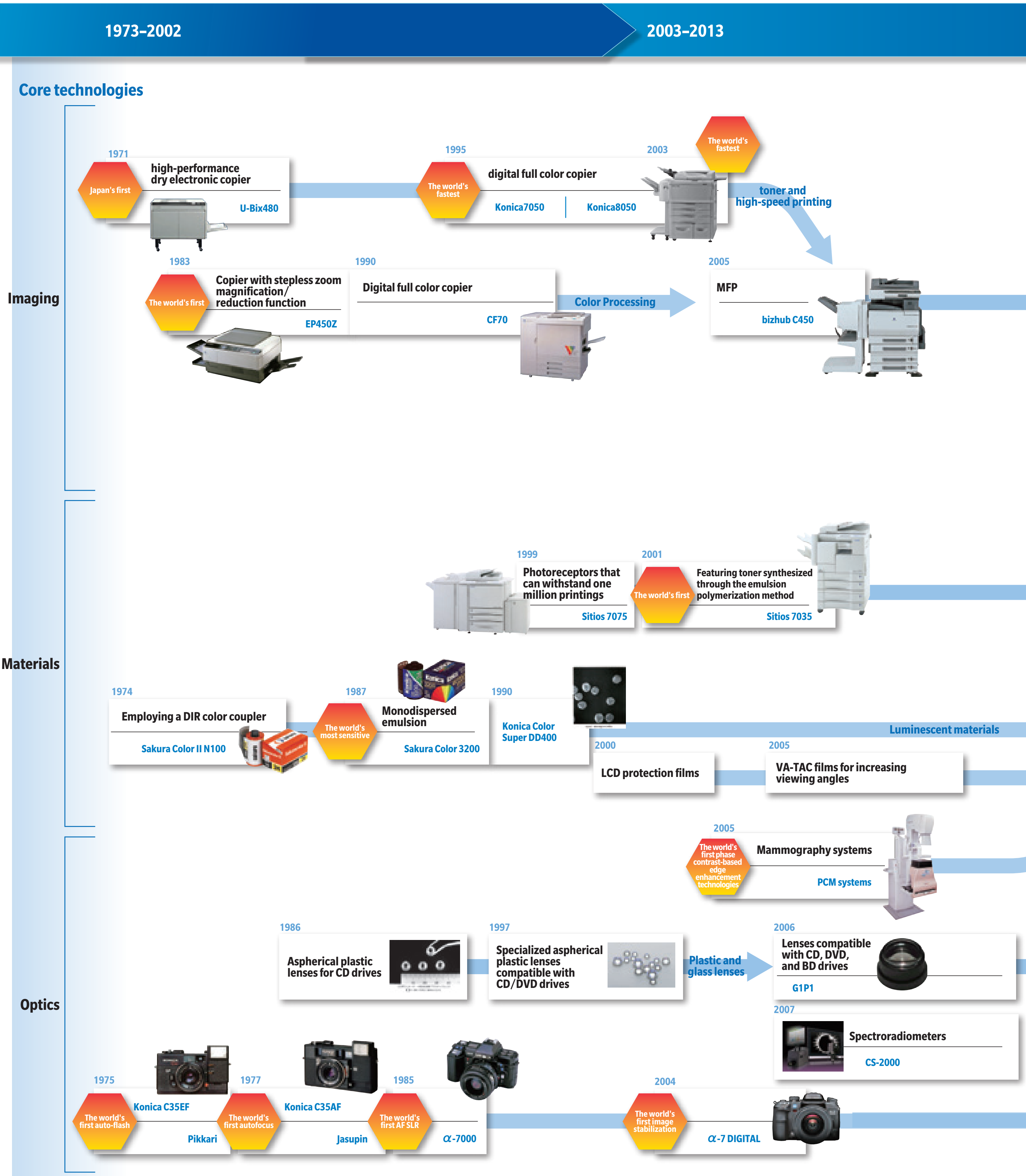
*1 OPS : Optimized Print Services
*2 GMA : Global Major Account
*3 MCS : Managed Content Services
*4 MIT : Managed IT
*5 MPM : Marketing Production Management
*6 MMS : Marketing Management Services

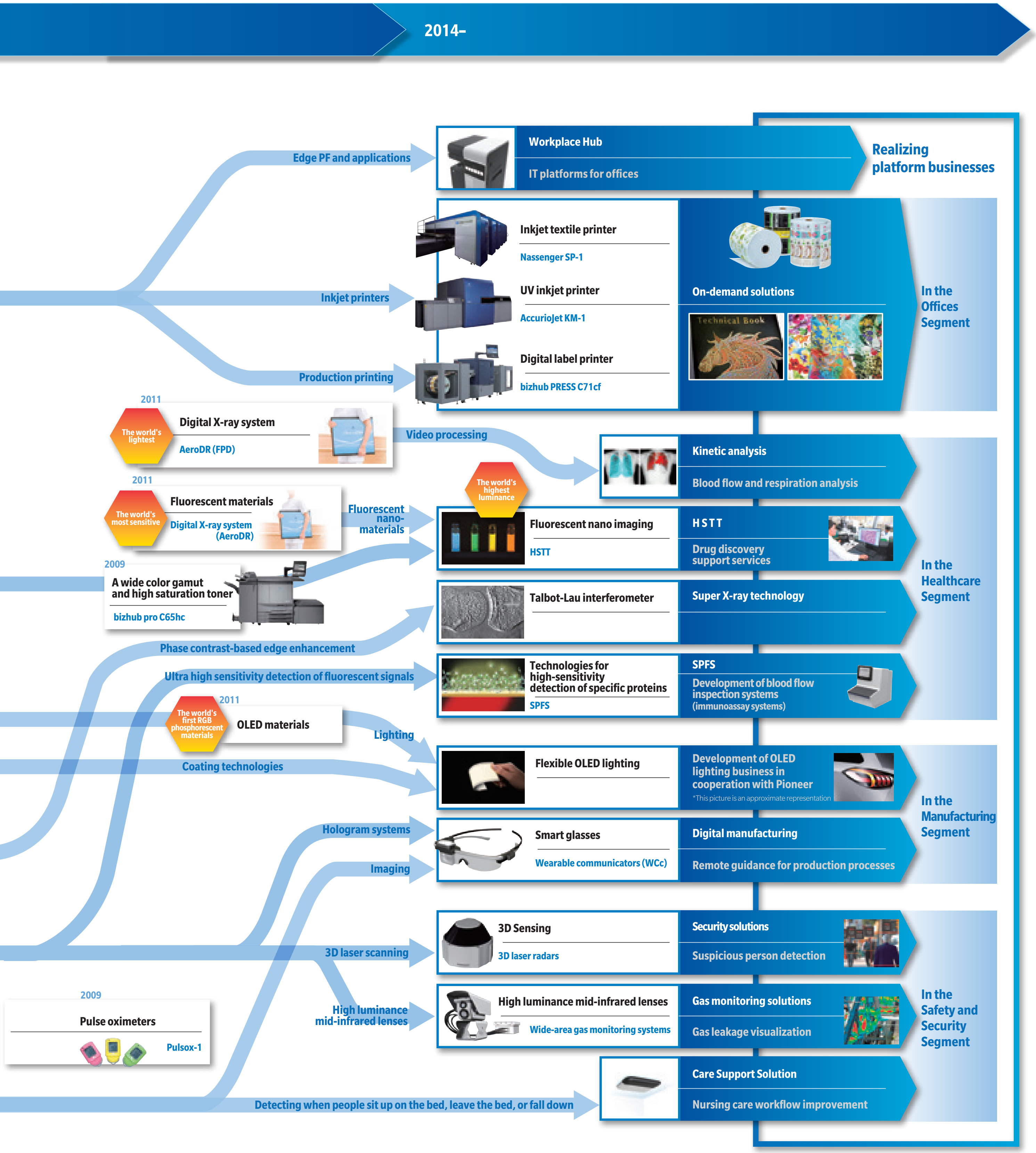
(More information on page 156)


Digital workflow services
Platform business
Mobile device adoption
Moving to cloud computing
Data generation (IoT)
2012 ▼ Acquired Serians (France)
2012 ▼ Acquired Raber+Märcker (Germany)
2016 ▼ Acquired ProcessFlows Holdings (UK)
2017 ▼ Launched the Workplace Hub
Stepped up hybrid-type sales that combine MCS[*3] and MIT[*4]
Built the Edge IoT platform
> More information on page 29
Workflow optimization and business productivity improvement
2014 ▼ Acquired Ergo (Australia)
2015 ▼ Acquired Indicia (UK)
2016 ▼ Partnered with the Netyear Group (Japan)
Provided digital marketing services
2016 ▼ Provided additional capital to MGI (France)
Made active push into industrial printing
Promoted our platform business
2015 ▼ Acquired Viztek (U.S.)
2015 ▼ Developed HSTT technology
2017 ▼ Acquired Ambry Genetics
Made foray into the drug discovery, clinical trial, and preventive medicine fields
Made full-scale foray into precision medicine
> More information on page 33
Reduced healthcare costs and improved patients' QoL
2015 ▼ Acquired Radiant (U.S.)
Automated visual inspections
Improved manufacturing site productivity
2016 ▼ Formed strategic partnership with Pioneer for an OLED lighting business
New functional films and OLED lighting
Acquired network camera and video management software technologies through M&A
2016 ▼ Acquired MOBOTIX (Germany)

Technological Progress

Konica Minolta is working to create new value by evolving the technologies it has developed based on its photographic film and camera technologies.



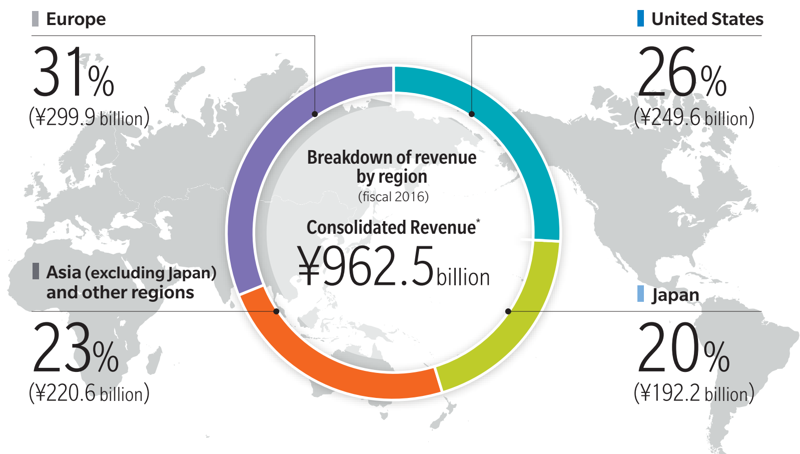

2014–
Edge PF and applications
Workplace Hub
IT platforms for offices
Realizing platform businesses
Inkjet printers
Inkjet textile printer
Nassenger SP-1
UV inkjet printer
AccurioJet KM-1
Production printing
Digital label printer
bizhub PRESS C71cf
On-demand solutions
Technical Book
In the Offices Segment
2011
The world's lightest
Digital X-ray system
AeroDR (FPD)
Video processing
Kinetic analysis
Blood flow and respiration analysis
2011
The world's most sensitive
Fluorescent materials
Digital X-ray system (AeroDR)
Fluorescent nano-materials
The world's highest luminance
Fluorescent nano imaging
HSTT
HSTT
Drug discovery support services
2009
A wide color gamut and high saturation toner
bizhub pro C65hc
Talbot-Lau interferometer
Super X-ray technology
In the Healthcare Segment
Phase contrast-based edge enhancement
Ultra high sensitivity detection of fluorescent signals
Technologies for high-sensitivity detection of specific proteins
SPFS
SPFS
Development of blood flow inspection systems (immunoassay systems)
2011
The world's first RGB phosphorescent materials
OLED materials
Lighting
Coating technologies
Flexible OLED lighting
Development of OLED lighting business in cooperation with Pioneer
*This picture is an approximate representation
Hologram systems
Smart glasses
Wearable communicators (WCc)
Digital manufacturing
Remote guidance for production processes
Imaging
In the Manufacturing Segment
3D Sensing
3D laser radars
Security solutions
Suspicious person detection
3D laser scanning
2009
Pulse oximeters
Pulsox-1
High luminance mid-infrared lenses
High luminance mid-infrared lenses
Wide-area gas monitoring systems
Gas monitoring solutions
Gas leakage visualization
In the Safety and Security Segment
Care Support Solution
Nursing care workflow improvement
Detecting when people sit up on the bed, leave the bed, or fall down

Preparations made under the previous Medium Term Business Plan

Over the three years from FY2014 to FY2016, Konica Minolta has reinforced the strengths of the intangible assets it has developed since its founding.

Strength 1 | Customer base

Konica Minolta contributes to solving the problems that face our two million customer companies worldwide by providing product and service solutions.



Consolidated Subsidiaries*	Global Sites* (countries)	In Sales and Service (countries)	Employees*
153	50	Over 150	43,979

* Data is compiled on a consolidated basis (as of March 31, 2017)

We have actively engaged in M&A while strengthening our ability to offer suitable solutions to IT and marketing departments that have sophisticated needs and large budgets.

Acquired IT personnel and technologies through M&A in the U.S. and Europe

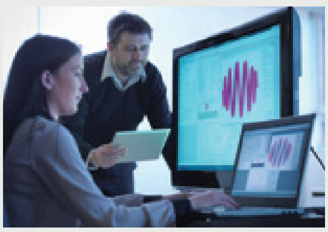
Actively acquiring IT companies and enhancing hybrid-type sales that provide MFP and IT solutions

- Acquired All Covered (U.S.)
- Acquired Serians (France)
- Acquired Raber+Märcker (Germany)
- Acquired ProcessFlows Holdings (U.K.)

Acquired MPM and digital marketing expertise through M&A

FY2014

Acquired Indicia of the U.K. and began providing MMS services



FY2016

Acquired MGI of France and improved our industrial printing business capabilities

Strength 2 | Technical expertise

Konica Minolta provides unique products and services by leveraging technologies to "make the invisible visible" that we developed over our nearly 150 year history.

Image inputting, processing, and outputting

Color MFPs had a large market share, particularly in the U.S. and Europe

bizhub C554e series

Digital color printers had a large market share

AccurioPress C6100

*Unit basis, Konica Minolta estimate using external CY2016 data

Medical image inputting, processing, and display

Cassette-type DRs had a large market share among medical clinics in Japan

AeroDR PREMIUM

Diagnostic ultrasound systems had a large market share in orthopedics in Japan

SONIMAGE HS1

*Konica Minolta estimate using CY2016 data

Color sensors

Display color analyzers had a large market share

Display color analyzer CA-310

*Konica Minolta estimate using CY2016 data

Konica Minolta has been quick to refine the technologies needed to succeed in an age of change.

Strengthening image and video diagnostic and analysis abilities

FY2015

Acquired MOBOTIX and strengthened technical expertise in the field of VMS (video management software)

MOBOTIX

Acquired medical IT personnel and technologies through M&A

FY2015

Acquired Viztek and improved our medical IT services in North America

VIZTEK

Entered the visual inspection business

FY2015

Acquired Radiant and entered the visual inspection business

RADIANT VISION SYSTEMS

Konica Minolta's Journey Ahead

Five-year (FY2021) targets

To establish an IoT business model with digital imaging (images and data) at the core with the goal of transforming Konica Minolta into a high-profit enterprise

Operating profit	Operating profit ratio	Profit attributable to owners of the company	ROE
¥100 billion or more	10%	¥70 billion or more	11%

How to make this a reality

The new Medium Term Business Plan

SHINKA 2019

Evolution

FY2019 targets

Operating profit	Operating profit ratio
¥75 billion or more	7%
Profit attributable to owners of the company	**ROE**
¥50 billion	9.5%

Adopt portfolio management that emphasizes earnings

The new Medium Term Business Plan, SHINKA 2019, sets the goals of establishing an IoT business model with digital imaging (images and data) at the core and transforming Konica Minolta into a high-profit enterprise in five years' time (by FY2021). In order to achieve these goals, it also lays out our three business domains—core, growth, and new. Along the way, we will allocate corporate resources to achieve high-profit businesses as we revamp our business and earnings structures.

Operating profit across core, growth, and new businesses (Billions of yen)

* The right side bar graph for FY2014-2016 and broken line graph show operating profit calculated using the exchange rate assumptions for FY 2017 (US$=¥105, Euro=¥115)

Core businesses	Growth businesses	New businesses
• Focus on providing high added-value • Reform our global cost structure • Manage ROIC at the business level	• Maximize benefits of M&A • Cultivate digital customer value and increase earnings	• Establish profit-oriented business model for the IoT age • Build management infrastructure

With the goal of becoming a digital company with insight into implicit challenges, Konica Minolta will transform itself into a high-profit company capable of sustainable growth.

Shoei Yamana

President and CEO

Review of FY2016 Operating Performance and Achievements under TRANSFORM 2016, the Previous Medium Term Business Plan

Pursuing business portfolio transformation toward medium- to long-term growth

The so-called IT revolution has sparked dramatic social change in recent years, from macro-level change involving business models and industrial structures to change on a more personal level with lifestyles and the way people work being affected. Now, the Internet of Things (IoT)—the connection of all things via the Internet—has led to the continuous creation of unprecedented value and businesses in a broad range of domains. Even prior to being appointed president, I was determined to change the way Konica Minolta competes given that we are entering the age of IoT and transform us into a game changer.

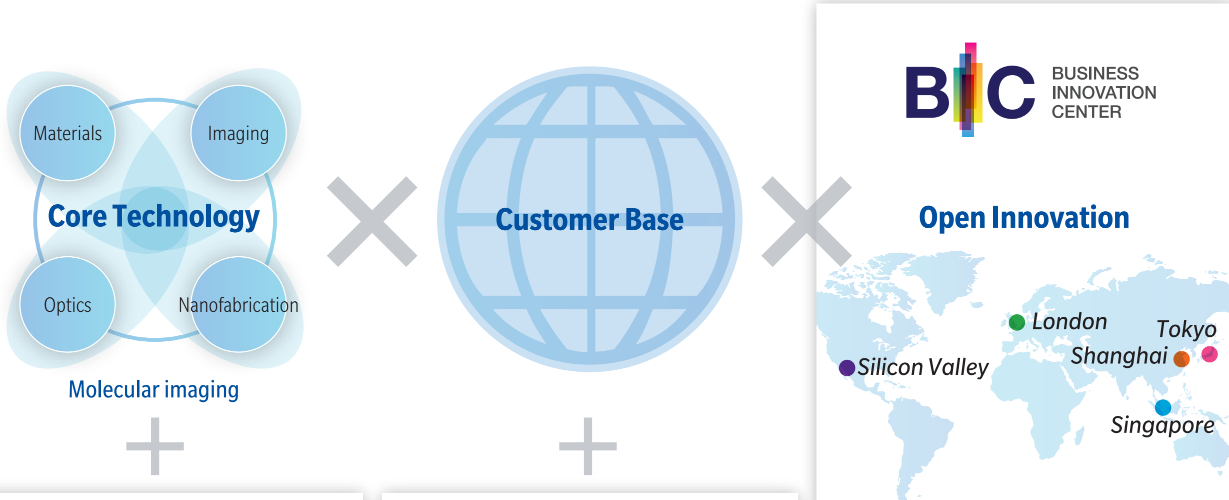
Konica Minolta's strengths can be divided into two broad categories. The first consists of the "core technologies" we have developed over our long history. These are the imaging, material, nanofabrication, and optical technologies that we have nurtured since the early phase of our existence, when we made cameras and film. Konica Minolta is a manufacturing company that has delivered world's "firsts" and "bests," including the world's most sensitive film, the world's first autofocus cameras, and the world's first copiers equipped with a zoom function. Achievement and innovation are in our DNA.

Our other strength is the bond we have forged with about two million corporate clients from 150 countries around the world nurtured through the sales of and services for such products as digital MFPs, medical image diagnostic equipment, and measuring instruments. And though our clients span a broad range of industries—manufacturing, distribution and retailing, printing, and healthcare and nursing, to name a few—more and more are demanding IT-based workflow solutions that lead to increased productivity, improved marketing ROI, and innovations to their business models.

With this in mind, we have worked steadily to achieve the objectives outlined in the TRANSFORM 2016 Medium Term Business Plan since 2014 toward providing enhanced value to customers. Over the three-year period of the plan, we have invested more than ¥120 billion and promoted a variety of preparatory steps devised to lead us down the path to sustainable growth.

One preparatory step of particular importance is strategic M&A with the goal of acquiring the technologies, knowledge, expertise, people, and other resources needed to add value to

Preparatory Steps Taken During the Previous Medium Term Business Plan Period



- Intelligent network camera
- Medical image platform
- Visual surface inspections
- Digital decorative printing

Acquisition via M&A or investment

- Acquisition of IT service companies in major countries (about 30 companies)
- Acquisition of marketing service companies
- Acquisition of human resources very knowledgeable in workflows for individual industries

- Edge IoT platform "Workplace Hub"
- Agile development capacity
- Global partnership development capacity (Microsoft, HPE, CISCO, SAP, etc.)

existing businesses and to create new businesses. With a primary focus on companies in the information devices and healthcare fields, we have selected and added to the Group a number of outstanding enterprises from around the world.

One example in the Business Technologies Business is our consolidated subsidiary MGI, a France-based company that is essentially in a league of its own. The company specializes in digital decorative printing including varnishing and hot foil stamping. This acquisition strengthens our competitiveness in industrial printing, which includes the printing of labels and packages—areas set to see growth as digitalization proliferates. Turning to our Healthcare Business, we acquired Viztek, a company based in the U.S., the world's largest market. Viztek provides medical image diagnostic equipment, applications, and healthcare IT solution services to mainly primary health care providers. And, for the purpose of acquiring technology that would enable us to launch a new area of business, we acquired networked camera manufacturer MOBOTIX as a consolidated subsidiary. This fortified our competitive capabilities in image inputting and color measuring instruments, areas of strength for Konica Minolta. This Germany-based company makes monitoring cameras utilizing edge computing and has developed a proprietary video management system. We also acquired U.S.-based Radiant, a company with technologies for automating visual inspections in production processes. With this acquisition, we have taken a step forward in automating the inspection process, a process that had been dependent on the human eye, and established a foundation for the creation of business supporting enhanced productivity in the manufacturing process.

Furthermore, the strategic M&A activity we have conducted over the last three years have brought us people with the expertise to propose effective workflow reform measures crucial to expanding our businesses. We have acquired more than 30 IT service companies based primarily in the U.S. and Europe, and have added a great number of people well-versed in the various business workflows employed by our customers. These were preparatory steps taken in anticipation of the commercialization of the Workplace Hub.

We are also preparing to create a standardized template for our new business creation process. We have opened Business Innovation Centers (BICs) in our five key regional markets and have hired many highly capable people—including the people who will lead these centers—possessing experience and knowledge in business domains outside the scope of Konica Minolta operations. Through collaboration with our corporate clients, universities, startup companies and other organizations, we are in the process of formulating an agile business development system to enable the cycle of developing hypothetical customer-based business models, validating these models, and creating businesses to be conducted at each BIC. There are already more than 100 budding business ideas in the pipeline and the Workplace Hub is one of the businesses born of these efforts. Through repeated trial and error, we will be creating a wealth of new businesses going forward.

A Continued Focus on High Value-added Business

As in the preceding fiscal year, we maintained close relationships with our customers and tried to anticipate problems, providing solutions by adding services to products as part of our strategy to establish a high value-added sales model and implement it worldwide.

In our mainstay Business Technologies Business, our bizhub series of A3 color MFPs, core products in our genre-top strategy for the office service field, retained its momentum and saw unit sales increases in all business regions. Although competition remains fierce in the MFP market, we have succeeded in achieving penetration particularly in North America and Western Europe with our hybrid-type sales model—featuring document solutions centered on Konica Minolta MFPs packaged with a range of IT services—resulting in improved per-customer sales and earnings ratio.

In the production print field, sales were up in North America, China, and Asia for the bizhub PRESS C1100, our top-of-the-line color digital printing system. Turning to our textile printing business, orders in France and Turkey for our high-productivity Nassenger SP-1 contributed to increased sales in the industrial inkjet field. Looking at industrial printing, with full-fledged sales activities underway in all markets for the AccurioJet KM-1 digital inkjet printer and the new MGI digital decorative printers, we have laid the groundwork for the implementation of our sales strategy.

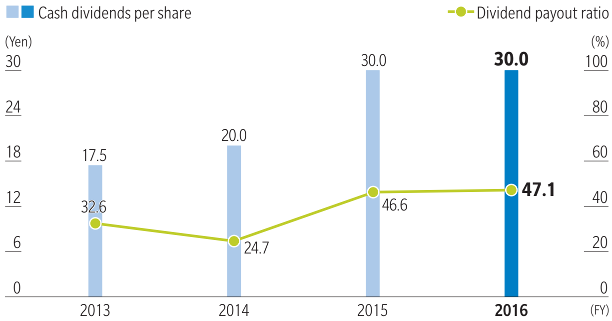
Performance in our healthcare business was strong, buoyed by significant growth in DR (digital radiography) products thanks in part to Viztek in the U.S., and business expansion supported by robust sales of solution-oriented products in the primary care market. Sales were strong for all digital products in Japan, and the AeroDR cassette-type digital X-ray diagnostic imaging system continued performing well in Japan and abroad. Sales volume for the SONIMAGE HS1 diagnostic ultrasound system increased dramatically in Japan, and sales of the system were launched in the U.S. and China.

Unfortunately, concerning our Industrial Business, materials and components were faced with increasingly challenging business conditions. Sales volume and revenue for performance materials decreased compared with the previous year due to increased price pressure. This came in spite of progress being made in the shift to high added-value products such as VA-TAC films for LCD TVs, Zero-TAC films for IPS panels, and ultra-thin TAC films for small- to medium-sized displays. Sales of optical systems for industrial use rose, due in part to the shipment of measuring instruments at the end of the fiscal year following the securing of a large order. Industrial and professional lens sales dropped, however, due to the effects of a decline in sales to end-product markets.

As a result, consolidated net sales for the period were ¥962.5 billion (down 6.7% year on year), operating profit of ¥50.1 billion (down 16.5%), and profit attributable to owners of the company of ¥31.5 billion (down 1.3%). As a whole, the Group recorded decreases in revenue and profit. However, these figures were greatly impacted by exchange-rate volatility. Although the yen started weakening in the fall, for the period it was much stronger than the corresponding period the previous fiscal year against both the U.S. dollar and the Euro. This contributed to a ¥91.8 billion decrease in sales and a ¥19.6 billion decline in operating profit. Looked at in real terms excluding the effect of the exchange rate, sales increased about 2% year on year while operating profit rose approximately 16%.

Despite continuing severe business conditions, we maintained annual dividends for the period at the previous year's level of ¥30 per share. Konica Minolta's basic stance on dividends places a greater emphasis on absolute value than the dividend payout ratio. The Company will continue investments toward realizing sustainable growth while improving business performance so that we can proactively distribute the profit and cash generated and meet our shareholders' expectations.

Cash dividends/dividend payout ratio



Konica Minolta's Objectives under SHINKA 2019, the New Medium Term Business Plan

Resolving societal issues as a digital company with insight into implicit challenges

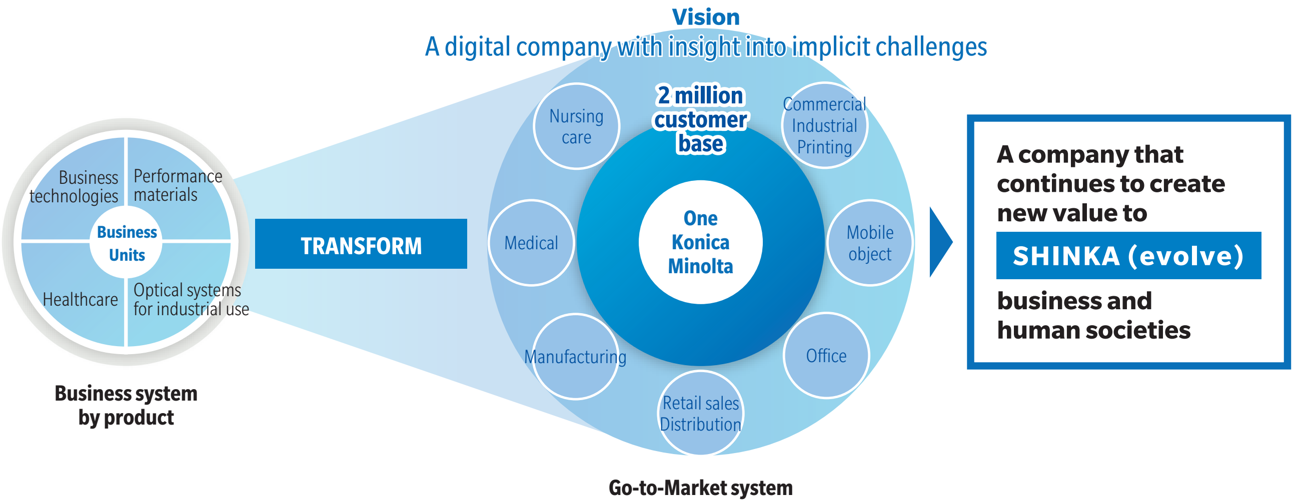
Toward ensuring that the preparatory steps taken under the previous Medium Term Business Plan generate tangible results, Konica Minolta launched its new Medium Term Business Plan, SHINKA 2019, in April 2017. "SHINKA" (evolution) reflects our strong commitment not only to transforming our business portfolio through the efforts made in the previous Medium Term Business Plan (TRANSFORM) but also to supporting innovation by our corporate clients, to generating new value that will support the "evolution" of the business ecosystems of those companies and society as a whole, and contributing to the resolution of issues that plague society.

Becoming a "digital company with insight into implicit challenges" is the corporate vision we have outlined in the new Medium Term Business Plan. Having insight into implicit challenges means working with our customers and society to identify not only problems that are already evident but also to anticipate potential problems, and collaborating in the development of solutions. Our aim is to take advantage of the digital technologies we have developed over the years as well as the AI, robotics, IoT, and other game-changing technologies now available to quickly identify the problems our customers face. We will then leverage these technologies—fortified through the preparatory steps taken to this point—along with our accumulated expertise, and take the lead in working to solve those problems.

These solutions and services businesses originate not from products, but from customers. Our efforts so far have been focused on our transformation into a company that provides customer-oriented products and services. The fact is, however, that our sales activities are still very much business oriented. It's clear to me that it will take more time for us to achieve the ideals of One Konica Minolta.

SHINKA 2019 therefore takes an entirely different tack, focusing on re-examining our businesses from the perspective of the customer or the market. The launch of this new plan heralds the beginning of our efforts to fundamentally reform our sales system while transitioning from our traditional business and product-specific sales approach to a Go-To-Market (GTM) system oriented toward business type. This will involve looking at our customer base of two million companies around the world by industry and type of business, integrating the knowledge and expertise we have accumulated in the development of products and services, and going beyond our business and product framework to offer optimum solutions for each customer. We will then work in a unified manner to propose ways for our customers to optimize their workflow processes based on their area of business.

A digital company with insight into implicit challenges



- The entire company works together to support the transformation of client companies by sector and industry
- Predict potential issues for client companies and create solutions together

Fortifying the organizational structure toward transforming Konica Minolta into a high-profit company

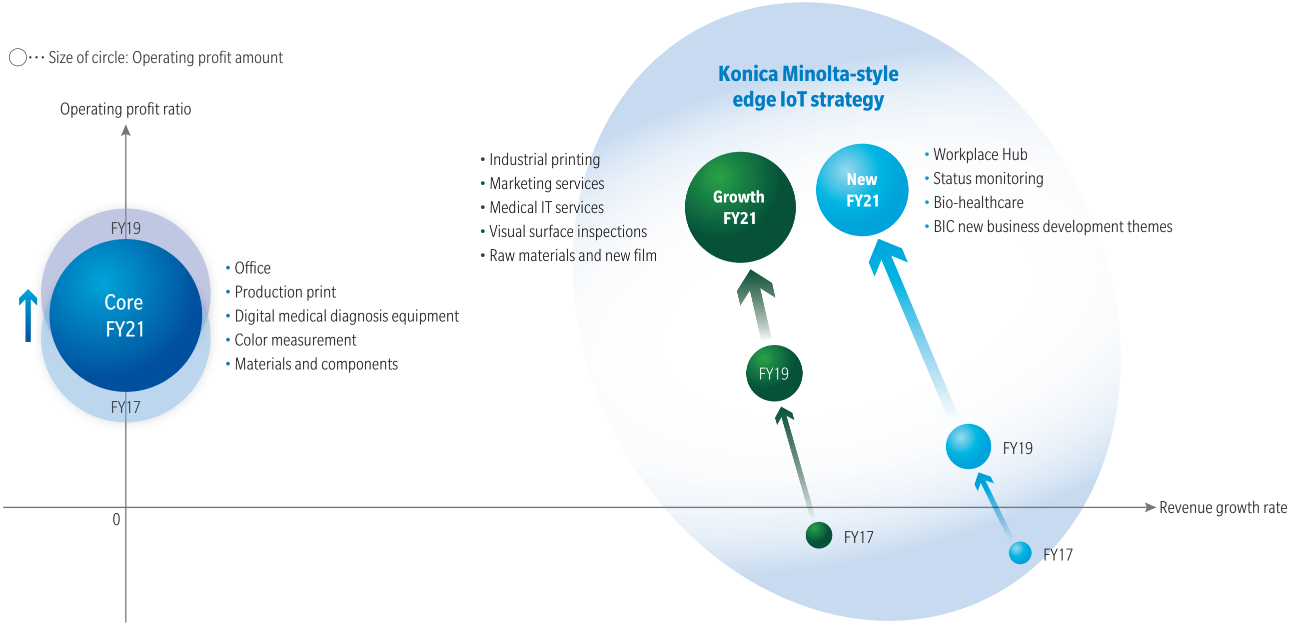
To achieve the transformation into a high-profit company under SHINKA 2019, we have realigned the Group's business domains under three headings: core businesses, growth businesses, and new businesses. Going forward, we will clarify the profit responsibilities for each business as we transition to a new earnings structure.

Key issues for Konica Minolta management to address over the next three years (fiscal 2017 to 2019) will be improving the profitability of core businesses while bringing to fruition the objectives of the various preparatory steps taken under the previous Medium Term Business Plan in our growth and new businesses.

For our core businesses, which currently generate the lion's share of our earnings, management regards boosting profitability as a top priority. As the markets in which these businesses will operate are in advanced stages of maturity, we will improve profitability by focusing on reforming our cost structure on a global level rather than on expanding earnings by increasing the scale of operations.

We also plan to take action toward reducing costs by roughly ¥30 billion over the next three years. Concerning production costs, we are aiming to save about ¥16 billion through the horizontal deployment of digital manufacturing techniques used at our Malaysian plant to production facilities in China and elsewhere. We also expect to lower service costs by about ¥6 billion through initiatives that include leveraging deep learning, AI, and other technologies in predicting failures, strengthening remote services, and prolonging the life of parts. With regard to administration and indirect costs, our goal is to achieve a reduction of roughly ¥8 billion over three years by,

Following through on preparatory steps in transformation to high-profit company



among other means, greatly simplifying the Group's indirect functions.

Rather than treating core, growth, and new businesses as independent entities, we believe we need to approach this new structure as an integrated, three-pronged strategy. Our goal is to transform the entire Group into a high-profit "digital company with insight into implicit challenges." We intend to accomplish this by strengthening the relationships with customers that we have cultivated through the operation of our core businesses and leveraging the experience we have accumulated toward the expansion of growth businesses and the creation of new business models. The objectives of the new Medium Term Business Plan, are to achieve ¥75 billion or more in operating profit, ¥50 billion in net profit, and an ROE of 9.5% by fiscal 2019, the final year of the plan.

Management targets

	Fiscal 2016 results	Fiscal 2017 forecasts	Fiscal 2019 Management targets	Fiscal 2021 Medium-term targets
Operating profit (Operating profit ratio)	¥50.1 billion (5.2%)	¥46.0 billion (4.7%)	¥75.0 billion or more (7%)	¥100.0 billion or more (10%)
Profit attributable to owners of the company	¥31.5 billion	¥30.0 billion	¥50.0 billion	¥70.0 billion or more
ROE	6.3%	5.8%	9.5%	11%
Exchange rate	US$ = 108 yen EUR = 119 yen	US$ = 105 yen EUR = 115 yen	US$ = 105 yen EUR = 115 yen	US$ = 105 yen EUR = 115 yen

Establishing the foundation for highly profitable platform-based business

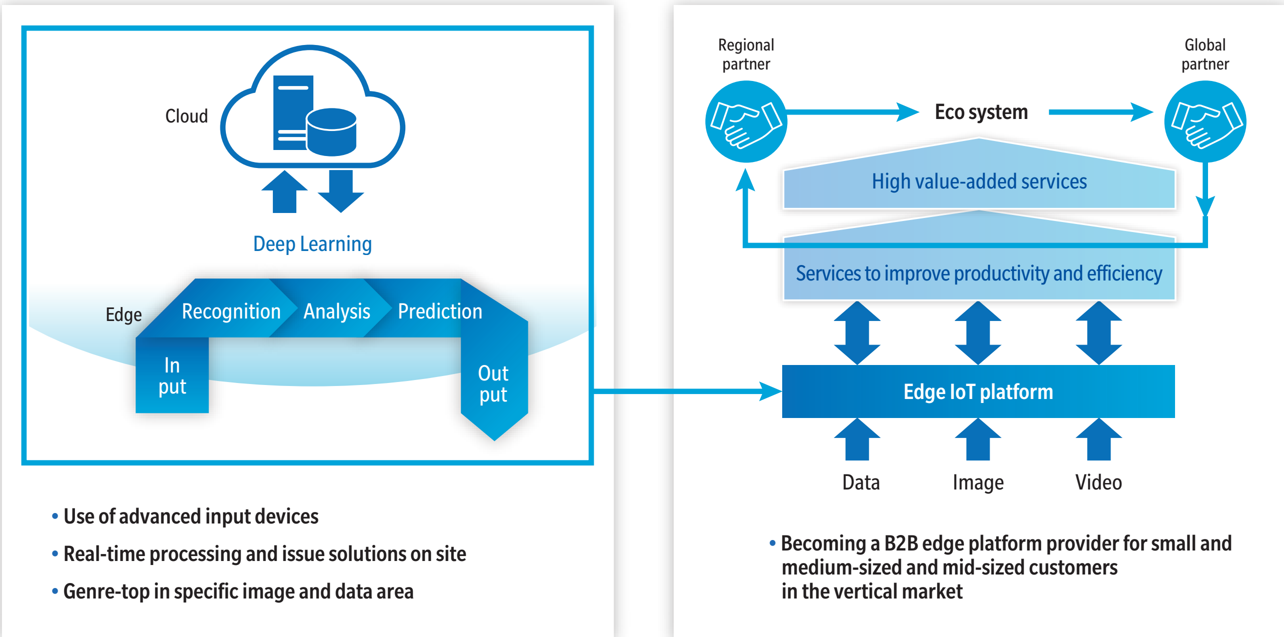
Something that I am promoting with great conviction with respect to our growth businesses and new businesses is our Edge IoT platform strategy and the partner strategy that will enable us to take advantage of it. Having a customer base of two million companies around the world means that Konica Minolta's networked MFPs, digital medical diagnostic devices, and measuring instruments are deployed at two million businesses. Having this vast platform through which we are connected to our customers in real time gives us a major advantage at the "edge," where data is input and digitized.

There is no shortage of IT companies providing cloud services including big data analysis and deep learning, and I have no intention of going head-to-head with them. Although Konica Minolta's platform-based business utilizes cloud services, the management and business issues faced by our customers are resolved in real time at their worksites (at the "edge") by collecting and analyzing data on the platforms deployed at those worksites. The "Edge IoT platform" (a platform for analyzing and resolving problems at the edge) itself is value we provide to the customer and is something that differentiates us from our competitors. With this platform now in place, we can pursue high profitability.

The Workplace Hub (WPH) announced in March 2017 serves as the core element of our Edge IoT platform strategy. The WPH supports increased workflow efficiency at workplaces in a broad range of industries extending beyond general office environments to encompass production facilities, medical care providers, and educational institutions. At the same time, it analyzes constantly changing real-time data, enabling the visualization of the status of IT infrastructure usage and of workers in action. These features allow us to provide solutions helpful in reducing customers' IT infrastructure management costs and making their business processes more efficient.

In the process of putting this platform to use in solving industry- and business-specific problems as mentioned above, the preparatory steps that have been taken over the past three years will begin to bear fruit. For example, connecting a MOBOTIX camera to the WPH would enable a company to conduct real-time tracking of movement and activity inside offices and plants, making possible efficient circulation planning and use of space. Connecting measurement hardware from Radiant to the WPH would allow manufacturers, once defective products had been discovered, isolate the process where the problem originated, or which supplier's quality test was insufficient. In the healthcare industry, connecting Viztek's IT platform for primary care to the WPH would enable comprehensive management of medical images, hospital management, and management of patient data.

Konica Minolta-style Edge IoT platform/partner strategy



The ecosystem in which we co-exist with our partners will be essential in executing this strategy. In commercializing the WPH, we formed a partnership system with Microsoft, Hewlett Packard Enterprise, CISCO Systems, and SAP. These large IT companies face cost constraints in marketing directly to our customers, the majority of which are small and medium-sized enterprises. We hope that by using our platform they will become able to provide services to enterprises previously out of their reach.

By unifying all of the benefits achieved through our M&A and product development activities, we aim to implement these strategies toward transforming Konica Minolta into a digital company with insight into implicit challenges, capable of providing our customers with comprehensive support in innovating their businesses.

Focusing on bio-healthcare, a future important source of profit for Konica Minolta

Konica Minolta positions bio-healthcare as a new business. Japan is struggling with rising healthcare costs resulting from its aging population, and two of the biggest issues are ineffective medications and those with strong side effects. As a possible solution to these issues, precision medicine is attracting attention globally. Precision medicine is a medical model that involves identifying the genetic expressions, proteins, and other characteristics of individual patients' cells at the molecular level, precisely classifying individual patients, and then administering the proper medicine, treatment, or preventive measures based on the patient's characteristics. In addition to the potential improvements in effectiveness of medication and treatment provided to patients, precision medicine is seen worldwide as a possible solution to improving new drug development success rates at pharmaceutical companies and to ballooning healthcare costs.

This prompted Konica Minolta to launch precision medicine business operations last year with the development of High Sensitive Tissue Testing (HSTT), a technique that enables the digitizing of the number and location of proteins manifesting in cancer cells and high-sensitivity, molecular-level tissue analysis.

And in July of this year we announced our acquisition of Ambry Genetics ("AG"), a U.S.-based genetic testing business, in partnership with the Innovation Network Corporation of Japan (INCJ), marking our full-fledged entry into the field of precision medicine. As a company specializing in genetic testing services, AG is a leading presence in the U.S. market, home to state-of-the-art genetic diagnostic techniques. This acquisition makes Konica Minolta one of the only companies in the world to have two core technologies essential to precision medicine: genetic testing and cytoscreening using HSTT.

By tackling these serious societal issues head on, we seek to grow our healthcare operations into a high-profit business indispensable to society. Our initial targets are sales of ¥100 billion and operating profit of ¥20 billion by fiscal 2021. Beyond that, we will work to become a world-leading healthcare company in Asia and Europe, as well as in Japan and the U.S.

Enhancing corporate value for the medium to long term

It is my belief that enhancing corporate value over the medium- to long-term requires strengthening every area of the company's operation, and we will be working hard to improve competence even with regard to ESG and other non-financial indicators. This does not imply a passive approach that seeks to merely minimize ESG-related risks; the goal is to work proactively toward becoming a global top runner in ESG. To this end, last year we identified the "six material issues." Although all require our attention, I consider the "environment" and "social innovation" issues particularly important for our future business expansion.

Climate change and other environmental challenges are pressing issues for the international community. Konica Minolta has established a set of long-term environmental goals in the form of Eco Vision 2050, and has taken steps toward solving environmental problems while also achieving corporate growth. In fiscal 2017 we established an objective we named "carbon minus." This calls for working with stakeholders including business partners, customers, and members of the community to achieve the elimination of CO_2 emissions reductions exceeding the volume of emissions by 2050. My aim is to contribute to reducing environmental impact to a degree much greater than we could achieve on our own.

We will also be focusing on "social innovation" efforts with the aim of developing businesses oriented toward resolving societal issues. There are numerous areas in which Konica Minolta can apply its capabilities in addressing key societal problems. These include improving nursing and primary care in an aging society, providing precision medicine to the bio-healthcare industry, working style reform is accomplished in offices, innovating manufacturing techniques at production sites, and developing new business models for the distribution and retail sectors.

Two other equally important material issues are "human capital" and "diversity." The final key to our becoming a digital company with insight into implicit challenges is achieving a "human capital transformation," and our hope is to develop worldwide a force of people to stand at the forefront of change and tap into their ample creative resources to create value for the customer. Moreover, through the Group-wide expansion of businesses that contribute to advancing society and resolving societal issues, we hope to maximize employee motivation and drive. I have taken the lead in promoting diversity. We will continue to work to create an environment which is conducive to employees fully realizing their potential and creativity, regardless of nationality, gender, or age, by changing the way work is accomplished, instituting career advancement programs, and executing reforms to the organizational structure and corporate climate.

Working on these material issues will serve to strengthen our global competitiveness and, as a signatory to the UN Global Compact, contribute to achieving the SDGs toward the creation of a sustainable society.

With respect to corporate governance, while we have endeavored to improve the effectiveness of our system, I want to raise the bar even further. This will entail focusing on "offensive governance" as a keyword while undertaking the cultivation of more strategic discussion by the Board of Directors, the implementation of a Director compensation system tied to the achievement of Medium Term Business Plan objectives are achieved, and other measures.

Six material issues for enhancing medium- to long-term corporate value

* "Carbon Minus" means that the carbon emissions reduction amounts of outside parties (customers, business partners, etc.) will be larger than the total carbon emissions of the lifecycle of Konica Minolta.

As I mentioned, I firmly believe that helping to solve problems our customers and their employees face by working to achieve the aims of SHINKA 2019, our new Medium Term Business Plan, can only benefit society.

Anticipating and isolating customers' problems and collaborating to devise solutions to support their transformation will make us an essential partner. Conducting these activities continuously and working tirelessly to contribute to the evolution of business and society—this is the kind of company Konica Minolta aspires to be. Once Konica Minolta has accomplished all it has set out to do in the Medium Term Business Plan, I believe we will have become a vital entity not only to our customers, but to society as a whole.

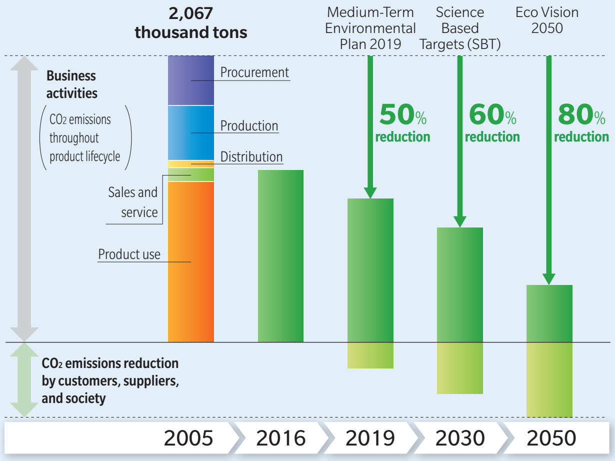
Shoei Yamana
President and CEO
Konica Minolta, Inc.

Becoming Carbon Minus by 2050

Evolution of Long-Term Environmental Target Eco Vision 2050

Aiming to further evolve its long-term environmental target Eco Vision 2050, Konica Minolta has established a new target in the form of "carbon minus." This calls for working with stakeholders to eliminate more CO_2 emissions than we emit through our business activities. Coincident with the start of the new Medium Term Business Plan, SHINKA 2019, we launched the Medium-Term Environment Plan 2019 in fiscal 2017. This will guide our efforts to expand environmental initiatives' contribution to sales and profits through the solving of environmental problems as well as social problems based on the SDGs (Sustainable Development Goals).

CO_2 Emissions Reduction and Carbon Minus Targets



Overview of the Medium-Term Environmental Plan 2019

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

Key Action	Priority Issue	Medium-Term Environmental Plan 2019: Business value	Medium-Term Environmental Plan 2019: Environmental value	Fiscal 2017 Targets: Business value	Fiscal 2017 Targets: Environmental value
Green Products (planning and development)	Creation of Sustainable Green Products (SGPs) sought by customers and society	Sales • Sustainable Green Products sales: 770 billion yen (sales ratio: 70%) Cost reductions • Resource-saving cost reduction	• CO_2 emissions reduction during product usage: 17.2 thousand tons • CO_2 emissions reduction in the procurement stage: 45.9 thousand tons • Effective resource utilization: 11.3 thousand tons • Control emissions + Social issue solutions based on SDGs	Sales • Sustainable Green Products sales: 640 billion yen (sales ratio: 65%) Cost reductions • Resource-saving cost reduction	• CO_2 emissions reduction during product usage: 11.2 thousand tons • CO_2 emissions reduction in the procurement stage: 36.9 thousand tons • Effective resource utilization: 9.3 thousand tons
	Complying with government procurement standards and environmental label requirements	Sales • Eliminate lost sales opportunities	• Reduce environmental impact through compliance with standards	Sales • Eliminate lost sales opportunities	• Reduce environmental impact through compliance with standards
	Dependably complying with product-related laws and regulations	Risk avoidance • Eliminate effect on sales	• Reduce hazardous chemical substance risk by conforming to laws and regulations	Risk avoidance • Eliminate effect on sales	• Reduce hazardous chemical substance risk by conforming to laws and regulations
Green Factory (procurement and production)	Excellent Green Factory activities	Cost reductions • Energy and resource cost reduction	• CO_2 emissions reduction in production activities: 19 thousand tons • Effective resource utilization: 2.8 thousand tons • Water consumption reduction: 220 thousand m^3	Cost reductions • Energy and resource cost reduction	• CO_2 emissions reduction in production activities: 17.4 thousand tons • Effective resource utilization: 1.9 thousand tons • Water consumption reduction: 150 thousand m^3
	Expansion of Green Supplier activities	Cost reductions • Supplier cost reductions Sales • Measures and expertise database creation, and knowledge commercialization	• CO_2 emissions reduction at suppliers: 5 thousand tons • Effective resource utilization at suppliers: 0.25 thousand tons + Social issue solutions based on SDGs	Cost reductions • Supplier cost reductions	• CO_2 emissions reduction at suppliers: 3 thousand tons • Effective resource utilization at suppliers: 0.15 thousand tons
	Expansion of recycled materials deployment as materials for packaging, etc.	Cost reductions •Material cost reductions	• Effective resource utilization: Resource recycling through expanded recycled materials utilization + Social issue solutions based on SDGs	Cost reductions •Material cost reductions	• Effective resource utilization: Resource recycling through expanded recycled materials utilization
	Expanded adoption of renewable energy	Sales • Eliminate lost sales opportunities	• Renewable energy ratio: 1% + Social issue solutions based on SDGs	Sales • Eliminate lost sales opportunities	• Renewable energy ratio: 0.2%
	Supply chain risk response	Risk avoidance • Eliminate environmental impact from procurement, production, and sales	• Environmental impact reduction through standards compliance	Risk avoidance • Eliminate environmental impact from procurement, production, and sales	• Environmental impact reduction through standards compliance
Green Marketing (distribution, sales and service, and collection and recycling)	Strengthening relationships with customers globally	Sales • Acquire sales opportunities	• Reduce environmental impact by customers + Social issue solutions based on SDGs	Sales • Acquire sales opportunities	• Reduce environmental impact by customers
	Optimizing the supply chain and linking environmental initiatives	Cost reductions • Reduce cost of distribution and packaging	• CO_2 emissions reduction in distribution: 0.3 thousand tons • Effective resource utilization: 0.04 thousand tons	Cost reductions • Reduce cost of distribution and packaging	• CO_2 emissions reduction in distribution: 0.3 thousand tons • Effective resource utilization: 0.005 thousand tons
	Complying with laws on collection and recycling of used products	Risk avoidance • Eliminate effect on sales	• Resource recycling through collection and recycling of used products	Risk avoidance • Eliminate effect on sales	• Resource recycling through collection and recycling of used products

Our goal is to build the optimal financial foundation with a view to both business expansion- and reinforcement-oriented activities.

Seiji Hatano Senior Executive Officer

Implementing M&A Strategies that Emphasize PMI and Strengthening the New Businesses and Growth Businesses that will Pave the Way to Medium- to Long-Term Growth

For Konica Minolta to achieve medium- to long-term growth as a high-profit company, it will be essential to create new businesses while reinforcing and expanding growth businesses. We see M&A as an important step in making this possible. Under the previous Medium Term Business Plan, TRANSFORM 2016, we conducted a large number of M&A in each of our business segments with the goal of more quickly transforming our business portfolio.

We take full advantage of Konica Minolta's strengths, technical expertise, portfolio assets, and other resources at the planning stage of every merger or acquisition and analyze the areas where we can best achieve synergy. In order to ensure a more seamless and complete postmerger integration (PMI), we conduct thorough preliminary surveys that focus not only on business compatibility but also on that company's management philosophy, vision, corporate culture, and other aspects. Our M&A process involves a multifaceted consideration of many things, including that company's affinity with Konica Minolta's business strategies, the feasibility of business plans, the suitability of investment amounts, profitability, safety, and the business management system that will result following the acquisition.

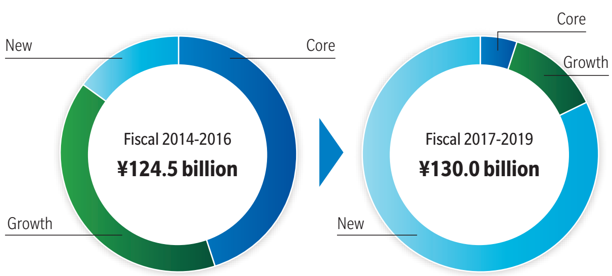
The acquisition of Ambry Genetics Corporation, which was announced in July 2017, was a major project that resulted from these decision-making standards. We chose Ambry Genetics because it best fit our overall strategy as determined through painstaking research that looked at multiple companies with technologies and expertise in precision medicine that Konica Minolta did not have.

In addition to the normal executive functions they perform, the Investment Assessment Committee and the Business Assessment Committee, which I chair, examine every merger, acquisition, or other investment project from all sides. For the acquisition price, we use the net present value (NPV) indicator to calculate the current value of the investee based on the cash flows during the investment period. We then take a well-rounded look at their business plans, considering such things as how many times more the acquisition price is than the profit, as well as the length of the payback period. After the merger or acquisition, we conduct a thorough PMI with the goal of further enhancing corporate value through Group synergy.

Konica Minolta adopted the IFRS international accounting standards beginning with its fiscal 2014 annual securities report, and always conducts impairment tests once a year. As with other impairment tests, during the fiscal 2016 impairment test we received approval from an auditing firm that none of our Group companies should declare impairment.

As with previous plans, the new Medium Term Business Plan launched in April 2017, SHINKA 2019, states our intention to establish an investment and loan limit of ¥130 billion over three years for future growth and to prioritize allocation to new business domains.

Investment and lending



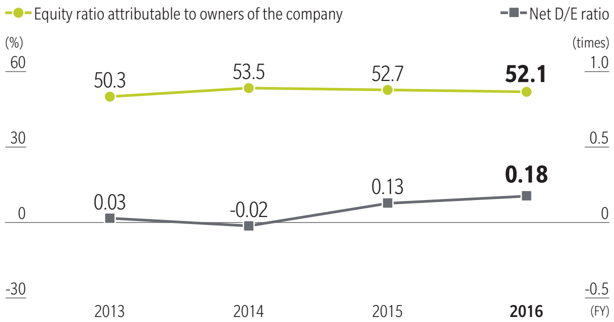
Building a Global Cash Management System to Maximize Capital Efficiency while Minimizing Financial Risk

One of my primary responsibilities as CFO amid Konica Minolta's avid efforts to make growth-oriented investments will be to maintain our credit rating while at the same time both minimizing financial risk and maximizing capital efficiency. This prompted the building of the Global Cash Management System during the previous Medium Term Business Plan period. This entailed creating a treasury management system, visualizing capital, improving capital prediction accuracy, deploying a cashless system for payments made between affiliated companies, consolidating exchange rate risk management, and other efforts as part of the construction of a sophisticated global financial management platform. This system of cash management has earned Konica Minolta high praise from financial institutions and other companies' finance departments.

Meanwhile, we are also monetizing the assets in our possession. As a result of efforts to maximize the value of our intellectual property rights, in fiscal 2016 we recorded ¥7.8 billion in the third quarter as compensation for the license to exercise patent rights in the field of optical systems for industrial use. Under our corporate real estate (CRE) strategy, in 1Q FY2017 we procured ¥4 billion by liquidating (via sale and leaseback) a portion of the real estate we held in Japan. This represents the product of making optimal use of the facilities (land and buildings) for which we have given consideration in recent years with a view to global business expansion.

We will continue to implement these measures while maintaining financial discipline, keeping the shareholders equity ratio at 50% or above, and aiming to achieve a net debt-to-equity ratio of 0.1 over the medium-term.

Equity ratio attributable to owners of the company, Net D/E ratio



SHINKA 2019 Medium Term Business Plan Finance and Tax Strategy: Improving ROE

The new Medium Term Business Plan seeks to achieve a 9.5% ROE by fiscal 2019. In concert with the goal of imparting greater added value to our business departments in order to strengthen earning power, I will be implementing four measures as CFO.

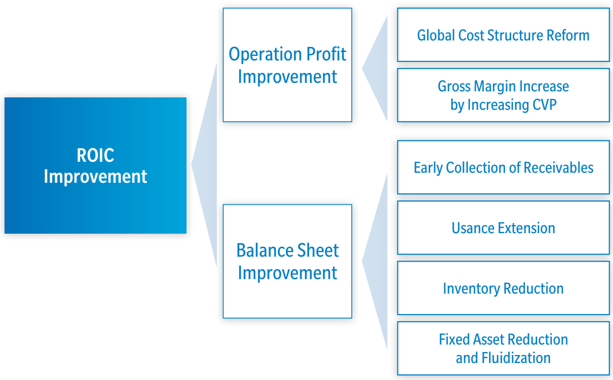
The first of these will be thorough balance sheet management. Due to the significant differences among our businesses concerning such aspects as accounts receivable, inventory size, and payback period, we have been carefully checking each business's cash conversion cycle and conducting balance sheet management that is optimal for each business. In fiscal 2018, we will begin to further improve capital efficiency while strengthening each business site's ability to independently execute by implementing business unit-specific return on invested capital (ROIC) management with core businesses as the main focus. Along with promoting voluntary improvement activities at our business sites, we will be carrying out an earnings growth strategy that strikes a balance between growth and efficiency by using both the operating profit ratio and balance sheet as indicators.

The second measure will be working style reform with the use of IT and AI in order to improve business productivity. As an example, the streamlining of business processes using robotic process automation (RPA) is being considered for even finance departments.

The third measure is improving our readiness for exchange rate volatility. Although the value of the yen against the dollar has little effect on our business, we incur ¥1.2 billion in losses when the yen goes up one point against the euro and other European currencies. We have therefore been adversely impacted by the stronger yen in recent years. In response, our plan during this new Medium Term Business Plan period is to push forward measures to expand euro-denominated procurement and sell products and services from European acquisitions to other regions, among others, in order to improve our exchange rate sensitivity to the euro and other European currencies.

The last measure is the formulation of the Group Tax Policy implemented in fiscal 2016. This policy accords with international taxation system reforms being made in response to the base erosion and profit shifting (BEPS) project recommended by the OECD and G20. By sharing this taxation policy with the public, we are working to build strong relationships with tax authorities in Japan and abroad while actively seeking to observe taxation rules and ensure transparency. I also see this as an opportunity to strengthen the Group's tax governance. As such, we will be optimizing our tax liability through means that include using IT systems to seamlessly collect tax information from Group companies worldwide and reducing double taxation risk.

Managing ROIC at the business level



Value Creation Process

Social Issues

- Business
  Trend towards shorter business life cycles
- Growing number of elderly, declining birthrate, and declining labor pool
- Increasing healthcare cost
- Shortage of doctors
- Shortage of nursing care staff
- Aging social infrastructure
- Threat of terrorism and disasters
- Mounting information security risk
- Climate change
- Resource depletion

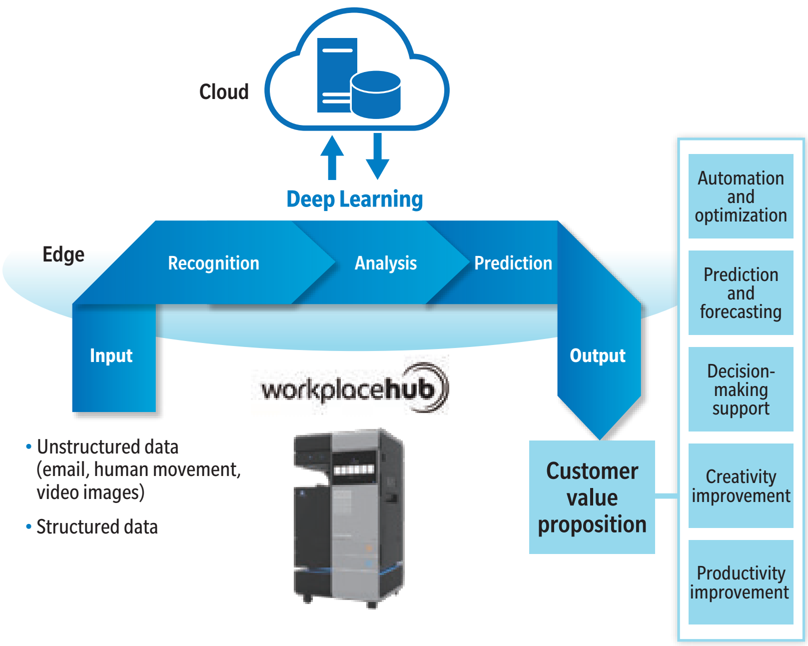
⋮

Konica Minolta

- **Office Services** (→P.43)
- **Commercial and Industrial Printing** (→P.45)
- **Healthcare** (→P.47)
- **Optical Systems for Industrial Use** (→P.49)
- **Performance Materials** (→P.49)

Konica Minolta-style Edge IoT platform

Offering Solutions for Problems Our Customers Confront



Konica Minolta's strengths

- Technical expertise (see pg.12)
- Base of two million customer companies (see pg.11)
- Environmental technologiesand expertise (see pg.87)

Corporate Governance

(→P.59)

Financial

KPI FY2019 business targets

Operating profit	Operating profit ratio	Profit attributable to owners of the company	ROE
¥75 billion or more	7%	¥50 billion	9.5%

Value Chain
(→P.79)

- Research and Development
- Procurement
- Production
- Distribution
- Sales
- After-Sales Support

Human capital (see pg.88)

Manufacturing (see pg.83)

- Improving corporate competitiveness
- Improving work-life balance
- Improving ROI of marketing activities
- Improving diagnostic and medical care quality
- Improving nursing care service quality
- Further promoting home-based care

Value provided to society

- Improving quality of life
- Improving manufacturing quality and productivity
- Shortening production lead times
- Improving public security
- Preventing social infrastructure accidents
- Reducing environmental impact
- Eliminating loss in the production process

Non-Financial

KPI
FY2019 environmental objectives

Cut lifecycle CO_2 emissions by 50% (compared to FY2005 levels)

Achieve ¥770 billion in sales of sustainable green products

Special Feature 1: Toward the Establishment of a Platform Business

Workplace Hub supports workflow transformation at customers' places of business

Seeking to construct a high-profit platform business, Konica Minolta has developed Workplace Hub as a strategic product that will form the core of that business. Our goal is develop services that will create new value, and to grow those services into a high-profit business.

Leveraging the Workplace Hub to solve our customers' undiscovered problems

With the advance of the Internet of Things (IoT), companies have come to accumulate large stores of data. Edge computing is a technology that enables the processing and analysis of such data with high speed and high precision. Konica Minolta will use the Workplace Hub (WPH), an edge IoT platform, to help companies better use their data, improve productivity, and more effectively share information and collaborate, thereby helping to enhance our customers' workflows.

One of our great strengths that we bring to the creation of WPH is the technology for "making the invisible visible" that we have built up over many years. Konica Minolta leverages image processing technology to turn the actions of people and things in offices, along with information written in paper forms, into digital data. We further use AI to propose solutions to the underlying issues that our customers face. WPH is a product that will form the core of this business.

Another strength of Konica Minolta is our sales channels, through which we have provided about two million companies around the world with digital multi-functional peripherals. In developing WPH, we talked with 3,500 customers worldwide and worked their collected comments and requests into WPH services.

In creating the WPH business, we will also build partnerships with global IT companies. Through these, Konica Minolta will acquire diverse applications that will be offered through WPH, and will take mutual advantage of our and our partner companies' customer bases. We will grow the WPH business by building win-win relationships with partner companies.

Gradually adding more services with an eye to realizing a high-profit business

Konica Minolta will provide medium- and small-sized customers with All-in-One managed IT services on the platform of WPH. For companies that have no designated IT department and are unable to take steps in adopting IT for reasons such as cost constraints, we will provide total support that includes management and operation of wide-ranging IT infrastructure, application installation and license management, and security measures, acting in the role of a face-to-face partner. We will also provide services that support internal and external information sharing and collaboration, and will set up a cloud-based marketplace offering a lineup of the latest applications. These services will be available for monthly fees with no initial charges.

Moreover, we will leverage AI to achieve automation of routine work such as forms processing, and eventually to analyze the actions of people and things and the operational status of equipment by collecting data from varied equipment connected to WPH in offices and factories. Doing so, we will move forward in developing new solutions.

Konica Minolta will launch WPH worldwide on a rolling basis beginning in fiscal 2017. In fiscal 2018, we plan to introduce solutions for the manufacturing industry and for hospitals as part of efforts to make ourselves into a high-profit business that provides new value to our customers.

Message from a business partner

Through partnership with Konica Minolta, we will provide support for our customers' digital business.

Cisco has identified business development with deeper roots in the marketplace, as well as support for our customers' digital business, as key strategies. Within these strategies, the IoT is an area of particular focus for our company. Cisco alone is unable to achieve innovation in the IoT.
Co-creation with ecosystem partners across industries and business categories is essential. Cisco is pleased to play a collaborative role as a Workplace Hub Global Ecosystem Partner, a matter of great significance to our company as we push to transform working styles. We further believe that the concept of an edge IoT platform aligns well with the fog computing concept that we advocate. Cisco will combine these things with the collaboration and security that are our strengths, and will play a role in accelerating support for customers' digital business through Workplace Hub.

Mr. Yoshiyuki Hamada

Director, Chief Technology Officer & Trust Strategist
Cisco Systems G.K.

Business model for All-in-One managed IT services

Business partners

Microsoft | Hewlett Packard Enterprise | SAP | CISCO | BRAINTRIBE | SOPHOS | CANONICAL

Application provision ↓ ↑ **Platform provision**

Konica Minolta

ADMIN DASHBOARD

- Centralized management of internal IT systems that include servers, storage, Wi-Fi, and multi-functional peripherals
- Significantly reduce workload in checking of resource usage status, review of service agreements, and addition of applications

IT infrastructure

- Equipped with storage, server, access point, and hybrid cloud functions
- Always maintain updated functionality and security through feature additions and system updates

TEAM SPACE

- Provide the optimal environment for making internal and external coordination more efficient, regardless of location or devices used
- Deploy Team Space and centrally manage and retain information transmitted using a variety of email clients
- Information in Team Space can be readily searched and browsed

Managed IT service

- Konica Minolta's help desk uses advanced technology to perform management and operations of IT infrastructure, freeing customers from the daily work of IT management

Service provided for a monthly fee, with no initial charge

User company

Issues facing medium- and small-sized companies

1. Insufficient IT human resources and know-how
- Lack of human resources to implement IT
- Inability of employees to make use of IT
- IT matched to content of work is not available
- Appropriate advisors, etc. are not available

2. Cost and management burdens
- Do not know or cannot evaluate the effects of implementation
- Unable to shoulder costs

3. Security concerns
- Risk of personal information leaks
- Risk of leaked technology or know-how

4. Too little creative work
- Collaboration does not proceed smoothly with internal and external experts at global sites, partner companies, etc.

Customer value proposition offered by Workplace Hub

All-in-One IT	• Comprehensively provide needed IT basic features • Allow easy implementation of marketplace solutions matched to business needs
Easy IT management features	• IT operational status can be easily seen via dashboards • Data integration and flexible and easy visualization of data • Remote monitoring and support for individual needs through outsourced IT services
Assured security support	• Data and network security, certification, and ID management • Post-disaster data recovery
Monthly service fees	• Monthly fees based on services, with no initial investment
Team collaboration	• Project space for collaborating with teams regardless of organization, location, or language

Examples of the use of Workplace Hub

Solutions for the manufacturing industry

Reduction of equipment maintenance expenses

Issue

A company uses equipment of many differing model years and is unable to collect data from older equipment, resulting in unnecessary maintenance expenses as well as wasteful operations and maintenance work that is dependent on workers' experience.

Value provided

WPH and data collection tools are combined to offer a solution for the visualization, analysis, and integrated management of operational information on all equipment. This supports the reduction of maintenance expenses over the life cycle of the equipment through the performance of maintenance at optimal times.

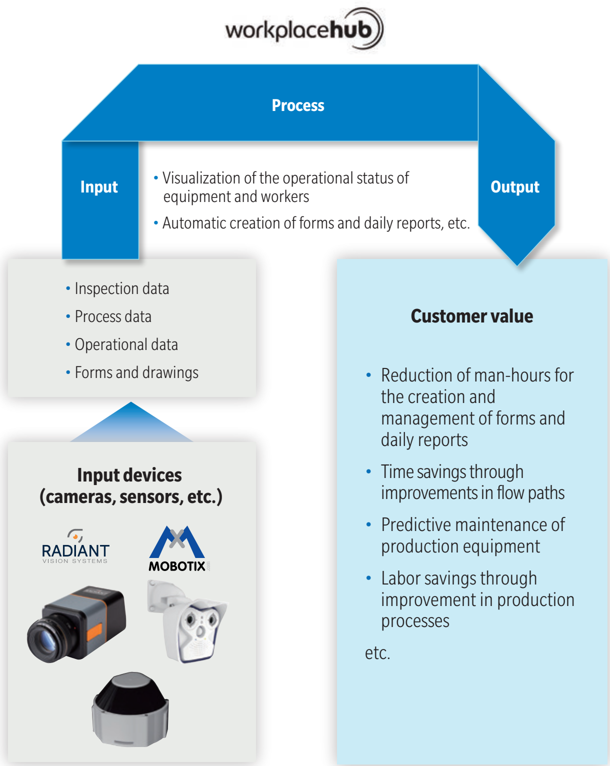
Productivity improvements through focus on core work

Issue

A company faces constraints on staff employment, and employees spend considerable time on indirect operations. The company is also unable to deploy resources in direct operations, making the improvement of productivity an issue.

Value provided

Data on inspections performed using equipment from Radiant is collected in WPH. Automated creation of inspection records and daily reports reduces the man-hours spent on this work. In addition, flow path data for people and things, collected using equipment from MOBOTIX, is analyzed to propose workflows that lead to improved productivity.



Solutions for healthcare

Reduction of workload on IT managers

Issue

Management of an overall system is difficult due to the procurement of treatment, pharmacy, surgery and other systems from different vendors. Moreover, as the system was constructed on-premise, management costs have expanded while storage capacity for backups and other purposes has become inadequate.

Value provided

A solution that enables integrated management of IT infrastructure and applications within the hospital through WPH. WPH's cloud storage service and backup service eliminate storage management work and file backup work, reducing the workload for IT managers.

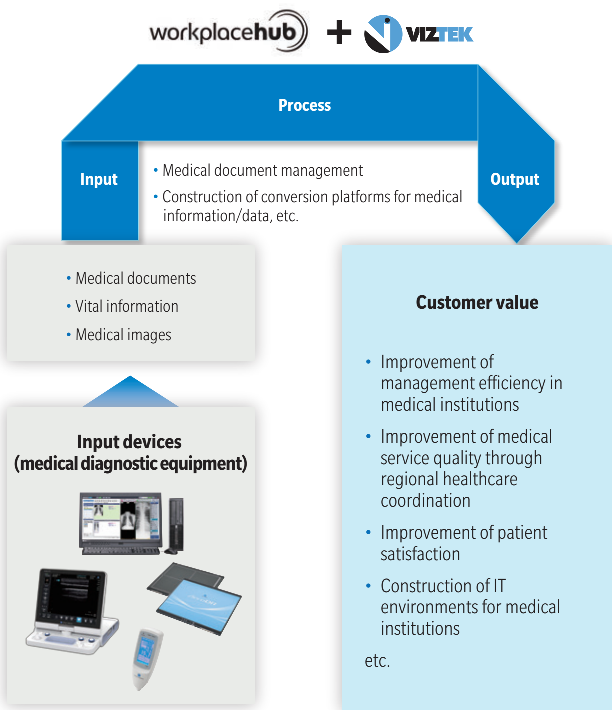
Enhancement of medical services

Issue

Achieving regional healthcare coordination and telemedicine requires the construction of a secure network environment. It also requires compatibility for various types of medical treatment and diagnostic data, including electronic medical records.

Value provided

Provision of an environment that enables secure accumulation and mutual use of medical treatment and diagnostic data using WPH. Data inside hospitals, along with vital data on home-care patients and other data, are integrated into WPH through mobile devices. This contributes to the enhancement of healthcare services throughout the region, as well as to the improvement of management efficiency and the reduction of workloads in the medical institutions.



Key Person Interview

The Workplace Hub: empowering our customers in the new IOT era

Dr. Dennis Curry
Deputy CTO at Konica Minolta, Inc.

The background and the impetus that led you to develop Workplace Hub

With digitalisation developing at lightning speed, we asked ourselves what this means for our own future. What technologies are driving behavioural change in the workplace and how can we make our mark in this new world? We want to not only transform ourselves, but also the market, and above all empower our customers in this new era of IOT.

We knew that to reap the benefits of digitalisation, there needed to be a bridge between our existing markets and the growth markets of the future. That bridge should maximise on the existing value and capabilities that we have in Konica Minolta, and represent greater value to the customers and society in general.

The catalyst came when there was the realisation that as a company, we already have a 1x1m^2 space occupied by our MFPs in millions of offices and workplaces around the world. And so came the idea of adding value to that square metre, to not only give our customers what they need in today's workplace, but to also solidify our position in the IT services market for tomorrow.

From Business Innovation Centres to a market-transforming big bet

Our global distributed Business Innovation Centres were the perfect platform to build the concept that would fill the untapped needs of customers – and define exactly what that need is. The Business Innovation Centres are located near the customer base and pursue a customer-centric approach to creating concrete value-added solutions, which was the perspective needed for Workplace Hub.

Using our skilled BIC team's incubation knowledge as a foundation, across countries and with numerous ideas to help shape its growth into a business case, the Workplace Hub Group was born to bring the vision to reality.

The potential for Workplace Hub to be adopted by customers and to expand as a business

The fact that our devices occupy a square metre of our customers' workplaces allows us to quickly develop and test new value propositions based on the existing footprint. We can also leverage our extensive field support network and customers' trust in the quality of our service delivery. Therefore the potential for adoption ranges from those we have existing relationships with, to those who are new but also want IT to work on their terms.

Once initial acceptance is made, the opportunities to expand are endless. The centre of the office will become much, much more; it's a physical centre at the moment but it will become a cognitive centre. We are developing new IOT, AI and decision support capabilities and services and offerings, which will make our position in the market stronger than ever.

How you wish to see Workplace Hub develop as a business from here on out

At this stage, we envisage the first generation of services and applications will start offsetting any revenue gap caused by the transformation from paper to digital, and that we will gain important recognition as a provider of a broader range of smart workplace solutions.

Workplace Hub is the cornerstone towards the growth of our new platform orientated IT and future workplace offerings that can be quickly tested in the marketplace, thus allowing us to predict what clients want more precisely, and adapt our strategy and portfolio in any relevant direction with great agility. In other words, Workplace Hub will serve as the basis for creating new platforms in the future, thereby making our company more resilient towards the uncertainties of digitalisation.

What you currently hope to undertake now or in the near future to achieve the above

Using the core platform as a basis, we can expand into different verticals and markets to deliver targeted solutions. Workplace Hub provides a core system that will allow us to branch out aggressively into different industries and channels to deliver targeted solutions in a variety of areas such as IOT and AI orientated office services, manufacturing, and healthcare.

Special Feature 2: Building a Bio-healthcare Business

Aiming to Help Raise the Bar for Primary Care Konica Minolta's Full-Fledged Entry into Precision Medicine

With a view to strengthening its bio-healthcare business, in July 2017 Konica Minolta announced its joint acquisition (with the Innovation Network Corporation of Japan) of U.S.-based Ambry Genetics Corporation (AG), a company with world-class genetic analysis technologies. By helping to advance primary care, we are seeking to establish new earnings drivers.

Helping to advance primary care, improve patients' QoL, and reduce healthcare costs

The advancement of primary care (early diagnosis) is becoming a major theme in the world of healthcare as a means to quickly identify and treat medical conditions — cancer being a key example. Konica Minolta has been working to advance primary care by combining ICT services with image diagnosis systems that use X-rays and ultrasound to make it possible for even primary care doctors and other smaller healthcare institutions to provide diagnoses with precision. Another focus of ours going forward will be precision medicine.

Precision medicine refers to using molecular analysis to analyze a patient's genes, proteins, and other physiological characteristics, group those patients with precision, and provide treatment appropriate to their characteristics. This allows for greater accuracy and efficiency in treatment, medication, and preventive care compared to traditional standardized healthcare.

Precision medicine shows promise for use against cancer and other conditions for which treatment often involves a high susceptibility to adverse genetic and constitutional effects. Anticancer drugs, despite being expensive and carrying the risk of side effects, are said to have response rates between 20% to 30%. A greater proliferation of precision medicine will allow doctors to choose more effective treatments that carry fewer side effects, helping to improve patients' quality of life. Moreover, pharmaceutical companies will also be able to more efficiently develop drugs with higher response rates, while also shortening drug development time and costs, leading to lower drug prices. In addition, early detection and more efficient treatment will prevent long recuperation times and help to cut healthcare costs across the board.

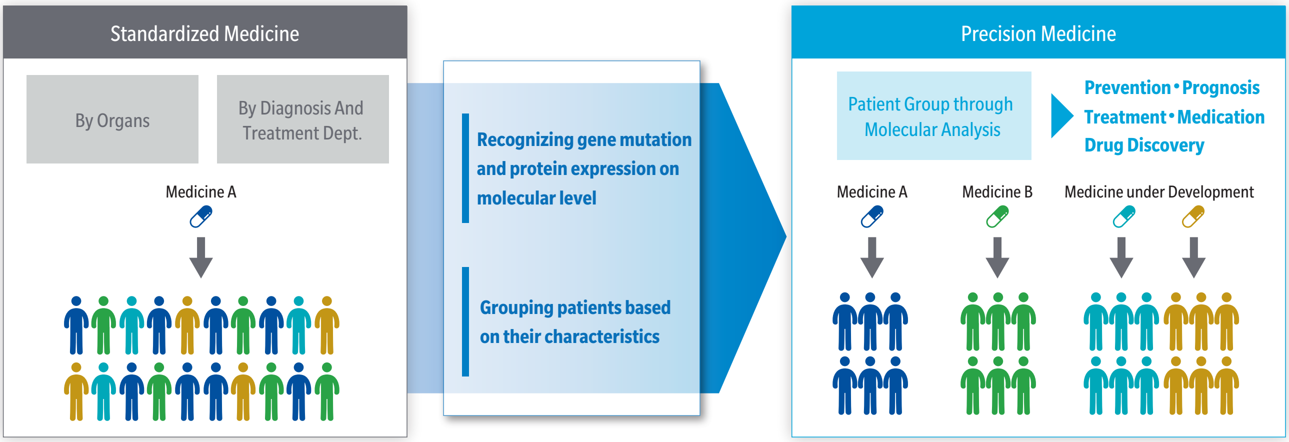
Becoming a Global Leading Company in Precision Medicine

Konica Minolta has developed HSTT (high sensitive tissue testing) to visually express certain proteins, and promoted the business using this technology in the field of precision medicine. HSTT is a method that utilizes the image processing and material technologies Konica Minolta has developed in photographic film, the wellspring of the Company's business, to quantify cancer cells and other specific proteins with high precision. This makes it useful for accurately and efficiently diagnosing cancer and for effectively developing and administering therapeutic agents. Since fiscal 2016 we have sought to develop a new drug discovery support system using this technology, and have begun conducting joint research with the France-based Pasteur Institute, which has made a number of achievements in fields that include immunology.

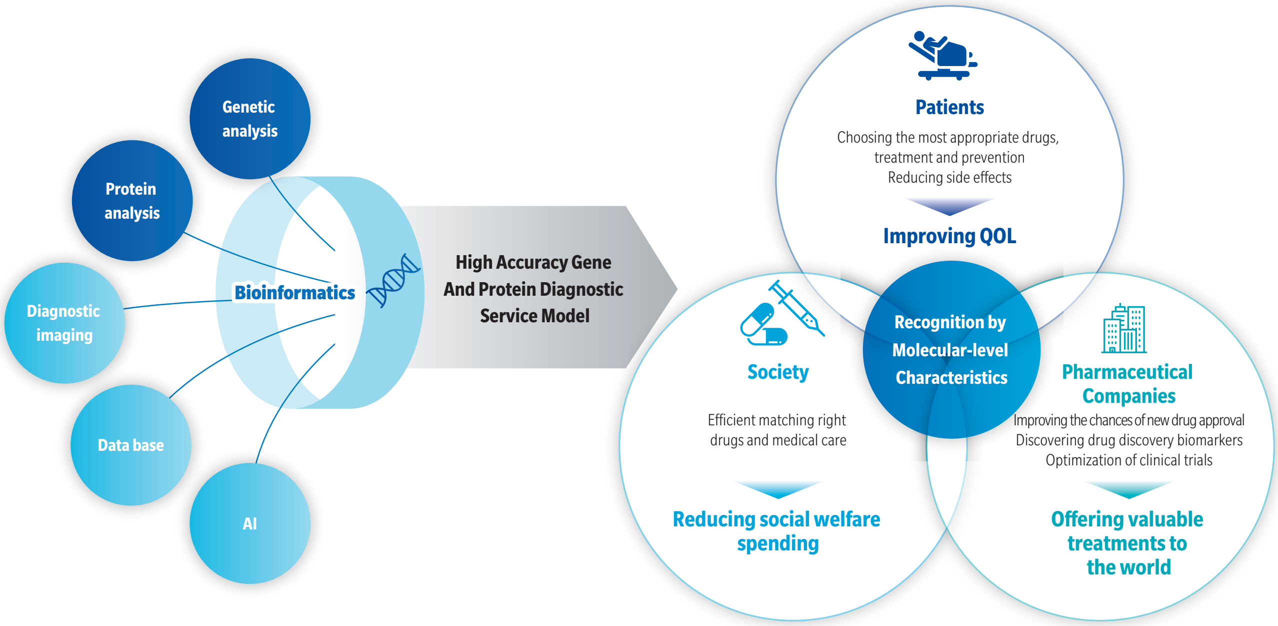
In addition to these existing technologies, our recent acquisition of Ambry Genetics Corporation (AG) grants us access to world-class genetic analysis technologies. Konica Minolta now possesses technologies pertaining to proteins and genes, two elements indispensable to precision medicine. With these technologies, we will become an unrivaled global provider of precision medicine to both healthcare providers and pharmaceutical companies.

AG has a large, state-of-the-art laboratory and provides a wide range of genetic diagnostic services in the U.S. In addition to pursuing greater synergy with this company, Konica Minolta will be focusing on open innovation with pharmaceutical companies and research institutes around the world. Our goal is to establish bioinformatics technologies that enable the high-precision grouping of patients into subsets, provide genetic diagnostic services in Japan, Asia, and Europe, and become a global leading company in precision medicine.

Moving away from standardized medicine into the age of precision medicine



Diagnostic Service Model Using Both Genetics and Protein Analysis



Message from a Business Partner

On the Joint Acquisition of Ambry Genetics Corporation

Since its establishment in July 2009, the Innovation Network Corporation of Japan has been seeking to make Japanese industry more competitive by making investments in a range of fields, a key example of which is health and medical care. Now, we have embarked on the joint acquisition of Ambry Genetics Corporation (AG) together with Konica Minolta. By combining the High Sensitive Tissue Testing technologies unique to Konica Minolta with genetic diagnostic technologies developed by AG, we are within shooting distance of establishing a global leading company with state-of-the-art technical expertise. We expect that this joint acquisition will help form the infrastructure for precision medicine in Japan, establish associated businesses, and achieve its full-scale practical application. The Innovation Network Corporation of Japan will also be promoting open innovation together with Japanese companies, academia, and healthcare providers in the hope that this will help pave the way to creating new added value in the health and healthcare industries.

Mr. Mikihide Katsumata

President and COO
Innovation Network Corporation of Japan

Key Person Comment

Pursuing a five-year sales goal of ¥100 billion in the bio-healthcare business

Kiyotaka Fujii

Senior Executive Officer
General Manager, Healthcare Business Headquarters

Exercising Synergy with AG

In the U.S., where genetic diagnostics is covered by insurance, precision medicine is widely practiced that involves analyzing patients' unique constitutions from their genes and then either treating, medicating, or providing preventive care to the patient. AG is one of the leading companies in the genetic diagnostics business in the U.S.

But in Japan, where Konica Minolta has built up a customer base in the healthcare business, genetic diagnostics has yet to enter the mainstream. Yet, precision medicine that involves the use of genetic diagnostics should soon become widespread here as a means of combating the social problem that is rising social welfare spending amid an aging population. The advanced technologies, expertise, and network that AG has developed over the years should prove to be of considerable benefit in quickly establishing genetic diagnostics businesses in Japan.

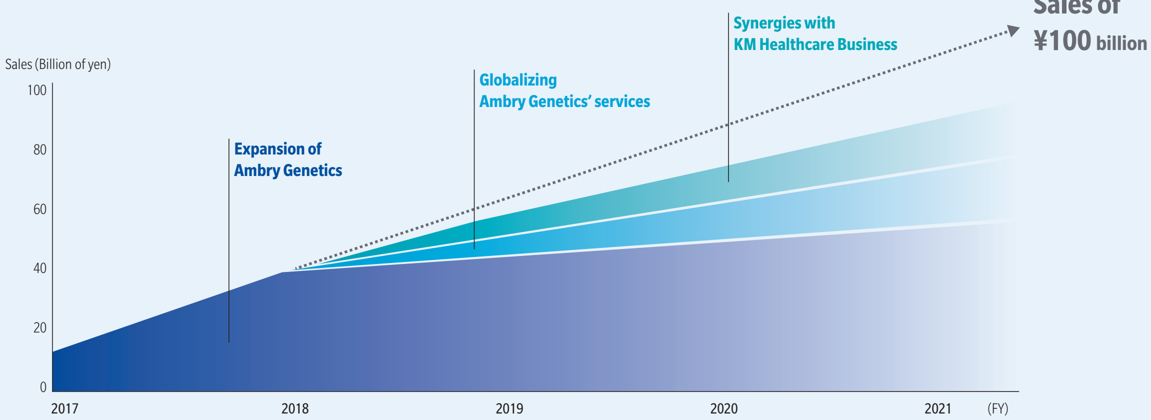
Meanwhile, the ability to now exercise technological synergy between the two companies to conduct analyses based on genes (the blueprints of cells) and proteins (the components of those cells) holds great significance in expanding our businesses around the world. Konica Minolta shares with AG a vision to play a role in advancing primary care around the world, and will strengthen our presence in this arena not just in Japan and the U.S. but on a truly global level.

Business prospects going forward

The global precision medicine market is estimated to be roughly $4 billion. This is expected to grow quickly, hitting $7 billion in five years and $10 billion in ten years. By providing high added-value diagnostic services not achievable by any other company in the industry, we will construct a high profit business model that will aim for sales of ¥100 billion and a 20% operating profit ratio by fiscal 2021.

The first step is to launch a genetic diagnostics service by fiscal 2018 in Japan, where we have a network with healthcare providers. Concurrent with this will be our collaboration with Innovation Network Corporation of Japan, who will help us gain approval to offer insurance that covers genetic diagnostics, and otherwise put in place the necessary business infrastructure. This will see us quickly establish a business model in Japan, where genetic diagnostics has yet to take root. Future efforts will focus on creating a database of genetic information gleaned from performing diagnostics. The database will allow us to contribute to conducting genetic analysis based on the unique characteristics of Japanese and to developing effective and efficient therapies and medicines informed by these results. As an extension of these efforts, we will also work with genetic research organizations to play a role in advancing Japan's national genome strategy.

Future Plan for Bio-health Business



Message from the CEO of Ambry Genetics Corporation

Leveraging the Resources and Technologies of Two Companies to Contribute to Precision Medicine

Aaron Elliott, Ph.D.
Chief Executive Officer
Ambry Genetics Corporation

Ambry Genetics®

ABOUT US:

Ambry is a molecular diagnostics company with a mission to understand disease better so cures can come faster. For nearly 20 years, our customers have come to trust our evidence-based research and quality genetic testing to help them find answers so they can more precisely guide patient care.

Our comprehensive test menu includes single-gene analysis, multigene panels, microarrays, exome sequencing and novel paired testing (germline/ somatic). We focus on hereditary testing for oncology, cardiology, women's health, preventive care, neurology and general genetics. Our Translational Genomics Lab (ATG Lab) is a unique lab service offering novel evidence through validated functional assays to bring clarity to variants of unknown significance (VUS). We developed the ATG Lab with the goal to give clinicians a better understanding of their patient's test results and offer clear guidance on future medical management.

Founded in 1999, Ambry began by sequencing samples from cystic fibrosis (CF) patients, using a methodology that produces more complete and accurate results. We continued to specialize in the application of new technologies by offering microarray, and in 2010, we were the first commercial lab to offer Next Generation Sequencing (NGS). The following year we became the first lab to provide CLIA-approved exome services for applications in clinical diagnostics. In 2012, we achieved another first with our hereditary cancer panel offering. Then in 2013, making both history and headlines, we took on the daunting challenge of eliminating gene patents and won in a precedent-setting case against Myriad Genetics. Through this crowdsourcing of genetic data from individuals with specific diseases, we believe we can accelerate scientific discoveries like new candidate genes and targeted treatments.

In 2016, we built a customized 65,000 square-foot highly automated CLIA/ CAP certified lab. To ensure proper tracking and testing accuracy, samples are DNA 'fingerprinted' before and after testing using a unique set of genetic markers. Our 'super lab' produces some of the fastest turn-around-times in the industry, with uncompromising accuracy and specificity.

At any one time, we have over 200 on-going research collaborations with the top clinicians and academic institutions in the world, in an effort to bring about a better understanding of genetic disease and clinical utility. Our methods of detecting deletions and duplications have been validated through extensive research, using more than 30,000 samples that we analyzed using arrayCGH and NGS. We have published the largest accuracy study to date for NGS panels and are the only lab with established and published criteria for validating genes. We continually keep our tests up to date and clinically relevant as new genes are identified.

Above all, Ambry is a place of taking risks, where passion and a patient-centered philosophy blend with sweat equity and innovative research. We are proud to be leaders of scientific innovation, not because of a profit-driving mindset, but with heart, guts and an uncompromising commitment to improve patient care.

WHY WE ARE PARTNERING WITH KONICA MINOLTA:

We strongly believe we have a responsibility to evolve science and move us closer towards precision medicine, which can ultimately improve patient care and quality of life. Unlike other labs that try to blur the line between screening and clinical diagnostic testing, Ambry focuses on quality and accuracy, above all else.

Over the years, Ambry has been approached regarding an acquisition and each time we asked ourselves the same questions. Does this company truly care about finding answers? Do they have what it takes to go the extra mile to improve patient care? Do they share the same vision to progress the science in a responsible and life-giving way?

Ambry is very excited to partner with Konica Minolta because together we can accelerate the development of new diagnostic tests for many different diseases for patients throughout the world. Together we have the combined resources, technology, and scale to advance biomedical research on a global scale resulting in better tests for doctors and more precise treatments for their patients.

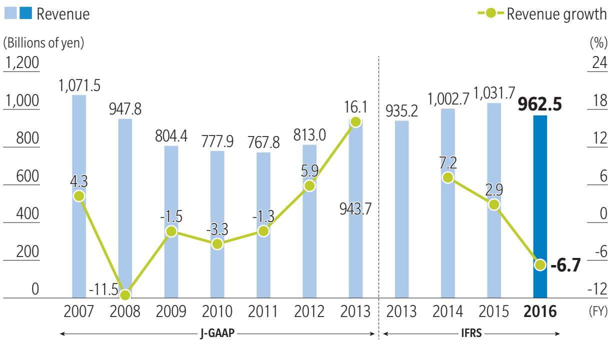
Financial and Non-Financial Highlights

Pgs. 93-94 also show major financial data for the last 10 years.

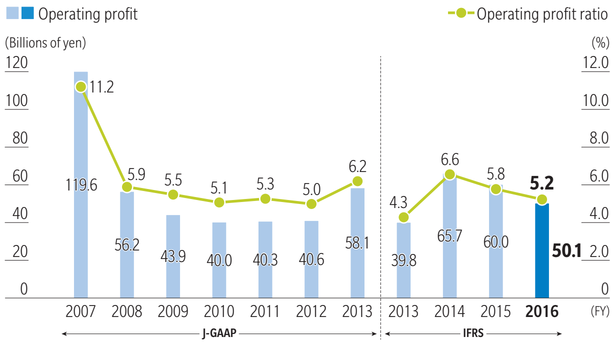
Profitability

Fiscal 2016 revenue decreased 6.7% year-on-year to ¥962.5 billion. Although sales of our main products increased and there was a positive impact from our corporate acquisitions, this was offset by the effects of a much stronger yen this period. If the effects of the stronger yen are discounted, sales increased 2.2% over the previous year. Operating profit decreased 16.5% year on year to ¥50.1 billion. Although we recorded patent-related revenue of ¥7.7 billion, we also recorded increased costs associated with corporate acquisitions and an allowance for structural reform expenses towards growth, which were in addition to the effects of a much stronger yen. Profits increased 16.1% over the previous year if the effects of the stronger yen are discounted. Profit attributable to owners of the company declined 1.3% year on year to ¥31.5 billion.

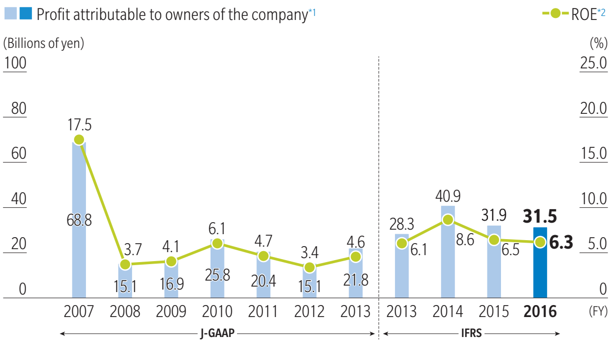
Revenue, Revenue growth



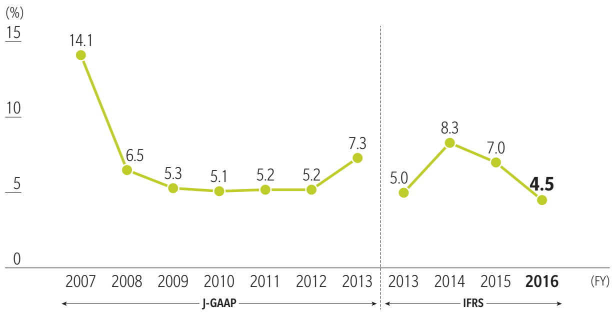
Operating profit, Operating profit ratio



Profit attributable to owners of the company*1, ROE*2



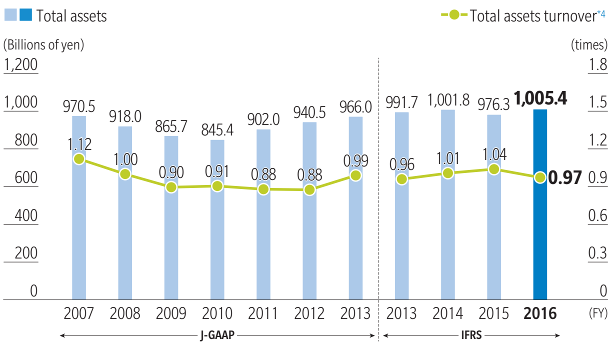
ROIC*3



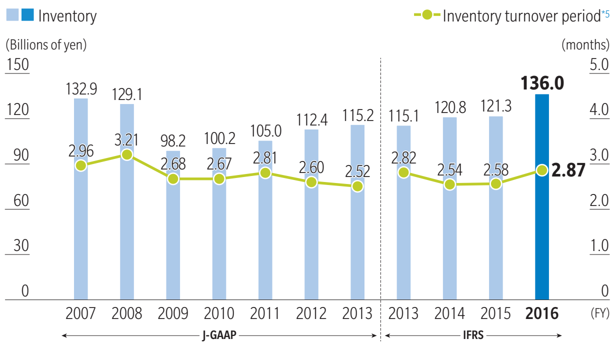
Efficiency

Total assets at the end of fiscal 2016 were ¥1,005.4 billion, a ¥29 billion year-on-year increase. In the interest of balance sheet management, the Company continued last year's efforts to sell fixed assets to improve asset efficiency. However, goodwill, intangible assets, inventories, and other categories grew over the previous fiscal year end. Inventory turnover period stood at 2.87 months.

Total assets, Total assets turnover*4



Inventory, Inventory turnover period*5

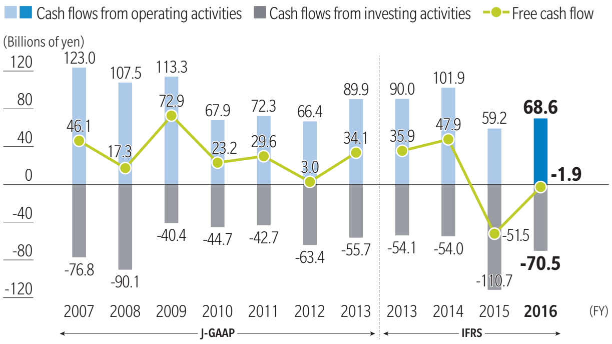


*1 Fiscal 2007–2013 (J-GAAP) = Profit for the year
Fiscal 2013–2016 (IFRS) = Profit attributable to owners of the company
*2 ROE (J-GAAP) = Profit for the year (cumulative total) / Average shareholders' equity
ROE (IFRS) = Profit attributable to owners of the company / (Share capital + Share premium + Retained earnings + Treasury shares (average at start of fiscal year and end of fiscal year))
*3 ROIC = Operating profit after tax/(Share capital + Share premium + Retained earnings + Treasury shares + Interest-bearing debt - Cash and cash equivalents (yearly average))
*4 Total assets turnover = Revenue / Average total assets
*5 Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months

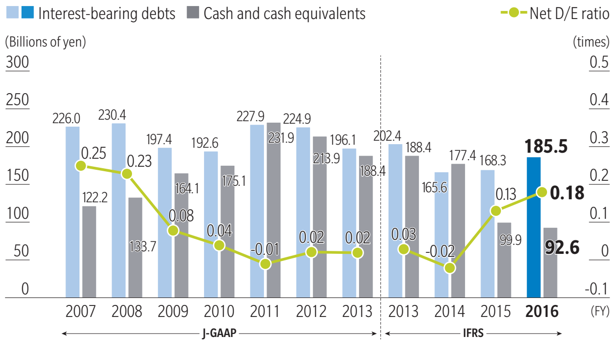
Stability

Concerning fiscal 2016 cash flows, the Company achieved ¥68.6 billion through cash flows from operating activities. However, an outflow of ¥70.5 billion through cash flows from investing activities, mainly attributable to corporate acquisitions, resulted in a free cash flow decrease of ¥1.9 billion. Interest-bearing debt and cash reserves stood at ¥185.5 billion and ¥92.6 billion, respectively, with a net D/E ratio of 0.18. The Company retained a credit rating of A with R&I and A+ with JCR. The Company will continue to maintain financial soundness.

Cash flows



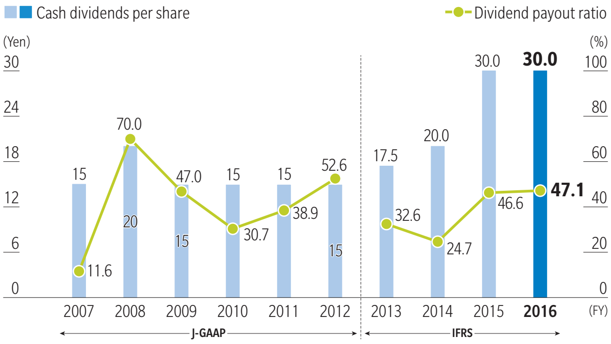
Interest-bearing debts, Cash and cash equivalents, Net D/E ratio



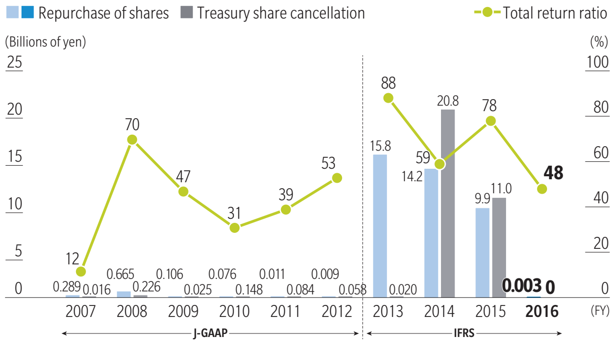
Shareholder Return/Investment Indicators

The Company's basic policy is to proactively distribute earnings to shareholders after comprehensive consideration of factors including consolidated business results and strategic investment in growth areas. In fiscal 2016, the Company paid an annual dividend per share of ¥30.

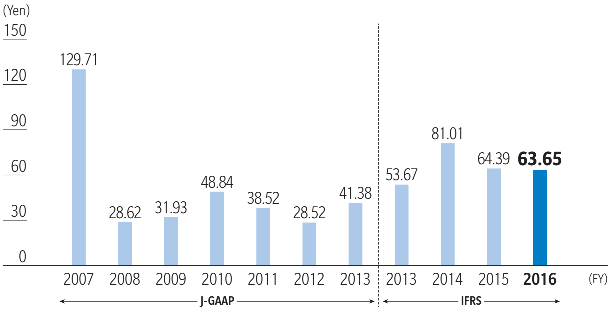
Cash dividends, Dividend payout ratio (%)



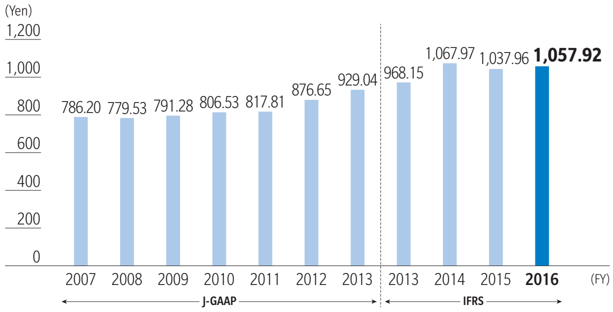
Repurchase of shares and Treasury share cancellation, Total return ratio (%)



EPS*6



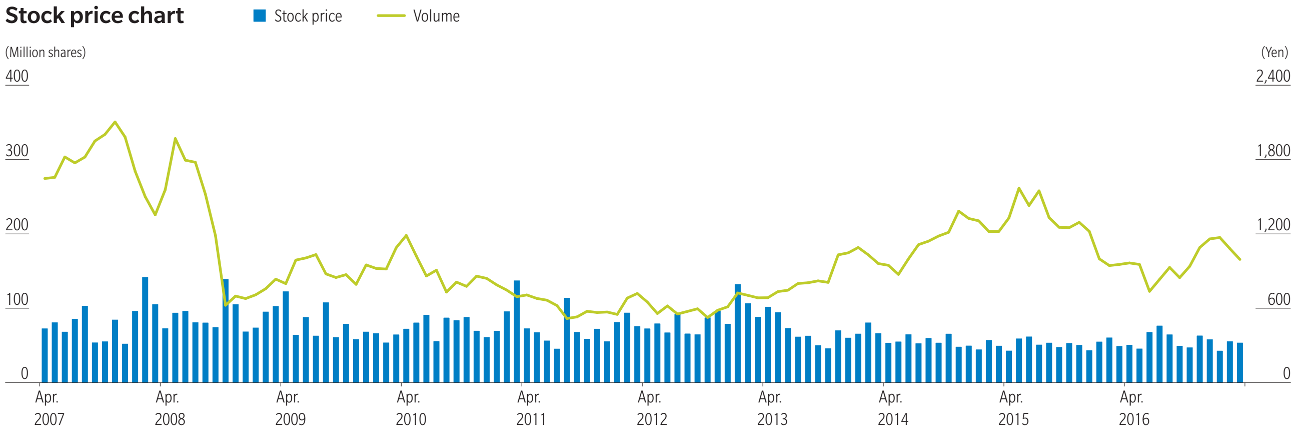
BPS*7



*6 EPS = Profit attributable to owners of the company / Average number of outstanding shares during the period

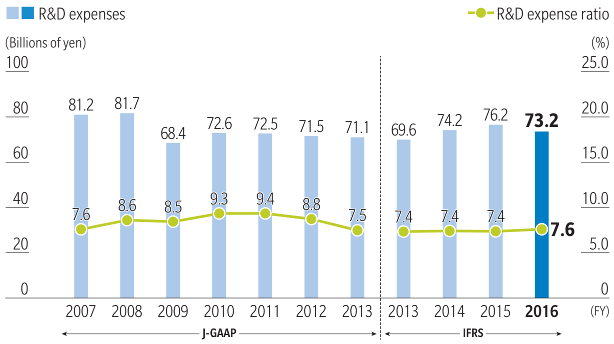
*7 BPS = Profit attributable to owners of the company / shares at fiscal year end

Stock price chart

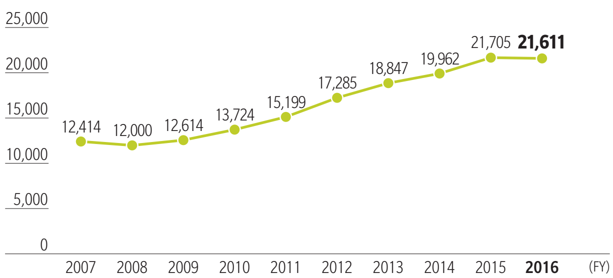


Non-Financial Data

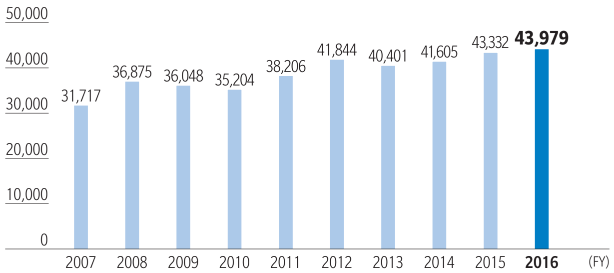
R&D expenses, R&D expense ratio



Number of patent rights held

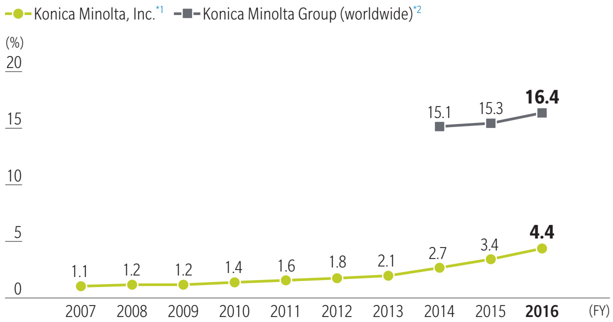


Group employees (consolidated)



Percentage of management positions held by women

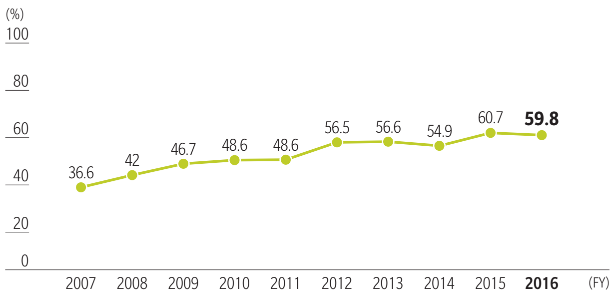
(As of April of the following fiscal year)



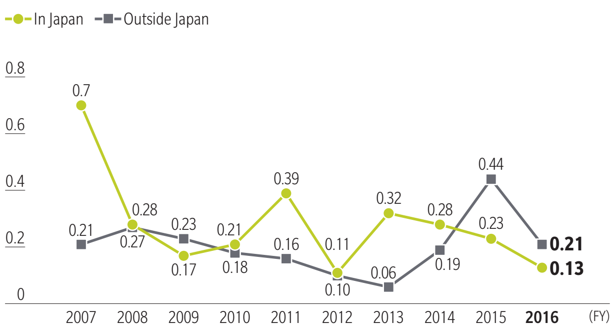
*1 Includes employees seconded to Group companies

*2 Covers at least 89% of the consolidated Group on a number of personnel basis

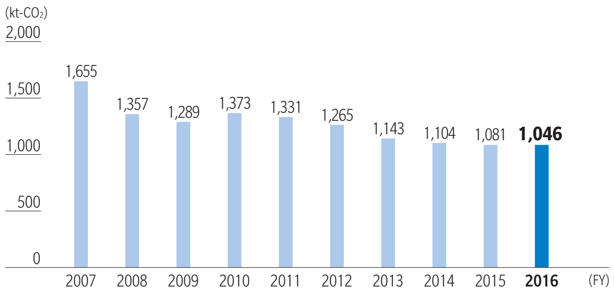
Local/foreign president ratio at foreign subsidiaries



Frequency rate of accidents causing absence from work

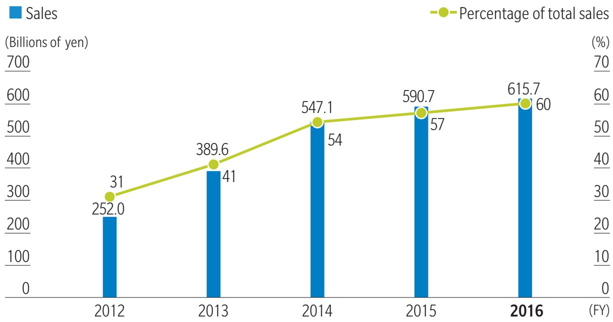


CO_2 emissions throughout product life cycle*

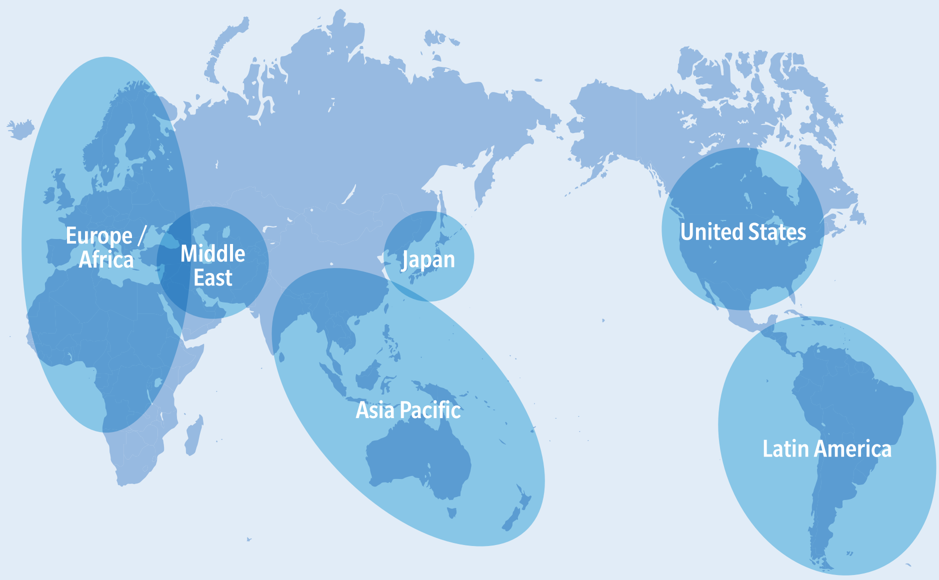


* CO_2 emissions throughout a product's lifecycle, from procurement to production, distribution, sales, service, and product customization.

Green product sales



Regional Overview



Consolidated Subsidiaries*
153

Global Sites* (countries)
50

In Sales and Service (countries)
over 150

Employees*
43,979

* Data is compiled on a consolidated basis (as of March 31, 2017)

		Revenue* (Billions of yen)	Employees	Consolidated subsidiaries	CO_2 emissions (kt-CO_2)	Total energy inputs (TJ)	Water consumption (km³)
Europe	2014	328.6	9,048	61	28	545	95
	2015	319.7	9,824	62	33	606	104
	2016	**299.9**	**10,568**	**70**	**29**	**577**	**112**
United States	2014	235.6	8,046	11	36	599	86
	2015	267.5	8,848	17	35	572	93
	2016	**249.6**	**8,519**	**17**	**35**	**570**	**90**
Japan	2014	194.6	12,154	20	265	5,694	3,188
	2015	200.2	11,964	19	259	5,572	3,122
	2016	**192.2**	**11,872**	**17**	**245**	**5,273**	**3,054**
Others	2014	243.8	12,350	38	70	912	474
	2015	244.3	12,696	53	71	937	520
	2016	**220.6**	**13,020**	**49**	**80**	**1,085**	**583**

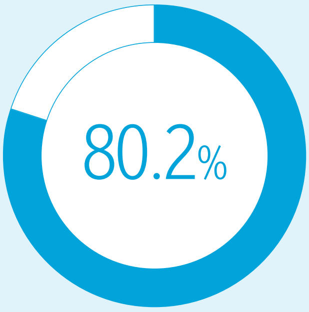
* Europe revenue include Russia and Turkey.

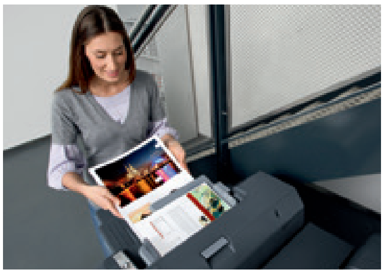
At a Glance

Despite the adverse effects of the stronger yen against the euro, the
the previous Medium Term Business Plan, saw further efforts made
digital company with insight into implicit challenges.

Genre-top strategy

Business Technologies Business





Office Services

Color MFPs had a large market share, particularly in the U.S. and Europe

Unit basis, Konica Minolta estimate using external CY2016 data

P.43

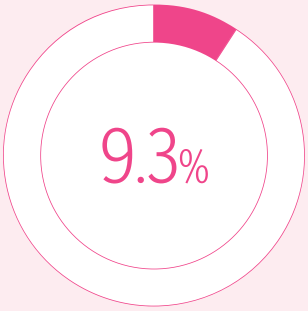
Commercial and Industrial Printing

Digital color printers had a large market share

Unit basis, Konica Minolta estimate using external CY2016 data

P.45

Healthcare Business



Healthcare

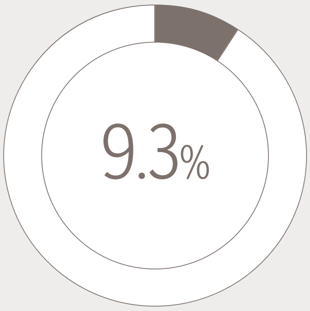
Cassette-type DRs had a large market share among medical clinics in Japan

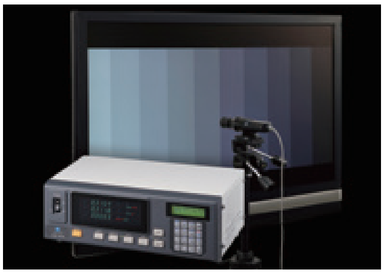
Diagnostic ultrasound systems had a large market share in orthopedics in Japan

Konica Minolta estimate using CY2016 data

P.47

Industrial Business

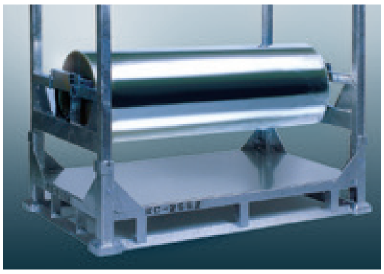




Optical Systems for Industrial Use

Display color analyzers had a large market share

Konica Minolta estimate using CY2016 data



Performance Materials

Products for VA LCDs and thin-film TAC products had a large share of the global market

Konica Minolta estimate using CY2016 data

P.49

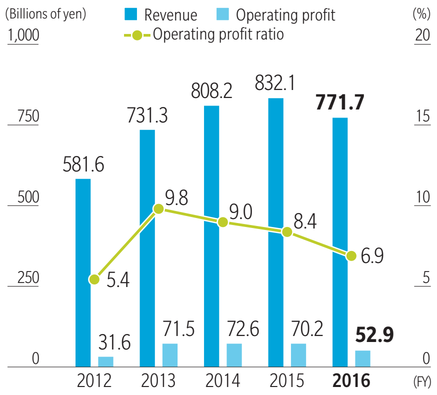
fiscal year under review, the final year of
across all business segments to transform Konica Minolta into a

Business Overview

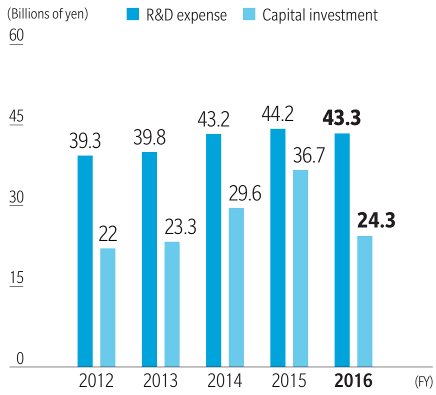
Revenue from external customers in this business fell 7.3% year on year to ¥771.7 billion while operating profit dropped 24.6% to ¥52.9 billion. Although competition heated up in the MFP and light production markets, the mainstay bizhub series of A3 color MFPs as well as the bizhub PRESS C1100, a top-of-the-line digital color printing system, continued to post solid sales.

Excluding the impact of exchange rates, revenue rose 2.7% year on year and operating profit increased 1.0%.

Revenue / Operating profit

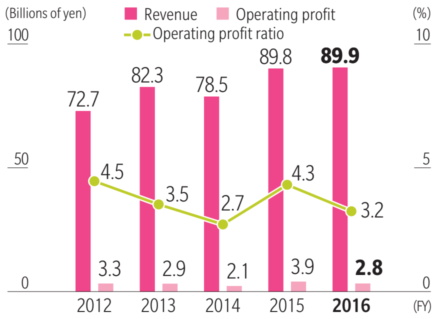


R&D expense / Capital investment

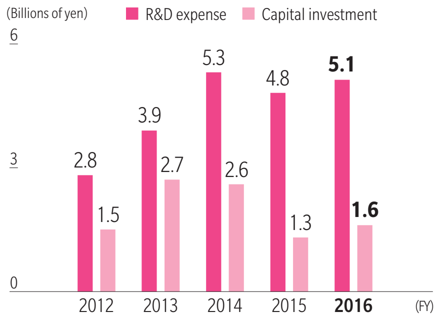


Revenue from external customers in this business grew 0.1% year on year to ¥89.9 billion while operating profit was down 26.7% to ¥2.8 billion. In addition to corporate acquisitions in the U.S., digital product sales in Japan and abroad improved. However, profits were down due to a decline in analog product sales, and temporary SG&A expense increases owing to corporate acquisitions. However, both revenue and profit increased if exchange rate effects are excluded.

Revenue / Operating profit

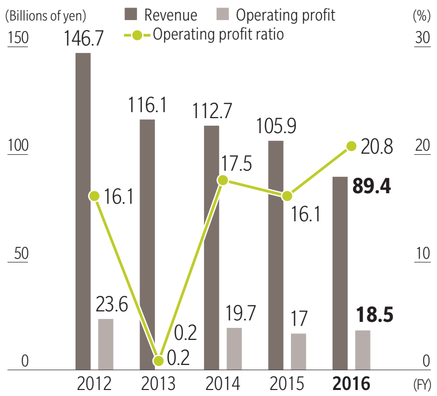


R&D expense / Capital investment

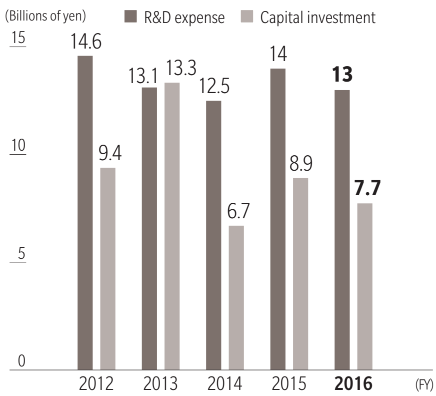


Revenue from external customers in this business fell 15.6% year on year to ¥89.4 billion while operating profit increased 9.1% to ¥18.5 billion. In the field of optical systems for industrial use, although revenues were up due to increased demand for new smartphone products in the measuring instruments business unit, the performance materials business unit was affected by business environment changes for display products, and posted a decline in revenue. Despite a drop in sales of core products, profit increased as a result of patent-related revenue.

Revenue / Operating profit



R&D expense / Capital investment



Business Technologies Business (Office Services)

Market environment (opportunities and challenges)

- Intensifying competition in the U.S. and European market.
- The shipping ratio of color units compared to monochrome units for MFPs for offices is expected to see continued growth in overseas markets.
- At small- and medium-sized companies, the bulk of our customer base, there is often a shortage of IT specialists, and latent demand for IT services is high.
- The market for MFPs has reached maturity in developed countries, and we need to find a way to further enhance the value we provide to customers while avoiding price competition as these products become increasingly commoditized.

Strengths and strategies

- The Company's biggest strength is its customer base, established through our global direct sales system.
- Further differentiate ourselves by reinforcing partnerships through cross-organizational implementation and the provision of total solutions to customers of 2 million companies around the world.
- Focus on expanding sales of mid and high-end A3 color MFPs in line with our profit-oriented sales policy, and reinforce our sales system based on customer and channel.
- Our Optimized Print Services (OPS) have been well received by global corporations.
- Improve competitiveness by strengthening hybrid-type sales, which consists of MFPs and IT services, and aim to expand unit sales of new products.
- Reduce costs through digital manufacturing at Malaysian production site that began full-scale operations in May 2015, and reform our corporate structure through efforts such as improving productivity through optimal placement of sales and maintenance personnel.

Main Achievements in Fiscal 2016

In fiscal 2016, revenue in this business stood at ¥558.2 billion, down 8% year on year.

IT solution services

- Our hybrid-type sales grew in North America and Western Europe. These sales, which provide document solutions centered on Konica Minolta MFPs coupled with a range of managed IT services*, led to improved per-customer revenue and the rate of return.

*Managed IT services: integrated services that include the deployment, operation, management, and maintenance of IT equipment and systems.

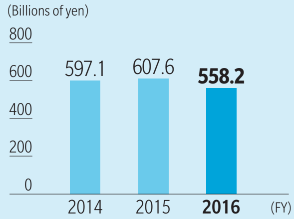
Office products

- Sales of the our mainstay bizhub series of A3 color MFPs remain strong in the fiscal year under review, and unit sales posted increases that exceeded the previous year in all regions.
- By product segment, high-end models saw significant increase in sales and in terms of region, Europe and China saw dramatic increase.

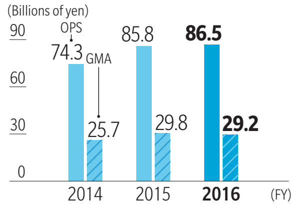
Fiscal 2017 Earnings Forecast

- In overseas markets, we forecast a continued increase for color MFPs as a proportion of all MFPs in the office segment and a continued increase in demand for IT services from small and medium-sized enterprises.
- To overcome increasing competition, we will continue implementing an "emphasize earnings over size" strategy that involves, among other things, expanding hybrid-type sales and sales of medium- and high-speed A3 color MFPs.
- The fiscal 2017 forecast for this segment puts revenue at ¥545 billion, a 2% year over year decrease, and operating profit at ¥45 billion, a12% increase.

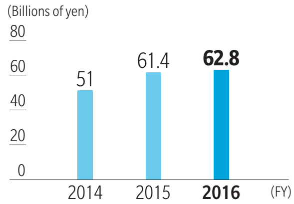
Office Services segment revenue



OPS and GMA revenue



IT service solutions revenue



Growth Strategies

Core business: Office business strategies

- Boost competitiveness by expanding regions for hybrid-type sales.
- Focus on high-end color MFP sales while improving average sales prices and expanding print volume.
- Take a strategic approach to medium-sized customers and major accounts based on a profitability-centric policy.
- Improve product quality and services through failure prediction, remote services, and automation.
- Further reduce the cost of production by fully implementing digital manufacturing.

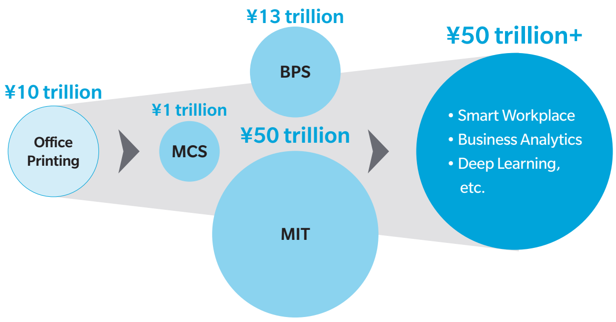
Core business: ITS business strategies

- Improve our service portfolio and expand service scope while taking into account marketability with not only the IT solution service business but also the office and WPH businesses.

New business: WPH business strategies

- Provide three values through solutions for different industries and types of business: improve customer creativity, provide added value, and improve operational efficiency. Do this by implementing an IoT platform for office environments which consolidates, analyzes, and gives meaning to structured data that exists at offices and worksites as well as to unstructured data such as emails, videos, and data on people's actions.
- Build a platform-based business model and work with partner companies to provide a greater diversity of added-value services.
- Implement a sales channel strategy not reliant on existing sales channels.

Office Services — Market Size



Focused Topic

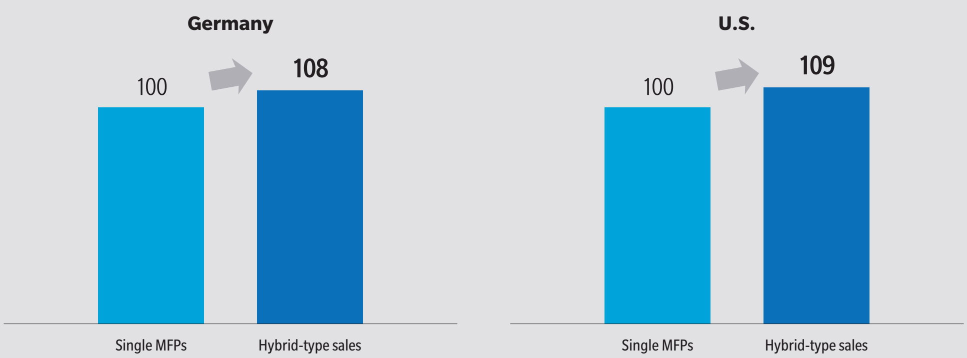
Advancing hybrid-type sales to further reinforce our customer base

Amid intensifying competition particularly in Europe and the U.S., we are working to strengthen our competitiveness in the market by pursuing higher added value through hybrid-type sales. Hybrid-type sales refer to the packaging of MFPs with IT services as a means of offering fine-tuned solutions. Ranging from providing marketing services and improving business processes to centrally managing IT environments and content to strengthening security, these solutions seek to help solve the problems our customers confront.

Finely tailored to each customer, hybrid-type sales offer a broad spectrum of solutions and enjoy contract retention rates higher than that for single device sales. Sales and marketing activities can also be done more efficiently to existing customers than to new customers, which reduces SG&A costs. Hybrid-type sales therefore have the effect of improving per-customer sales and profits.

Konica Minolta's goal is to further grow our businesses by improving our ability to offer solutions throughout all sales departments in the office services field through such efforts as developing the sales personnel that will promote these hybrid-type sales.

Contract retention rates for single MFP sales and hybrid-type sales in fiscal 2016



*Base index: single MFPs = 100

Business Technologies Business (Commercial and Industrial Printing)

Market environment (opportunities and challenges)

- Given the significant market sizes expected for the commercial printing and industrial printing sectors (e.g., labels, packages, textiles), and the low rates of digital product adoption in these sectors (under 5%), growth in these areas should be significant.
- As companies' marketing methods become more individualized and segmented, demand for digital printing is likely to increase going forward.
- At printing companies, which are a key customer category, they are considering implementing digital printing systems in addition to offset printing products in response to the needs of their clients. However, they are taking a careful approach while considering the return on investment.

Strengths and strategies

- Make additional investments in France-based MGI, with which we formed a capital partnership in January 2014, and expand our product lineup with digital printing solutions in the industrial printing segment.
- Achieve dramatic expansion of digital printing applications with well-received high-end color production printers, as well as the AccurioJet KM-1 digital inkjet press, which provides even higher print quality on a wider variety of paper. Leverage our expertise in both digital photography and inkjet technologies (heads and ink) to expand the commercial and industrial printing sectors, including textiles.
- Mid production printers (MPPs) maintain the top position in the segment at Konica Minolta.
- Expand our product lineup and the value we provide to customers by strengthening our strategic alliances with Komori Corporation and the SCREEN Group.

Main Achievements in Fiscal 2016

In fiscal 2016, revenue in this business stood at ¥213.5 billion, down 5% year on year.

Production printing (PP)

- Sales were strong for the bizhub PRESS C1100, our top-of-the-line digital color printing system. North America, China, and Asia experienced particularly marked growth.
- The AccurioPress C2070 series, a new product introduced in the second half of the fiscal year, was well received by customers. Sales negotiations saw a healthy increase.

Marketing Production Management (MPM) services

- Although MPM service revenue overall was flat, Kinko's revenue increased.

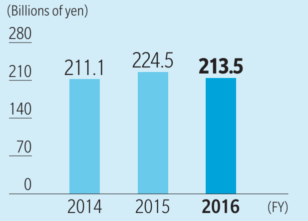
Industrial printing and inkjet businesses

- Inkjet components sales increased on the back of strong performance in China and India.
- The textile printing sector contributed to boosting the overall sales with orders received in France and Turkey for the Nassenger SP-1, which employs single-pass technology to achieve high productivity.

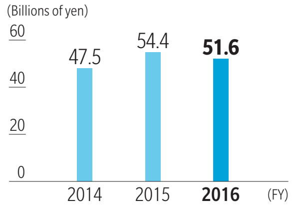
Fiscal 2017 Earnings Forecast

- We forecast a rise in demand for digital printing will occur as the value of printing on demand increases.
- PP sales are expected to increase following the introduction of C1100 successor models and other new products, which will drive up print volume.
- We expect to begin full-scale sales activities and expand sales for the AccurioJet KM-1 and label printers, as well as for MGI products, which will be promoted through Konica Minolta's sales network.
- The fiscal 2017 forecast for this segment puts revenue at ¥220 billion, up 8% year over year.

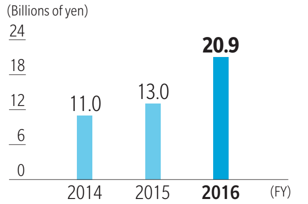
Commercial and Industrial Printing segment revenue



MPM service revenue



Industrial printing and inkjet printer revenue



Growth Strategies

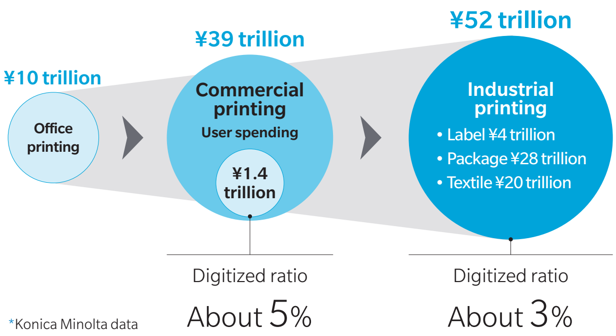
Core business: Production printing strategies

- Bring new products to the mid production printer (MPP) and light production printer (LPP) segments in order to maintain a genre-top position in the MPP market while capturing a similar position in the LPP market.
- Improve our customers' operational efficiency by building the IQ-501 (Intelligent Quality Optimizer) into products for automatic correction of color unevenness and paper misalignment, and by offering tools that work with Accurio application software to support printing operations.
- Offer the KM-1 and products from MGI to large printing companies using mainly offset printers. At the same time, boost sales by offering an all-in-one package that pairs needed solutions with mid production printers (MPP).
- Reduce the cost of parts and labor by using the IQ-501 to predict machine breakdowns.

Growth business: Industrial printing business strategies

- Develop a sales system devoted to industrial printing (IP) and push IP product sales into full swing.
- Pursue synergy between MGI and Konica Minolta in all aspects spanning technologies to sales, and create new value and demand.
- Strengthen our product lineup and sales channels through alliances and M&A.

Commercial and Industrial Printing — Market Size



*Konica Minolta data

Growth businesses: Marketing service business strategy

- Aim to grow the business by providing high value-added services that include marketing process automation and measuring the ROI of promotional materials.

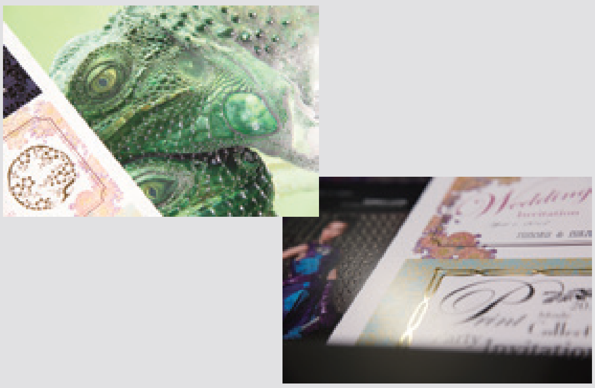
Focused Topic

Establish strategic organizations in Europe, a strong adopter of industrial printing, with an eye to developing new solutions

In an effort to motivate consumers to make purchases, marketing departments employ tactics that include adding decorations to product packaging and labeling that includes dates and individual customer's names. Europe, which has a strong culture of buying premium products for anniversaries and gift giving, is home to many cutting-edge industrial printing companies that satisfy a variety of needs using digital printers. As a result, Europe is leading the development of the industrial printing industry. Europe has also given rise to many fashion brands and, like Asia, is one of the world's key markets for digital textile printing. Moreover, it is a leading region for advanced digital products used in printing on wallpaper and building materials, among others.

With an eye to creating new value in Europe through close relationships with customers, in November 2016 we established a strategic organization for promoting our industrial printing business in France. The organization is run by a small number of capable people involved in marketing, sales, product development, and other functions. It will work with MGI, which has a base of operations in France, and leading industrial printing-related companies across Europe to create new values and design new business models, then collaborate with customers to conduct a value verification cycle. The end goal is to speed up the development of solutions for the industrial printing market.

A framework created by Konica Minolta, this value verification cycle has led to a number of business and technology development achievements in recent years. In the future, we will roll out the efforts currently made in Europe to the rest of the world, further elevating Konica Minolta's presence in the business of industrial printing.



Foil stamping, embossing, and other techniques for high added-value printing to highlight a product's appeal

Solutions to on-demand printing needs for a variety of products, from labels to packages to textiles

Healthcare Business

Market environment (opportunities and challenges)

- The digitalization of medical diagnostics is underway.
- There is growing demand in the medical care sector for solutions that assist in administering medical exams and improve operational efficiency.
- In the domestic market, there is a growing move towards regional healthcare coordination and home-based care to curb overall healthcare costs.
- In the international market, demand is on the rise in ASEAN countries and other emerging nations.
- There is currently a high dependency on the domestic market, and strategies for expanding overseas business are needed.

Strengths and strategies

X-ray diagnostic imaging systems

- Move into higher added value segments by leveraging the advanced medical imaging-related technologies and knowledge.
- Work towards bolstering sales by improving and expanding the cassette-type DR product lineup based on individual customer categories and strengthening sales channels and collaboration.

Diagnostic ultrasound systems

- We possess superior technologies in the field of ultrasound probes, which determine the competitiveness of the diagnostic ultrasound systems that use them.
- In Japan, roll out products for the internal medicine segment in addition to the orthopedic segment, where we currently enjoy a strong reputation.
- Outside of Japan, begin full product deployment in Europe, the U.S., and Asia.

Medical IT services

- Primarily through informity, a medical IT service platform, provide support for community-based integrated healthcare that encompasses primary care, nursing care, and home-based care.
- Focus on expanding sales in the U.S.'s primary care market by leveraging the main strength of the recently acquired and U.S.-based Viztek: the ability to provide and develop solutions all on its own.

Shared

- We provide equipment maintenance services in Japan 24 hours a day, 365 days a year.
- We will strengthen our solutions-based businesses by utilizing our domestic customer base, with a focus on medical clinics.

Main Achievements in Fiscal 2016

Fiscal 2016 revenue in the healthcare business increased 0.1% year on year to ¥89.9 billion.

X-ray diagnostic imaging systems

- Strong sales continued in Japan and abroad for the AeroDR cassette-type digital X-ray system.

Diagnostic ultrasound systems

- Sales of the SONIMAGE HS1 diagnostic ultrasound system contributed to business growth in China, as well as in Japan and the U.S.

Medical IT services

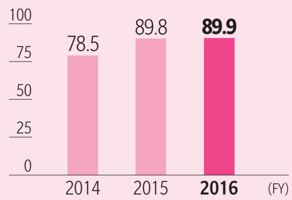
- In Japan, sales remained firm for the I-PACS medical imaging information system for small- and medium-sized hospitals and clinics.
- In the U.S., the acquisition of Viztek led to increased sales of solutions-oriented products in the primary care market, expanding our business.

Fiscal 2017 Earnings Forecast

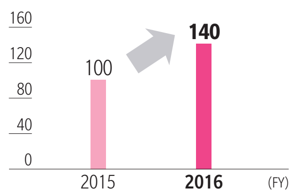
- Progress is being made in digitizing medical diagnostic equipment and sharing and coordinating medical information among multiple healthcare providers, and demand is likely to increase.
- We will step up efforts to propose and sell the core products and services that enjoy strong market competitiveness.
- The FY2017 forecast for this segment calls for sales of ¥95 billion, up 6% year on year.

Healthcare Business revenue

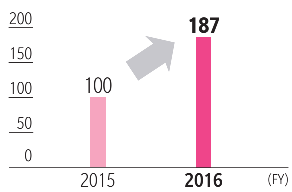
(Billions of yen)



Medical IT service revenue*



SONIMAGE HS1 unit sales*



* Base index: fiscal 2015 = 100

Growth Strategies

Core business: X-ray business strategies

- With AeroDR—a strong performer in Japan and abroad— leading the way, provide Konica Minolta image processing applications for procedures such as bone suppression and temporal subtraction, and give customers great diagnostic value.
- Leverage kinetic analysis technologies that visually represent information on lung function using thoracic moving images to develop high added-value diagnostic imaging systems that get results quickly without the need for expensive diagnostic imaging devices.

Growth business: Medical IT business strategies

- In the U.S., establish a presence in the medical IT market using Cloud PACS, a product of Viztek's expertise. In Japan, acquire new sales channels and customers in Japan through M&A activities.
- Fortify our efforts in the primary care segment by providing solutions to make healthcare, elderly care, and nursing more efficient. At the same time, combine our in-hospital workflow support services with medical diagnostic image technologies, a Konica Minolta strength, to provide a higher level of medical support service.

Growth business: Ultrasound business strategies

- Speed up the development of high added-value products that leverage ultrasonic probe technologies in treatment support as well as in diagnostics. At the same time, capitalize on the strong track record for the SONIMAGE HS1, which has seen widespread adoption by orthopedic surgeons in Japan, to drive its usage in the treatment of myofascial pain in the shoulders, chest, and other areas. Also, step up business in anesthesia and breast oncology.

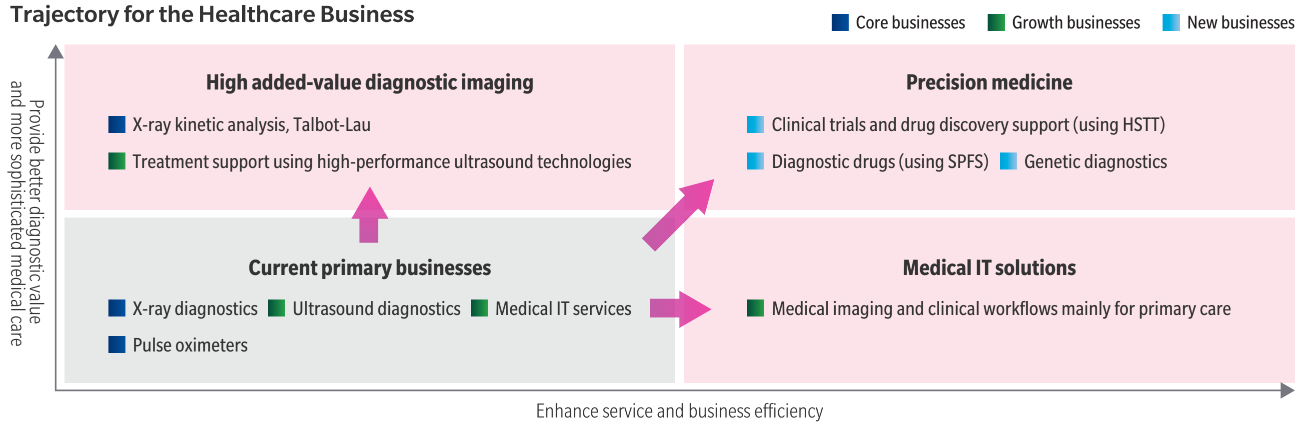
New business: Bio-healthcare business strategies

- Contribute to the drug discovery and primary care segments by rolling out products and services such as HSTT and SPFS, which use microfabrication technologies, micro signal detection technologies, and fluorescent nanoparticles — all Konica Minolta technological strengths.
- With the acquisition of U.S.-based genetic diagnostics company Ambry Genetics Corporation, leverage the company's technologies and expertise to make a full-fledged entry into the precision medicine business.

Healthcare business mission

With the goal of becoming a digital company with insight into implicit challenges, contribute to a better quality of life for all while reducing healthcare costs by improving diagnostic value and allowing for quick diagnoses and individualized medical care.

Trajectory for the Healthcare Business



Focused Topic

A Focus on Expanding the Ultrasound Business to Establish the Healthcare Business as Konica Minolta's Next Cornerstone

Konica Minolta has been focused on expanding its ultrasound business since the launch of the SONIMAGE HS1 diagnostic ultrasound system we developed in July 2014.

The HS1 has been well received by numerous doctors for its ability to achieve safer, high-precision diagnostic imaging. Fiscal 2016 sales volume in Japan increased 76% year on year, placing it in an undeniably genre-top position in the orthopedics sector. It received the 16th Technology Award of the Japan Society of Ultrasonics in Medicine in recognition for its contribution to the development of medicine. Now that we have obtained approval in China, where medical equipment approval takes time, the HS1 will soon be available not just in the U.S. and Europe but worldwide.

To answer the wide-ranging needs of its customers, Konica Minolta has expanded its lineup of probes to eight models, which includes our traditional high performance linear probes, and will be promoting their utilization in areas including anesthesia and breast oncology.

Industrial Business

Market environment (opportunities and challenges)

Optical systems for industrial use

- Forecasts suggest growth is ahead for the light-source color measuring instrument market as display devices increase in resolution and OLED displays find further adoption.
- In the automobile industry, a major customer for object color measuring instruments, production volume is gradually increasing.
- The FA measuring market is poised for expansion as a result of growing investment in production line automation.

Performance materials

- The trend towards larger LCD TVs will continue in tandem with a shift to higher resolutions such as 4K and 8K. The displays market will continue to see greater breadth.
- China continues to grow as region of LCD panel production.
- Opportunities for creating new demand are likely due to increasing diversification of display products and usage situations.

Strengths and strategies

Optical systems for industrial use

- We possess a wide-ranging product lineup and global sales and service network for high-precision measuring equipment.
- Acquire large, global customers in the displays industry.
- Leverage the synergy with newly-acquired Radiant and swiftly move into the visual inspection segment.

Performance materials

- We have built a relationship of trust with large customers and amassed assets that consist of technologies, production equipment, and supply chains through developing, producing, and selling TAC film.
- Expand the usage of VA-TAC films in a large displays market by introducing new products.
- Facilitate quicker commercialization of new functional films through a multifaceted approach that involves collaboration with other companies coupled with materials and components developed by Konica Minolta.

Main Achievements in Fiscal 2016

Regarding fiscal 2016 revenue in our Industrial Business, revenue for the optical systems for industrial use segment dropped 9% year on year to ¥47.8 billion while revenue for the performance materials segment dropped 22% to ¥41.6 billion.

Optical systems for industrial use

- Revenue increased in part due to shipments of measuring instruments made to major accounts at the end of the fiscal year.

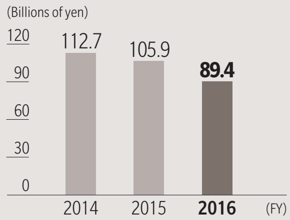
Performance materials

- Amid growing price pressure, Konica Minolta made progress in shifting to high added-value products such as retardation film for VA panels and IPS panels as well as ultra-thin TAC films. However, sales volume and amounts were down on the previous year.

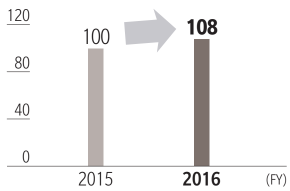
Fiscal 2017 Earnings Forecast

- Due to a growing diversity of display products, changes are occurring in our supply chain structure and the power structure of market players. We therefore expect new demand to arise for Konica Minolta products in the measuring instrument segment.
- Functional materials business will focus on answering the needs of the Chinese market, which continues to grow.
- The fiscal 2017 revenue forecast for this business calls for a 19% year-on-year increase to ¥35 billion for the field of optical systems for industrial use and a 4% increase to ¥75 billion in the materials and components field.

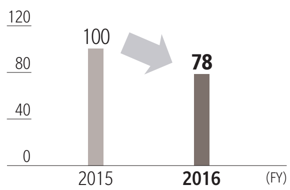
Industrial Business revenue



Light-source color measuring instrument revenue*



Performance materials segment revenue*



* Base index: fiscal 2015 = 100

Growth Strategies

Optical systems for industrial use

Core business: Sensing business strategies

- Establish a large market share for both products that measure light source color and object color.
- In the light-source color measuring segment, capture greater market share by capitalizing on the growing demand for OLED displays and other market changes. For the object color measuring segment, develop new applications for our products in the automobile industry, while also expanding into foods, building materials, and other areas.

Growth business strategies

- In response to increasing automation at production sites and the growing importance of data utilization, combine Radiant's visual inspection technologies with existing light-source color measurement technologies to provide turnkey in-line inspection systems, thereby achieving high added-value and high-profit businesses.

New business strategies

- Leverage image analysis and sensing technologies to build high-profit, high added-value products and businesses ready for the next generation in three categories: digital manufacturing, QoL solutions, and condition monitoring solutions.
- Bring together Mobotix's surveillance camera technologies and Konica Minolta's 3D LiDAR, heads-up display, and other technologies to develop the key tools that will realize our edge computing objectives.

Performance materials (Materials & Components)

Core business strategies

- Establish a strategy focused on the new Zero-TAC for VA and IPS screens, which feature reinforced waterproofing. With these and other such high added-value films, expand market share and win new customers in the field of displays for televisions, where demand for bigger screen sizes is growing.

Growth business strategies

- Quickly build up a business capable of stable profits at a new OLED lighting company jointly established with Pioneer.
- Develop new functional films in response to a growing diversity of display products, and roll out high-performance films for the mobile device and IoT markets.

Focused Topic

Strengthening Our Approach to the Automobile Industry with an Eye to Expanding the Sensing Business

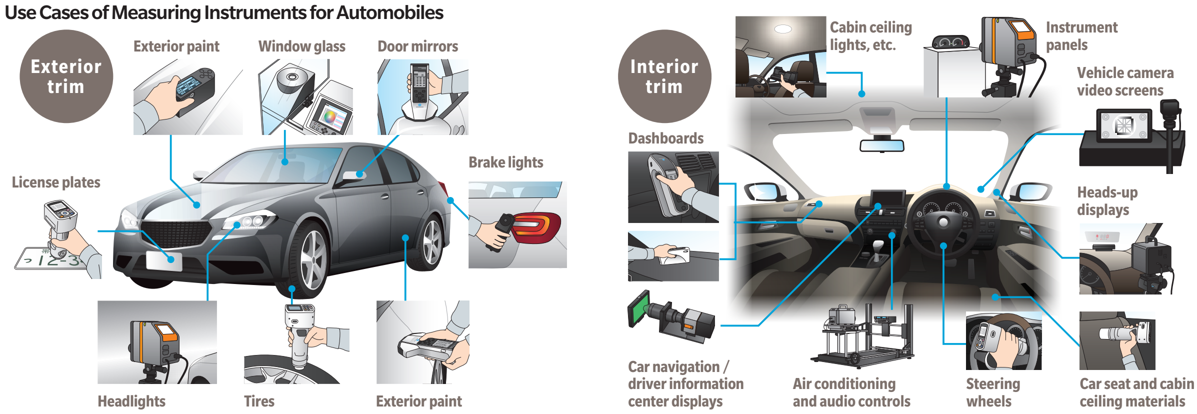
Through its sensing business, Konica Minolta provides a wide variety of industries with instruments for measuring object and light-source color. We are currently working to expand this business by strengthening our approach to the automobile industry.

The automobile industry is one where many companies with multiple facilities engage in activities ranging from development to production. It is an industry with broad horizons, including with respect to suppliers. The adoption of Konica Minolta technologies here would therefore significantly contribute to better sales and market share. There are also strict quality and safety standards in place and a need for high precision in the measuring instruments used for inspections and other procedures in the automobile industry. Success here would significantly contribute to developing businesses in other industries.

To this end, Konica Minolta has developed a variety of products for the precise measurement of object color used on vehicle interior and exterior trim, as well as light- source color for lighting, in-vehicle displays, and other parts. We also provide solutions for customizing measuring instruments and analyzing measurement data.

The automobile industry has experienced a growing need for inspection process automation in recent years, and more things are being inspected as automatic driving technologies become more advanced. Konica Minolta will provide solutions to these needs as it works to grow its sensing business.

Use Cases of Measuring Instruments for Automobiles



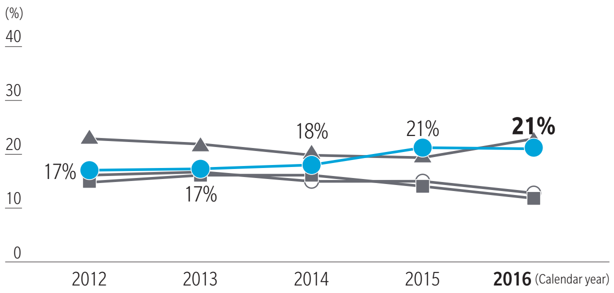
Market Data by Segment

Business Technologies Business (Office Services)

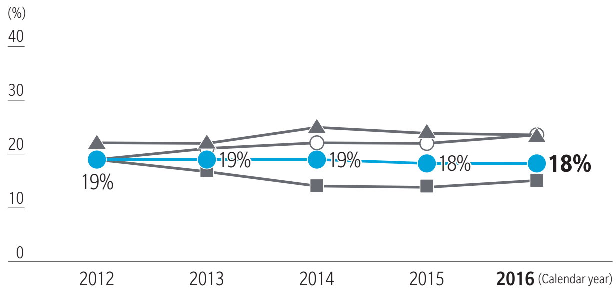
Konica Minolta share of A3 color MFPs (based on sales value)*

KM | Company A | Company B | Company C | Company D

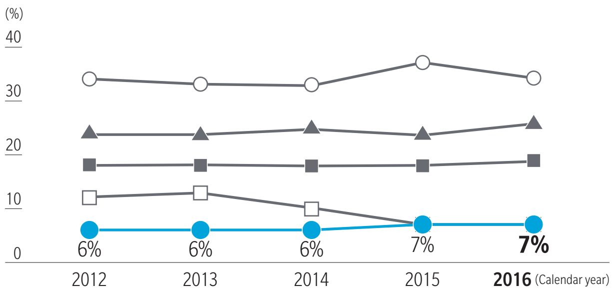
Europe



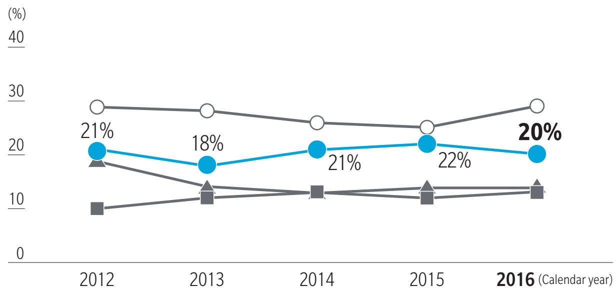
North America



Japan



China

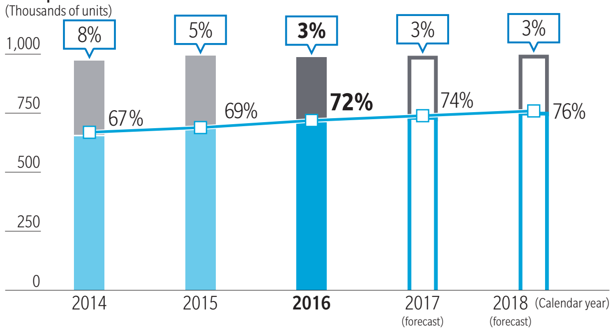


* Konica Minolta estimate

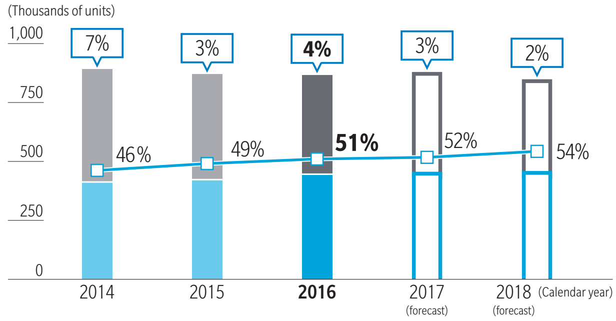
Unit shipment trends and forecasts* in the A3 color MFP market

Color | B/W | Color ratio | A3 color MFP growth rate

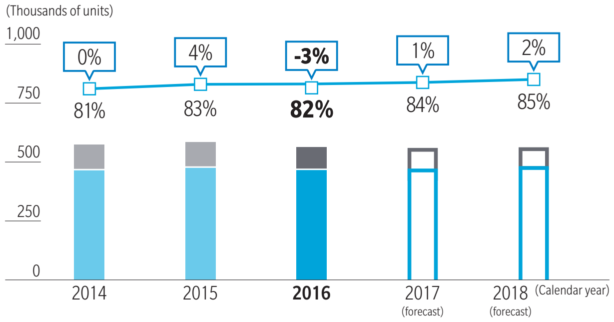
Europe



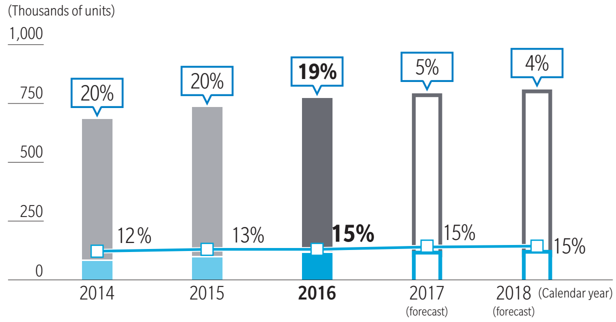
North America



Japan



China



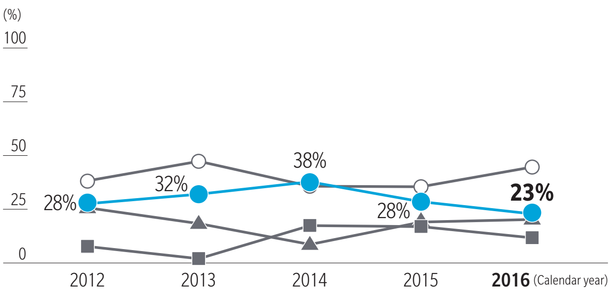
* Konica Minolta estimate

Business Technologies Business (Commercial and Industrial Printing)

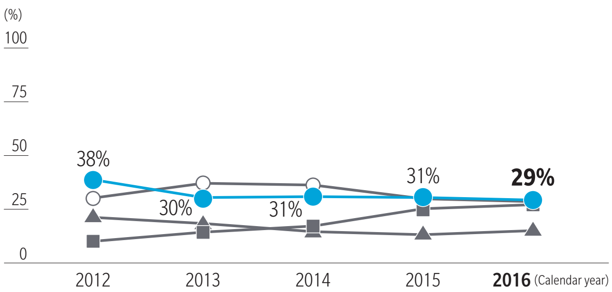
Color production printer market share (based on sales value)*

KM　Company A　Company B　Company C

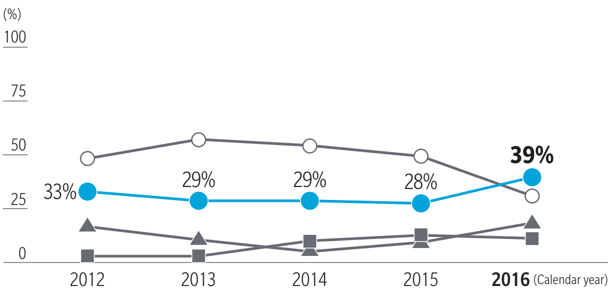
Europe



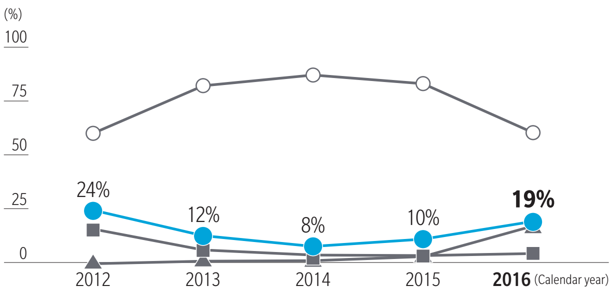
North America



Japan

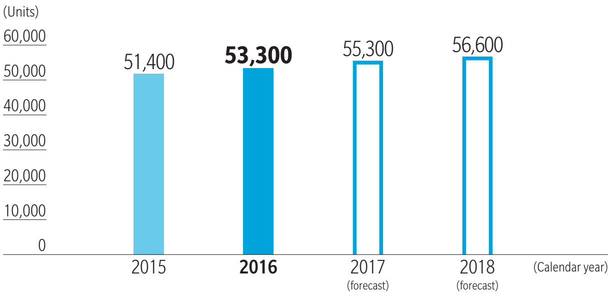


China



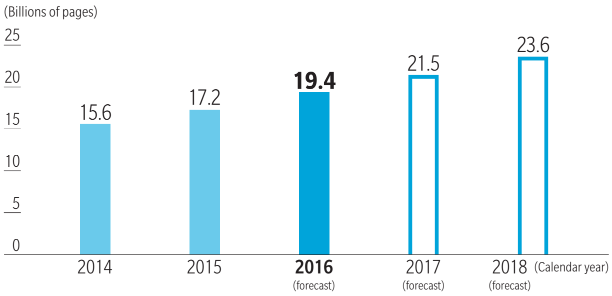
* Konica Minolta estimate (LPP+MPP)
* LPP: Light Production Printer　MPP: Mid Production Printer

Color production printer units shipped and forecast (worldwide)*



* Konica Minolta estimate

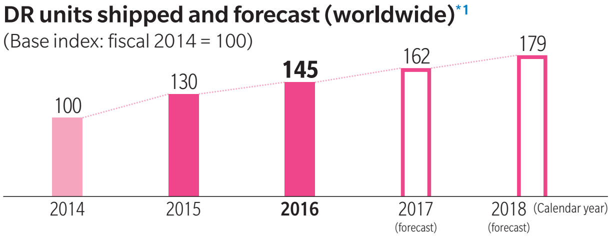
Color PV (print volume) and forecast (worldwide)*



Healthcare Business

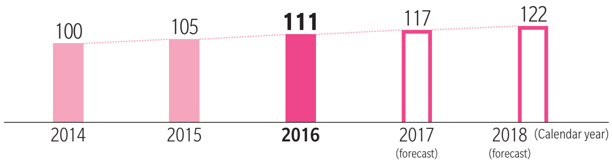
DR units shipped and forecast (worldwide)*1

(Base index: fiscal 2014 = 100)



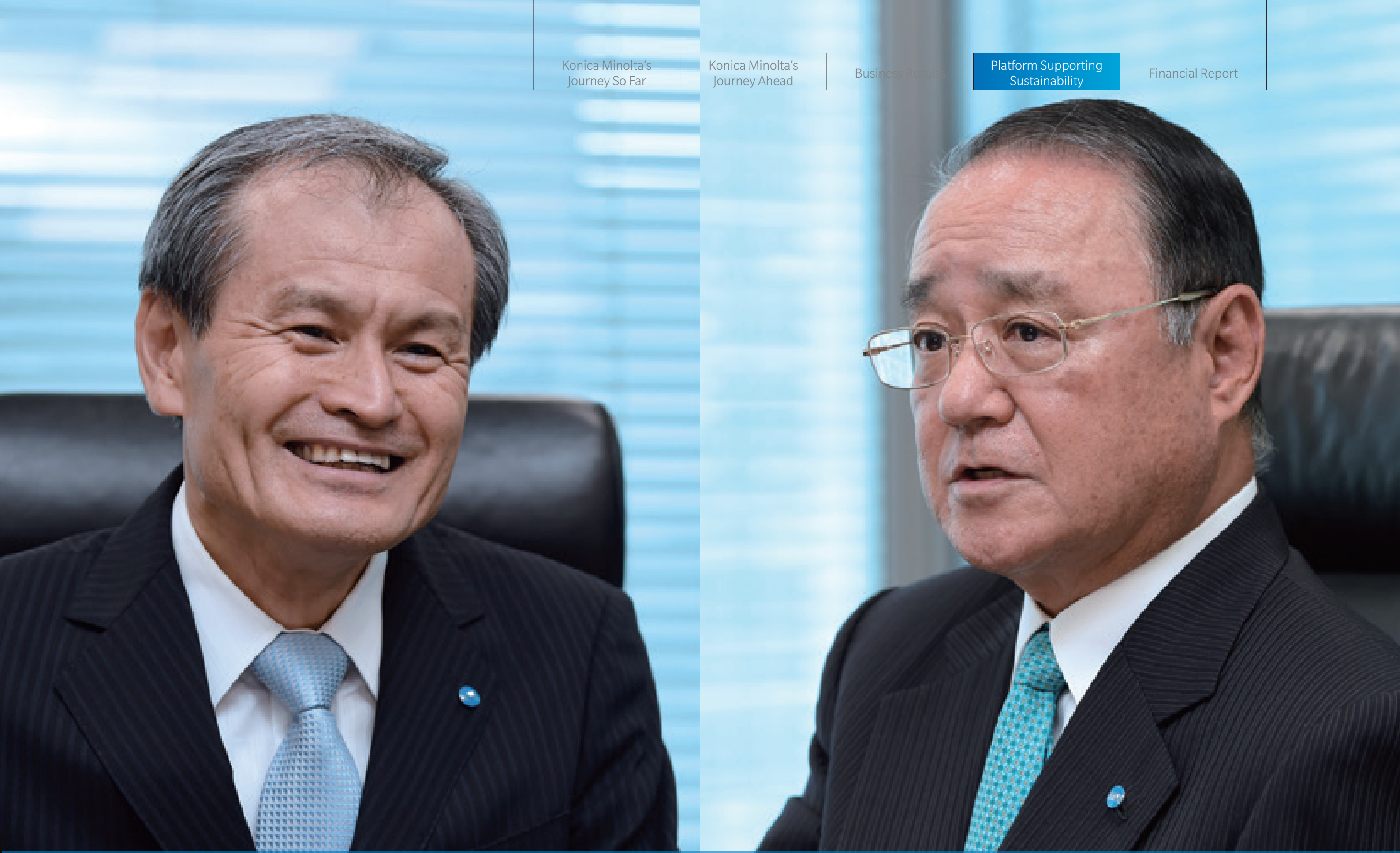
Diagnostic ultrasound systems units shipped and forecast (worldwide)*2

(Base index: fiscal 2014 = 100)



*1 Based on data from "x-ray-intelligence-service-summary-general-radiography-and-fluoroscopy-x-ray-equipment-2016" from IHS TECHNOLOGY, with some estimates from Konica Minolta
*2 Based on data from "Ultrasound Imaging Equipment Report 2015" from IHS TECHNOLOGY, with some estimates from Konica Minolta

Platform Supporting Sustainability



Masatoshi Matsuzaki Chairman of the Board

After serving as a Director at Konica Minolta Business Technologies, Inc., as President of Konica Minolta Technology Center, Inc., and in various other roles, became a director, and then the President and CEO of Konica Minolta, Inc. Assumed the position of Chairman of the Board in April 2014.

Kazuaki Kama Outside Director

Served as President & CEO and then Chairman of the Board at IHI Corporation, among other positions. Became an Outside Director at Konica Minolta, Inc. in June 2014. Served as Chairman of the Compensation Committee from June 2015 to June 2017, and was thereafter appointed to the position of Chairman of the Audit Committee.

Discussion on Corporate Governance

Towards Sustainable Growth and Enhanced Corporate Value Fortifying Medium Term Business Plan Oversight

Improving the Effectiveness of the Board of Directors

—In recent years, an increasing number of companies have begun to place emphasis on improving the effectiveness of their boards of directors as a key corporate governance measure. What initiatives is Konica Minolta taking toward this end?

Matsuzaki: Konica Minolta first began assessing the effectiveness of its Board of Directors in fiscal 2004, the year following the Company's integration of its management structure through the implementation of a "company-with-committees" system. Tomiji Uematsu, Chairman at the time and instrumental in designing the governance system, oversaw its operation for one year. The following year, he initiated self-assessments by board members in questionnaire form to confirm that the governance system was functioning as intended; that is, that the "C" (check) aspect of the PDCA cycle was being carried out.

Kama: The Corporate Governance Code, which recommends, among other things, that the Board of Directors be evaluated, went into effect in June 2015. Konica Minolta, however, had been conducting evaluations of the Board of Directors for more than 10 years prior to the introduction of the Code, correct?

Matsuzaki: That's right. Ever since, we have made many improvements to the questionnaire that we use to evaluate the

Board of Directors annually. Since my appointment to Chairman of the Board in 2014, I have attempted to implement two significant improvements. One was to add open-ended questions to the questionnaire out of a desire to not only gauge the degree of achievement, but to encourage respondents to explain the reasoning behind their evaluations. We have afforded Directors the option of submitting their questionnaires anonymously, but the majority of respondents have provided their names. There are instances where we speak directly with people after having collected the questionnaires to obtain additional information when deemed necessary. The other improvement was to announce a policy for operations for the new fiscal year that reflects these evaluation findings. To honor the time spent by our Directors in completing the questionnaires, I decided that as Chairman of the Board I had to commit myself to applying these opinions to the operations of the Board of Directors in the following year.
Kama: Each year, on the day of the general meeting of shareholders, we hold a Board of Directors meeting at which Mr. Matsuzaki explains the policy for operations for the Board for the new fiscal year. This is a true representation of the "A" (action) aspect of the PDCA model.

——As an Outside Director, how do you rate Konica Minolta's corporate governance?

Kama: Simply stated, I strongly believe that the Company is advanced in terms of its execution of corporate governance. The key goals of corporate governance are achieving sustainable growth and enhancing corporate value. Konica Minolta is always thinking about the kind of governance needed to realize these objectives while making improvements using the PDCA model. There is a good balance among Board members, including Outside Directors, and considerable thought is given to ensuring complementary backgrounds that help achieve good governance. The system is working quite well. One unique aspect is the monthly reports on business operations presented by the CEO at the end of each Board of Directors meeting. In addition to updates concerning business being undertaken, the reports incorporate a broad range of topics including CSR-related efforts, opinions collected at financial results briefings and other gatherings, and measures taken for the benefit of employees. Even from my perspective as an Outside Director with the responsibility of monitoring the status of the Company's business operations, I can see that these reports are extremely well conceived. All Executive Officers are required by the Companies Act to report at least once every three months on the business operations they oversee, and the success of this method of governance owes to the Company' rapid formation of a strong governance system and faithful adherence to the PDCA model.

——The task of evaluating the effectiveness of the Board of Directors was entrusted to a third party in fiscal 2016. What was the objective of this decision?

Matsuzaki: The questionnaires we had conducted by that point were the product of us having created our own questions and adjusting them. However, given our closeness to the situation, we realized there may have been things we were overlooking. This led us to entrust the creation of our questionnaires and the analysis of the results to an outside organization. We also knew that a third party would analyze the results objectively—this includes properly evaluating my performance as Chairman of the Board.
Kama: Questions on the most recent questionnaire were comprehensive, so we gained quite a bit of insight.
Matsuzaki One of these concerned the selection of agenda items for Board of Directors meetings. Previously, as Chairman, I had been responsible for creating the agenda based on the issues faced by Konica Minolta management. However, my agendas rarely addressed aspects of our operations that were going well.
Kama: One example of this would be ESG (environment, society, and governance). Our ESG efforts have been widely praised, as evidenced by our repeated inclusion in the Dow Jones Sustainability World Index along with numerous other metrics. However, because we as Outside Directors also wanted to offer input on things that were going well, we asked that such issues be made incorporated in the agenda.
Matsuzaki: This was made clear to us through the results of the most recent questionnaire. Another realization concerned training for Directors. Recently, a growing number of corporations have taken action toward training their Outside Directors to ensure they are equipped to perform their duties. While Konica Minolta has recommended attendance at particularly useful seminars and other events, the Company's Outside Directors have all served in top positions or have accumulated equivalent experience. As such, we believed it was more important to provide information that would give people a better understanding of Konica Minolta than to offer training opportunities. Questionnaire results have shown us, though, that more training opportunities are necessary for Inside Directors. As some of the Inside Directors are less experienced than the Outside Directors, the fact that this need exists makes perfect sense.

——Mr. Kama, as Chairman of the Audit Committee beginning this fiscal year, what will you focus on when conducting audits?

Kama: We recently held the first meeting of the Audit Committee, at which I announced key audit priorities for the fiscal year that were unanimously approved. This meeting touched on three main points. The first is a more thorough validation of the effectiveness and suitability of business management processes. The second is conducting checks of routine business operations. And the third is the careful oversight of the management of Group companies, including those located abroad.
Matsuzaki: These three points you mentioned clearly represent the stance of the Audit Committee. Are there additional areas you personally intend to focus on?
Kama: Yes, although they are elements of the key priorities I have mentioned, my main concern is the proper management of major and potential risks. Stories of accounting fraud being committed by large enterprises have become common in recent years. The companies most at risk of such problems are newly acquired companies, affiliate companies overseas, and companies such as second-tier subsidiaries with tenuous capital ties to the parent company.
Matsuzaki: So your assertion is that more attention should be paid to risk at companies where governance may not be as effective.
Kama: That's right. We need to view problems occurring at other enterprises as object lessons and carefully investigate to ensure that these risks are not lurking within Konica Minolta. Naturally, the Audit Committee will exercise due vigilance in reducing impairment risk through activities such as large-scale M&A and capital investment. Outside Directors, however, are inherently prone to extreme caution given their sensitivity to risk. In situations where we feel that investment is needed to achieve medium- to long-term growth or enhance corporate value, even if significant risk does exist we will offer advice about mitigating that risk, and otherwise support the realization of growth strategies.
Matsuzaki: Risk cannot be avoided if an enterprise intends to achieve growth. However, the potential damage that may result must be carefully evaluated. This is why, even though I continue to remind the Board of Directors that the company should take all necessary risks, I encourage Outside Directors to draw on their experience and speak frankly at Board of Directors meetings concerning areas where we must exercise caution.

Toward the Achievement of the "SHINKA 2019" Medium Term Business Plan's Objectives

——How does the Board of Directors view the results of the previous Medium Term Business Plan, TRANSFORM 2016?

Matsuzaki: Over the three-year span of the previous Medium Term Business Plan, we conducted M&A activities abroad and undertook new business projects with the aim of transforming our business portfolio to enable us to better respond to increasing globalization, digitalization, and other rapidly changing aspects of the business environment. But because new businesses take time to achieve results, it is our Business Technologies Business and other core businesses that underpin our bottom line. Although efforts have naturally focused on improving profitability through measures such as the strengthening our solutions businesses within these core areas, we need to carefully reflect on having come up short in terms of achieving the management objectives set forth in the Medium Term Business Plan.
Kama: I think it's commendable that we have established a foundation for new growth through proactive M&A and anticipatory investment. It is regrettable, however, that these efforts did not lead to better business results.
Matsuzaki: During the previous Medium Term Business Plan period, we heard at Board of Directors meetings about business performance forecasts and the market trends that served as the bases for those forecasts from our Executive Officers. But the business environment changed more quickly than expected and we were unable to rapidly gauge whether changes were temporary or systemic, rendering us unable to respond in a sufficiently prompt manner. In hindsight, it is clear that every business should have systematically conducted reviews at an earlier stage while preparing to ensure the necessary measures could be taken. This is a lesson we cannot afford not to apply to the new Medium Term Business Plan.
Kama: Even from our perspective as Outside Directors, we recognize that Konica Minolta is an exemplary company when it comes to governance. Our task for the foreseeable future is to raise its financial standing to a commensurate level. I look forward to the opportunity to contribute from the perspective of one of the people charged with oversight of the Company's management.

—With the launch of SHINKA 2019, the new Medium Term Business Plan, what role will the Board of Directors play?

Kama: Over the coming three years, it is important that we further accelerate our efforts to transform our business portfolio while we work to substantially strengthen our earning power. In formulating the new Medium Term Business Plan, we repeatedly listened to and discussing reports on business plans companywide. The new Medium Term Business Plan adopts a three-pronged portfolio management approach, focusing on core businesses, growth businesses, and new businesses. It encapsulates the Company's commitment to strengthening the profitability of core businesses while building new business and earnings structures through the redistribution of operational resources. As an Outside Director and Chairman of the Audit Committee, I will be thoroughly monitoring the progress of the plan's execution.
Matsuzaki: For the new Medium Term Business Plan, I believe we need to steadily expand the growth businesses and cultivate the new businesses for which we planted the seeds during the previous Medium Term Business Plan, and achieve tangible results by the third year. The Board of Directors will be monitoring progress made by each business area toward this objective, and a particular area of focus will be PMI (post-merger integration) as a follow-up to M&A. We aim to closely oversee each major merger or acquisition that has been approved over the past three years.

—Konica Minolta announced its large-scale acquisition of U.S.-based Ambry Genetics Corporation ("AG") in July of this year. Would you say this is a significant decision for Konica Minolta?

Matsuzaki: Our acquisition of AG is certainly the largest we have ever undertaken. But just as I did when I was president, current president Yamana is conducting M&A while prioritizing the acquisition of pieces necessary to bring our strategy to fruition as opposed to acquisitions that simply serve to increase the scale of the company.
Kama: Since the beginning, we have wanted to establish the Healthcare Business as a pillar for corporate growth and have discussed which direction this growth should take.
Matsuzaki: Yes. We have been particularly passionate about precision medicine, which helps pharmaceutical companies develop effective new drugs and offers optimal dosing and treatment solutions to patients, and Konica Minolta fully exhibiting its inherent strengths in this field. To this end, we have done extensive research on companies that can provide what we lack. Through this research, we determined that AG, with its world-class genetic diagnosis technologies, was the best fit in terms of size and synergy with Konica Minolta.

—The launch of the new Medium Term Business Plan also brought revisions to the Executive Compensation System. What was the intent of these revisions?

Matsuzaki: When Mr. Kama was the Chairman of the Compensation Committee, discussions over the Executive Officer compensation system favored providing more incentives in the interest of fostering a commitment to the Medium Term Business Plan. This is what prompted the revisions.
Kama: The Company's previous compensation system for Executive Officers and for Executive Officers also holding the position of Director consisted of a base salary together with performance-based compensation as well as stock-based compensation in the form of stock options. Performance-based compensation is, simply stated, compensation that is tied to short-term business performance. Stock options as stock-based compensation are also affected by medium- to long-term share price fluctuations, but were not directly tied to the achievement of targets outlined in the Medium Term Business Plan.
Matsuzaki: So the idea behind the compensation policy revisions was to increase motivation to reach the goals of the Medium Term Business Plan not by providing short-term incentives but by tying compensation to business performance and corporate value over multiple years?
Kama: Precisely. And with the start of the new Medium Term Business Plan periods in fiscal 2017, I wanted to create a compensation system that would incentivize the achievement of plan targets. Discussions took about two years, and finally led to the new system of "stock bonus linking with medium-term performance". One particularly notable feature of the system is the granting of shares within the 0% to 150% range of the standard number of shares conferred according to corporate position based on the extent to which performance targets in the Medium Term Business Plan were achieved. Shares will be granted using a system known as a BIP (board incentive plan) trust, which establishes that, in principle, executive officers must hold granted shares until one year after retirement. This provides an incentive to achieve Medium Term Business Plan targets while at the same time encouraging executive officers to hold on to Company stock. (see pg.66)
Matsuzaki: As the proportion of performance-based compensation for the short-term and medium-term has increased when compared to the previous system, the hope is that executive officers' motivation to contribute to the achievement of targets and improvement in performance.
Kama: The base salary proportion of executive compensation at Japanese companies is generally significantly higher than at companies in the U.S. and Europe. We feel that the current system, whereby executive officers receive compensation commensurate with their contribution to improved performance is a more suitable method of compensation.

—The revisions to executive compensation were also undertaken with consideration given to ESG. What was the rationale behind this decision?

Kama: This came from the notion that, in order to improve corporate value over the medium- to long-term, we needed to evaluate not just measures concretely linked to business performance but also assess initiatives such as ESG that are difficult to gauge quantitatively, and to do so consistently. As ESG is a management priority that must be considered from a medium- to long-term perspective, it must be incorporated into policies and initiatives every year. After much consideration, we opted for an annual performance-based cash bonus rather than a long-term incentive bonus. More specifically, we decided to include initiatives related to non-financial indicators such as ESG in the category of qualitative evaluation, namely "progress concerning strategic matters" within the realm of responsibility of each Executive Officer, and to incorporate more non-financial indicators.

Matsuzaki: ESG initiatives are top management priorities that require engagement by the entire Group—from top managers to employees in the workplaces in each area of business. I hope the consideration given to ESG in evaluating the performance of Executive Officers makes clear to them, as well as all Konica Minolta employees, that ESG initiatives are not some kind of special undertaking—rather, they are a means to "contribute to society through our business activities."

Kama: For that reason, ESG covers a wide field of business activity and encompasses a broad spectrum of indicators. In addition to management indicators, evaluating performance related to non-financial indicators including ESG will be a part of the oversight provided by the entire Compensation Committee.

Matsuzaki: There are two areas that the Board of Directors, intends to focus on in its monitoring of ESG initiatives. The first concerns Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015. The new Medium Term Business Plan outlines specific objectives aimed at resolving a wide variety of societal issues in the 17 areas covered by the SDGs, and the Board of Directors will be monitoring progress made towards these objectives. Our second area of focus is the promotion of ESG through day-to-day business activities. To further accelerate these efforts, the new Medium Term Business Plan describes the ideal to which we aspire: becoming a "digital company with insight into implicit challenges."

——Lastly, please talk about how the Board of Directors' intends to achieve the objectives outlined in the new Medium Term Business Plan.

Kama: The new Medium Term Business Plan aims to accelerate the transformation promoted under the previous Medium Term Business Plan and formulate a new business structure to support medium- to long-term growth. It will of course be no easy task to establish a stable revenue base by the final year of the plan while balancing the allocation of resources to growth businesses and new businesses. Nevertheless, even as conditions surrounding our core businesses become increasingly challenging, our Executive Officers are no doubt confronting these problems with an unwavering determination with the mindset that Konica Minolta's future is dependent on achieving the Plan's objectives. Recognizing this high degree of dedication, the Board of Directors will closely monitor the progress being made in each business in support of the achievement of plan objectives.

Matsuzaki: A key role to be played by non-executive Inside and Outside Directors will be to observe the decision-making process and the performance of Executive Officers from an independent, objective perspective. But monitoring is a means, not an end. As Mr. Kama said, the goal of corporate governance is strictly to achieve sustainable business growth and enhance corporate value for the medium- to long-term. The newly enacted Medium Term Business Plan lays out specific business strategies and management goals for the next three years while looking five years into the future. It is essential that the Board of Directors not only review each initiative carefully and manage risk effectively, but avoid the distraction of less crucial short-term concerns and provide advice from a medium- to long-term perspective in support of the realization of our objectives.

Corporate Governance

Basic Concept for Corporate Governance

The Company believes that corporate governance should contribute to sustainable corporate growth and increased corporate value over the medium to long term by encouraging appropriate risk-taking as part of management execution. On the other hand, the Company has established a corporate governance system from the standpoint of the supervisory side in the belief that setting up and managing a highly effective supervisory function is also necessary.

As part of its institutional design in accordance with the Companies Act, in 2003 the Company selected the "company with committees" system (now, a "company with three committees" system) and established a system that eliminated dependency on personal characteristics, thereby pursuing governance in a style specific to Konica Minolta.

The *Basic Policy on Corporate Governance* that was formulated in September 2015 defines the basic views regarding corporate governance.

We have published the *Basic Policy on Corporate Governance* on our website.

https://www.konicaminolta.com/about/investors/management/governance/

Basic Policy on Corporate Governance

Basic Approach

- Reinforcement of business supervisory functions by separating the supervisory and execution functions in order to increase the corporate value;
- Election of an Independent Outside Director who can provide supervision from a shareholder perspective; and
- Improvement of the transparency, integrity and efficiency of management through the above-mentioned points.

Specifically, the Board of Directors and the three committees are composed as follows.

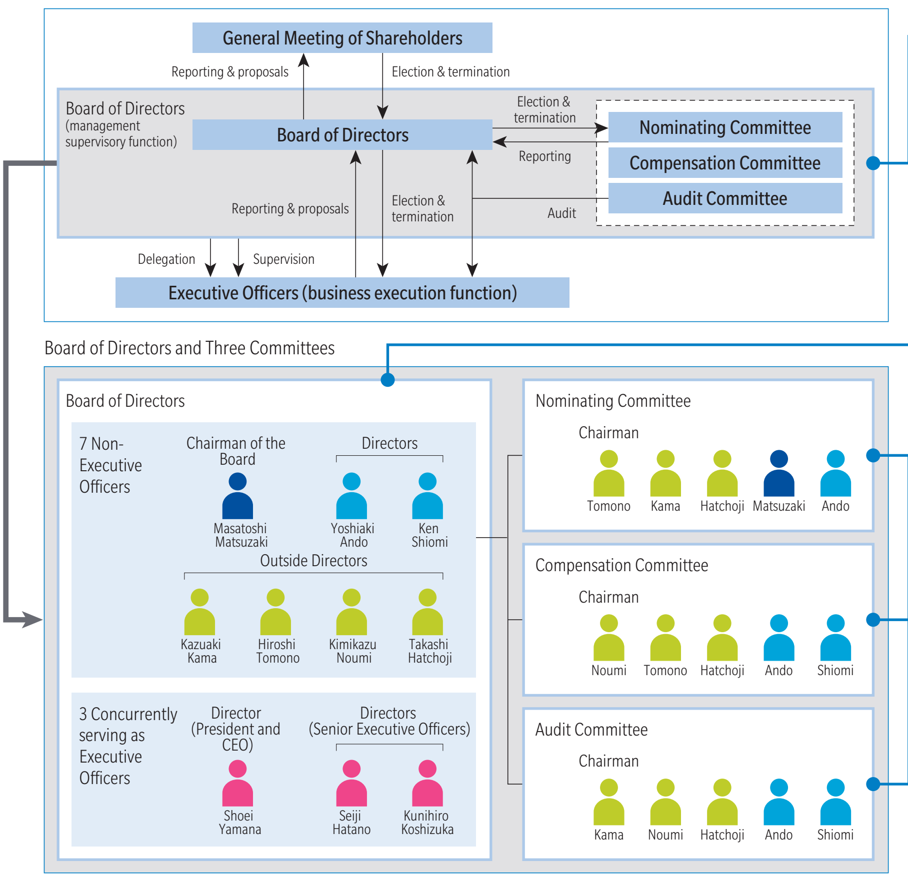
1) Board of Directors

- One-third or more of Directors are Independent Outside Directors, and Directors who do not concurrently serve as Executive Officers constitute the majority of the total number of Directors.
- The Chairman of the Board is selected from among Directors not concurrently serving as Executive Officers.

2) Nominating, Audit and Compensation committees

- Each of the three committees is composed of three Outside Directors and two Inside Directors.
- The Chairmen of the three committees are selected from among the Outside Directors.
- The President and CEO is not selected as a member of the Nominating, Audit or Compensation committee.

Structure of Corporate Governance Systems (As of June 20, 2017)



Key characteristics of structure

- Setting the company with three committees structure to separate supervision and the execution of the management and perform highly effective oversight of business operations
- All of four Outside Directors are Independent Directors

Key characteristics of the Board of Directors

- Chairman is not an Executive Officer
- Outside Directors are at least one-third of the Board of Directors
- Directors who are not concurrently Executive Officers are the majority of the Board of Directors

Key characteristics of the three committees

- Chairmen are Outside Directors
- Directors who are concurrently Executive Officers are not allowed to be committee members

Chronology of measures to establish a corporate governance framework and improve its effectiveness

FY2000	• Started an executive officer system and reduced the number of directors
FY2002	• Elected two independent outside directors • Shortened the term of directors to one year
FY2003	• Formation of Konica Minolta Holdings, Inc. due to a management integration • Became a company with committees (now a company with three committees) • Establishment of the Corporate Organization Basic Regulations • Number of independent outside directors increased from two to four • Establishment of policy for determining compensation
FY2004	• Started self-assessments (using questionnaires) of the effectiveness of the Board of Directors
FY2005	• Ended lump-sum retirement payments and started stock compensation-type stock options
FY2006	• Chairman of the Board of Directors started participating in the Nominations Committee • Ended the senior adviser position • First overseas field trip by outside directors (two) for a visit to a manufacturing subsidiary in China • Established standards for the independence of outside directors
FY2009	• Revised part of the terms for performance-linked compensation in the compensation determination policy
FY2010	• Revised part of the Board of Directors rules
FY2014	• Started establishing a Fiscal Year Policy for the Board of Directors based on results of the Board of Directors effectiveness self-assessments (questionnaires)
FY2015	• Established the Basic Policy on Corporate Governance • The Nominating Committee started overseeing the succession plan of the President and CEO
FY2016	• Started using an external organization for questionnaires and interviews to assess the effectiveness of the Board of Directors • The policy for determining compensation was revised by replacing stock options with stock bonus linking with medium-term performance.

Compliance with the Corporate Governance Code

Konica Minolta complies with every principle of Japan's Corporate Governance Code set forth by the Tokyo Stock Exchange.

We have indicated in the corporate governance report that the Company is in compliance with all principles. Additionally, we have disclosed details for all 11 general principles, principles, and supplementary principles for which the Tokyo Stock Exchange requires disclosure.

The corporate governance report is available on our website.

https://www.konicaminolta.com/about/investors/ir_library/governance/

Governance Structure and Director Nomination and Election

Board of Directors and Directors of the Board

(1) Director Candidate Nomination Policy and Procedures

The Nominating Committee starts each year by performing reviews of the composition of the Board of Directors and committees and of the standards for the election of directors and committee members. By performing examinations from the standpoints of balance of career and skill, diversity and other factors, this committee aims to upgrade its selections of Director candidates. The following process is used to make selections.

Board of Directors

1) The Nominating Committee examines the objectives of the composition of the board and then confirms a proposal for the total number of Directors, the number of Outside Directors, and the number of Inside Directors who do and do not concurrently serve as Executive Officers.
2) Confirmation of Directors who will resign due to standards for the number of years as a Director or age and expected number of new Outside Director and new Inside Director candidates.

* Please see "Concept regarding overall Board of Directors' balance, diversity, and size" on page 61 for particulars.

Outside Directors

3) To select Outside Director candidates, after the Nominating Committee confirms the election process, the Nominating Committee chairman asks for a broad range of recommendations for candidates based on information from Nominating Committee members, other Outside Directors and the President and CEO. To provide reference information, the Board of Directors Office distributes to Nominating Committee members a candidate database, centered on "chairmen" of excellent companies, that includes information about independence, age, concurrent positions and other characteristics of candidates.
4) From the candidates recommended through the preceding process, the Nominating Committee uses the following steps to narrow down the number of candidates and establish an order of priority.
   - Election standards for Directors
   - Standard for independence of Outside Directors
   - Balance of career and skill required for Outside Directors and diversity
5) Using the order of priority for candidates, the Nominating Committee chairman and Chairman of the Board of Directors visit and approach the candidates to serve as an Outside Director.

Inside Directors

6) Draft proposals for Inside Director candidates are determined by discussions between the Chairman of the Board of Directors and the President and CEO, while placing emphasis on the following points.
   - Election standards for Directors
   - Roles of Directors who do and do not concurrently serve as Executive Officers
   - Required skills, experience and other characteristics of Directors who do and do not concurrently serve as Executive Officers
7) The Nominating Committee uses the draft proposals to examine the candidates.

Board of Directors

Concept regarding overall Board of Directors' balance, diversity, and size

The Board of Directors is composed of a number of Directors within the scope provided in the Articles of Incorporation, taking into account the management issues the Board of Directors is required to address.

(1) To ensure management transparency and supervisory objectivity, oversight of management, one-third or more of Directors are Independent Outside Directors, and Directors who do not concurrently serve as Executive Officers constitute the majority of the total number of Directors.
(2) To enhance the management supervision function, liaise with the Independent Outside Directors and strengthen communication and cooperation with Executive Officers, more than one Inside Directors not concurrently serving as Executive Officers will be appointed.
(3) To further enhance deliberations on important decisions from a management standpoint, in addition to the President and CEO, several Executive Officers in charge of principal duties will be appointed as Directors.
(4) The Nominating, Audit and Compensation committees are all chaired by Outside Directors to ensure transparency and objectivity. In addition, to ensure that each committee adequately fulfills its respective roles, there are at least four Independent Outside Directors so that each committee will consist of three Outside Directors and two Inside Directors.
(5) Concerning the size of the Board of Directors, the Company considers that ten or 11 Directors to be appropriate from the standpoint of achieving the proper composition of the board with respect to Inside Directors who do not concurrently serve as Executive Officers, Inside Directors who concurrently serve as Executive Officers and Outside Directors.
(6) For more information about the diversity of the Board of Directors, see "Balance among and diversity of careers and skills required for Outside Director candidates".

Election standards for Directors

The Nominating Committee has selected candidates who satisfy the following standards as being suitable Directors for achieving good corporate governance i.e. ensuring the transparency, soundness and efficiency of the Company's operations.

(1) Good physical and mental health
(2) A person that is well liked, dignified, and ethical
(3) Completely law-abiding
(4) In addition to having objective decision-making abilities for management, the person must have good foresight and insight
(5) Someone with no possible conflict of interest or outside business relations that may affect management decisions in the Company's main business areas, and who has organizational management experience in the business, academic, or governmental sectors. Otherwise, someone with specialized knowledge in technology, accounting, law, or other fields
(6) For Outside Directors, a candidate with a history of performance and insight in that person's field, someone with sufficient time to fulfill the duties of a Director, and who has the ability to execute required duties as a member of the three relevant committees
(7) The Nominating Committee has separately set forth points for consideration in the re-election of Directors and requirements concerning the number of terms of office, age and other factors.
Especially, in principle, existing terms of office for Outside Directors are up to four years.
(8) In addition, the candidate must have the abilities necessary for a Director running and building a public corporation that is transparent, sound, and efficient.

Outside Directors

Independence Standards for Outside Directors

Standards for the "independence of Outside Directors" formulated by the Nominating Committee in 2007 require that none of the following apply.

(1) Person affiliated with Konica Minolta
- Former employee of the Konica Minolta Group
- Having a family member (spouse, child, or any blood or marital relative within the second degree) that has served as a Director, Executive Officer, Auditor or senior management in the Konica Minolta Group during the past five years

(2) Person affiliated with a major supplier/client
- Currently serving as a Managing Director, Executive Officer, or employee of a major supplier/client company/group that receives 2% or more of its consolidated sales from the Konica Minolta Group or vice versa

(3) Specialized service provider (lawyer, accountant, consultant, etc.)
- Specialized service provider that received annual compensation of ¥5 million or more from the Konica Minolta Group for the past two years

(4) Other
- A shareholder holding 10% or more of the voting rights in the Company (Executive Director, Executive Officer, or employee in the case of a corporate body)
- A Director taking part in a Director exchange
- A Director, Executive Officer, Kansayaku or equivalent position-holder of a company that competes with the Konica Minolta Group, or a person holding 3% or more of the shares of a competing company
- Having some other significant conflict of interest with the Konica Minolta Group

Balance among and diversity of careers and skills required for Outside Director candidates

1) For the diversity of Directors, the Nominating Committee Rules for Election standards for Directors state that candidates should "have experience operating an organization in the industrial, government or academic sector or have specialized skills involving technologies, accounting, law or other fields" and "have accomplishments and knowledge in their respective fields for Outside Director candidates."
2) Candidates should have the character, skill and experience needed for strengthening and upgrading management in order to enable the Board of Directors to determine the Company's strategic direction.
3) A career and skill matrix is prepared for each Outside Director candidate for reelection or election as a new Director. The matrix includes the business sector, major management experience, fields of expertise and other characteristics of each candidate to provide information about overall balance and diversity. The objective is to select candidates who can provide useful advice during discussions of management issues by the Board of Directors.
4) In selecting new Outside Director candidates for the 113th ordinary general meeting of shareholders, the Nominating Committee confirmed that the candidates were selected by taking into account experience as corporate managers as well as their ability to provide useful advice and oversight concerning shifts in business operations, launching new businesses, global operations and other management issues.

Inside Directors

Stance concerning roles of Inside Directors and selection of Candidates

1) The Chairman of the Board of Directors calls meetings of the board and chairs the meetings. In addition, the Chairman is responsible for overseeing improvements in the effectiveness of corporate governance. The Chairman ensures that agenda items are handled in a manner that facilitates constructive discussions in an open and unrestricted manner. The Chairman also asks questions and takes other actions from the standpoint of providing oversight and ideas and suggestions. Furthermore, based on assessments of the effectiveness of the board, the Chairman establishes policies for the board's operations and explains these policies at the board meeting following ordinary general meeting of shareholders.
   The Company's previous President and CEO has been selected as the Chairman in order to have a Chairman who has a thorough knowledge of the Company's management and can provide highly effective oversight of management. The Company's Basic Policy on Corporate Governance and Corporate Organization Basic Regulations require that the Chairman shall be a Director who does not concurrently serve as Executive Officer, whether the individual is an Outside or Inside Director.
2) An Inside Director who is not concurrently an Executive Officer and who has the ability to ensure the quality of audits is selected as a full-time Audit Committee Member.
   The Inside Director who serves as a full-time Audit Committee Member should have extensive management experience as an Executive Officer of the Company in order to improve the effectiveness of the Audit Committee. The qualifications required in particular are experience in accounting and finance or business management and core business management. This Inside Director also serves as the Nominating Committee Member and Compensation Committee Member.
3) Inside Directors who are concurrently Executive Officers, other than the President and CEO, are selected based on their experience, capabilities and character so that these individuals can contribute to energetic and meaningful discussions of the Board of Directors. Requirements for these Inside Directors include responsibility for overseeing strategic planning, accounting and finance, technology, and other major elements of the Company's operations.

(2) Roles Outside Directors are expected to play and the reasons for their election

(1) Expected roles

- To participate in important decisions made by the Board of Directors and supervise the decision-making process
- To submit advice about the establishment of management policies and plans and about reports concerning business operations by using their experience and knowledge
- To oversee conflicts of interest among the Company, its shareholders, senior executives and others
- To supervise management to protect ordinary shareholders and to reflect the interests of shareholders from the standpoint of ordinary shareholders, which is independent from senior executives and special stakeholders
- To supervise management as members of the Nominating, Audit and Compensation Committees

* The Company, under the rules of the Nominating Committee, in principle, limits the period in office of outside directors to four years (reappointment limit). This rule is based on the concern that the objectivity of these directors may decline as the length of time in office increases.

(2) Reasons for election

Name	Reasons of Election
Kazuaki Kama *	At IHI Corporation, Mr. Kazuaki Kama was involved for many years in the management of the heavy machinery manufacturing business, including progress of the focus of resources on strategic business activities. He has extensive experience and a broad range of knowledge as a corporate executive. The Company believes that Mr. Kama can contribute to the maintenance and upgrading of corporate governance.
Hiroshi Tomono *	Mr. Hiroshi Tomono has many years of experience at Sumitomo Metal Industries, Ltd. and Nippon Steel & Sumitomo Metal Corporation in the management of the materials manufacturing sector, including having overseen activities at steelmakers ranging from technology and manufacturing to planning, administration and new business. He has extensive experience and a broad range of knowledge as a corporate executive. The Company believes that Mr. Tomono can contribute to the maintenance and upgrading of corporate governance.
Kimikazu Noumi *	Mr. Noumi was a financial services business manager at The Norin Chukin Bank and Aozora Bank Ltd., he has helped new businesses to grow through investments made by the Innovation Network Corporation of Japan, and he has been involved with assisting companies in enacting reforms from within. Due to this extensive experience and knowledge concerning management, The Company believes that Mr. Noumi can contribute to the maintenance and upgrading of corporate governance.
Takashi Hatchoji *	At Hitachi, Ltd., Mr. Takashi Hatchoji was involved for many years in the management of the electronics manufacturing business, including promotion of global management and business transformation. He has extensive experience and a broad range of knowledge as a corporate executive. In addition, Mr. Hatchoji has a high degree of independence from the Company as stated below. Therefore, the Company believes that Mr. Hatchoji can contribute to the maintenance and upgrading of corporate governance through the activities of the Board of Directors and the committees.

* Every outside director has been designated an "independent director" as each of them meets the independence standards established by the Company's Nominating Committee, is not a business executive or other significant person at a major supplier or customer or a major shareholder of Konica Minolta, and will not represent conflicts of interest with ordinary shareholders concerning his role as an outside director.

(3) Operations of Board of Directors

In principle, the Board of Directors meets once a month.

Outside directors receive materials in advance that detail agenda items in order to familiarize them with the agenda and facilitate lively discussions at meetings of the Board of Directors. Executive Officers in charge may also occasionally conduct preliminary briefings on important management decisions.

In addition, the seating configuration changes at each Board meeting, except for the Chairman of the Board and the President, in an effort to encourage communication among board members and enliven the proceedings.

(1) FY2016 Board of Directors and the Three Committees

Meetings held in fiscal 2016 by the Board of Directors and the three committees, as well as attendance rates for each, are given below. 100% of Board of Directors meetings and meetings of the three committees were attended by Takashi Enomoto, Kazuaki Kama, Hiroshi Tomono, and Kimikazu Noumi, Outside Directors serving at the Company during fiscal 2016.

	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee	Total
Times held	13	7	13	8	41
Participation by all directors (%)	99	97	100	100	99
Participation by outside directors (%)	100	100	100	100	100

(2) Major Agenda Items Discussed by the Board of Directors in FY2016

- Deliberations, discussions, and exchanges of views concerning the next Medium Term Business Plan (FY2017–2019)

  * Five meetings total. Four Directors' round-table conferences were also held.
- Progress checks and reviews for the current medium-term business plan (FY2014–2016)
- Investment reviews and M&A discussions and reviews conducted by each business unit
- Progress checks for new business launches
- Internal control system reviews
- Outline and baseline budget for the FY2017 business plan
- Policy for administrating FY2017 ordinary general meetings of shareholders

(3) Training for Directors

Konica Minolta conducts training for and provides information to directors in accordance with the following policies.

Director Training Policies

In accordance with the Director Election Standards, the Nominating Committee selects candidates for election as Director who have the qualities needed to be a Director. The Company confirms whether new Directors require training judging from each individual's knowledge, experience and other characteristics. If training is needed, the Company provides suitable opportunities to receive this training.

(1) For new Independent Outside Directors, the Company provides information about the Group's structure, business activities and finances, as well as information about the Medium-Term Business Plan and its progress and other subjects.

* Two briefings were held in FY2016

(2) For Independent Outside Directors, the Company arranges visits to the development, manufacturing, sales, service and other operations of every business unit. The Executive Officer of each business unit provides the Directors with the latest information about that business. Board of Directors activities in fiscal 2016:

(a) Field trips in Japan (factories and sales offices, including at subsidiaries)
Six trips with the cumulative participation of 12 Outside Directors
(b) Field trips outside Japan (factories and sales offices, including at subsidiaries)
One trip with the participation of one Outside Director
(c) Research activity announcement event
Three events with the cumulative participation of seven Outside Directors

(4) Supporting System for Outside Directors

The Board of Directors Office functions as a secretariat for the Board of Directors, Nominating Committee and Compensation Committee and has a similar function to that of the Audit Committee Office that is the secretariat for the Audit Committee. The members of the Board of Directors Office provide assistance for the Outside Directors to help enable the board and its three committees to function properly. Members of this office also distribute he document in advance concerning agenda items to Outside Directors, and create proposals and plans for visits to Company facilities and accompany Outside Directors as needed as part of activities to provide information to these directors. The objectives are to enable Outside Directors to thoroughly discuss subjects at the Board of Directors meetings and to enable these meetings to take place with no difficulties.

Executive Officer System and Executive Officers

1. Election of Executive Officers

(1) The Board of Directors uses a fair, timely and appropriate method to select people who have the capabilities to serve as Executive Officers. These individuals must be able to create new value for the Group and earn the support of internal and external stakeholders. Standards for making these judgments about capabilities are defined in "Standards for the Election of Executive Officers." These standards include qualification standards. Individuals must have the ability and experience for the internal and external management of the Group's business operations. Qualification standards also take into consideration knowledge about specialized fields and technologies, an individual's age when the time for renewing the appointment comes, and other items. In addition, the Board of Directors selects individuals with a strong commitment to ethics, the ability to put customers first, the ability to drive innovation, strong motivation to achieve goals, and other characteristics.

(2) To select new Executive Officers, candidates who have completed senior executive candidate training must do the first stage of the election process, which involves submitting documents and completing an interview. Next, an assessment is performed in order to reach a highly objective and appropriate decision. This process includes input from both an external perspective and from the perspective of people at the Group who frequently interact with these candidates as part of their jobs. An evaluation conference, which consists of the President and CEO and the Executive Officer responsible for personnel, is held to examine the results of this process. This results in the selection of candidates to become Executive Officers.

(3) To determine the new team of Executive Officers, the President and CEO selects from the list of Executive Officer candidates the individuals who are believed to be well suited to serve as Executive Officers. Next, a proposal for the election of Executive Officers for the new fiscal year is prepared and submitted to the Board of Directors with a list of the duties for each Executive Officer.

2. Executive Officers

(1) The executive officers perform decision-making and business execution, as entrusted by the Board of Directors. The content of this business execution is subject to the oversight of the Board of Directors and to audits by the Audit Committee, which enhances effectiveness, validity, legality and soundness of the management.
The Board of Directors appoints the Company's executive officers and selects the Representative Executive Officer and the President, as well as other executive officers in positions of responsibility, from among these officers. The division of executive duties is also determined by the Board. The Representative Executive Officer and President and other executive officers perform decision-making on and execute the business entrusted by the Board.

Board of Directors Effectiveness Assessments

In 2003, the Company became a company with committees (now a company with three committees). To determine if the corporate governance system is functioning as intended, the Company started performing self-assessments in 2004 concerning the Board of Directors' effectiveness. Self-assessments have been performed every year since then in order to make improvements.

The Company now has a PDCA cycle that covers assessments and the analysis of results, the establishment of policies for the operation of the Board of Directors in the next fiscal year, and the creation and implementation of a plan for the board's operations. PDCA is used as a tool for continuous improvements in the effectiveness of the Board of Directors.

In the fiscal year that ended in March 2017, the Company outsourced interviews and questionnaires to an external organization to enhance the objectivity, conducting the evaluation of the effectiveness from the standpoint of the third party with additional points of evaluation.

Survey schedule

The fiscal 2016 evaluation of effectiveness was performed as follows.

February 2017	Distribution and collection of self-evaluation questionnaires
March 2017	Analysis of questionnaire responses and interviews
April 2017	Finalization of evaluation results
May 2017	Evaluation results reported to Board of Directors
June 2017	Explanation of Board of Directors Operations Policy (Fiscal 2017) by the Chairman (at the Board of Directors meeting immediately after the Ordinary General Meeting of Shareholders)

Survey target

All Directors anonymously provided information through a questionnaire and an interview performed by an external organization.

Survey objective

Results of the evaluation are used to confirm the effectiveness of the Board of Directors and its committees, and to make improvements in areas where issues were identified.

Questions

The most important aspect of this fiscal year's self-assessment process was the use of an external organization to determine questions for determining if the Company has a corporate governance system that meets its goals and for checking in more depth the performance of the Chairman of the Board of Directors.

- Roles and duties of the Directors and Board of Directors
- Relationship between the Board of Directors and Executive Officers
- Composition of the Board of Directors and skills and knowledge of Directors
- Operations of the three committees
- Discussions by the Directors at the Board of Directors
- Involvement of the Board of Directors with relationships with shareholders and other investors
- Involvement of the Board of Directors with stakeholders other than shareholders and investors
- Performance of the Chairman of the Board of Directors

Results of Effectiveness Assessment of the Board of Directors

The external organization submitted the following report:

(1) Summary

Under the leadership of the Chairman, all units of the Company performed their roles in accordance with the concept based on the separation of business operations and the oversight of management. There is a commitment to making continuous improvements to further increase effectiveness. We have therefore confirmed that Konica Minolta has generally achieved its goal for corporate governance.

(2) Items for further increasing effectiveness

- The Company can further upgrade opportunities for training and other educational activities for Inside Directors
- Organizational activities for selecting and training people who support the President and CEO
- Thorough monitoring of PMI
- The Board of Directors should more closely monitor ESG activities
- More improvements are needed for explanations and materials used with explanations (for highlighting points the Directors need to discuss)
- Materials should be distributed farther in advance of meetings

Outline of Board of Directors Management Policies for Fiscal 2017

Based on this assessment of the Board of Directors' effectiveness and on the results of a discussion by Directors concerning corporate governance for increasing corporate value, the Chairman provided the following explanations after establishing a management policy for the board's activities in fiscal 2017.

(1) Place priority on the following points for increasing corporate value

- Understanding the current status of each business and confirming medium-term strategies
- Confirmation of risk factors that could have a significant impact on the operations of the Konica Minolta Group over the next one to five years
- Confirmation of the status of PMI for major M&A
- Confirmation of plans for strengthening the team of executives who conduct business operations and confirming the succession plan

(2) Activities for improving the quality of discussions by the Board of Directors

- When Directors are notified of the next meeting, they will also be notified of when they will receive documents in advance concerning agenda items. These documents and other meeting materials will be distributed in accordance with a plan
- Each individual giving an explanation at a board meeting will clarify the purpose and goal of the corresponding agenda item
- Improvement of training opportunities for Inside Directors
- Enhance basic information about the Company provided to Outside Directors

Compensation for Directors and Executive Officers

Compensation Policy and Directors' Compensation System

The Company, which has adopted the company-with-three-committees system, has established a Compensation Committee. Outside Directors account for the majority of members of the committee and the committee is chaired by an Outside Director to ensure transparency and to determine compensation in a fair and appropriate manner.

The Company's Directors' compensation system is intended to strengthen the motivation of Directors and Executive Officers to strive for the continuous medium-to-long-term improvement of the Group performance in line with management policies to meet shareholder expectations, and to contribute to the optimization of the Group value. The Company aims for a level of compensation that enables it to attract and retain talented people to take responsibility for the Company's development.

The Company revised the existing Compensation Policy in fiscal 2017. Major revisions to the compensation policy and reasons are as follows:

(1) The Company started stock bonus linking with medium-term performance. The intent is to increase motivation to achieve the performance targets of the medium-term plan.

(2) Stock bonus linking with medium-term performance is Company stock rather than cash. Owning Company stock during their time at the Company is intended to make individuals view the importance of medium- to long-term growth of corporate value from the same standpoint as shareholders.

(3) The structure of compensation was reexamined. This resulted in a reduction in the percentage of fixed compensation and the replacement of stock compensation-type stock options with stock bonus linking with medium-term performance. In addition, performance-linked compensation increased as a percentage of total compensation. Taking these actions made individuals even more aware of the importance of improving the Company's performance.

(4) Compensation includes a claw-back provision. By performing the required procedure, the Company can limit compensation or demand the return of compensation. However, this is possible only when performance indicators that are the basis for calculating performance-linked compensation differ significantly from actual performance due to a major error or fraud.

* These revisions were discussed and examined by the Compensation Committee starting in fiscal 2015. The Company believes these revisions are consistent with Supplementary Rule 4-2-1 of the Corporate Governance Code (There should be a suitable division between compensation linked to medium to long-term performance and cash compensation and company stock compensation so that compensation functions as a sound incentive for senior executives to achieve sustained growth.

New Compensation Policy

(1) Compensation system
- Compensation packages for Directors (excluding Directors who concurrently hold Executive Officer posts) exclude a short-term performance-based cash bonus because Directors have a supervisory role, and consist of a "base salary" component in the form of a base salary and "medium-term stock bonus" that links with improvement of the shareholder value for the medium term. Outside Directors receive base salary only.
- Compensation packages for Executive Officers consist of "base salary," "annual performance-based cash bonus," which reflects the performance of the Group and the performance of the business of which they are in charge in each year, and "stock bonus linking with medium-term performance," which reflects the degree of attainment of the Medium Term Business Plan and improvement of the shareholder value for the medium term.

(2) The total amount of individual compensation entitlement and "base salary" are set at an appropriate level with each position and its value taken into account, based upon objective data, evaluation data and other data collected at regular intervals, etc.

(3) The amount of the "annual performance-based cash bonus" is determined based on the level of performance result for the fiscal year (consolidated operating profit) and the degree of attainment of annual performance targets and according to progress of each Executive Officer's key operational measures. The amount based on the degree of attainment of annual performance targets is determined in the 0% to 150% range of the standard amount of compensation. The targets are major consolidated performance indicators (operating profit, operating profit ratio, ROA and others) associated with results of operations. Executive officers' key operational measures include those related to non-financial indicators, such as ESG (environmental, social and governance).

(4) Details of the stock bonus plan are as follows.
- In the "medium-term stock bonus" plan to Directors, the Company's shares are distributed to Directors after the end of the Medium Term Business Plan, according to their roles and years they are in office. The plan is aimed to enhance their motivation toward contribution to improvement of the shareholder value and promote holdings of the Company's own shares.
- In the "medium-term stock bonus" plan to Executive Officers, the Company's shares are distributed to Executive Officers after the end of the Medium Term Business Plan in the 0% to 150% range. The plan is aimed to enhance their incentives toward attainment of the targets in the Medium Term Business Plan and promote holdings of the Company's own shares. The medium-term targets are major consolidated performance indicators (operating profit, ROE and others) associated with the medium term management policy.
- The standard number of shares is set by the position of each Director or Executive Officer in the first year of the Medium Term Business Plan.
- Certain portions of shares are distributed in cash on assumption that they are exchanged for cash.
- Shares of the Company obtained as stock bonus shall be held in principle for one (1) year after the date of retirement from the post of each Director or Executive Officer.

(5) The standard for compensation to the President and Chief Executive Officer is a 50:25:25 mix of "base salary," "annual performance-based cash bonus" and "medium term performance-based stock bonus." For the other Executive Officers, the "base salary" ratio is set higher than that for the President.

(6) Compensation for non-Japan residents may be handled in different ways from the treatment said above according to legal and other circumstances.

(7) When the Board of Directors resolved a correction to financial statements after the announcement due to a material accounting error or fraud, the Compensation Committee considers corrections to performance-based bonuses and limit payment or request return of the bonuses when necessary.

(8) The Company reviews levels, composition and others of compensation in a timely and proper manner in accordance with changes in the management environment.

Amount of compensation paid to directors and executive officers for the year ended March 2017

		Total (million yen)	Total base salary		Performance based cash bonus		Stock Compensation	
			Persons	Amount (million yen)	Persons	Amount (million yen)	Persons	Amount (million yen)
Directors	Outside	48	5	48	-	-	-	-
	Internal	151	3	127	-	-	3	24
	Total	199	8	175	-	-	3	24
Executive Officers		685	21	489	21	106	19	89

1. At the end of the period (March 31, 2017), the Company has four (4) Outside Directors, three (3) Inside Directors (not concurrently holding Executive Officer posts) and twenty-two (22) Executive Officers.
2. In addition to the three (3) Inside Directors shown above, the Company has another four (4) Inside Directors who concurrently hold Executive Officer posts, and the compensation to these Directors is included in compensation to Executive Officers.
3. Regarding the performance-based cash bonus, the amounts which should be recorded as expense in the period are stated.
4. Regarding the compensation-type stock options, the amounts which should be recorded as expense based on an estimation of the fair value of the stock subscription rights issued to Directors (excluding Outside Directors) and Executive Officers (excluding non-Japan residents) as part of their compensation are stated.
5. In addition to the compensation shown in this table, the following payments were made during the fiscal year that ended in March 2017 due to a resolution by the Compensation Committee based on the retirement payment system that was terminated in June 2005.
   *One (1) Executive Officer: 1 million yen (Retired on March 31, 2016)

The following individual received compensation of at least ¥100 million in fiscal 2016.
Executive Officer, Mr. Richard K. Taylor – ¥177 million (fixed compensation of ¥83 million and performance-based cash bonus of ¥93 million)
* Mr. Taylor received this compensation from consolidated subsidiary Konica Minolta Business Solutions U.S.A., Inc.

Guidelines on Officer Ownership of Konica Minolta Shares

To encourage an even greater focus on boosting earnings results and the Company's share price from the perspective of shareholders, Konica Minolta has established guidelines on ownership of Konica Minolta shares for Inside Directors and Executive Officers.

Group Auditing System

Konica Minolta Inc., which has adopted the "company with three committees" framework, has established an Audit Committee, while its subsidiaries in Japan have appointed their own respective auditors. In addition, Konica Minolta Inc. has a Corporate Audit Division, which conducts an internal audit of the entire Group.

The members of the Audit Committee and the Corporate Audit Division of the Company, as well as auditors of the subsidiaries in Japan, share related information and strengthen coordination of audit activities across the Group. With the aim of ensuring effective audits, the same parties hold regular meetings with the accounting auditors, review auditing systems and policies, and examine whether or not the accounting auditors can fulfill their tasks properly.

Audit Committee System and Roles

The Audit Committee is comprised of five directors (who do not hold positions as executive officers), three of whom are outside directors. The chairperson of the Audit Committee is selected from among the outside directors. To ensure effective operation of the committee, it has established its own office (Audit Committee Office) with staff members who are independent of any sections committed to actual business operations.

The Audit Committee members evaluate the legality and validity of the management decisions made by directors and executive officers, monitor and validate internal control systems, and assess the adequacy of the accounting auditors. In principle, a committee meeting is held before the meeting of the Board of Directors, so that the committee members can present their opinions to the meeting of the Board of Directors, if deemed appropriate.

Corporate Audit Division System and Roles

The Corporate Audit Division is responsible for internal audits for the entire Konica Minolta Group. Overseen directly by the Representative Executive Officer, this division oversees the internal auditing function for the entire Group and performs internal audits of the Company and its subsidiaries. Audits use the risk approach for efficiency from the standpoint of the reliability of financial reports, the efficiency and effectiveness of business operations, and compliance with laws and regulations. There are also follow-up audits to confirm that actions have been taken concerning items requiring improvements that were identified during audits.

Major subsidiaries also have their own internal audit departments. These departments strengthen the internal audit function of the entire Group while working with the Konica Minolta Corporate Audit Division.

Dialogue with Shareholders and Investors

Based on its Policy for Constructive Dialogue with Shareholders, Konica Minolta actively engages in IR activities with the purpose of achieving sustainable growth and improving corporate value over the medium-term through constructive dialogue with its shareholders and investors. In addition to disseminating information through various IR tools on the Konica Minolta website and other places, the Company strives to create opportunities for direct dialogue with investors and analysts through a variety of briefings and meetings, where the Company shares information about its management policies and strategies. In light of increasing interest in ESG investment in recent years, in FY2016 Konica Minolta held an environmental exhibition at the general meeting of shareholders and a briefing for investors themed on ESG.

Main Opportunities for Dialogue with Shareholders and Investors

	FY2016 Opportunities
General Meeting of Shareholders	• Attendants: 419 • Percentage of voting rights exercised: 80.81%
Institutional Investor Meetings	• Meetings held: 232 • Companies: 121
Analyst Meetings	• Meetings held: 75 • Analysts: 19 companies
Briefings for Investors and Analysts	• Briefings held: 15 • Visitors: 747
Individual Investor Briefings	• Briefings held: 9 • Visitors: 550

Group Compliance Promotion System

Compliance is the highest priority for Konica Minolta, Inc. in all of its corporate activities, and as such a compliance promotion structure has been established to supervise the Group overall.

At Konica Minolta, the Chief Compliance Officer determines important matters for the promotion of the Group's compliance and is responsible for promoting and overseeing compliance activities such as anti-corruption measures and personal information protection. The Chief Compliance Officer reports directly to the President and CEO of Konica Minolta, Inc., who has ultimate responsibility for Group compliance. The Chief Compliance Officer convenes the Group Compliance Committee, which is composed of officers responsible for compliance from corporate departments in charge of Group-wide functions.

Moreover, the general manager of each department of Konica Minolta, Inc. and the presidents of Group companies in Japan and overseas promote compliance in their positions as the official responsible for the compliance of their organizations. They regularly report to the Chief Compliance Officer on progress and compliance events. The Chief Compliance Officer reports regularly to the Audit Committee regarding the progress of compliance activities and important compliance issues in the Group.

Risk Management System

Konica Minolta, Inc. has established a management system in which the President and CEO is responsible for risk management and crisis management.

The executive officers are responsible for managing various risks including strategic risks, financial risks, risks pertinent to environmental regulations and hazard risks. They identify and evaluate risks and develop and monitor countermeasures in their respective spheres of management. In addition, the Risk Management Committee, chaired by an executive officer appointed by the Board of Directors, is convened periodically (twice a year). The Committee examines the risks identified by each executive officer, as well as the countermeasures in place, and checks to ensure that the risk management system is functioning effectively, making revisions where necessary. The Group responds as a whole to risks judged to be particularly important, led by an executive officer appointed by the chairperson. The activities of the Risk Management Committee are periodically reported to the Audit Committee.

Konica Minolta has established a system for minimizing the business and social impact of crises that may arise from a range of risks by taking prompt and appropriate action and by releasing information. The Crisis Management Committee, chaired by the executive officer for crisis management appointed by the Board of Directors, discusses and formulates crisis countermeasures and procedures for action. Furthermore, the emergency contact system has been enhanced to enable the President and CEO, in addition to the executive officer for crisis management, to assess the situation and make decisions quickly. A system has also been established to enable the President and CEO to take leadership in critical areas in a crisis.

Directors

Front row (from left): Hatchoji, Tomono, Yamana, Matsuzaki, Kama, and Noumi

Back row (from left): Hatano, Ando, Shiomi, and Koshizuka

Chairman of the Board of Directors

Masatoshi Matsuzaki

After serving as a Director at Konica Minolta Business Technologies, Inc., as President of Konica Minolta Technology Center, Inc., and in various other roles, became a director, and then the President and CEO of Konica Minolta, Inc. Assumed the position of Chairman of the Board in April 2014.

Director (President and CEO)

Shoei Yamana

After serving as Senior Executive Officer (in charge of business strategy and investor relations) at Konica Minolta, Inc. and subsequently as President of Konica Minolta Business Technologies Inc., among other positions, became President and CEO of Konica Minolta, Inc. in April 2014.

Director (Outside Director)

Kazuaki Kama

After serving as Managing Executive Officer and subsequently as President and CEO, among other positions at Ishikawajima-Harima Heavy Industries Co., Ltd., became the current Chairman of the Board at IHI Corporation (formerly Ishikawajima-Harima Heavy Industries Co., Ltd.) in April 2012. Became an outside director at Konica Minolta, Inc. in June 2014.

Director (Outside Director)

Hiroshi Tomono

After serving as President at Sumitomo Metal Industries, Ltd. and subsequently as Representative Director, President and COO, and Representative Director and Vice Chairman at Nippon Steel & Sumitomo Metal Corporation, among other positions, became an outside director at Konica Minolta, Inc. in June 2015.

Director (Outside Director)

Kimikazu Noumi

After serving as Senior Managing Executive Trustee at The Norinchukin Bank, as Representative Director and President at Norinchukin Zenkyoren Asset Management Co., Ltd., as Representative Director, Chairman and CEO at Aozora Bank, Ltd., and as Representative Director, President and CEO at Innovation Network Corporation of Japan, among other positions, became an outside director at Konica Minolta, Inc. in June 2016.

Director (Outside Director)

Takashi Hatchoji

After serving as Representative Executive Officer of Hitachi, Ltd., and subsequently as President and Director of Hitachi Research Institute, Ltd., Chairman of Hitachi America, Ltd., and Director at Hitachi, Ltd., among other positions, became an Outside Director at Konica Minolta, Inc. in June 2017.

Director

Yoshiaki Ando

After serving as Director at Konica Minolta Business Solutions Japan Co., Ltd., and subsequently as Executive Officer and General Manager of the Corporate Finance Division and as Director and Senior Executive Officer at Konica Minolta, Inc., among other positions, became a Director in April 2014.

Director

Ken Shiomi

After serving as President of Konica Minolta Sensing Europe B.V., as Director and General Manager of the Business Management Division at Konica Minolta Sensing, Inc., and as Executive Officer at Konica Minolta, Inc., among other positions, became a Director in June 2015.

Director (Senior Executive Officer)

Seiji Hatano

Came to Konica Minolta, Inc. from the Bank of Tokyo-Mitsubishi UFJ, Ltd. In July 2011, and became Executive Officer and General Manager of the Business Strategy Division in April 2013, Senior Executive Officer in April 2014, and Director and Senior Executive Officer in June 2014.

Director (Senior Executive Officer)

Kunihiro Koshizuka

After serving as Director and General Manager of the Development Center at Konica Minolta Medical & Graphic, Inc., and subsequently as Executive Officer and General Manager of the Technology Strategy Division and as Senior Executive Officer and General Manager at Business Development Headquarters at Konica Minolta, Inc., among other positions, became Director and Senior Executive Officer in June 2015.

Executive Officers (Listed in Japanese alphabetical order by name at the time of appointment or promotion)

Title	Name	Current Position and Responsibilities at the Company
President and CEO, Representative Executive Officer	Shoei Yamana*	
Senior Executive Officer	Jun Haraguchi	President & CEO, Konica Minolta Japan, Inc.
Senior Executive Officer	Tsukasa Wakashima	Responsible for Human Resources and General Affairs
Senior Executive Officer	Kunihiro Koshizuka*	Responsible for Technologies
Senior Executive Officer	Ken Osuga	General Manager, Office Business Headquarters
Senior Executive Officer	Seiji Hatano*	Responsible for Corporate Planning, Business Management and Risk Management
Senior Executive Officer	Shingo Asai	Responsible for Production
Senior Executive Officer	Toyotsugu Itoh	Responsible for Management Quality Improvement
Senior Executive Officer	Noriyasu Kuzuhara	General Manager, Material & Component Business Headquarters
Senior Executive Officer	Kiyotaka Fujii	General Manager, Healthcare Business Headquarters
Executive Officer	Kazuyoshi Hata	Responsible for Alliance and Optical Business
Executive Officer	Hiroyuki Suzuki	General Manager, Corporate Audit Division
Executive Officer	Akira Tai	Responsible for IT
Executive Officer	Ikuo Nakagawa	President, Konica Minolta Business Solutions Europe GmbH
Executive Officer	Yuji Ichimura	General Manager, Industrial Optical System Business Headquarters and Responsible for BIC (Business Innovation Center)
Executive Officer	Toshimitsu Taiko	General Manager, Professional Print Business Headquarters and Responsible for Marketing Service Business
Executive Officer	Atsuo Takemoto	Responsible for Procurement
Executive Officer	Masafumi Uchida	General Manager, Corporate Environmental and Quality Management Division and Responsible for Quality Assurance, Business Technologies
Executive Officer	Hajime Takei	General Manager, R&D Headquarters, Business Technologies
Executive Officer	Richard K. Taylor	President & CEO, Konica Minolta Business Solutions U.S.A., Inc.
Executive Officer	Takaji Ito	General Manager, Corporate Planning Division
Executive Officer	Toshiya Eguchi	General Manager, IoT Service Platform Development Operations
Executive Officer	Koji Sugie	Deputy General Manager, Professional Print Business Headquarters and General Manager, Industrial Print Business Unit
Executive Officer	Tetsuya Matsueda	General Manager, Corporate Legal Division and Responsible for Intellectual Property, Compliance and Crisis Management

*Indicates the officer also holds a position as Director

CSR Management

Basic Approach

Konica Minolta aims to establish itself as a company that is innovative and constantly evolving. Practicing its management philosophy, "The Creation of New Value," Konica Minolta works to remain vital to society. This is why the Group strives to contribute to the resolution of societal challenges by creating value that improves the quality of society through its business endeavors.

Konica Minolta's CSR activities are guided by its management philosophy and vision, which are based on its Charter of Corporate Behavior. The Konica Minolta Group Guidance for the Charter of Corporate Behavior is shared globally and illustrates desirable behavior in each of the categories included in the Charter as a basis for understanding and practicing desired behavior. The Group Guidance articulates Konica Minolta's respect for international social norms such as the United Nations Global Compact, to which Konica Minolta, Inc. is a signatory, and its commitment to acting in compliance with those ideals.

CSR-Related Principles, Charters and Norms That Konica Minolta Endorses or Observes

- United Nations Global Compact
- Sustainable Development Goals (SDGs)
- Universal Declaration of Human Rights
- Japan Business Federation "Charter of Corporate Behavior"
- EICC Code of Conduct

CSR-Related Groups in which Konica Minolta Participates

- Electronic Industry Citizenship Coalition (EICC)
- Conflict-Free Sourcing Initiative (CFSI)
- Japan Electronics and Information Technology Industries Association (JEITA) Responsible Minerals Trade Working Group, Conflict-Free Sourcing Working Group

Konica Minolta Group Charter of Corporate Behavior

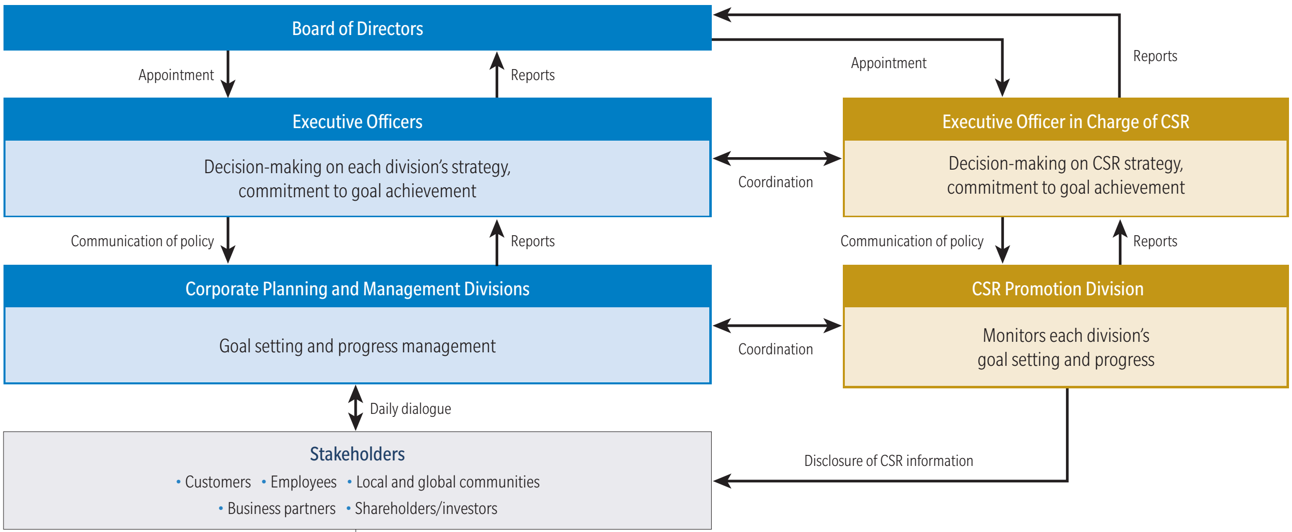
Corporations, in addition to being economic entities engaged in the pursuit of profit through fair competition, should be beneficial to society at large.
For this reason, the Konica Minolta Group shall behave in a socially responsible manner and shall have all of its directors, officers and employees clearly acknowledge the spirit of this Charter of Corporate Behavior.
Senior management shall recognize that the fulfillment of the spirit of this Charter is its own role and responsibility and shall take the initiative to ensure that all directors, officers and employees fully understand the Charter.
In addition, management shall constantly pay attention to the opinions of internal and external parties and shall promote the implementation of effective systems to secure ethical corporate behavior.

1. Beneficial and safe products
   We shall strive to earn the confidence of consumers and clients through the development and provision of socially beneficial products and services with the utmost consideration for safety.
2. Fair and transparent corporate activities
   We shall, in the pursuit of fair and transparent corporate activities, comply with laws and social regulations and act in accordance with international rules and the articles of incorporation.
3. Communications with society and information disclosure
   We shall communicate with society at large and disclose corporate information fairly and adequately.
4. Environmental protection
   We shall acknowledge the seriousness of global environmental issues and shall act voluntarily and affirmatively to protect the environment.
5. Contribution to society
   We shall, with a global perspective, affirmatively make contributions to society while respecting local customs and cultures.
6. Respect for employees
   We shall endeavor to make the lives of employees comfortable and fulfilling, provide a safe work environment, and respect each employee's personality and individuality.
7. Responsible actions
   In the event of a violation of the principles of this Charter, in order to solve the problem senior management shall investigate the cause of the violation and develop reforms to prevent its recurrence in accordance with corporate compliance procedures. Prompt public disclosure of precise information and an explanation regarding the violation shall be made and responsibility for the violation shall be clarified. Strict and fair disciplinary action shall be taken including with respect to senior management where necessary.

CSR Management System

At Konica Minolta, Inc., the executive officer responsible for CSR, who is appointed by the Board of Directors, carries the duties and authorities concerning the entire Group's CSR activities. Directly reporting to the officer is the CSR promotion division, which sees to the implementation of CSR management for the entire Group. On a weekly basis, the division reports the progress of CSR activities to the executive officer in charge, while also reviewing measures and making proposals. Regarding matters of great importance, the executive officers meet in a timely fashion to deliberate, keeping CSR at the forefront of management decisions.

In fiscal 2015, Konica Minolta established the CSR Executive Meeting, with executive officers as core members, to facilitate detailed discussion of CSR issues. At the same time, the company is improving measures and policies by reviewing each issue from a cross-sectional perspective.



	Characteristics of Stakeholders	Tools and Opportunities for Communication
Customers	Konica Minolta does business around the world. The major customers of Konica Minolta's main business operations are corporations, government agencies, and hospitals.	• Providing customer service via websites and call centers • Providing product information via websites and newsletters • Conducting customer satisfaction surveys • Exchanging information via visits to customers • Exchanging information at showrooms and trade shows • Holding seminars
Employees	Konica Minolta employs 43,979 people worldwide. Of those, 27% are in Japan, 24% are in Europe, 19% are in the U.S., and 30% are in China and elsewhere in Asia, and others. (Figures are based on total regular employees of consolidated companies, as of March 31, 2017.)	• Interactive intranet • Group journal • Employee attitude surveys • Dialogue with labor unions • Internal help line systems • Discussion during inspection tours of production sites by senior staff • Town meetings attended by senior staff
Local and Global Communities	Konica Minolta operates in countries across the globe, and acts as a responsible member of every community where it operates.	• Activities that contribute to local communities • Community briefings and invitational events • Sending speakers to lectures and places of education • Industry group activities • Environmental reports and websites • Global public relations activities through international publications and websites
Business Partners	Konica Minolta procures raw materials, parts and components from many suppliers for each of the Group's businesses. The majority of these suppliers are located in Japan, China, and elsewhere in Asia.	• Holding suppliers' meetings • Procurement Collaboration System • Conducting CSR surveys (self-assessment questionnaires)
Shareholders and Investors	Since Konica Minolta, Inc. has relatively high ownership by institutional and foreign shareholders, the company is expected to take part in IR initiatives proactively on a worldwide basis.	• Shareholders' meetings • Briefings for investors • Visits to investors • Briefings for business analysts and institutional investors • Annual reports • IR website

Process for Identifying Material Issues

Today's companies must address wide ranging social issues, including human rights, labor ethics, and environmental challenges such as climate change and resource depletion. In light of the changing social landscape and business environment, Konica Minolta identifies material issues that to address with priority, with the aim of ensuring that its initiatives function with a balance between social issues and business objectives.

To identify material issues, first a comprehensive list of issues was created with reference to international guidelines. These issues were given a quantitative rating for two aspects, "stakeholder interest" (materiality to stakeholders) and "impact on the Group's business" (materiality to the company's business) to verify their materiality. Outside experts were asked for their opinions in order to incorporate objectivity into the decisions on the materiality of each issue, which were validated by the CSR Executive Meeting, thereby completing the process for identifying material issues.

Targets and action plans will be established in accordance with these material issues, and action will be taken. This approach will help to ensure that Konica Minolta contributes to the resolution of social challenges, thereby enhancing its competitiveness as a company.

Process for Identifying Material Issues

Step 1 Issue awareness

Make an extensive list of environmental, social, and economic issues with reference to GRI guidelines, the UNGC, ISO 26000, and the SDGs

Step 2 Assessment of issues from stakeholders' perspectives

Quantitatively assess the materiality of issues based on publically available sustainability information and interviews with outside experts, etc.

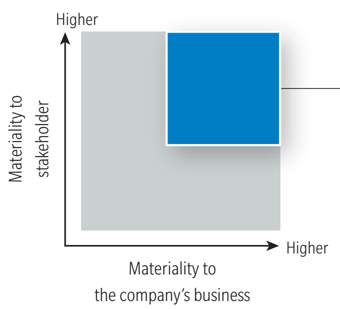
Step 3 Assessment of materiality for Konica Minolta and prioritization

Quantitatively assess the materiality of issues based on their impact on the Group's business and prioritize the issues

Step 4 Validation and identification

Validate and identify material issues at the company's CSR Executive Meeting while incorporating the opinions of outside experts

Identification of Material Issues



Material Issues	Boundary	GRI G4* Aspects
1 Environment	• Group • Suppliers • Customers	• Materials • Energy • Emissions to Air • Products and Services • Group Transport
2 Social Innovation	• Group	–
3 Customer Satisfaction and Product Safety	• Group	• Customer Health and Safety
4 Responsible Supply Chain	• Group • Suppliers	• Supplier Assessment for Labor Practices • Supplier Human Rights Assessment
5 Human Capital	• Group	• Employment • Training and Education • Occupational Health and Safety
6 Diversity	• Group	• Diversity and Equal Opportunity

*G4: The G4 Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI).

Stakeholder Engagement

When promoting CSR activities, Konica Minolta emphasizes dialogue with diverse stakeholders including customers, employees, the local and global communities, business partners, shareholders and investors. Therefore, the company not only conducts daily dialogue with each division in charge, but also proactively creates opportunities for communication, including at the executive level, while leveraging communication tools to help people understand Konica Minolta's approach.

The opinions acquired from feedback received and in dialogues with stakeholders are reviewed and urgent concerns are reported to management, facilitating improvements in management, products and services.

Focused Topics

ESG Briefing Held for Investors

In recent years, "ESG investment," which takes into account not only financial information, but also corporate approaches to the environment, society, and governance, has been rapidly growing. Konica Minolta proactively disseminates information in response to the interests of such investors.

In December 2016, the company held an investor briefing regarding ESG, which was attended by 16 securities analysts and 25 institutional investors, including overseas institutional investors. Additionally, the company constantly disseminates information via various channels, including by participating in ESG briefings held by Daiwa Securities and holding environmental exhibitions at the General Meeting of Shareholders.

ESG briefing held in December 2016

Contributing to achievement of the Sustainable Development Goals (SDGs)

With the participation of over 150 Heads of State, the 2030 Agenda for Sustainable Development was adopted as the outcome of the United Nations Sustainable Development Summit in September 2015. In the 2030 Agenda, the SDGs, consisting of 17 goals and 169 targets, were set as goals to be achieved by 2030.

Konica Minolta identifies the problems customers face as well as the ones they have yet to notice, providing the technologies, products, and services that help solve them. It is through these efforts that we aim to become a "digital company with insight into implicit challenges" that will contribute to customer transformation while helping to foster the evolution of business and society. The ultimate goal of these efforts is to deliver the social value that will provide solutions to challenges faced by our customers and our world, as well as the economic value which results in corporate growth alongside society.

Achieving sustainable growth alongside society is the goal that society now requires companies to meet, and this process is also well aligned with the SDGs.

Thus, by identifying and getting to work on the material issues that must be prioritized, we will provide solutions to social issues set forth in SDGs and contribute to solving global environmental issues and improving the quality of life.

Goals of the Medium-Term Environment Plan 2016 and Fiscal 2016 Results

Material Issue	Key Action	Priority Issue	Goals of the Medium-Term Environment Plan 2016	
			Business value	Environmental value
Environment	Green Products (planning and development)	(1) Creating and promoting the green products demanded by customers and society	**Sales** • Sales of Green Products: 640 billion yen (GP sales ratio: 60%) **Cost reductions** • Reduce cost of product materials	**Preventing global warming** • CO_2 emissions reduction during product use: 59 thousand tons • CO_2 emissions reduction during procurement: 105 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 33 thousand tons **Reducing chemical substance risks** • Control emissions
		(2) Complying with government procurement standards and environmental label requirements	**Sales** • Eliminate lost sales opportunities	**Environment overall** • Reduce environmental impact by complying with standards and label requirements
		(3) Dependably complying with product-related laws and regulations	**Risk avoidance** • Eliminate effect on sales	**Reducing chemical substance risks** • Reduce hazardous chemical substance risk by conforming to laws and regulations
	Green Factory (procurement and production)	(1) Translating Green Factory operations into cost competitiveness	**Cost reductions** • Reduce costs of energy and materials (reduce loss)	**Preventing global warming** • CO_2 emissions reduction during production: 4 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 0.3 thousand tons **Restoring and preserving biodiversity** • Sustainable use of water resources
		(2) Upgrading recycling to resolve environmental challenges faced by society	**Cost reductions** • Reduce cost of materials	**Supporting a recycling-oriented society** • Effective resource utilization: Resource cycle through expanded utilization of reusable materials
		(3) Translating cooperation with suppliers into cost competitiveness	**Cost reductions** • Reduce costs of energy and materials (reduce loss)	**Preventing global warming** • CO_2 emissions reduction at suppliers (established in agreement with each target supplier) **Supporting a recycling-oriented society** • Effective use of resources at suppliers (established in agreement with each target supplier)
		(4) Dependably complying with production-related laws and regulations	**Risk avoidance** • Eliminate effect on production	**Environment overall** • Reduce environmental impact by complying with laws and regulations
	Green Marketing (distribution, sales and service, and collection and recycling)	(1) Resolving customers' environmental challenges	**Sales** • Acquire sales opportunities	**Environment overall** • Reduce environmental impact on customer side
		(2) Optimizing the supply chain and linking environmental initiatives	**Cost reductions** • Reduce cost of distribution and packaging	**Preventing global warming** • CO_2 emissions reduction during distribution: 0.5 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 0.47 thousand tons
		(3) Undertaking product 3R initiatives	**Risk avoidance** • Reinforce 3R initiatives	**Supporting a recycling-oriented society** • Use resources effectively through product 3R initiatives

Note: Some of the fiscal 2016 targets have been changed, but the binding target of a 40% reduction in lifecycle CO_2 emissions has not been changed.
Note: "○" indicates the goal was achieved. "△" indicates it was partially achieved.

Fiscal 2016 results			
Business value		Environmental value	
Sales • Sales of Green Products: 616.8 billion yen (GP sales ratio: 64%) **Cost reductions** • Reduce cost of product materials	△	**Preventing global warming** • CO_2 emissions reduction during product use: 58.4 thousand tons • CO_2 emissions reduction during procurement stage: 107 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 33.3 thousand tons **Reducing chemical substance risks** • Control emissions	△
Sales • Eliminate lost sales opportunities	○	**Environment overall** • Reduce environmental impact by complying with standards and label requirements	○
Risk avoidance • Eliminate effect on sales	○	**Reducing chemical substance risks** • Reduce hazardous chemical substance risk by complying with laws and regulations	○
Cost reductions • Reduce costs of energy and materials (reduce loss)	○	**Preventing global warming** • CO_2 emissions reduction during production: 8.5 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 0.4 thousand tons **Restoring and preserving biodiversity** • Sustainable use of water resource	○
Cost reductions • Reduce cost of materials	○	**Supporting a recycling-oriented society** • Effective resource utilization: Percentage of recycled plastic used by weight reached about 35%	○
Cost reductions • Reduce costs of energy and materials (reduce loss)	○	**Preventing global warming** • CO_2 emissions reductions at suppliers: 1.8 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 0.19 thousand tons	○
Risk avoidance • Eliminate effect on production	○	**Environment overall** • Reduce environmental impact by complying with laws and regulations	○
Sales • Acquire sales opportunities	○	**Environment overall** • Reduce environmental impact on customer side	○
Cost reductions • Reduce cost of distribution and packaging	○	**Preventing global warming** • CO_2 emissions reduction during distribution: 0.62 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 0.54 thousand tons	○
Risk avoidance • Reinforce 3R initiatives	○	**Supporting a recycling-oriented society** • Use resources effectively through product 3R initiatives	○

Targets and Results Regarding Social Impact

Material Issue	Key Action	Fiscal 2016 Targets
Social Innovation	Business development that contributes to solving social issues	
Customer Satisfaction and Product Safety	Assuring product safety	• Number of serious product-related accidents*1: 0 • Risk assessment practices: 12 times/year
	Increasing customer satisfaction	• Set indicators to measure customer relationship management in each business
Responsible Supply Chain	Promoting CSR in the supply chain	**CSR procurement** • Request that suppliers carry out CSR activities: 100% implementation • CSR assessment: Complete assessments of all 20 Group production sites and about 130 important suppliers by the end of fiscal 2016 • CSR audit: Complete audits of three particularly important Group production sites and two particularly important suppliers by the end of fiscal 2016
		CSR logistics • CSR assessment: Assess eight logistics partners and complete improvements by the end of fiscal 2016
		Response to conflict mineral issues • Respond to customers' requests for surveys: 100% response
Human Capital	Ensuring work-life balance	• Promotion of Work-style Reform Project Pursued with the following four task teams - Improve labor productivity - Optimize workplaces - Promote information sharing and utilization - Set rules for operation improvements
	Developing human capital	• Develop customer-oriented, innovative personnel to win out in global competition • Establish the mindset, actions, capacities and skills required of exemplary employees • Accelerate human capital development • Systematically develop Group managers • Share global success stories (hold global award ceremonies, etc.)
	Occupational safety and health	• Serious accidents*2: 0 • Frequency rate of accidents causing absence from work*3: 0.1 or less
	Improving employee health	• Curb the number of absences due to illness • Reduce the number of employees with health risks
Diversity	Supporting women's career building	• Appoint women to management: 5.0% of all management positions (fiscal 2017 target) • Actively hire women among new graduates: 30% of hires are women • Encourage women to perform to potential through leadership from top managers
	Globalizing human capital	• Proactively hire and train non-Japanese employees • Share global perspective developed by Global Strategy Council (expand membership) • Evaluate managerial staff based on globally standardized evaluation criteria (ongoing) • Share measures to promote diversity on a global basis

*1 **Serious product-related accidents** refer to those accidents that cause serious harm to the product user's life and/or body and accidents that cause serious damage to assets other than the product.

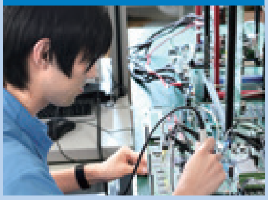
Fiscal 2016 Results	Fiscal 2017 Targets and Plans
	•Promoting new business development through core technologies and open innovation •Promoting business development at the company's five Business Innovation Centers (BICs) •Establishing KPIs in the social outcomes of new businesses
•Number of serious product-related accidents*1: 0 •Risk assessment practices: 12 times/year	•Number of serious product-related accidents*1: 0 •Risk assessment practices: 12 times/year
•To measure customer relationship strength, set indicators for each business and began the satisfaction survey	•Continue conducting satisfaction surveys, set targets, and make improvements
CSR procurement • Request that suppliers carry out CSR activities: 100% implementation • CSR assessment: Completed assessments of all 19 Group production sites and about 136 important suppliers (cumulative total for fiscal 2015–2016) • CSR audit: Completed audits of three particularly important Group production sites and two suppliers **CSR logistics** •Assessed eight logistics partners and completed improvements	**CSR procurement** •Request that suppliers carry out CSR activities: 100% implementation •CSR assessment: Complete assessments of all Group production sites and about 120 important suppliers by the end of fiscal 2019 •CSR audit: Complete audits of two important Group production sites and two important suppliers by the end of fiscal 2019
Response to conflict mineral issues •Respond to customers' requests for surveys: 100% response	**Response to conflict mineral issues** •Respond to customers' requests for surveys: 100% response
•Diverse workstyles: Prepared for introduction of remote working (trial from January 2017, deployment from April) •Eliminate long working hours: Reminded employees of the principle of leaving the office before 8:00 pm •Information sharing/network: Began rolling out new information sharing tool (SharePoint), and personnel and organization information from Konica Minolta, Inc. and key sales companies •Business process reform: Prepared business definitions document in management divisions and implemented Business Process Outsourcing (BPO) for back-office sections	•Define actions and work methods required for each business portfolio and implement discontinuous workstyle reforms based on business process reforms and use of robotics and AI •Improve productivity per unit of time, promote collaboration, and promote diversity
•Implemented human resource development program (Global E-Juku) for global group managers •Defined required skills for digital business personnel •Revised general employment evaluation system to accelerate human resource development •Held Global Award Event (June), presentation of 10 cases for Global Award 2015	•Continue implementing human resource development program (Global E-Juku) for global group managers •Define ideal human resources, required abilities and skills to achieve new medium-term business plan •Accelerate human capital development for young employees •Create business producers who create new businesses from the customer's perspective
•Serious accidents*2: 0 •Frequency rate of accidents causing absence from work*3: 0.13 (in Japan), 0.21 (outside Japan)	•Serious accidents*2: 0 •Frequency rate of accidents causing absence from work*3: 0.1 or less •Improve global health and safety management by senior management •Implement comprehensive risk management to comprehensively reduce equipment, material, work, and work environment risks •Strengthen cultivation of safety culture: Involve top management in safety, manage safety in the workplace, and improve individuals' safety awareness
•Curbed the number of absences due to illness Number of illnesses resulting in absences: 43 (as of April 1, 2017) •Reduced the number of employees with health risks (1) Rate of reduction of people with risk of requiring ongoing hospital treatment for blood pressure, blood sugar, lipids: Down 18.7% from FY2015 (2) Rate of reduction of people with specific health guidance: Down 3.9% from FY2015	•Curb the number of absences due to illness Number of absences due to illnesses: 38 (as of April 1, 2018) •Reduce the number of employees with health risks (1) Rate of reduction of people with risk of requiring ongoing hospital treatment for blood pressure, blood sugar, lipids: Down 21.3% from FY2016 (2) Rate of reduction of people with specific health guidance: Down 14.9% from FY2016
•Formed Women's Committee with the President as the chairperson •Conducted workshop for all female employees •Conducted company-wide fact-finding survey to assess current situation and identify issues •Appointed women to management: Women held 4.4% of all management positions •Actively hired women among new graduates: 30% of hires were women	•Foster awareness and a culture supportive of diversity, with a focus on promoting participation by women •Consider ways of supporting life events affecting both men and women, such as childbirth, child-rearing and care-taking, and consider work styles tailored to these life events •Appoint female managers: Women hold 5.0% of all management positions •Raise the percentage of women among new graduate hires
•Percentage of non-Japanese employees among new Konica Minolta Inc. employees: 15% (joining April 2017) •Increased members of Global Strategy Council from three to six •Continued evaluation of managers based on globally standardized evaluation criteria •Shared measures to promote diversity on a global basis	•Proactively hire and train non-Japanese employees in Japan

*2 **Serious accidents** refers to (1) death, illness requiring a long recuperation (or the possibility of such), injuries leaving a disability (or the possibility of such), and/or specific contagious diseases and/or (2) an accident that causes the occupational death, injury or illness of three or more workers at one time (including cases in which leave is not required).

*3 **Frequency rate of accidents causing absence from work:** The number of persons absent from work per one million total actual working hours for current employees

Creating Value through Our Value Chain

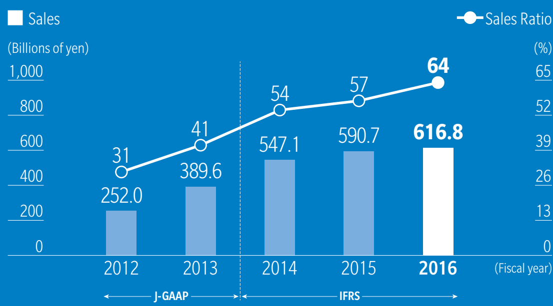
To produce high added-value products and services, Konica Minolta has built a value chain supporting everything from development to procurement, production, distribution, marketing and sales, and after-sales support. Alongside leveraging this value chain to optimize costs, we are also working to improve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

Value Chain	R&D P.81	Procurement P.82	Production P.82	Distribution P.82
				
Quality Improvement Initiatives	▮ Utilize the four core technologies of materials, optics, nanoscale fabrication, and imaging to develop revolutionary products ▮ Develop cyber-physical systems that achieve a sophisticated combination of input technologies, which make the invisible visible; process technologies, which make acquired data intelligent; and output technologies, which allow for the creation of solution-based services	▮ Mitigate procurement quality risk through supplier diversification ▮ Work with business partners to conduct quality improvement activities called DOAZ* * Defect On Arrival Zero	▮ Conduct production capability assessments to gauge the Group's production site quality capabilities, frontline capabilities, and productivity improvement capabilities ▮ Pursue global quality assurance through coordination with Konica Minolta production sites and production contractors inside and outside of Japan ▮ Gather and analyze quality and other data using ICT in order to improve production quality through quality stabilization and defect prevention	▮ 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 (P.86)			
Environmental Initiatives	▮ Create the green products that customers and society need ▮ Develop the environmental technologies for creating green products	▮ 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	▮ Conduct green factory operations that simultaneously reduce environmental impact and cut costs ▮ Conduct upgrade recycling (using upgraded recycled materials) to solve regional environmental issues	▮ Reduce CO_2 emissions through better logistics efficiency ▮ Make packaging smaller and lighter
	Environmental Management (P.87)			
Human Resource Initiatives	▮ 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	▮ Improve skills through cross-border and cross-organizational personnel rotation	▮ Conduct diversified human resources development activities to ensure production techniques and expertise are passed on ▮ Utilize systems for flexibly accommodating production structure changes and make the most of experienced personnel	▮ Strengthen logistics strategy planning ability aimed at overall optimization ▮ Strengthen ability to execute when building a distribution network ▮ Leverage global SCM personnel
	Human Resource Management (P.88)			
IT Initiatives	▮ Research and develop IoT, AI, and other cutting-edge ICT	▮ Strengthen relationships with business partners using ICT	▮ Conduct high-efficiency production through digital manufacturing based on the IoT concept	▮ Improve systems and business processes that span production to sales and optimize product supply and inventory based on customer needs
	IT Management (P.89)			
Cost Initiatives	▮ Acquire patents in Japan, the U.S., China, and other countries ▮ Invest at least 70 billion yen annually in R&D	▮ Work with business partners to control costs, beginning at the development stage ▮ Promote Procurement Collaboration Activities in order to improve business partners' productivity ▮ Conduct efficient global procurement activities that account for logistics, exchange rate volatility and other factors	▮ Save labor through workflow reform centered on production automation and ICT ▮ Reduce the cost of small lot orders by utilizing mixed-flow production and processing technologies for small lots	▮ Reduce costs by improving shipping efficiency (improving container/truck loading efficiency) ▮ Optimize inventory and improve shipping efficiency through optimal placement of distribution facilities

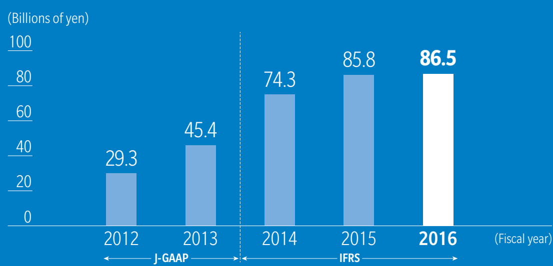
Marketing & Sales	After-Sales Support
P.84	P.84
	
▮ Conduct face-to-face sales to understand the value customers truly need and provide solutions to customers' problems through the best mix of products and services ▮ Improve value to the customer through OPS and hybrid-type sales which combine equipment sales with provision of IT services ▮ Improve the quality of proposals for and delivery to customers through sales and project management handled by customer engagement teams	▮ 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
▮ Provide support for decreasing customers' environmental impact with OPS ▮ Provide support for customers' environmental management using environmental technologies and expertise	▮ Collect and recycle used MFPs and printers ▮ Carry out the Clean Planet Program for collecting toner cartridges
▮ Acquire expertise and human resources to strengthen ability to provide services such as OPS, MPM, and MCS	▮ Invest human resources in service businesses ▮ Strengthen ability to help customers at the call center
	▮ Promptly resolve problems by utilizing remote support maintenance
▮ Consolidate sales facilities Make support operations more	▮ efficient with the launching of the Global Support Center

Results of Contributing to Customer Value Creation

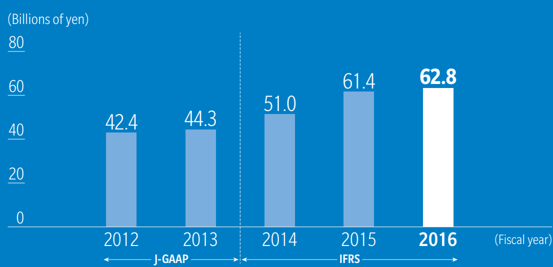
Expanded sales in green products, which reduce customers' environmental impact



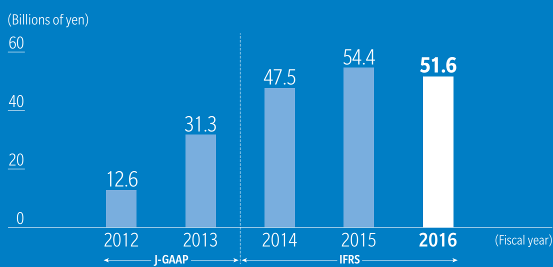
Expanded sales of OPS, which help customers cut costs and enhance efficiency



Expanded sales in IT service solutions, which support workflow transformation in the Office Services



Expanded sales in MPM services, which help reduce costs and improve efficiency in customers' marketing activities



Research and Development

Conducting R&D with a two-pronged strategy involving Japan and local sites while promoting cross-organizational open innovation

Intellectual Property Activities

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

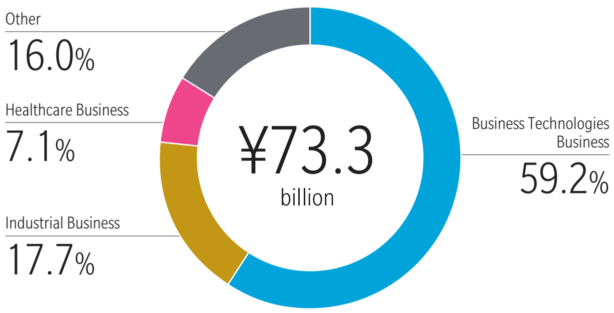
Under these policies, Konica Minolta is committed to R&D aimed at both growing new businesses and strengthening existing businesses, while at the same time maintaining an R&D-to-revenue ratio of 8% or below. We are also carrying out initiatives to strengthen the quality of our technical personnel, including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

Our development framework is a 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.

Furthermore, in order to keep pace with the speed of recent technological innovation, we are engaged in innovation incubation activities in and outside of Japan based on our Open & Close Strategies. Konica Minolta Hachioji SKT, a R&D center that serves as a core facility for technology development in the Group, is conducting R&D that transcends the boundaries of business units while promoting open innovation inside and outside the Company. Also, our Business Innovation Centers (BICs) are collaborating with local research institutes and startups in Konica Minolta's five key regional markets to advance some 100 projects.

Percentage of R&D expenses (FY2016)



Primary R&D themes of our businesses

Business Technologies Business	• 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	• Developing high added-value X-ray systems • Developing in vitro diagnostic technologies (serum protein detection, fluorescent nanoparticle labeling materials)
Industrial Business	• Developing optical systems for industrial use • Developing in-line measurement systems

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 80% of its revenue 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.

Moreover, as support for these efforts involving intellectual property, our education programs in the U.S. and China, as well as in Japan, aim at raising the level of education and training provided to overseas development personnel.

Focused Topic

Launch of the Sustainable Green Products Certification System

Konica Minolta has been conducting the Green Products Certification System for evaluating and certifying products with exemplary environmental performance. Fiscal 2016 net sales from green products were ¥616.8 billion, which comprise 64% of the Group's revenues.

As the next step for the system, Konica Minolta will be launching the Sustainable Green Products Certification System in fiscal 2017. This system serves as a set of certification standards for helping to reduce our ecological footprint and solve societal problems by setting SDGs. Our certified product sales goal for fiscal 2019 is ¥770 billion (70% of total sales).

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. Since fiscal 2014, Konica Minolta has worked with its business partners to promote 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 are also working to solve social issues concerning things such as labor (human rights), ethics, the environment, and work safety in the supply chain by conducting CSR procurement by means of CSR assessments and audits, and conflict mineral surveys.

Feedback from a Supplier and CSR Activity Partner

Mr. Xu Hao
General Manager
Dongguan Konka Mould Plastic Co., Ltd.

Beginning in November 2015, Konica Minolta conducted a CSR audit of our company after a survey by questionnaire and on-site review. Based on those results, we were given advice and guidance on improvements. By working on CSR activities over the course of one year, we came to understand EICC standards well and recognized that there were underlying points to be improved regarding labor, ethics and other aspects.

It is a major achievement for us that we could use the EICC-established management system to reduce the gap between the expectations of international markets and the facts in a short period of time, thanks to Konica Minolta's instruction and cooperation. We are confident that we can continue to raise both employee and customer satisfaction through CSR activities and fully enhance our company's competitiveness.

Focused Topics 1

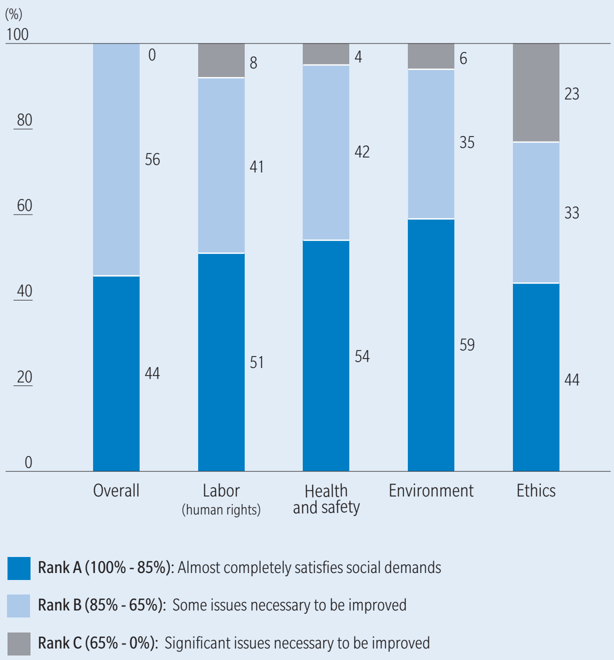
Requesting suppliers to conduct CSR activities and carrying out CSR assessments

Through its Procurement Policy and Supplier Code of Conduct, Konica Minolta asks its suppliers to participate in CSR activities. With explicit targets and standards set in areas such as labor (human rights), ethics, the environment, and health and safety, these activities aim to promote improvements at suppliers.

In order to ascertain the level of CSR activity implementation, Konica Minolta conducts CSR assessments using Self-Assessment Questionnaires (EICC SAQ) based on EICC standards of its important suppliers and its production sites. Konica Minolta classifies the results of the self-assessment questionnaire from rank A to C. The targets for overall scores are rank A for all Group production sites and rank B or higher for all suppliers.

In fiscal 2016, Konica Minolta conducted assessments at 19 Group production sites and 79 suppliers. All the production sites achieved an overall rank of A, and all suppliers achieved an overall rank of B or higher. Still, Konica Minolta has been asking suppliers whose overall assessment results met the targets but had specific component scores that revealed weaknesses to make further voluntary improvements. The company will continue to conduct periodic checks and provide support.

Suppliers' CSR Assessment Results (Percentage Ranking)



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. Our production sites in China have made use of expertise developed over 20 years of operations to achieve highly-efficient production. However, to mitigate the risk of concentrating too much of our production capacity in China, we established a production site in Malaysia in May 2014 that began full operation in 2015. This site uses digital manufacturing that combines ICT with automation technologies to achieve dramatic production workflow efficiency and quality improvements.

To boost efficiency even further, it has taken advantage of production technologies to create a shared product platform and expand modularization, achieving substantial reductions in part and assembly costs.

Upgrading Our Supply Chain Management

Konica Minolta has built and is now operating a unique system for centrally managing inventory data across the entire production to sale process. 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 are making an effort to optimize shipping efficiency by establishing the optimal distribution networks in all our business regions and centrally managing transport between countries.

Furthermore, since fiscal 2015 the Company has collaborated with DHL Supply Chain, a company that comprehensively handles domestic distribution for Konica Minolta Group companies, to carry out CSR Logistics, which is a CSR activity promoted together with distribution contractors.

Focused Topics 2

Excellent Green Factory Certification System

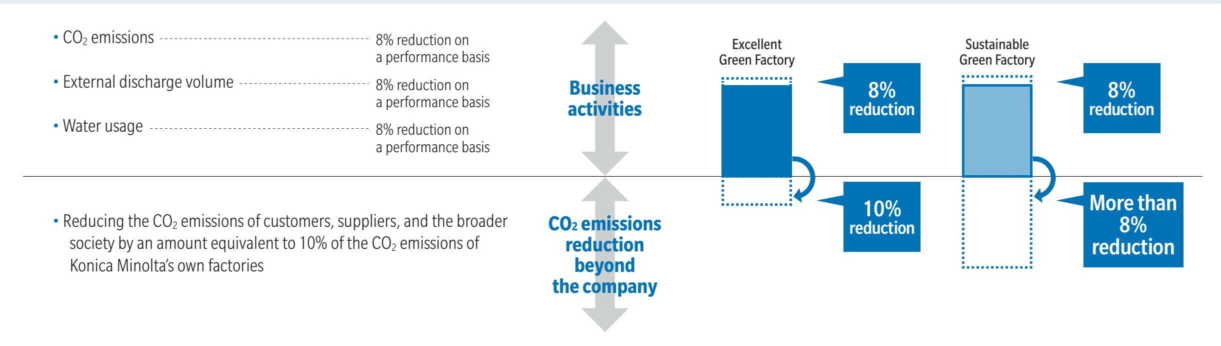
The Excellent Green Factory Certification System certifies facilities that have met external CO_2 emissions reduction standards through activities conducted in cooperation with business partners, customers, and members of the community, in addition to meeting Konica Minolta's standards for reducing environmental impact. The goal is to satisfy certification standards at all major production facilities worldwide by fiscal 2019. After that, we will be leveraging the environmental technologies and expertise that we have developed over the years to establish Sustainable Green Factories that will reduce its CO_2 emissions externally and thereby offset total emissions from our own facilities.

In FY 2016, efforts to further reduce environmental impact and cut costs at our production facilities led to an 80,000-ton reduction in CO_2 emissions and a 14,000-ton reduction in effluents at the production stage, along with a total of ¥5.2 billion in cost reductions.

Fiscal 2016 reductions (compared to fiscal 2005)

Cost reduction	¥5.2 billion
CO_2 reduction	80 ktons
Waste reduction	14 ktons

Excellent Green Factory Certification Standards



Sales and After-sales Support

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

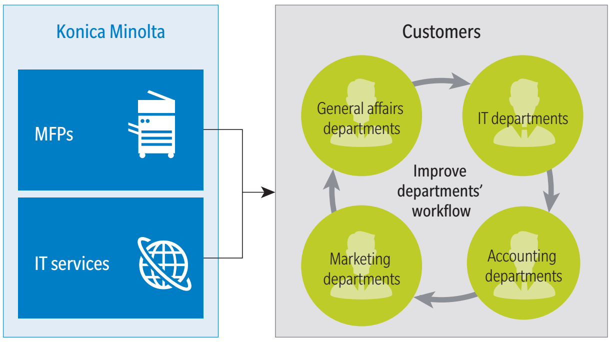
Strengthening Customer-Focused Solutions

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 solution proposals, Konica Minolta has been engaged in M&A activities for IT service providers in the U.S. and Europe since fiscal 2010. In fiscal 2016 we acquired UK-based IT services company ProcessFlows Holdings Ltd. By bringing together IT solutions and document solutions, which focused primarily on MFP, we have upgraded and expanded our ability to provide high added-value solutions in the office services field. And in the measuring instruments field, we signed a strategic alliance agreement with Germany-based SICK, a global leader in sensor solutions. This will see us begin joint development of solutions that provide a level of value that has not been seen in the field of 3D laser radar.

In Japan, we restructured the Group's sales companies and sales departments, establishing Konica Minolta Japan, Inc. in April 2016. This company will leverage the technologies and expertise of the entire Konica Minolta Group and provide solutions-oriented services for our customers' different business types, from manufacturing to healthcare to commercial and industrial printing. With a focus on the various areas of our customers' business, we will continue to provide solutions that improve business workflows.

Business approaches in the Business Technologies Business



By adding services (solutions) to products, Konica Minolta is shifting towards a business model that helps solve problems — including how to improve business efficiency — that the many departments in our customers' companies are struggling with.

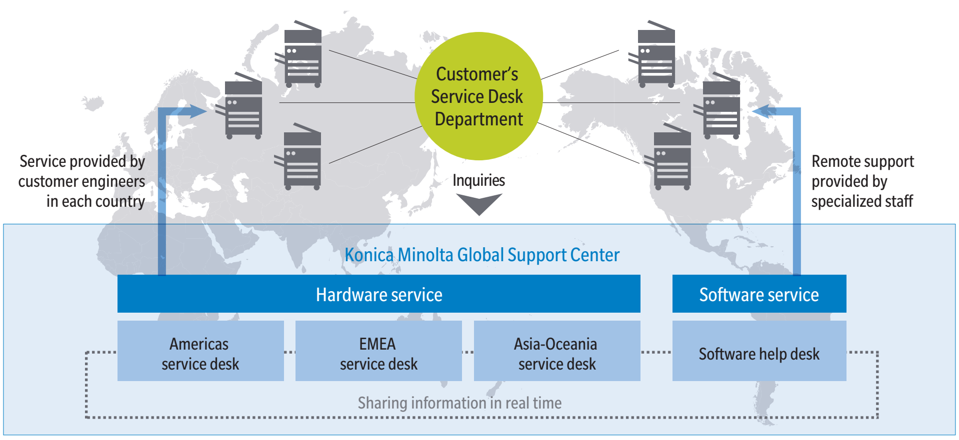
Strengthening After-Sales Support

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.

The Business Technologies Business operates the Global Support Center (GSC) as a contact point for supporting customers that do business around the world. Concentrated management of support operations has enabled support that is globally uniform in quality while making such operations more efficient. Future efforts will focus on expanding our customer base and service domain.

In the Healthcare Business, we have implemented a Remote Maintenance system that allows for remotely operating customers' products over the Internet to quickly resolve problems. By cutting down on the number of times our engineers are dispatched, we were able to save approximately ¥70 million in fiscal 2016, which includes gasoline costs.

Global Support Center



With the Global Support Center (GSC), Konica Minolta has consolidated all support personnel at our sales companies around the world into a single point of contact for helping customers. Support requests received by GSC are shared with personnel around the world, allowing local customer engineers to be dispatched to provide hardware support and specialists to solve problems remotely as part of software support. This ensures customers always receive the best possible support when they need it.

Focused Topics 1

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 support customers' environmental activities. Raising the bar for environmental initiatives undertaken with customers creates considerable environmental value that cannot be achieved by a single company alone. These activities also contribute to improved earnings, as evidenced by cases of business opportunities arising and sales improving for MFPs as a result of proposing solutions for customers' environmental problems and winning trust in the Company.

Voice of a Customer


In-house seminar

NGK Insulators develops and supplies products related to social infrastructure for secure and comfortable lifestyles, as well as products useful for environmental protection. Our corporate philosophy is to provide products that contribute to a better social environment and to create new value. The sales ratio for NGK Insulators products that help protect the global environment, such as automobile emissions control devices, exceeds 50%.

Launched in fiscal 2016, our 4th Five-Year Environmental Action Plan sets concrete targets for the development and promotion of environmental products, our main business activity, while maintaining environmentally responsible manufacturing. The plan has been adopted by the entire NGK Insulators Group. In fiscal 2015, we started holding information exchange meetings with the Environment Division of Konica Minolta, and asked the company to provide us with an in-house seminar in December 2016. More than 100 employees participated in the event, including those from our business divisions and from the CSR and public relations departments of our head office. The discussions were quite lively. In particular, I realized that clearly demonstrating how environmental initiatives can contribute to business activities fosters the understanding of frontline workers, which in turn helps to invigorate environmental activities.

We are celebrating our 100th anniversary in 2019. We believe that actively promoting our environmental activities to stakeholders will lead to new business opportunities. NGK Insulators will continue to deepen cooperation with Konica Minolta, and we hope to collaborate with them to develop even greater environmental contribution activities.

Kazumasa Takeuchi

General Manager, Environmental Management Department NGK Insulators, Ltd.

Focused Topics 2

Quality Support Solution Contributes to the Resolution of Customers' Quality Management Issues

With a desire to provide new value to society through the act of providing support to its customers, Konica Minolta conducts Quality Management Seminars along with plant and office tours as part of its Quality Support Solutions.

Quality Management Seminars were held 11 times at seven sites nationwide in fiscal 2016, with about 200 companies participating. At these seminars, interested customers were provided individually with additional information.

During this process, customers also provided a wide range of information on quality, creating a win-win relationship that is helping both Konica Minolta and its customers improve and strengthen their quality management.

Voice of a Customer

We asked Konica Minolta to provide training sessions to "improve work quality" at our depots (reuse sites) and factories. Konica Minolta instructed us primarily on "creating people, creating workplaces, and creating value" in all operations. We are grateful not only to the resulting improvements in the quality of products and services, but also for the improvements in management quality, employee quality (satisfaction) and customer and public satisfaction. We hope to continue building on the trust in our relationship.


Quality management seminar

Mr. Satoru Iwata

Executive Officer
Daiwa Lease Co., Ltd.

Quality Management

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

Sharing a Single Global Quality Policy

Konica Minolta aims to maximize customer satisfaction by offering products and services that reflect its management philosophy, "The Creation of New Value." To achieve top-tier, high-value products, the company created the Konica Minolta Quality Policy, a global program that is followed by Group companies and employees worldwide. The policy ensures that emphasis is placed on customer confidence in Konica Minolta products and services. Accordingly, a group-wide quality assurance system has been created, allowing the Group to further enhance reliability throughout the product lifecycle including product planning, development, procurement, production, sales, service, and disposal.

Risk Assessment and Education to Ensure Product Safety

The company designs its products for safety and confirms the safety of parts in detail, based on the results of risk assessment at the first stage of the commercialization process, in order to provide customers with safe products. At the development stage in particular, the company closely evaluates each product part to thoroughly reduce risk and ensure product safety. In tandem, product safety education is provided to technicians involved in design and development, product technology, procurement and quality assurance, among other fields, throughout the Group to foster an emphasis on the requisite safety and improve skills. After the training sessions, participants fill out a questionnaire, and the results are used to improve future sessions. In this way, the company endeavors to ensure product safety, educate employees on product safety, and improve their techniques.

Serious product-related accidents over the past three years

	FY2014	FY2015	FY2016
Number of Accidents	0	0	0

Serious product-related accidents: Accidents in which products put the lives of product users at risk or cause serious bodily injury and those in which property other than the products is damaged seriously
Scope: All Konica Minolta products

Sharing Information about Quality Issues and Cross-Deploying Countermeasures

A production capability assessment was carried out as part of the activities to reinforce productivity, seeking to raise sensitivity to quality issues, resolve problems quickly and raise the level of response.

This assessment rated major production sites using the same checklist for all businesses and focused on five areas: 5S, visualization, elimination of inefficiencies, human development and factory management. The assessment results were made accessible company-wide and success stories from high-scoring sites were shared. The assessment officers' role did not finish with the assessment itself; they also prepared recommendations for improvements and were responsible for supporting efforts to strengthen on-site capabilities.

In fiscal 2016, the assessment standards were revised significantly to promote more effective reforms, and an assessment using these new standards was carried out at 14 sites in and outside Japan.

Production capability assessment

Focused Topic

Strengthening customer relationships in the Business Technologies Business

Konica Minolta strives to continuously improve customer satisfaction at all Group companies worldwide, and continues to see the positive effects of using customer satisfaction surveys in each business domain. In fiscal 2016, the survey results from all Konica Minolta companies showed a high-satisfaction rate, at 78.7%.[*1]

In the Business Technologies Business, one of Konica Minolta's mainstay businesses, the Customer Relation (CR) Division at the Business Planning Headquarters is developing a unique scientific approach, adding NPS[*2] to its customer satisfaction surveys worldwide. Meanwhile, CR managers from around the world gather at the Global Customer Relations Conference every year, to facilitate continuous improvements in CR. The company also continues to operate its CR Master Program, an education and certification program designed to boost the skills of CR promoters at sales companies around the world.

In fiscal 2016, the number of participants grew to 120 people from 12 companies. Based on feedback from CR managers at the conference, in fiscal 2017 training programs will be offered to all employees, not just CR promoters.

*1 Percentage of customers who responded that they were satisfied
*2 NPS (Net Promoter Score): An indicator that measures the percentage of customers who recommend the company, its products and services to others

Environmental Management

Expanding the Contribution to Business by Solving Environmental Problems under the UN's SDGs, and Co-creating Value with Stakeholders in Order to Become Carbon Minus by 2050

"Carbon Minus" by 2050: Evolution of Long-Term Environmental Target Eco Vision 2050

Given the urgency of global environmental issues, global businesses have a great responsibility to help build a more sustainable society by reducing environmental impact.

With Eco Vision 2050, Konica Minolta exemplifies its determination to fulfill its long-term environmental responsibilities. The company has taken a series of actions under the Medium-Term Environmental Plan 2016, which set fiscal 2016 as a target year.

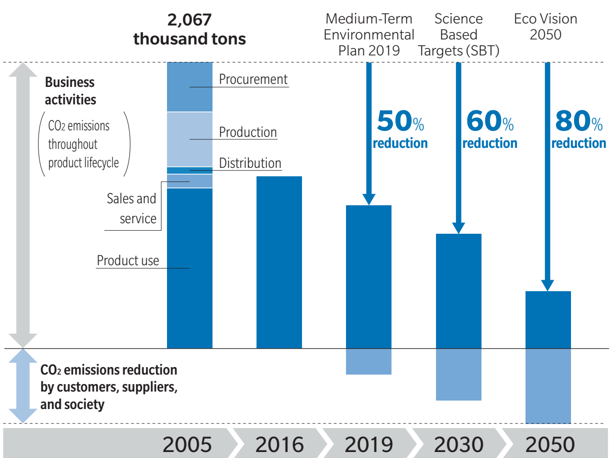
In order to further strengthen environmental action in fiscal 2017, the company added a more ambitious goal, to Eco Vision 2050, the "Carbon Minus" concept. With Eco Vision 2050, Konica Minolta aims to reduce the CO_2 emissions from its products throughout their entire life cycle by 80% compared to 2005 levels by 2050. The addition of "Carbon Minus" is a new commitment to achieve CO_2 emission reduction effect that exceeds the CO_2 emissions produced by Konica Minolta's business activities through cooperation with stakeholders such as business partners, customers and local communities.

If the company can reduce its CO_2 emissions by 80% before 2050, the remaining 20% will be approximately 400,000 tons. By helping stakeholders utilize Konica Minolta's technologies and expertise to reduce their own CO_2 emissions by 400,000 tons or more, the net outcome will be that society's overall CO_2 emissions resulting from Konica Minolta's activities will be negative. This is the "Carbon Minus" status that Konica Minolta is pursuing.

New Eco Vision 2050

1. Reduce CO_2 emissions throughout the product lifecycle by 80% by 2050, compared to fiscal 2005 levels. Also through cooperation with stakeholders, achieve CO_2 emission reductions are greater than product lifecycle emissions, and realize Carbon Minus status.
2. Promote recycling and effective use of Earth's limited resources.
3. Work to promote restoration and preservation of biodiversity.

CO_2 Emissions Reduction and Carbon Minus Targets

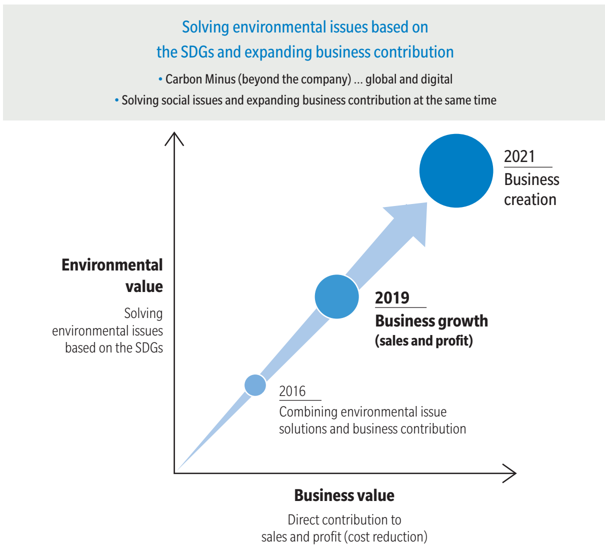


Medium-Term Environmental Plan 2019

Under its management vision, Konica Minolta aims to be a global company that is vital to society. To realize this vision, it is necessary to identify social challenges as business opportunities and generate innovative solutions, which in turn will drive Konica Minolta's own sustainable growth.

The Medium-Term Environmental Plan 2019 was launched in fiscal 2017. Under this plan, Konica Minolta will continue to pursue both business growth and environmental action, a concept initiated with the Medium-Term Environmental Plan 2016. With a focus on being "global" and "digital," the plan aims to grow the business, including sales and profits, by expanding the company's contributions to solutions for environmental and social issues with efforts to achieve the SDGs.

Medium-Term Environmental Plan 2019 Concept



Human Resource Management

Promoting the creation of workplaces where a diverse human resources can become an engine for The Creation of New Value

Dynamically Deploying Global Human Capital Management

Konica Minolta is building a human capital management system in North America, Europe, China and other regions in Asia. Globally standardized evaluation criteria will be used to assess executives and match employees with job opportunities.

Konica Minolta organizes a Global Strategy Council—a collegial body composed of top managers from both in and outside of Japan—to ensure that the knowledge and perspectives of executives from Group companies outside of Japan are incorporated in the management of the Group. In fiscal 2016, the number of participants from outside Japan was increased from three to six. The Council had invigorating discussions on medium- and long-term management issues with executives from Konica Minolta, Inc.

In addition to two meetings per year in Japan, the Global Strategy Council meets online to ensure that global executives are engaging in active discussions.

Global Strategy Council

Program to Foster Business Leaders

Konica Minolta launched its Global E-Juku new business leader education program in fiscal 2016. This program lasts about six months and is designed for senior managers at Konica Minolta Inc. and affiliated companies around the world. In its first year, the program reached 34 participants from 13 countries and 15 companies. As part of the program, a group session was held in Japan for three days in February 2017. This session aimed to foster a global mindset and develop leadership skills by giving participants a chance to speak with top management, consider the latest business trends, and discuss their insights with other participants.

Group session held in Japan in February 2017

Occupational Safety and Health

Konica Minolta has been implementing various measures to prevent occupational accidents worldwide, under the company's Occupational Safety and Health Management System (OSHMS) and with the direct supervision of senior management. The officers of business divisions and the heads of Konica Minolta Group safety and health management committees at business sites work together to build the management structure.

Most noteworthy in fiscal 2016, the Konica Minolta Group took further remedial measures following a fire caused by an explosion at a Group company in China in the previous fiscal year. The Group: (1) improved the comprehensive risk management of facilities; (2) strengthened standards for safety evaluations and measures for fires caused by explosions; and (3) provided safety guidance at sites. As a result of these measures, the Group succeeded in reinforcing safety management mechanisms for dangerous equipment and work linked to serious accidents. To prevent accidents caused by human behavior, which generally account for about 60% of incidents causing absence from work, ongoing education and inspections were carried out group-wide to prevent any decline in safety awareness, caused by human behavior such as using smartphones while walking.

In fiscal 2016, there were no serious accidents, and the frequency rate of accidents causing absence from work was 0.13 in Japan and 0.21 outside Japan. In response, in fiscal 2017 Konica Minolta will review what it has done so far, benchmarking with companies known for having the best safety records. Then, the company will introduce new management indicators that score accidents by their type and extent. With these and other measures, Konica Minolta aims to make safety assessment results easier to share, and understand and to implement the PDCA cycle for accident prevention even more proactively.

Introducing Work Style Reforms to Reduce Working Hours

Konica Minolta, Inc. has pursued work style reforms since April 2015 with the aim of improving the intellectual productivity of each employee and promoting work-life balance.

As part of these efforts, the company has prohibited overtime after 8:00 pm, as a general rule, to make employees more aware of time and to encourage everyone to reevaluate their work schedules. Konica Minolta also works to improve efficiency at meetings, eliminate the use of paper, and promote the strategic use of ICT tools. In fiscal 2016, the company tested "remote work" among managers as one way to diversify working styles. Given the results, this was expanded to general employees in April 2017.

IT Management

In addition to focusing on working style reform with regard for security and strengthening data management, Konica Minolta is working to develop and operate an IoT business platform and deploy related technologies.

Medium-Term IT Plan

Konica Minolta has devoted efforts to establishing an internal IT platform as a global company—efforts outlined in our global IT strategies since FY2011 and in the FY2014-2016 Medium-Term IT Plan. The FY2017-2019 Medium-Term IT Plan establishes six themes and calls for the Company to pursue them. These include establishing an IT platform to support business reform aimed at expanding our IoT business, security measures, and building a data utilization support system and IT platform for ascertaining, analyzing, and gaining insights into business performance indicators in a timely fashion.

IT Department's Vision and FY2017-2019 Medium-Term IT Plan Themes

Vision

- IT departments that constantly achieve ambitious goals with boldness, speed, and persistence
- IT departments trusted as essential organizations by business divisions globally
- A medium-term plan for IT departments that lead the industry through active efforts to develop and manage IT for our business while deploying state-of-the-art technologies and conducting internal IT management

Themes

1. IT infrastructure upgrade to support business transformation
2. Enhance IT tools & services for Work-style reform
3. Data-analytics system development for management decision in a timely manner
4. Stable and Secure IT Infrastructure deployment to ensure business continuity
5. Company-wide IT cost control
6. Strengthen IT workforce and define Global IT Structure

Strengthening Data Management

As part of efforts to establish a global business analysis platform, Konica Minolta is advancing the integration and management of master data on a global scale.

Using a two-layer MDM (master data management) structure that comprises a global layer shared across the globe at the top level and a regional layer for managing each region at the bottom level, we are working to consolidate master data and improve data quality with respect to the data we have on our products, customers, and suppliers. We have achieved deployment of a regional layer in Asia and Europe and are now moving into the improvement phase. The next step will be rolling the layer out to North America and Japan in stages.

As a result of these efforts, we were awarded the Data Consolidation Award at the 2017 Data Management Awards. This award is given by the Japan Data Management Consortium (JDMC) to companies and organizations that make bold attempts and achieve results with respect to master data consolidation, which is traditionally considered a challenging pursuit.

Working Style Reform with Security in Mind

Developing a Teleworking Infrastructure and Virtual Desktop Environment

As part of efforts to develop an environment that improves employee convenience and that is secure, Konica Minolta provides a virtual private network (VPN) service with quarantine control, allowing employees to remotely access internal systems from places like home or a business trip destination. We also provide a virtual desktop environment that allows employees taking advantage of our telecommuting program for child or nursing care to do Company work on their home computer. The desktop and data accessible from virtual desktops resides completely at a data center. As data is not stored on the home computer's hard drive, users can work securely and without worry.

As part of efforts towards working style reform, in fiscal 2016 we sought to improve employee productivity and creativity by achieving a "work wherever you want" style. This prompted efforts to improve our teleworking environment, and we began providing this service to managers in January 2017. As of the end of March 2017, 397 people are using the teleworking service. We opened this service up to general employees in April 2017.

Ensuring a Secure Environment for Using Smart Devices

Just among domestic Group companies, there are close to 7,200 smartphones or tablet devices currently being used. Our system allows employees to access internal email, portal sites, expense reporting tools, maintenance support systems, and other Web applications. This lets them work at business trip destinations, at home, or any other place. There is a high risk of loss or theft when using a smart device. As part of our efforts to prevent information leaks and other security accidents, we use a mobile device management system that we require our employees to install on their devices.

IT Security Management

The establishment of an IT security management system for the entire Group is one way in which we are continually working to improve IT security at Group companies. As part of a Groupwide security management system, all Group companies in Japan have continuously acquired ISO/IEC 27001 certification, an international standard, since 2009. Overseas Group companies have also built their own management systems internally, with 11 companies having acquired the abovementioned certification as of the end of fiscal 2016.

In January 2016 we launched the KM-CSIRT* (Konica Minolta Computer Security Incident Response Team) as part of a system to enable a quick response in the event of a serious IT security incident.

In fiscal 2016 we held a training session that assumed there had been a ransomware (a kind of malware) attack at a Chinese investment subsidiary. Participants validated the effectiveness of and made improvements to our incident reporting system.

* CSIRT is the general term given to organizations that handle incidents related to computer security. The Nippon CSIRT Association is a community that coordinates the sharing of information and collaboration among CSIRTs in Japan and that supports efforts to create CSIRT within organizations. Konica Minolta became a member of the association in April 2016.

Optimizing IT Costs

Reducing Routine IT Costs

Since fiscal 2009, Konica Minolta has expanded the size of the Group through active M&A and other efforts. And as the Group has grown, so has its IT costs. With the goal of controlling overall IT expenditures while at the same time making the Group's businesses more competitive using IT, we have made continued efforts to reduce routine IT costs.

This might mean integrating core systems at vendors in Asia for the applications domain, virtualizing and integrating servers for the infrastructure domain, and engaging in global procurement of software licenses and PCs in the IT procurement domain. These efforts led to a fiscal 2016 reduction of around ¥1 billion in routine IT costs compared to fiscal 2009, and a nearly 20% reduction in per-employee routine IT costs.

IT Investment Management

Konica Minolta is managing the IT investment needed for its businesses as a concerted effort among all business divisions, IT departments, and top management. When putting together budgets for the following fiscal year, we consolidate and create a portfolio of the major IT projects to be managed based on their investment value. Executives then make the investment decisions. As part of our efforts to maximize the return on investment, after an IT project is begun we monitor the project in order to ensure QCD achievement, and evaluate whether the expected results were achieved after the system is implemented.

Major Investments of FY2016

IT investment management projects	30
Investment completion evaluations	6
Effectiveness checks (ROIT evaluation and achievement)	4/4 cases

Focused Topics

Konica Minolta Chosen as a 2016 Competitive IT Strategy Company and Noteworthy IT Strategy Company 2017

Konica Minolta was selected as a 2016 Competitive IT Strategy Company in recognition of its IT strategies. And in fiscal 2017, during the Competitive IT Strategy Company selection process, we were named a Noteworthy IT Strategy Company for our engagement in noteworthy IT efforts. The Competitive IT Strategy Company selection is a joint initiative by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange that selects and publicizes companies that demonstrate a strategic approach to IT utilization. Konica Minolta is focused on transforming itself into "a digital company with insight into implicit challenges," and will be investing in IT as a means of not only maintaining the business but also of achieving growth.

攻めのIT経営銘柄2016
Competitive IT Strategy Company

Independent Valuation of Konica Minolta's Management, with Its Focus on Achieving Sustainable Growth

Recent years have seen a growing global trend towards defining corporate value based on environmental activities, CSR efforts, and other non-financial criteria.

Konica Minolta, Inc. is included in major international socially responsible investment (SRI) indexes. The Company has been included in the World category (since 2012) and Asia Pacific category (since 2009) of the Dow Jones Sustainability Index (DJSI) issued by U.S.-based S&P Dow Jones Indices and Swiss-based RobecoSAM.

The Company has also been included in the FTSE4 Good Index (since 2003). In addition, the Company has received high marks from a range of SRI research firms, including being awarded Silver Class status, a CSR rating from RobecoSAM, and being selected for the investment universe of Ethibel Pioneer and Ethibel Excellence operated by the socially responsible investment promotion group Forum ETHIBEL.

Konica Minolta has also been included by CDP, an international NGO that works to advance sustainable economics, on the Climate A List (the highest rating).

And in July 2017, Konica Minolta was included in three SRI indexes—the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index—administrated as ESG indexes by the Government Pension Investment Fund (GPIF), the world's largest pension fund.

Inclusion in Prominent Japanese/Foreign Indices

August 2017	5th consecutive year of inclusion in the JPX-Nikkei Index 400
July 2017	8th consecutive year* of inclusion in the MSCI ESG Leaders Indexes (formerly the MSCI Global SRI)
July 2017	Maintained inclusion in the FTSE4Good Index for 14 consecutive years
July 2017	Inclusion in the FTSE Blossom Japan Index
July 2017	Inclusion in the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index
January 2017	Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI)
September 2016	Maintained inclusion in the Dow Jones Sustainability World Index for five consecutive years

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

MSCI 2017 Constituent MSCI ESG Leaders Indexes

FTSE4Good

FTSE Blossom Japan

* No information available for the years prior to 2010

Evaluations by International CSR Rating Agencies

January 2017	Ranked Silver Class CSR by RobecoSAM, a world-leading research and rating company in the SRI field
January 2017	Selected for inclusion in the investment universe of Ethibel Pioneer and Ethibel Excellence by Forum Ethibel, an SRI specialist group
October 2016	Selected a Climate A List company, the highest rating, by CDP

ROBECOSAM Sustainability Award Silver Class 2017

CDP A LIST 2016 CLIMATE

Recognition in Japan

February 2017	Received Environmental Report Award (Minister of the Environment Prize) at the 20th Environmental Communication Awards
January 2017	Received second place prize at the 19th NIKKEI Annual Report Awards

2017 環境コミュニケーション大賞 大賞 環境報告書部門

Financial Report

10-Year Financial Summary

Konica Minolta, Inc. and subsidiaries
Fiscal year ended March 31

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Consolidated Financial Highlights			
Net sales, Revenue (millions of yen)	1,071,568	947,843	804,465
Operating income, Operating profit (millions of yen)	119,606	56,260	43,988
Operating income ratio, Operating profit ratio (%) *1	11.2	5.9	5.5
Ordinary income, Ordinary profit (millions of yen)	104,227	45,403	40,818
Ordinary income ratio, Ordinary profit ratio (%) *2	9.7	4.8	5.1
Profit before tax (millions of yen)	-	-	-
Profit before tax ratio (%)	-	-	-
Net income, Profit for the year (millions of yen)	68,829	15,179	16,931
Net income ratio, Profit for the year ratio (%) *3	6.4	1.6	2.1
Profit attributable to owners of the company (millions of yen)	-	-	-
Profit attributable to owners of the company ratio (%)	-	-	-
Earnings per share, Basic earnings per share attributable to owners of the company (EPS) (yen) *4	129.71	28.62	31.93
Equity per share attributable to owners of the company (yen)	786.20	779.53	791.28
Cash dividends per share (yen)	15	20	15
Dividend payout ratio (%) *5	11.6	70.0	47.0
R&D expenses (millions of yen)	81,272	81,778	68,475
R&D expense ratio (%) *6	7.6	8.6	8.5
Net cash flows from operating activities (millions of yen)	123,014	107,563	113,377
Net cash flows from investing activities (millions of yen)	-76,815	-90,169	-40,457
Free cash flows (millions of yen)	46,198	17,394	72,920
Profitability			
ROE (J-GAAP) (%) *7	17.5	3.7	4.1
ROE (IFRS) (%) *8	-	-	-
ROA (%) *9	7.2	1.6	1.9
ROIC (%) *10	14.1	6.5	5.3
Efficiency			
Total assets (millions of yen)	970,538	918,058	865,797
Total assets turnover (times) *11	1.12	1.00	0.90
Property, plant and equipment (millions of yen)	245,989	227,860	205,057
Property, plant and equipment turnover (times) *12	4.50	4.00	3.72
Inventories (millions of yen)	132,936	129,160	98,263
Inventory turnover period (months) *13	2.96	3.21	2.68
Trade receivables (millions of yen)	234,862	171,835	177,720
Trade receivables turnover (months) *14	2.76	2.56	2.47
Stability			
Equity, Equity attributable to owners of the company (millions of yen)	417,166	413,380	419,535
Equity ratio, Equity ratio attributable to owners of the company (%)	43.0	45.0	48.5
Current assets (millions of yen)	557,110	504,919	489,253
Current ratio (%) *15	152.39	162.41	183.03
D/E ratio (times) *16	0.54	0.56	0.47
Net D/E ratio (times) *17	0.25	0.23	0.08
Investment Indicators			
Price-to-earnings ratio (PER) (times) *18	10.44	29.28	34.17
Price-book value ratio (PBR) (times) *19	0.58	0.93	0.73

*1. Operating income ratio = Operating income / Net sales ∗ 100 (%)
Operating profit ratio = Operating profit / Revenue ∗ 100 (%)
*2. Ordinary income ratio = Ordinary income / Net sales ∗ 100 (%)
Ordinary profit ratio = Ordinary profit / Revenue ∗ 100 (%)
*3. Net income ratio = Net income / Net sales ∗ 100 (%)
Profit for the year ratio = Profit for the year / Revenue ∗ 100 (%)
*4. EPS = Profit attributable to owners of the company / Average number of outstanding shares during the period
*5. Dividend payout ratio = Total dividends / Net income ∗ 100 (%)
Dividend payout ratio = Total dividends / Profit for the year ∗ 100 (%)
*6. R&D expense ratio = R&D expenses / Net sales ∗ 100 (%)
R&D expense ratio = R&D expenses / Revenue ∗ 100 (%)
*7. ROE (J-GAAP) = Net income / Average shareholders' equity
*8. 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))
*9. ROA = Net income / Average total assets
ROA = Profit attributable to owners of the company / Average total assets
*10. ROIC = Operating profit after tax/(Share capital + Share premium + Retained earnings + Treasury shares + Interest-bearing debt - Cash and cash equivalents (yearly average))

Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2013 (IFRS)	Fiscal 2014 (IFRS)	Fiscal 2015 (IFRS)	Fiscal 2016 (IFRS)
777,953	767,879	813,073	943,759	935,214	1,002,758	1,031,740	**962,555**
40,022	40,346	40,659	58,144	39,859	65,762	60,069	**50,135**
5.1	5.3	5.0	6.2	4.3	6.6	5.8	**5.2**
33,155	34,758	38,901	54,621	-	-	-	**-**
4.3	4.5	4.8	5.8	-	-	-	**-**
-	-	-	-	37,736	65,491	58,029	**49,341**
-	-	-	-	4.0	6.5	5.6	**5.1**
25,896	20,424	15,124	21,861	28,431	40,969	32,000	**31,485**
3.3	2.7	1.9	2.3	3.0	4.1	3.1	**3.3**
-	-	-	-	28,354	40,934	31,973	**31,542**
-	-	-	-	3.0	4.1	3.1	**3.3**
48.84	38.52	28.52	41.38	53.67	81.01	64.39	**63.65**
806.53	817.81	876.65	929.04	968.15	1,067.97	1,037.96	**1,057.92**
15	15	15	17.5	17.5	20.0	30.0	**30.0**
30.7	38.9	52.6	42.3	32.6	24.7	46.6	**47.1**
72,617	72,530	71,533	71,184	69,599	74,295	76,292	**73,275**
9.3	9.4	8.8	7.5	7.4	7.4	7.4	**7.6**
67,957	72,367	66,467	89,945	90,058	101,989	59,244	**68,659**
-44,738	-42,757	-63,442	-55,776	-54,143	-54,014	-110,788	**-70,594**
23,219	29,610	3,025	34,169	35,914	47,975	-51,544	**-1,935**
6.1	4.7	3.4	4.6	-	-	-	**-**
-	-	-	-	6.1	8.6	6.5	**6.3**
3.0	2.3	1.6	2.3	2.9	4.1	3.2	**3.2**
5.1	5.2	5.2	7.3	5.0	8.3	7.0	**4.5**
845,453	902,052	940,553	966,060	991,700	1,001,800	976,370	**1,005,435**
0.91	0.88	0.88	0.99	0.96	1.01	1.04	**0.97**
190,701	178,999	179,903	173,362	177,056	181,641	187,322	**190,580**
3.93	4.15	4.53	5.34	5.23	5.59	5.59	**5.09**
100,243	105,080	112,479	115,275	115,175	120,803	121,361	**136,020**
2.67	2.81	2.60	2.52	2.82	2.54	2.58	**2.87**
163,363	174,193	194,038	220,120	240,459	248,827	245,047	**236,722**
2.42	2.52	2.47	2.53	3.09	2.72	2.73	**2.70**
427,647	433,669	464,904	478,404	498,542	535,976	514,285	**524,331**
50.6	48.1	49.4	49.5	50.3	53.5	52.7	**52.1**
501,876	565,923	579,593	589,331	569,552	570,640	496,216	**499,446**
206.98	247.17	205.04	206.62	200.83	202.43	194.40	**199.58**
0.45	0.53	0.48	0.41	0.41	0.31	0.33	**0.35**
0.04	-0.01	0.02	0.02	0.03	-0.02	0.13	**0.18**
14.27	18.77	24.12	23.27	17.94	15.07	14.85	**15.65**
1.16	1.13	1.27	0.96	0.99	0.86	0.90	**0.94**

*11. Total assets turnover = Net sales / Average total assets (times)
Total assets turnover = Revenue / Average total assets (times)
*12. Tangible fixed assets turnover = Net sales / Average tangible fixed assets (times)
Tangible fixed assets turnover = Revenue / Average tangible fixed assets (times)
*13. Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months
*14. Receivables turnover = Net sales / Average receivables (times)
Receivables turnover = Revenue / Average receivables (times)
*15. Current ratio = Current assets / Current liabilities (%)
*16. D/E ratio = Interest-bearing debt / Shareholders' equity (times)
*17. Net D/E ratio = (Interest-bearing debt – Cash on hand) / Shareholders' equity (times)
*18. Price-earnings ratio (PER) = Year-end stock price / EPS
*19. PBR (J-GAAP) = Year-end stock price / Net assets per share
PBR (IFRS) = Year-end stock price / Equity per share attributable to owners of the company

Management's Discussion and Analysis

Operating Environment

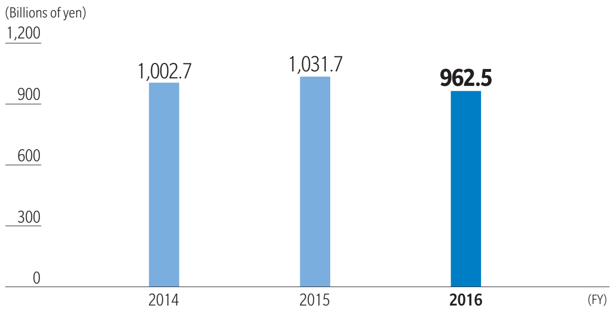
Looking back at the economic situation during the fiscal year ended March 31, 2017 (hereafter, the fiscal year under review"), it was a year in which foreign exchange markets were significantly affected by political events such as the UK referendum on exiting the EU in the first half, and the US presidential election in the second half. Against a background of solid personal consumption in the US there was overall a continuation of moderate economic growth in Europe, centered on Germany, but in China and emerging countries the economy continued to decelerate. In Japan, although the political management of the country remained stable and employment conditions continue to improve, there was no upturn in personal consumption and the economy remained weak.

Operating Results

Revenue

Despite increased sales of core products and the impact of corporate acquisitions, net sales for the fiscal year under review dropped 6.7% year on year to ¥962.5 billion due to the effects of a much stronger yen. If the ¥91.8 billion revenue decline owing to the effects of a stronger yen are excluded, revenue increased 2.2% year on year.

Revenue



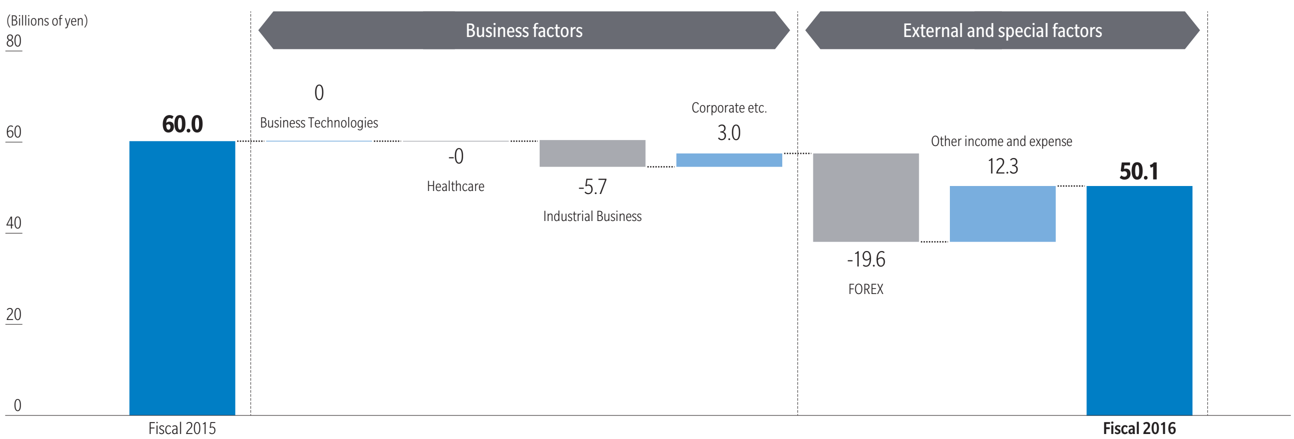
Gross profit

Although sales increased for core products, the effects of a stronger yen led to decreased sales and a decline in the profit ratio. As a result, gross profit dropped 7.2% year on year to ¥459.9 billion. The gross profit margin declined 0.2 percentage points year on year to 47.8% (but rose 0.2 percentage points if exchange rate effects are excluded).

Operating profit

Other revenue was ¥14.1 billion, up ¥6.3 billion year-on-year owing to ¥7.7 billion in patent-related revenue posted. Selling, general and administrative expenses amounted to ¥416.6 billion, down ¥13.2 billion year on year. This owed to decreased costs from the effects of a stronger yen, and came in spite of increased costs associated with corporate acquisitions. Other expenses were down ¥6.0 billion to ¥7.3 billion, the result of decreases in categories other than a loss on disposal of mass-production prototypes (¥2.1 billion) and business structure improvement expenses (¥1.4 billion), among others. As a result, operating profit for the fiscal year under review declined 16.5% year on year to ¥50.1 billion, while the operating profit ratio dropped 0.6 percentage points to 5.2%. A ¥19.6 billion operating profit decrease was posted owing to the effects of a stronger yen. Operating profit would have increased by 16.1% if exchange rate effects are excluded.

Fiscal 2016 operating profit analysis



FOREX impact to revenue and operating profit

	Fiscal 2015	Fiscal 2016	Impact to Fiscal 2015		FX Sensitivity*2	
			Revenue (¥billions)	OP (¥billions)	Revenue (¥billions)	OP (¥billions)
USD	120.14	**108.38**	-34.7	+1.1	+3.0	-0.1
EUR	132.58	**118.79**	-23.2	-17.2	+1.9	+0.8
GBP	181.31	**141.60**	-13.8	-0.5	+0.4	+0.1
European Currencies*1	-	**-**	-42.5	-17.9	+2.7	+1.2
CNY	18.85	**16.11**	-6.9	-0.9	+2.5	+0.5
AUD	88.44	**81.56**	-2.9	-0.7	+0.4	+0.1
Other	-	**-**	-4.9	-1.1	-	-
Total Impact from FY2015	-	**-**	**-91.8**	**-19.6**	-	-

*1 European currencies: Currencies in Europe except EUR/GBP
*2 FOREX Sensitivity: FOREX impact at ¥1 change (Annual)

Profit before tax

Financial revenue climbed ¥0.5 billion year on year to ¥2.7 billion, attributable to, among other things, the effects of a ¥1.2 billion improvement owing to a foreign exchange loss improvement and other factors. Profit before tax for the fiscal year under review declined 15.0% to ¥49.3 billion.

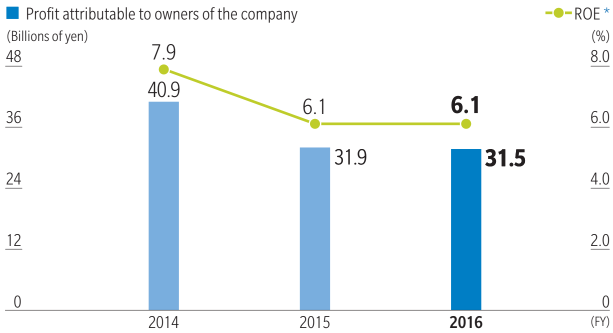
Profit attributable to owners of the company

Profit attributable to owners of the company decreased 1.3% year on year to ¥31.5 billion.

Basic earnings per share for the fiscal year under review were ¥63.65, a 1.1% decrease.

Return on equity (profit ratio attributable to owners of the company) for the period was 6.1%, on par with the previous period.

Profit attributable to owners of the company



* ROE = Profit attributable to owners of the company divided by equity attributable to owners of the company (average at beginning and end of period)

Operating Results by Segment

Business Technologies Business

Office services

Sales of mainstay "bizhub" series A3 color MFPs (Multi-functional peripherals) also remained strong during the period under review, and sales volumes exceeded previous-year levels in all regions. The high rates of growth were shown by high-end models in terms of product segment and by the European and Chinese markets in terms of sales region.

The competitive environment in the MFP market continues to be severe, but Konica Minolta's unique hybrid-type sales approach that combines document solutions centered around MFPs with managed IT services (services that provide integrated deployment, operation, administration, and maintenance, etc. of IT equipment and systems) is penetrating markets, primarily in North America and Western Europe, and contributing to an increase in revenues and profitability by customer.

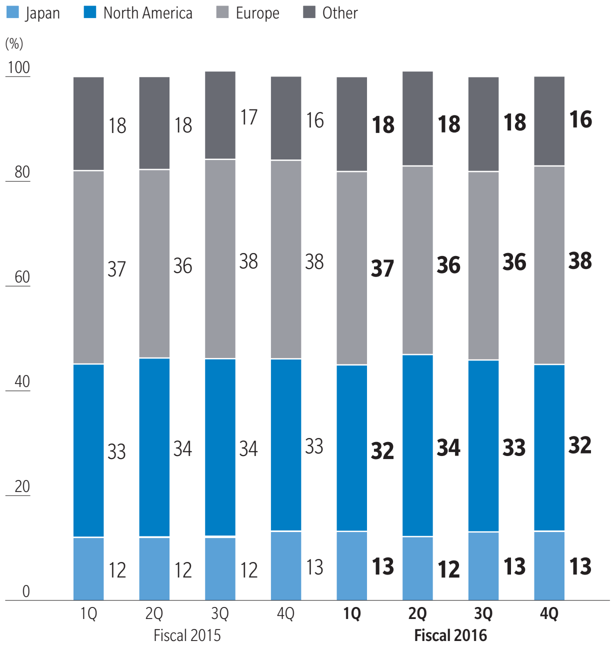
Commercial and industrial printing

In production print, the top-of-the-line "bizhub PRESS C1100" digital color printing system continued to post solid sales. Growth was particularly noticeable in markets in North America, China, and Asia. In the light production area that is one of our strengths, while competition is intensifying and sales have been stagnating, the new "AccurioPress C2070" series product that was launched in the second half of the fiscal year under review has had a positive reception from customers, and sales discussions are rising steadily.

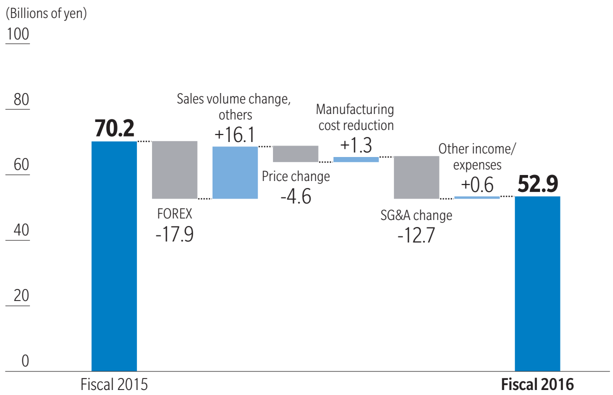
In industrial inkjet printers, the area of components such as inkjet printheads saw a slowing of sales due to deteriorating market conditions, but in the area of textile print machinery the "NASSENGER SP-1," which achieves high productivity through the use of a single pass system, won orders in France and Turkey and contributed to a rise in revenue. In the field of industrial printing, we have begun full-scale marketing activities in every region and prepared a strategy for the high-end market based around the new "AccurioJet KM-1" digital inkjet press and digital decoration printing equipment made by subsidiary MGI.

As a result of the above, revenue for this business came in at ¥771.7 billion (down 7.3% year on year), while operating profit was ¥52.9 billion (down 24.6% year on year). Excluding the impact of exchange rates, revenue rose 2.7% year on year and operating profit rose 1.0% year on year.

Composition of Revenue by region (in yen)



Operating profit analysis



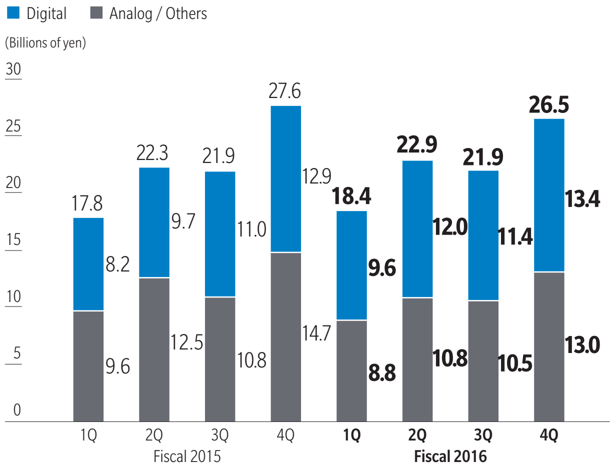
Healthcare Business

In the fiscal year under review, on a regional basis, sales in the US were favorable, while sales in Japan remained strong.

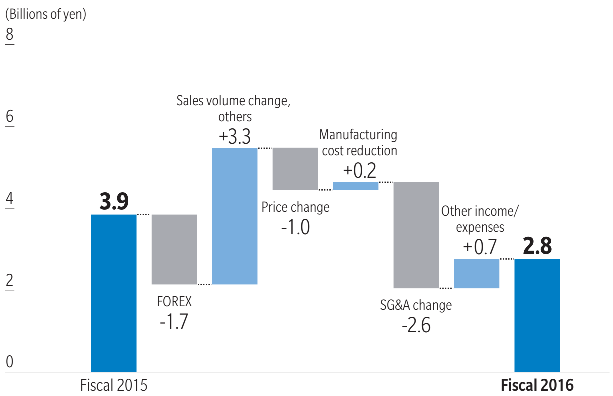
In terms of products, in the US, in addition to significant growth in Digital Radiography (DR), sales of solution products for the primary care market also contributed to the expansion of the business. In Japan, sales of digital products were strong overall. The "AeroDR" cassette-type digital X-ray diagnostics imaging systems maintained their solid performance both in Japan and overseas, while for the "SONIMAGE HS1" diagnostic ultrasound systems, in addition to Japan and the US, China also contributed to sales. On the other hand, Computed Radiography (CR) digital X-ray diagnostics imaging systems were hit by amendments to the payment system for medical services in the US, and sales volumes declined.

As a result of the above, revenue for the business came in at ¥89.9 billion (up 0.1% year on year), while operating profit was ¥2.8 billion (down 26.7% year on year). Excluding the impact of exchange rates, revenue rose 5.7% year on year and operating profit rose 18.8% year on year.

Composition of Revenue



Operating profit analysis



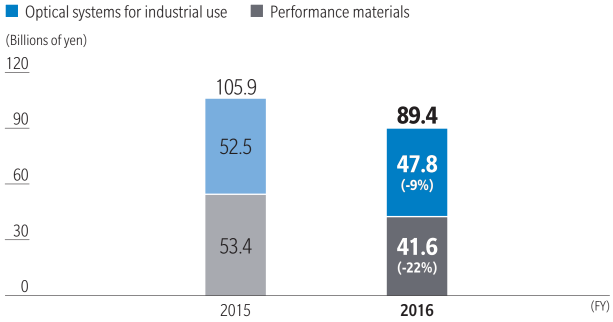
Industrial Business

In the field of performance materials, price pressure is becoming more intense and, although we promoted a shift towards high value-added products such as phase difference film for VA and IPS panels, and ultra-thin TAC film, both sales volume and sales value fell below previous-year levels.

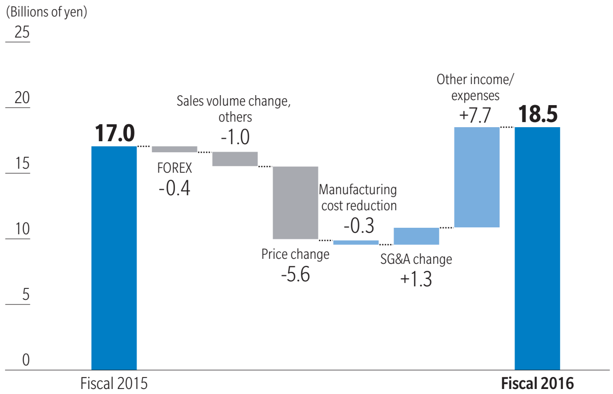
In the optical systems for industrial use field, measuring instrument revenue increased, helped by the commencement of shipments related to a major order in the final stages of the fiscal year under review. Lenses for industrial and professional use were affected by lower sales in their end product markets, and posted a decline in revenue.

As a result of the above, revenue for the business came in at ¥89.4 billion (down 15.6% year on year). Operating profit, including ¥7.7 billion of patent-related income, was ¥18.5 billion (up 9.1% year on year).

Revenue



Operating profit analysis



Cash Flows

Cash flows from operating activities

Net cash provided by operating activities was ¥68.6 billion, a result largely of cash inflow due to profit before tax of ¥49.3 billion, depreciation and amortization expenses of ¥51.8 billion, and a decrease in trade and other receivables of ¥1.8 billion on the one hand, and cash outflow attributable largely to an increase in inventories of ¥12.4 billion and payment of income taxes of ¥8.3 billion.

Cash flows from investing activities

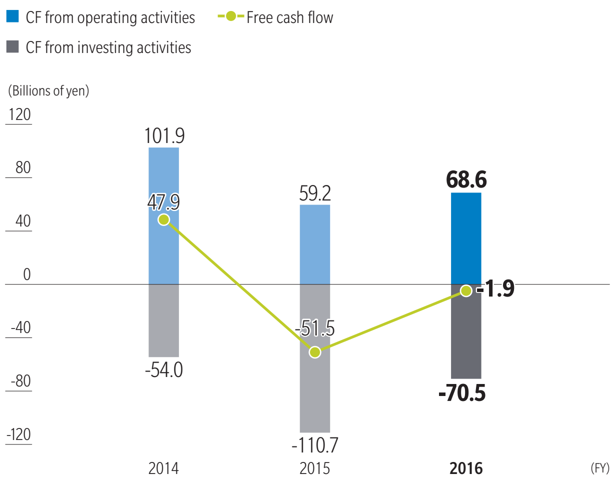
Net cash used in investing activities was ¥70.5 billion, due mainly to purchases of property, plant and equipment of ¥32.7 billion, purchases of intangible assets of ¥8.7 billion, and purchases of investments in subsidiaries of ¥25.4 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥1.9 billion, compared to net cash used of ¥51.5 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥2.3 billion, compared to net cash used of ¥20.5 billion in the same period of the previous fiscal year, reflecting mainly an increase in short-term loans payable of ¥3.1 billion and proceeds from bonds issuance and long-term loans payable of ¥36.8 billion, while expenditures included redemption of bonds and repayments of long-term loans payable of ¥27.8 billion and cash dividends paid of ¥14.8 billion.

Cash flows

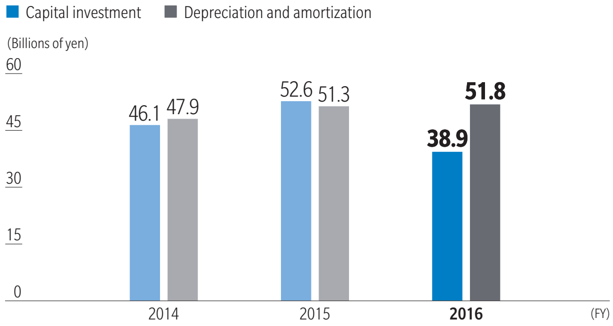


Capital Expenditure, etc.

Capital investment within the Group for the period 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. The total amount of capital investment made for the fiscal year stood at ¥38.944 billion.

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.

Capital investment/Depreciation and amortization



Research and Development Expenses

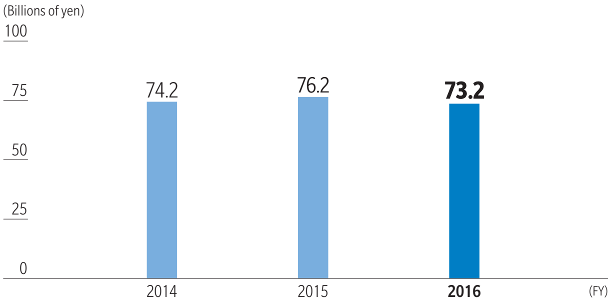
In line with the basic policy for medium-term business strategy—which is focused on realizing sustainable profit growth, transforming into a customer-centric company, and establishing a strong corporate structure—based on its TRANSFORM 2016 Medium-Term Business Plan, the Group has conducted all of its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

In the existing commercial and industrial printing segment, Konica Minolta is expanding its business portfolio by moving into providing unique services related to 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. In addition, France-based MGI, a leading manufacturer of digital decorative printing equipment, became a consolidated subsidiary of the Group. This gives Konica Minolta a strategic base for industrial printing in France, a country home to numerous leading industrial printing companies and a wide range of related equipment manufacturers. This will help us expand our lineup of products aimed at speeding up digitalization of the labeling and packaging industry and thereby strengthen our foothold in industrial printing. In the field of optical systems for industrial use, we have acquired as a consolidated subsidiary Germany-based MOBOTIX, a company with decentralized processing IP network camera systems featuring built-in DVR. By combining decentralized processing IP cameras and video management software (VMS) from MOBOTIX with Konica Minolta's proprietary 3D laser radar technology, which unfailingly detects objects in a wide field of view with high precision, we will provide next-generation decentralized network security solutions. And in the biohealthcare business, Konica Minolta has begun joint research with the Pasteur Institute and BioAxial in France. This research involves directly observing the movement and distribution of drugs within mice and observing the effects that drugs reaching organs and cells have on the workings of those cells—a process known as live cell imaging. Observing the effects of drugs and their mechanisms of action may help in accurately evaluating drug efficacy. We will quicken the pace of R&D for the field of in vitro diagnostics by leveraging a core technology for Konica Minolta, nanotechnology, and, starting with this service, we will be working to solve social problems in the life sciences through advanced technologies.

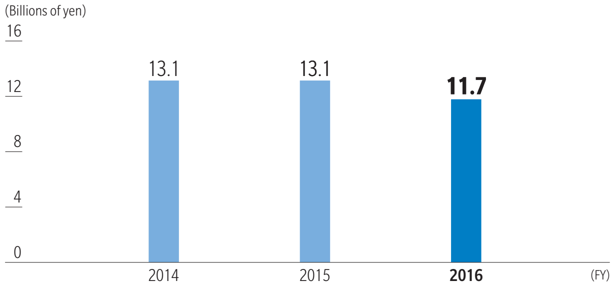
As a new business model, we are providing customers with solution-based services in the form of Konica Minolta's cyber physical systems, which integrate hardware (input/output) and software (processes) differentiated from competitors' offerings through our core technologies. One example of this has been our development of "care support solutions," which improve nursing care workflows using ICT. This service involves using non-contact sensors to detect nursing care facility residents' movements and inform nursing staff via smartphone. A special smartphone application allows for keeping a nursing care log and sharing information, among other functions. Through solutions such as these, we are working to help solve major social issues in Japan, namely an increasing number of nursing care patients in the country's graying society and a shortage of nursing care staff as the working-age population declines.

Groupwide research and development expenditure for the fiscal year under review decreased ¥3.0 billion, or 4.0%, year on year to ¥73.2 billion. R&D expenditures include amounts not included in figures posted by the business units, as well as ¥11.7 billion—an 11.3% decrease year on year—in basic research expenditure.

Research and development expenses



R&D expenditure for common fundamental technologies and advanced technologies

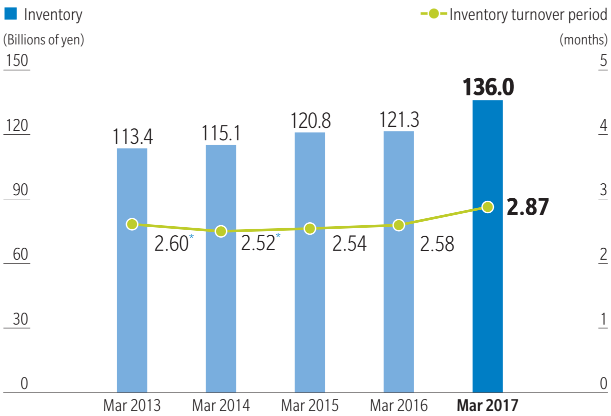


Financial Position and Liquidity

Assets

Total assets at March 31, 2017 were ¥1,005.4 billion, an increase of ¥29.0 billion (3.0%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥31.1 billion in goodwill and intangible assets, an increase of ¥14.6 billion in inventories, an increase of ¥12.4 billion in other financial assets, a decrease of ¥10.9 billion in deferred tax assets, a decrease of ¥7.3 billion in cash and cash equivalents, and a decrease of ¥6.3 billion in trade and other receivables.

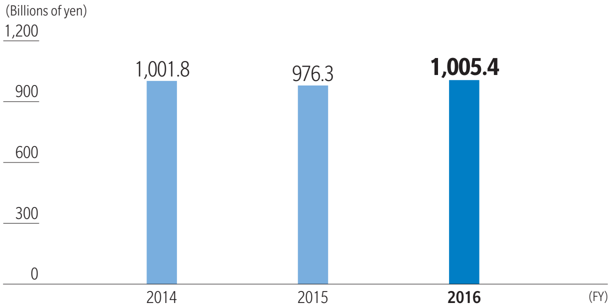
Inventory/Inventory turnover period



* Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months

* Inventory turnover period in March 2013 and in March 2014 conform to Japanese accounting standards

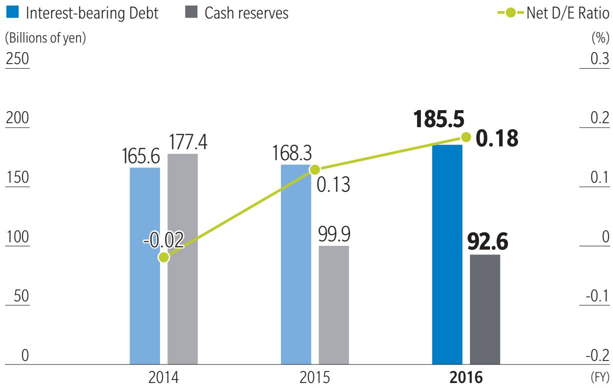
Total assets



Liabilities

Total liabilities at March 31, 2017 were ¥471.2 billion, an increase of ¥9.8 billion (2.1%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥17.2 billion in bonds and borrowings, and a decrease of ¥6.8 billion in trade and other payables.

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



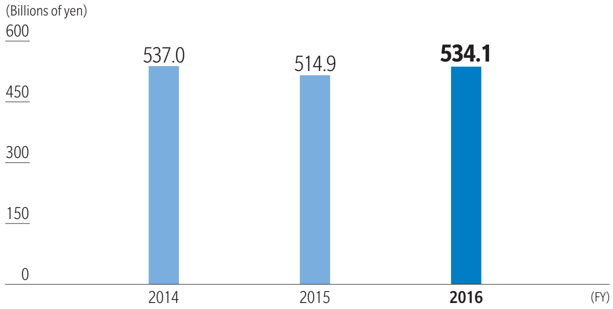
Equity

Total equity at March 31, 2017 amounted to ¥534.1 billion, an increase of ¥19.1 billion (3.7%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥524.3 billion at March 31, 2017, an increase of ¥10.0 billion (2.0%) from the previous fiscal year-end. This is primarily attributed to ¥31.5 billion in profit for the period attributable to owners of the company, a decrease of ¥14.8 billion in retained earnings due to cash dividends, and a decrease of ¥7.5 billion in other components of equity (mainly exchange differences on translation of foreign operations).

As a result of the above, equity per share attributable to owners of the company came to ¥1,057.92, and the equity ratio attributable to owners of the company decreased 0.6 percentage points to 52.1%.

Equity



Dividend Policy

Basic dividend policy

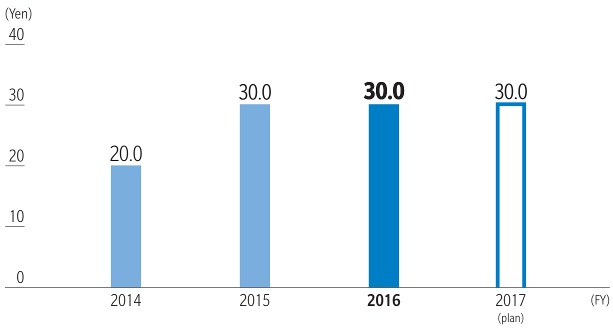
The policy regarding the payment of dividends from retained earnings, etc. calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements to promote strategic investments in growth fields while seeking to implement proactive shareholder returns. The Company strives to enhance shareholder returns through higher dividends as well as a flexible acquisition of the Company's own shares.

Dividends for the fiscal year ended March 31, 2017 and projected dividends for the fiscal year ending March 31, 2018

With respect to dividends from retained earnings for the fiscal year ended March 31, 2017, the Company distributed a year-end dividend of 15 yen per share. Combined with the dividend of 15 yen per share already paid at the end of the second quarter, the total annual dividend will be 30 yen per share.

Regarding ordinary dividends for the fiscal year ending March 31, 2018, the Company plans to distribute a total annual dividend of 30 yen per share, assuming we achieve the results forecasts outlined below.

Dividend per share



Outlook for the Fiscal Year Ending March 31, 2018

With regard to the global economic situation in which the Group operates, the current recovery trend in the US is expected to continue, bolstered by the improving employment environment and by anticipated changes in fiscal policy, but there is also concern that the uncertainty regarding the ability of the new administration to implement policy could affect the economy going forward. With the centripetal force of the EU weakened by the impending departure of the UK, elections to select governments are scheduled for some of the major countries, and there is an increased sense of uncertainty regarding the outlook for the economy. Although signs of recovery can be seen in some emerging countries, economic growth in China is forecast to continue to decelerate. As for the Japanese economy, although the tone of recovery in the employment environment is expected to continue, personal consumption is seen stagnating, and economic growth is forecast to be modest.

With regard to the demand outlook for the main markets in which Konica Minolta operates, in the Business Technologies Business we assume that in overseas markets the ratio of color MFPs for office use will continue to trend upwards and also that demand from small- and medium-sized enterprises for IT services will continue. In the field of commercial and industrial printing, we expect growing demand for digital printers as a result of the evolution of digital marketing. In the Healthcare Business, we expect further development in the sharing of medical information and collaboration between multiple medical institutions as a consequence of the digitalization of medical diagnostic equipment will lead to an increase in demand. For the Industrial Business, as a result of the diversification of display products there have been changes in the structure of the supply chain and in the balance of power between various players, so while we expect new demand for our measuring instrument products, we also see the risk that current products for performance materials will be affected by falling demand and a further step-up in price pressure.

In consideration of the situation described above, we have predicated our forecasts for the fiscal year ending March 31, 2018 on exchange rates of 105 yen against the US dollar and 115 yen against the euro, as shown below.

Forecast for the fiscal year ending March 31, 2018

Published May 11, 2017

	Fiscal 2017 forecast	Fiscal 2016 results
Revenue (Billions of yen)	**980.0**	962.5
Operating profit (Billions of yen)	**46.0**	50.1
Operating profit ratio	**4.7%**	5.2%
Net profit attributable to owners of the company (Billions of yen)	**30.0**	31.5
Capital investment (Billions of yen)	**55.0**	38.9
Depreciation and amortization (Billions of yen)	**55.0**	51.8
Free cash flow* (Billions of yen)	**45.0**	-1.9
Investment and financing (Billions of yen)	**40.0**	36.7
U.S. dollar (yen)	**105.00**	108.38
Euro (yen)	**115.00**	118.79

* Fiscal 2017 forecasts do not include investment and loan figures

Consolidated Statement of Financial Position

Konica Minolta, Inc. and Subsidiaries
As of March 31, 2017 and 2016

		Millions of yen		Thousands of U.S. dollars
Assets	Note	**2017**	2016	**2017**
Current assets				
Cash and cash equivalents	32	**¥ 92,628**	¥ 99,937	**$ 825,635**
Trade and other receivables	7, 15, 32	**243,195**	249,498	**2,167,707**
Inventories	8	**136,020**	121,361	**1,212,408**
Income tax receivables		**1,878**	3,210	**16,739**
Other financial assets	9, 32	**6,924**	3,327	**61,717**
Other current assets		**18,799**	18,249	**167,564**
Subtotal		**499,446**	495,585	**4,451,787**
Assets held for sale	10	**–**	630	**–**
Total current assets		**499,446**	496,216	**4,451,787**
Non-current assets				
Property, plant and equipment	11, 13	**190,580**	187,322	**1,698,725**
Goodwill and intangible assets	12, 13	**209,577**	178,390	**1,868,054**
Investments accounted for using the equity method	14	**3,489**	3,614	**31,099**
Other financial assets	9, 32	**47,542**	38,646	**423,763**
Deferred tax assets	16	**48,129**	59,052	**428,995**
Other non-current assets		**6,668**	13,128	**59,435**
Total non-current assets	5	**505,988**	480,154	**4,510,099**
Total assets	5	**¥1,005,435**	¥976,370	**$8,961,895**

Liabilities	Note	Millions of yen 2017	2016	Thousands of U.S. dollars 2017
Current liabilities				
Trade and other payables	17, 32	¥ 156,090	¥162,907	$1,391,300
Bonds and borrowings	15, 18, 32	41,294	42,624	368,072
Income tax payables		5,554	3,317	49,505
Provisions	19	5,659	6,821	50,441
Other financial liabilities	20, 32	372	200	3,316
Other current liabilities		41,275	39,379	367,903
Total current liabilities		250,246	255,251	2,230,555
Non-current liabilities				
Bonds and borrowings	15, 18, 32	144,218	125,653	1,285,480
Retirement benefit liabilities	21	61,267	67,913	546,100
Provisions	19	1,136	1,227	10,126
Other financial liabilities	20, 32	4,362	3,611	38,880
Deferred tax liabilities	16	5,222	3,443	46,546
Other non-current liabilities		4,833	4,286	43,079
Total non-current liabilities		221,040	206,137	1,970,229
Total liabilities	5	471,286	461,389	4,200,784
Equity				
Share capital	22	37,519	37,519	334,424
Share premium	22	202,631	203,397	1,806,141
Retained earnings	22	276,709	258,562	2,466,432
Treasury shares	22	(9,214)	(9,408)	(82,129)
Subscription rights to shares	31	998	1,009	8,896
Other components of equity	22	15,685	23,204	139,807
Equity attributable to owners of the Company		524,331	514,285	4,673,598
Non-controlling interests		9,818	696	87,512
Total equity		534,149	514,981	4,761,111
Total liabilities and equity		¥1,005,435	¥976,370	$8,961,895

Consolidated Statement of Profit or Loss

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

	Note	Millions of yen		Thousands of U.S. dollars
		2017	2016	2017
Revenue	5, 24	¥962,555	¥1,031,740	$8,579,686
Cost of sales	27	502,616	536,226	4,480,043
Gross profit		459,938	495,514	4,099,635
Other income	25	14,147	7,786	126,099
Selling, general and administrative expenses	27	416,622	429,891	3,713,540
Other expenses	13, 26, 27	7,328	13,339	65,318
Operating profit	5	50,135	60,069	446,876
Finance income	28	2,724	2,155	24,280
Finance costs	28	3,451	4,179	30,760
Share of profit or loss of investments accounted for using the equity method	14	(66)	(16)	(588)
Profit before tax		49,341	58,029	439,799
Income tax expense	16	17,856	26,029	159,159
Profit for the year		31,485	32,000	280,640
Profit for the year attributable to:				
Owners of the Company		¥ 31,542	¥ 31,973	$ 281,148
Non-controlling interests		(56)	26	(499)

	Note	Yen		U.S. dollars
Earnings per share	29			
Basic		¥63.65	¥64.39	$0.57
Diluted		63.47	64.21	0.57

Consolidated Statement of Comprehensive Income

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

	Note	Millions of yen		Thousands of U.S. dollars
		2017	2016	**2017**
Profit for the year		**¥31,485**	¥32,000	**$280,640**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans (net of tax)	30	**1,519**	(6,974)	**13,540**
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	30	**3,958**	(3,851)	**35,279**
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	14, 30	**(0)**	6	**(0)**
Total items that will not be reclassified to profit or loss		**5,477**	(10,819)	**48,819**
Items that may be subsequently reclassified to profit or loss				
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	30	**697**	(742)	**6,213**
Exchange differences on translation of foreign operations (net of tax)	30	**(12,324)**	(20,086)	**(109,849)**
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	14, 30	**(18)**	–	**(160)**
Total items that may be subsequently reclassified to profit or loss		**(11,645)**	(20,828)	**(103,797)**
Total other comprehensive income		**(6,168)**	(31,648)	**(54,978)**
Total comprehensive income for the year		**¥25,317**	¥ 351	**$225,662**
Total comprehensive income for the year attributable to:				
Owners of the Company		**¥25,556**	¥ 622	**$227,792**
Non-controlling interests		**(239)**	(270)	**(2,130)**

Consolidated Statement of Changes in Equity

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

		Millions of yen								
	Note	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Previous balance reported at April 1, 2015		¥37,519	¥203,395	¥257,227	(¥10,727)	¥1,016	¥ 47,545	¥535,976	¥1,071	¥537,048
Profit for the year		–	–	31,973	–	–	–	31,973	26	32,000
Other comprehensive income (loss)	30	–	–	–	–	–	(31,351)	(31,351)	(297)	(31,648)
Total comprehensive income for the year		–	–	31,973	–	–	(31,351)	622	(270)	351
Dividends	23	–	–	(12,448)	–	–	–	(12,448)	–	(12,448)
Acquisition and disposal of treasury shares	22	–	–	(92)	(9,767)	–	–	(9,860)	–	(9,860)
Cancellation of the treasury shares	22	–	–	(11,086)	11,086	–	–	–	–	–
Share-based payments	31	–	–	–	–	(6)	–	(6)	–	(6)
Equity transactions, etc. with non-controlling shareholders		–	2	–	–	–	–	2	(104)	(102)
Transfer from other components of equity to retained earnings	22	–	–	(7,010)	–	–	7,010	–	–	–
Total transactions, etc. with owners		–	2	(30,638)	1,318	(6)	7,010	(22,313)	(104)	(22,418)
Balance at March 31, 2016		37,519	203,397	258,562	(9,408)	1,009	23,204	514,285	696	514,981
Profit for the year		**–**	**–**	**31,542**	**–**	**–**	**–**	**31,542**	**(56)**	**31,485**
Other comprehensive income (loss)	30	**–**	**–**	**–**	**–**	**–**	**(5,985)**	**(5,985)**	**(182)**	**(6,168)**
Total comprehensive income for the year		**–**	**–**	**31,542**	**–**	**–**	**(5,985)**	**25,556**	**(239)**	**25,317**
Dividends	23	**–**	**–**	**(14,865)**	**–**	**–**	**–**	**(14,865)**	**–**	**(14,865)**
Acquisition and disposal of treasury shares	22	**–**	**–**	**(62)**	**194**	**–**	**–**	**131**	**–**	**131**
Share-based payments	31	**–**	**–**	**–**	**–**	**(10)**	**–**	**(10)**	**–**	**(10)**
Changes in non-controlling interests due to changes in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,805**	**9,805**
Equity transactions, etc. with non-controlling shareholders		**–**	**177**	**–**	**–**	**–**	**–**	**177**	**340**	**517**
Put options written on non-controlling interests	22	**–**	**(943)**	**–**	**–**	**–**	**–**	**(943)**	**(784)**	**(1,728)**
Transfer from other components of equity to retained earnings	22	**–**	**–**	**1,533**	**–**	**–**	**(1,533)**	**–**	**–**	**–**
Total transactions, etc. with owners		**–**	**(765)**	**(13,395)**	**194**	**(10)**	**(1,533)**	**(15,510)**	**9,361**	**(6,149)**
Balance at March 31, 2017		**¥37,519**	**¥202,631**	**¥276,709**	**(¥9,214)**	**¥ 998**	**¥15,685**	**¥524,331**	**¥9,818**	**¥534,149**

Thousands of U.S. dollars

	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2016	$334,424	$1,812,951	$2,304,680	($83,858)	$8,994	$206,828	$4,584,054	$ 6,204	$4,590,258
Profit for the year	–	–	281,148	–	–	–	281,148	(499)	280,640
Other comprehensive income (loss)	–	–	–	–	–	(53,347)	(53,347)	(1,622)	(54,978)
Total comprehensive income for the year	–	–	281,148	–	–	(53,347)	227,792	(2,130)	225,662
Dividends	–	–	(132,498)	–	–	–	(132,498)	–	(132,498)
Acquisition and disposal of treasury shares	–	–	(553)	1,729	–	–	1,168	–	1,168
Share-based payments	–	–	–	–	(89)	–	(89)	–	(89)
Changes in non-controlling interests due to changes in subsidiaries	–	–	–	–	–	–	–	87,396	87,396
Equity transactions, etc. with non-controlling shareholders	–	1,578	–	–	–	–	1,578	3,031	4,608
Put options written on non-controlling interests	–	(8,405)	–	–	–	–	(8,405)	(6,988)	(15,402)
Transfer from other components of equity to retained earnings	–	–	13,664	–	–	(13,664)	–	–	–
Total transactions, etc. with owners	–	(6,819)	(119,396)	1,729	(89)	(13,664)	(138,248)	83,439	(54,809)
Balance at March 31, 2017	**$334,424**	**$1,806,141**	**$2,466,432**	**($82,129)**	**$8,896**	**$139,807**	**$4,673,598**	**$87,512**	**$4,761,111**

Consolidated Statement of Cash Flows

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

	Note	Millions of yen		Thousands of U.S. dollars
		2017	2016	**2017**
Cash flows from operating activities				
Profit before tax		**¥49,341**	¥ 58,029	**$439,799**
Depreciation and amortization expenses		**51,804**	51,333	**461,752**
Impairment losses and reversal of impairment losses		**379**	51	**3,378**
Share of profit or loss in investments accounted for using the equity method		**66**	16	**588**
Interest and dividend income		**(2,688)**	(1,919)	**(23,959)**
Interest expenses		**2,848**	2,243	**25,386**
Loss (gain) on sales and disposals of property, plant and equipment and intangible assets		**1**	(2,329)	**9**
Decrease (increase) in trade and other receivables		**1,806**	(6,212)	**16,098**
Increase in inventories		**(12,446)**	(4,780)	**(110,937)**
Increase (decrease) in trade and other payables		**1,171**	(10,300)	**10,438**
Decrease on transfer of lease assets		**(6,831)**	(7,529)	**(60,888)**
Decrease in retirement benefit liabilities		**(3,045)**	(3,646)	**(27,141)**
Others		**(5,145)**	1,460	**(45,860)**
Subtotal		**77,263**	76,415	**688,680**
Dividends received		**525**	546	**4,680**
Interest received		**2,007**	1,416	**17,889**
Interest paid		**(2,792)**	(2,191)	**(24,886)**
Income taxes paid		**(8,343)**	(16,942)	**(74,365)**
Net cash flows from operating activities		**68,659**	59,244	**611,989**
Cash flows from investing activities				
Purchase of property, plant and equipment		**(32,731)**	(38,313)	**(291,746)**
Proceeds from sales of property, plant and equipment		**1,736**	9,541	**15,474**
Purchase of intangible assets		**(8,733)**	(11,952)	**(77,841)**
Purchase of investments in subsidiaries		**(25,453)**	(57,543)	**(226,874)**
Purchase of investments accounted for using the equity method		**–**	(2,644)	**–**
Purchase of investment securities		**(178)**	(148)	**(1,587)**
Proceeds from sales of investment securities		**111**	287	**989**
Payments for loans receivable		**(123)**	(184)	**(1,096)**
Collection of loans receivable		**139**	131	**1,239**
Payments for transfer of business		**(3,845)**	(3,324)	**(34,272)**
Others		**(1,514)**	(6,639)	**(13,495)**
Net cash flows from investing activities		**(70,594)**	(110,788)	**(629,236)**
Cash flows from financing activities				
Increase (decrease) in short-term loans payable		**3,140**	(9,414)	**27,988**
Proceeds from bonds issuance and long-term loans payable		**36,833**	38,704	**328,309**
Redemption of bonds and repayments of long-term loans payable		**(27,829)**	(27,772)	**(248,052)**
Purchase of treasury shares		**(3)**	(10,014)	**(27)**
Cash dividends paid	23	**(14,858)**	(12,447)	**(132,436)**
Payments for acquisition of interests in subsidiaries from non-controlling interests		**–**	(102)	**–**
Others		**370**	475	**3,298**
Net cash flows from financing activities		**(2,347)**	(20,571)	**(20,920)**
Effect of exchange rate changes on cash and cash equivalents		**(3,029)**	(5,442)	**(26,999)**
Net decrease in cash and cash equivalents		**(7,309)**	(77,559)	**(65,148)**
Cash and cash equivalents at the beginning of the year		**99,937**	177,496	**890,783**
Cash and cash equivalents at the end of the year		**¥92,628**	¥ 99,937	**$825,635**

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2017 and 2016

1. Reporting company

Konica Minolta, Inc. (the "Company") is a company incorporated and located in Japan and listed on the First Section of the Tokyo Stock Exchange. The consolidated financial statements of the Konica Minolta Group (the "Group") as of and for the fiscal year ended March 31, 2017 comprise the Company and its subsidiaries and the Group's interest in associates. The principal businesses of the Group are those related to Business Technologies Business, Healthcare Business and Industrial Business. Information regarding the activities of each business is described in note 5 "Operating segments".

Shoei Yamana, Director, President and CEO, and Representative Executive Officer of the Company authorized the consolidated financial statements for the fiscal year ended March 31, 2017 for issue on August 9, 2017.

2. Basis of preparation

(1) Statement of compliance

As the Company satisfies all conditions stipulated for a "Specified Company under Designated International Accounting Standards" as provided in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements", the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as provided in Article 93 of the same ordinance.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on the basis of historical cost, except for financial instruments measured at fair value, post-retirement benefit plan liabilities and post-retirement benefit plan assets, etc. as described in note 3 "Significant accounting policies".

(3) Functional and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. All financial information presented in Japanese yen has been rounded down to the million.

Financial information in United States (U.S.) dollars is included solely for the convenience of readers, and are translated from the corresponding Japanese yen amounts using the exchange rate on March 31, 2017, which is ¥112.19 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

(4) Changes in accounting policies

The Group applied the same accounting policies that were applied in the consolidated financial statements of the previous fiscal year.

There were minor changes in some standards; however, they do not have a material impact on the Group's results of operations and financial position.

(5) Standards and interpretations announced but not adopted

Standards and interpretations that had been announced as of the approval date of the consolidated financial statements of the Group are described below.

As of the fiscal year end, the Group had not adopted these standards, etc. None of these are expected to have a significant effect on the consolidated financial statements of the Group for the fiscal year ending March 31, 2018. The Group is considering the impact of these standards, etc. on the consolidated financial statements in or after the fiscal year ending March 31, 2019.

Standards and interpretations	Title	Mandatory adoption (From fiscal years beginning on or after)	Fiscal year in which Company will adopt standard	Summary
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of accounting for deferred tax assets for unrealized losses
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to accounting for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to impairment and hedge accounting
IFRS 2	Share-based Payment	January 1, 2018	Fiscal year ending March 31, 2019	Clarification of classification and measurement of share-based payments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revisions to accounting for leases

3. Significant accounting policies

Significant accounting policies of the Group are described below. These policies have been applied consistently to all fiscal years presented in the consolidated financial statements.

(1) Basis of consolidation

The consolidated financial statements of the Group have been prepared based on the financial statements of the Company and its subsidiaries and associates, which applied the accounting policies consistently.

The financial statements of subsidiaries and associates have been adjusted when necessary for them to align with the Group accounting policies.

1) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when, it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that the control commences until the date that the control ceases. In the event that the control continues after the Company has relinquished a portion of its interest in subsidiaries, this change is accounted for as a transaction with owners. Adjustments to non-controlling interests (NCI) and differences with the fair value of consideration are recognized directly in equity as equity attributable to owners of the Company.

Balances and transactions within the Group and any unrealized income and expenses arising from these transactions are eliminated in preparing the consolidated financial statements.

With regard to the comprehensive income of subsidiaries, even if the balance of NCI is negative, this income is attributed to owners of the Company and NCI respectively based on their proportional ownership.

2) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Investments in associates are accounted for using the equity method.

Investments in associates are initially recognized at cost. Subsequent to initial recognition, the Group's share in the profit or loss and other comprehensive income (OCI) of associates, is recognized as changes in the Group's investment in associates from the day that significant influence commences until the date that significant influence ceases.

(2) Business combinations

The Group accounts for business combinations using the acquisition method, recording as historical cost the total amount of the fair value of the consideration transferred on the acquisition date and the recognized amount of any NCI in the acquiree. NCI are measured based on the proportional ownership of their fair value or the fair value of the recognized amount of the identifiable assets acquired and liabilities assumed.

In the event the total amount of the fair value of consideration transferred, the recognized amount of NCI and the fair value of the pre-existing interest in the acquiree as of the date on which control was acquired exceeds the net recognized amount of the identifiable assets acquired and liabilities assumed on the date of acquisition, this excess is recognized as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Additional acquisitions of NCI subsequent to the initial acquisition are treated as capital transactions, and no goodwill is recognized on these transactions.

Intermediary fees, attorneys' fees, due diligence fees and other specialist remuneration, consulting fees and any similar costs are expensed as incurred.

If the initial accounting for a business combination is not completed by the end of the fiscal year in which that business combination occurred, uncompleted items are recognized at their provisional amounts. If information pertaining to the reality and conditions likely to affect the measurement of amounts recognized on the acquisition date and information on the determined period (the "measurement period") exist and are known on the acquisition date, that information is reflected and the provisionally recognized amounts are retroactively adjusted on the acquisition date. This additional information may be recognized as additional assets and liabilities. The maximum measurement period is one year.

(3) Foreign currency translation

1) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. The foreign operations of the Group principally use local currencies as their functional currencies. However, if the currency of the primary economic environment in which an entity operates is other than its local currency, the functional currency other than the local currency is used.

2) Foreign currency transactions

Foreign currency transactions, or transactions that occur in currencies other than entities' functional currencies, are translated to the respective functional currencies of the Group entities at exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on the fiscal year-end date, and foreign currency differences are recognized in profit or loss.

However, foreign currency differences resulting from financial instruments measured at fair value through OCI, cash flow hedges and a hedge of the net investment in a foreign operation are recognized in OCI. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

3) Foreign operations

The assets and liabilities of foreign operations employing functional currencies other than Japanese yen are translated to Japanese yen at the exchange rates as of the fiscal year-end date, while income, expenses and cash flows are translated to Japanese yen at the exchange rates on their transaction dates or at the average exchange rates for the fiscal period that approximates the exchange rates on their transaction dates. Resulting foreign currency differences are recognized in OCI, and their cumulative amount is presented in other components of equity.

In the event all interests in a foreign operation are disposed or a portion of the interest is disposed such that the control is lost, these cumulative amount in the other components of equity is reclassified in whole or in part, from OCI to profit or loss in the period of disposal.

4) Hedge of a net investment in a foreign operation

The Group uses financial instruments to hedge a portion of its foreign exchange exposure in equity investments in foreign operations, adopting hedge accounting for this purpose.

Foreign currency differences arising from translation of the financial instruments designated as a hedge of a net investment in a foreign operation are recognized in OCI to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. Concerning the effective portion of the hedge that is recognized as OCI, in the event all interests in a foreign operation are disposed or a portion of the interest is disposed such that the control is lost, the relevant amount is transferred from OCI to profit or loss in the period of disposal.

(4) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits that can be withdrawn as needed, and short-term investments that are easily converted into cash with little risk from a change in value.

(5) Financial instruments

The Group initially recognizes financial instruments as financial assets and liabilities on the transaction date on which the Group becomes a party to the contractual provisions of these financial instruments.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the contractual rights to receive the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group only sets off the balances of financial assets and financial liabilities and presents their net amount in the consolidated statement of financial position if the Group has the legal right to set off these balances and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments that are traded in active financial markets at the fiscal year-end makes reference to quoted market prices of identical assets and liabilities. If there is no active market, fair value of financial instruments is determined using appropriate valuation techniques.

1) Non-derivative financial assets

The Group holds as non-derivative financial assets: financial assets measured at amortized cost, financial assets measured at fair value through profit or loss (FVTPL) and financial assets measured at fair value through other comprehensive income (FVTOCI).

(a) Financial assets measured at amortized cost

The Group classifies financial assets as financial assets measured at amortized cost only if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial assets are measured at amortized cost using the effective interest method. On a quarterly basis, the Group assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired. Objective evidence of impairment includes significant worsening in the financial condition of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower.

Impairment losses are recognized if there is objective evidence that a loss event has occurred after the initial recognition and that the loss event has a negative impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Specific impairment is assessed on individually significant financial assets. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. The Group makes reference to historical trends, including past losses when assessing overall impairment.

When impairment losses on financial assets measured at amortized cost are recognized, the carrying amount of the financial asset is reduced by the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate through an allowance for doubtful accounts, and impairment losses are recognized in profit or loss. The carrying amount of these financial assets is directly reduced for the impairment when they are expected to become non-recoverable in the future, offsetting the carrying amount by the allowance for doubtful accounts. If the impairment amount decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses are reversed through profit or loss. An impairment loss is reversed only to the extent that the asset's amortized cost that would have been determined if no impairment loss had been recognized.

(b) Financial assets measured at FVTPL

The Group measures a financial asset at fair value and recognizes any changes in profit or loss if it is a non-derivative financial asset other than an equity instrument that does not satisfy the criteria for classification for measurement at amortized cost described in (a) above, and if it is an equity instrument other than those designated as financial assets initially measured at fair value through OCI.

Financial assets measured at FVTPL are initially recognized at fair value, with transaction expenses recognized in profit or loss as they occur.

(c) Financial assets measured at FVTOCI

Upon initial recognition, the Group elects irrevocably to recognize the valuation differences of those equity instruments held to expand its revenue base by maintaining or strengthening relations with business partners in OCI.

Financial assets measured at FVTOCI are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, fair value is measured, and any changes in fair value are recognized in OCI. Upon derecognition of these financial assets or when they fall substantially below their fair value, the cumulative amounts recognized in OCI are transferred to retained earnings.

Dividends on financial assets measured at FVTOCI are recognized as finance income in profit or loss.

2) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the effective interest method. However, contingent consideration on recognition as a financial liability is remeasured at fair value and any changes are recognized in profit or loss.

3) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge exchange rate risk exposures and interest rate risk exposures. The Group limits its transactions in these instruments to those actually required for hedging purposes and not for speculation purposes.

Derivative financial instruments are initially recognized at fair value, with any attributable transaction costs recognized in profit or loss as they occur. After initial recognition, fair value is remeasured, and the following accounting policies are applied for changes depending on whether the derivative financial instruments specified as the hedging instrument satisfy the conditions for hedge accounting. The Group specifies those derivative financial instruments that satisfy the conditions for hedge accounting as hedging instruments and applies hedge accounting on them.

(a) Derivative financial instruments that do not satisfy the conditions for hedge accounting

The Group recognizes changes in fair value of derivative financial instruments that do not satisfy the conditions for hedge accounting in profit or loss. However, the changes in fair value of put options written on non-controlling interests are recognized in share premium.

(b) Derivative financial instruments that satisfy the conditions for hedge accounting

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, and the objectives and strategies of risk management for undertaking the hedge, as well as the method for assessing the effectiveness of the hedge. At the inception of the hedge and on an ongoing basis thereafter, hedges are assessed as to whether the derivative specified as the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of the hedging instrument is recognized in OCI, while the ineffective portion is recognized immediately in profit or loss. The cumulative profits or losses recognized through OCI are reclassified from OCI to profit or loss in the consolidated statement of comprehensive income in the same period during which the cash flows of the hedged item affects profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, or if the forecast transaction is no longer expected to occur, then hedge accounting is discontinued prospectively.

(6) Inventories

The cost of inventories includes purchase costs, processing costs and all other costs incurred to bring inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value. The weighted average method is used to calculate cost. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale.

(7) Property, plant and equipment

The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs that satisfy the conditions for capitalization.

When measuring property, plant and equipment after initial recognition, the cost model is adopted, whereby such items are measured at cost less accumulated depreciation and accumulated impairment losses.

Except for land (with certain exceptions) and construction in progress, the cost less residual value of each asset is depreciated on a straight-line basis over its estimated useful life.

Estimated useful life, residual value or depreciation method are reviewed at the fiscal year-end date, and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimates is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

Buildings and structures:	3–50 years
Machinery and vehicles:	2–15 years
Tools and equipment:	2–20 years
Lease assets:	3–5 years

(8) Goodwill

Goodwill indicates the amount by which the cost of the NCI acquired in a business combination exceeds the net recognized amount of identifiable assets acquired and liabilities assumed at the time of acquisition. Details on the measurement of goodwill at initial recognition are described in (2) Business Combinations.

Goodwill is not amortized. It is allocated to an asset, cash-generating unit (CGU) or group of CGUs that are identified according to locations and types of business and tested for impairment annually or when there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss, and no subsequent reversal is made.

After initial recognition, goodwill is presented at cost less accumulated impairment losses.

(9) Intangible assets

Intangible assets acquired separately are measured at cost at the initial recognition, and the cost of intangible assets acquired through business combinations are recognized at fair value at the acquisition date.

Expenditures on internally generated intangible assets are recognized as expenses in the period when incurred, except for those that satisfy the criteria for recognition as assets. Internally generated intangible assets that satisfy the criteria for recognition as assets are stated at cost in the total amount of spending that is incurred after the assets first met recognition standards.

When performing subsequent measurement of intangible assets, the cost model is adopted and such items are measured at cost less accumulated amortization and accumulated impairment losses.

1) Intangible assets with finite useful lives

Intangible assets for which useful lives can be determined are amortized on a straight-line basis over their estimated useful lives from the date the assets are available for use. These assets are also tested for impairment whenever there is any indication of impairment.

Estimated useful lives, residual values and amortization methods are reviewed at fiscal year-end date, and the effect of any changes in estimate are accounted for during the period in which the change occurred and on a prospective basis. The effect of any changes in estimate is recognized in the period in which the change occurs.

The estimated useful lives of major assets are as follows:

Customer relationships:	3–15 years
Software:	3–10 years
Others:	3–10 years

2) Intangible assets with infinite useful lives

Intangible assets for which useful life cannot be determined are not amortized. These assets are tested for impairment each fiscal year.

(10) Research and development expense

Research-related expenditures are recognized as expenses when incurred. Development-related expenditures are recorded as assets only when they can be reliably measured, when they are technologically and commercially realizable as products or processes, when they are highly likely to generate future economic benefits, and when the Group intends to complete development and use or sell the assets and has sufficient resources to do so. Other expenditures are recognized as expenses when incurred.

(11) Leases

The Group classifies leases as finance leases when lease agreements transfer substantially all the risks and rewards of ownership to the lessee. All other leases agreements are classified as operating leases.

1) Lessees

Finance lease transactions are recorded in the consolidated statement of financial position as property, plant and equipment, or intangible assets, and bonds and borrowings at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Assets used in leases are depreciated on a straight-line basis over their estimated useful lives or lease terms, whichever is shorter. Lease payments are apportioned between the reduction of the lease obligation and the finance costs based on the effective interest method. Finance costs are recognized in the consolidated statement of profit or loss.

In operating lease transactions, lease payments are recognized as expenses using the straight-line method over the lease terms in the consolidated statement of profit or loss. Contingent rents are recognized as expenses in the period when they are incurred.

2) Lessors

In finance lease transactions, investment in the lease is recognized in the consolidated statement of financial position as trade and other receivables. Unearned finance income is apportioned at a constant rate against net investment over the lease period and recognized as revenue in the period to which it is attributable.

Lease receivables in operating lease transactions are recognized as revenue in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(12) Impairment of non-financial assets

The Group assesses for at each fiscal year-end whether there is any indication that a non-financial asset (excluding inventories, deferred tax assets and post-retirement benefit plan assets) may be impaired. If any such indication exists, then an impairment test is performed. For goodwill and intangible assets with infinite useful lives or that are not yet in use, an impairment test is performed each year and whenever there is any indication of impairment.

In an impairment test, the recoverable amount is estimated, and the carrying amount and recoverable amount are compared. The recoverable amount of an asset, CGU or group of CGUs is determined at the higher of its fair value less costs of disposal or its value in use. In determining the value in use, estimated future cash flows are discounted to the present value, using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

If as the result of the impairment test, the recoverable amount of an asset, CGU or group of CGUs is below its carrying amount, an impairment loss is recognized. In recognizing impairment losses on CGUs, including goodwill, first the carrying amount of goodwill allocated to the CGUs is reduced. Next, the carrying amounts of other assets within the CGUs are reduced proportionally.

If there is any indication that an impairment loss recognized in previous periods may be reversed, the impairment loss is reversed if the recoverable amount exceeds the carrying amount as a result of estimating the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

(13) Non-current assets or disposal groups classified as held for sale

For assets or asset groups that are not in continuing use and for which recovery through sale is expected, that are highly likely to be sold within one year, and that can be quickly sold in their current condition, assets held for sale and liabilities directly related to assets held for sale are classified into disposal groups separately from other assets and liabilities and recorded in the consolidated statement of financial position.

(14) Employee benefits

1) Post-retirement benefits

The Group employs defined benefit plans and defined contribution plans as post-retirement benefit plans for employees.

(a) Defined benefit plans

The Group calculates the present value of the defined benefit obligations, related current service cost and past service cost using the projected unit credit method.

For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the end of the fiscal year on high-quality corporate bonds.

Assets and liabilities related to the post-retirement benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets, and their amounts are recognized in the consolidated statement of financial position. The net amount of interest income related to plan assets in the post-retirement benefit plans, interest costs related to defined benefit obligation, and current service cost is recognized as profit or loss.

Differences arising from remeasurements of defined benefit plans are recognized in full in OCI in the period when they are incurred and transferred to retained earnings immediately. The entire amount of past service costs is recognized as profit or loss in the period when incurred.

(b) Defined contribution plans

The cost for defined-contribution post-retirement benefit plans is recognized as an expense when related services are provided by the employee.

2) Short-term employee benefits

Short-term employee benefits are not discounted, but are recognized as expenses when related services are provided by the employee.

If the Group has a present legal or constructive obligation to pay bonuses and paid vacation expenses and the obligation can be estimated reliably, a liability is recognized for the estimated payment amounts.

(15) Share-based payment

The Group has in place for directors (excluding outside directors), executive officers and group executives of the Company a share option plan as an equity- settled share-based payment plan. Share options are estimated at fair value at grant date and are recognized as an expense over the vesting period after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity.

(16) Provisions

The Group has present legal or constructive obligations resulting from past events and recognizes provisions when it is probable that the obligations are required to be settled and the amount of the obligations can be estimated reliably.

Where the effect of the time value of money is material to the provisions, the amount of provisions is measured at the present value of the estimated future cash flows discounted to present value using the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability. Reversals of discounts to reflect the passage of time are recognized as finance costs.

(17) Revenue

Revenue from the sale of goods in the course of ordinary business activities is measured at the fair value of the consideration received or receivable, less returns, discounts and rebates. The Group recognizes revenue from the sale of goods when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group does not retain continuing managerial involvement over the goods sold, the amount of revenue can be estimated reliably, the recoverability of consideration is high and related costs of sales can be estimated reasonably.

The Group recognizes revenue from the provision of services, based on stage of completion of transactions at the fiscal year-end when the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group; the stage of completion of transactions can be reliably measured at the fiscal year-end, and the expenses to be incurred in association with the transactions and the expenses required to conclude the transactions can be reliably measured.

Standards for recognizing revenue from the sale of goods and the provision of services are typically applied on a per- transaction basis. However, if individual transactions contain multiple recognizable elements, revenue may be recognized for each elemental unit in order to reflect the economic reality of the transactions.

(18) Government grants

The Group initially recognizes government grant as deferred income at fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to it.

After initial recognition, grants associated with assets are recognized in profit or loss on a systematic basis over the useful lives of the assets. For grants associated with revenue, revenue is recognized as other income in profit or loss in the periods when related expenses are recognized.

(19) Income taxes

Current and deferred taxes are stated as income tax expense in the consolidated statement of profit or loss except when they relate to business combinations or on items recognized in OCI or directly in equity.

The current and deferred taxes relating to items recognized in OCI are recognized as OCI.

1) Current taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the tax authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

2) Deferred taxes

Deferred income taxes are calculated based on the temporary differences between the amounts used for tax purpose and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and deferred tax liabilities are not recognized for the following temporary differences:

- taxable temporary differences on initially recognized goodwill
- temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction affect neither accounting profit nor taxable profit or tax loss
- taxable temporary differences on investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future
- deductible temporary differences on investments in subsidiaries and associates to the extent that it is not probable the temporary differences will reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority on the same taxable entity (including consolidated tax payments).

4. Critical accounting estimates and determining estimates

(1) Estimation and determination

The consolidated financial statements for the Group incorporate management's estimates and judgments.

The assumptions serving as bases for estimation are reviewed on an ongoing basis. Effects due to changes in estimates are recognized in the period when the estimate is changed and for future fiscal periods.

Actual results may differ from accounting estimates and the assumptions forming their basis.

(2) Estimates and determinations that have significant effects on the amounts recognized in the consolidated financial statements of the Group are as follows.

1) Impairment of non-financial assets

The Group conducts impairment tests whenever there is any indication that the recoverable amount of a non-financial asset (excluding inventories, deferred tax assets and post-retirement benefit plan assets) may fall below its carrying amount. For goodwill and intangible assets with infinite useful lives or that are not yet in use, an impairment test is performed each year and whenever there is any indication of impairment.

When conducting an impairment test, principal factors indicating that impairment may have occurred include a substantial worsening of business performance compared with past or estimated operating performance, significant changes in the uses of acquired assets or changes in overall strategy, or a substantial worsening of industry or economic trends.

Goodwill is allocated to an assets CGU or groups of CGUs based on the region where business is conducted and business category, and impairment tests are conducted on goodwill once each year or when there is an indication of impairment.

Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset's useful life, future cash flows, discount rates that reflect the risks specific to the asset, and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in note 3. (12) "Impairment of non-financial assets".

2) Provisions

The Group records various provisions in the consolidated statement of financial position, including provision for product warranties and provision for restructuring.

These provisions are recognized based on the best estimates of the expenditures required to settle the obligations taking into consideration of risks and the uncertainty related to the obligations as of the fiscal year-end date.

Expenditures required to settle the obligations are calculated by taking possible results into account comprehensively. However, they may be affected by the occurrence of unexpected events or changes in conditions which may have a material impact on the consolidated financial statements in future periods.

The nature and amount of provisions are described in note 19 "Provisions".

3) Employee benefits

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions and related sensitivity analysis are described in note 21 "Employee benefits".

4) Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. Therefore, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in note 16 "Income taxes".

5. Operating segments

(1) Reportable segments

Reportable segments of the Group are the constituent business units of the Group 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 establishes 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. Consequently, the operations of the Group are divided into business segments based on products and services of each business category. This results in three reportable business segments: "Business Technologies Business," "Healthcare Business," and "Industrial Business." "Others" includes businesses involving IP video surveillance cameras, planetariums, etc. that are not included in the three reportable segments.

The business content of each reportable segment is as follows:

	Business content	
Business Technologies Business	<Office Services> Development, manufacture, and sales of MFPs and IT services; the provision of related consumables, solutions, and services	<Commercial and Industrial Printing> Development, manufacture, and sales of digital printing systems, various printing services, and industrial inkjet printers; the provision of related consumables, solutions, and services
Healthcare Business	Development, manufacture, sales, and provision of services for diagnostic imaging systems (digital X-ray diagnostic imaging systems, diagnostic ultrasound systems, etc.)	
Industrial Business	<Optical Systems for Industrial Use> Development, manufacture, and sales of measuring instruments, lenses for industrial and professional use, etc.	<Performance Materials> Development, manufacture, and sales of TAC films used in liquid crystal displays, organic light-emitting diode (OLED) lighting, functional films, etc.

(2) Financial information on reportable segments

Methods of accounting for reportable statements are described in note 3 "Significant accounting policies" and are consistent with the accounting policies of the Group.

Financial information on reportable segments is provided below. Segment profit refers to operating profit.

Previous fiscal year (From April 1, 2015 to March 31, 2016)

	Millions of yen					
	2016					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥832,187	¥89,855	¥105,975	¥1,028,018	¥ 3,721	¥1,031,740
Inter-segment (Note)	2,260	725	4,552	7,537	23,033	30,571
Total	834,447	90,581	110,527	1,035,556	26,755	1,062,311
Segment profit	70,210	3,907	17,050	91,167	1,648	92,815
Segment assets	636,716	80,806	190,204	907,726	31,988	939,715
Segment liabilities	309,507	59,714	116,926	486,148	11,133	497,281
Other items						
Depreciation and amortization expenses	32,847	3,920	7,127	43,896	412	44,308
Impairment losses on non-financial assets	50	–	–	50	–	50
Investments accounted for using the equity method	2,321	517	774	3,614	–	3,614
Capital expenditures on property, plant and equipment and intangible assets	¥ 36,754	¥ 1,325	¥ 8,924	¥ 47,004	¥ 597	¥ 47,601

(Note) Inter-segment revenue is based on market prices, etc.

Current fiscal year (From April 1, 2016 to March 31, 2017)

	Millions of yen					
	2017					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥771,735	¥89,940	¥89,425	¥951,101	¥11,454	¥962,555
Inter-segment (Note)	4,323	873	4,337	9,534	22,971	32,505
Total	776,059	90,814	93,762	960,635	34,425	995,061
Segment profit (loss)	52,962	2,863	18,597	74,423	(798)	73,625
Segment assets	639,055	82,225	173,389	894,670	54,621	949,291
Segment liabilities	304,819	60,108	99,190	464,118	34,620	498,738
Other items						
Depreciation and amortization expenses	33,247	4,000	8,036	45,285	386	45,671
Impairment losses on non-financial assets	167	0	124	292	–	292
Investments accounted for using the equity method	2,204	523	761	3,489	–	3,489
Capital expenditures on property, plant and equipment and intangible assets	¥ 24,343	¥ 1,684	¥ 7,789	¥ 33,817	¥ 423	¥ 34,241

(Note) Inter-segment revenue is based on market prices, etc.

	Thousands of U.S. dollars					
	2017					
	Business Technologies Business	Healthcare Business	Industrial Business	Subtotal	Others	Total
Revenue						
External	$6,878,822	$801,676	$ 797,085	$8,477,592	$102,095	$8,579,686
Inter-segment	38,533	7,781	38,658	84,981	204,751	289,732
Total	6,917,363	809,466	835,743	8,562,572	306,846	8,869,427
Segment profit (loss)	472,074	25,519	165,763	663,366	(7,113)	656,253
Segment assets	5,696,185	732,908	1,545,494	7,974,597	486,862	8,461,458
Segment liabilities	2,716,989	535,770	884,125	4,136,893	308,584	4,445,476
Other items						
Depreciation and amortization expenses	296,345	35,654	71,628	403,646	3,441	407,086
Impairment losses on non-financial assets	1,489	0	1,105	2,603	–	2,603
Investments accounted for using the equity method	19,645	4,662	6,783	31,099	–	31,099
Capital expenditures on property, plant and equipment and intangible assets	$ 216,980	$ 15,010	$ 69,427	$ 301,426	$ 3,770	$ 305,205

Differences between totals for reportable segments and the financial information in the consolidated financial statements are itemized and presented as below.

	Millions of yen		Thousands of U.S. dollars
Revenue	2017	2016	2017
Total revenue of reportable segments	¥960,635	¥1,035,556	$8,562,572
Revenue categorized in "Others"	34,425	26,755	306,846
Total of reportable and Others segments	995,061	1,062,311	8,869,427
Adjustments (Note)	(32,505)	(30,571)	(289,732)
Revenue reported in consolidated statement of profit or loss	¥962,555	¥1,031,740	$8,579,686

(Note) Adjustments are due to eliminations for inter-segment transactions.

Profit	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total profit of reportable segments	¥74,423	¥91,167	$663,366
Segment profit (loss) categorized in "Others"	(798)	1,648	(7,113)
Total of reportable and Others segments	73,625	92,815	656,253
Adjustments (Note)	(23,490)	(32,745)	(209,377)
Operating profit reported in consolidated statement of profit or loss	¥50,135	¥60,069	$446,876

(Note) Adjustments include eliminations for inter-segment transactions and corporate expenses, which are mainly general administration expenses and basic research expenses not attributed to any reportable segment.

Assets	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total assets of reportable segments	¥ 894,670	¥907,726	$ 7,974,597
Assets categorized in "Others"	54,621	31,988	486,862
Total of reportable and Others segments	949,291	939,715	8,461,458
Adjustments (Note)	56,144	36,655	500,437
Assets reported in consolidated statement of financial position	¥1,005,435	¥976,370	$8,961,895

(Note) Adjustments include eliminations for inter-segment transactions and corporate assets that are not attributed to any reportable segment. These corporate assets mainly comprise short-term investments (cash and deposits, and securities), long-term investments (investment securities), property, plant and equipment and intangible assets, etc.

Liabilities	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total liabilities of reportable segments	¥464,118	¥486,148	$4,136,893
Liabilities categorized in "Others"	34,620	11,133	308,584
Total of reportable and Others segments	498,738	497,281	4,445,476
Adjustments (Note)	(27,452)	(35,892)	(244,692)
Liabilities reported in consolidated statement of financial position	¥471,286	¥461,389	$4,200,784

(Note) Adjustments include eliminations for inter-segment transactions and corporate liabilities, which are mainly interest-bearing debts (bonds and borrowings, etc.) not attributed to any reportable segment.

	Millions of yen							
	Total of reportable segments		Others		Adjustments (Note)		Reported in consolidated financial statements	
Other items	2017	2016	2017	2016	2017	2016	2017	2016
Depreciation and amortization expenses	¥45,285	¥43,896	¥386	¥412	¥6,133	¥7,024	¥51,804	¥51,333
Impairment losses on non-financial assets	292	50	–	–	89	1	382	51
Investments accounted for using the equity method	3,489	3,614	–	–	–	–	3,489	3,614
Capital expenditures on property, plant and equipment and intangible assets	¥33,817	¥47,004	¥423	¥597	¥4,703	¥5,003	¥38,944	¥52,605

(Note) Adjustments for depreciation and amortization expenses and impairment losses are mainly for facilities that are not attributed to any reportable segment.
In relation to other items, adjustments to capital expenditures are mainly for capital expenditures for buildings that are not attributed to any reportable segment.

	Thousands of U.S. dollars			
	Total of reportable segments	Others	Adjustments	Reported in consolidated financial statements
Other items	2017			
Depreciation and amortization expenses	$403,646	$3,441	$54,666	$461,752
Impairment losses on non-financial assets	2,603	–	793	3,405
Investments accounted for using the equity method	31,099	–	–	31,099
Capital expenditures on property, plant and equipment and intangible assets	$301,426	$3,770	$41,920	$347,125

(3) Financial information by geographical region

External revenue by geographical area is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Japan	**¥192,297**	¥ 200,172	**$1,714,030**
United States	**249,669**	267,503	**2,225,412**
European countries	**299,902**	319,731	**2,673,162**
China	**73,211**	76,363	**652,563**
Asia, excluding Japan and China	**72,114**	81,288	**642,785**
Others	**75,359**	86,680	**671,709**
Total	**¥962,555**	¥1,031,740	**$8,579,686**

(Note) Revenue classifications are based on customers' geographical regions. There are no key countries presented separately other than the ones in the above table.

Summary by geographical region of the carrying amounts of non-current assets (excluding financial assets, deferred tax assets and post-retirement benefit assets) is set out as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Japan	**¥205,495**	¥210,244	**$1,831,669**
United States	**73,310**	73,048	**653,445**
European countries	**95,391**	61,548	**850,263**
China	**17,109**	19,312	**152,500**
Asia, excluding Japan and China	**14,059**	13,064	**125,314**
Others	**4,768**	5,042	**42,499**
Total	**¥410,135**	¥382,261	**$3,655,718**

(4) Information on principal customers

No single external customer contributed to 10% of revenue or more.

6. Business Combinations

Previous fiscal year (From April 1, 2015 to March 31, 2016)

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group acquired, in cash, 100% of shareholding of Radiant Vision Systems, LLC (hereafter, "Radiant"), a US-based leading provider of testing and measurement systems for flat panel displays. Radiant develops and offers fully integrated testing and measurement systems precisely engineered to meet specific customer requirements in the global display testing and measurement industry.

Through the acquisition of Radiant, the Group will solidify the foundation of its business of optical systems for industrial use within the Industrial Business by integrating Radiant's products and solutions with the existing business of light-source color measurement.

Furthermore, to pursue its future growth, the Group will gain the technological strength necessary to enter the field of manufacturing inspection systems, including visual surface inspections, where automation and integration will improve productivity.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥29,056	$258,989
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	921	8,209
Trade and other receivables	1,199	10,687
Inventories	678	6,043
Property, plant and equipment	351	3,129
Intangible assets	8,622	76,852
Other assets	58	517
Liabilities	(722)	(6,436)
Goodwill (Note 2)	17,948	159,979
Total	¥29,056	$258,989

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of Radiant, and the total sum is posted as losses over a certain period for tax purposes.

Acquisition–related costs of ¥618 million incurred in the business combination were recognized in "Selling, general and administrative expenses".

(3) Performance after the acquisition date

Information is not disclosed because the business combination of Radiant has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of Radiant took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shareholding of 20/20 Healthcare LLC)
(1) Description of the business combination

As of October 1, 2015, the Group acquired, in cash, 100% of shareholding of 20/20 Healthcare LLC, a US-based company, which led to the acquisition of its subsidiaries, Viztek LLC (hereafter, "Viztek") and 20/20 Imaging LLC. Viztek is a provider of healthcare products and IT solutions.

Through this acquisition, the Group will strengthen its capabilities to provide value in the primary care market with a high growth potential in the U.S., the world's largest healthcare market. The synergy with Viztek will enhance the Group's healthcare IT solutions services centered on digital X-ray diagnostic imaging, low-invasive diagnostic ultrasound imaging, and picture archiving and communication systems (PACS).

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥9,124	$81,326
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	15	134
Trade and other receivables	1,042	9,288
Inventories	1,060	9,448
Property, plant and equipment	78	695
Intangible assets	2,478	22,088
Other current assets	8	71
Liabilities	(2,236)	(19,930)
Goodwill (Note 2)	6,676	59,506
Total	¥9,124	$81,326

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of the acquired companies, and the total sum will be deductible over a certain period for tax purposes.

Acquisition–related costs of ¥273 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of 20/20 Healthcare LLC has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of 20/20 Healthcare LLC took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shares of Dactyl Buro du Centre and OMR Impressions)

The following amounts in (2) reflect the amounts after modification was made to the provisional estimates once the allocation of acquisition costs was completed after the end of this fiscal year.

(1) Description of the business combination

On February 15, 2016, the Group acquired, in cash, 100% shares of two major French MFP sales companies, French Dactyl Buro du Centre and OMR Impressions.

As well as boosting MFP sales by establishing a direct sales network that covers all of France's major cities, this acquisition will enable the Group to strengthen its digital printing systems and IT service offerings in the Business Technologies Business.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥10,856	$96,764
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	966	8,610
Trade and other receivables	2,112	18,825
Inventories	452	4,029
Property, plant and equipment	2,117	18,870
Intangible assets	1,227	10,937
Other assets	680	6,061
Bonds and borrowings	(3,061)	(27,284)
Deferred tax liabilities	(16)	(143)
Other liabilities	(2,566)	(22,872)
Goodwill (Note 2)	8,944	79,722
Total	¥10,856	$96,764

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earning power of the acquired companies and will not be deductible for tax purposes.

Acquisition–related costs of ¥147 million incurred in the business combination were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of French Dactyl Buro du Centre and OMR Impressions has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of French Dactyl Buro du Centre and OMR Impressions took place at the beginning of the fiscal year, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

Current fiscal year (From April 1, 2016 to March 31, 2017)

(Acquisition of shares of MOBOTIX AG)

(1) Description of the business combination

As of May 10, 2016, the Group acquired 65.5% of shares (65.5% of voting rights) of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software, in an all-cash transaction.

Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression and analytics technologies.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥21,568	$192,245
Non-controlling interests (Note 2)	3,198	28,505
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	219	1,952
Trade and other receivables	2,123	18,923
Inventories	1,847	16,463
Property, plant and equipment	2,451	21,847
Intangible assets	7,381	65,790
Other assets	526	4,688
Trade and other payables	(1,150)	(10,250)
Bonds and borrowings	(1,449)	(12,916)
Deferred tax liabilities	(2,182)	(19,449)
Other liabilities	(495)	(4,412)
Goodwill (Note 3)	15,495	138,114
Total	¥24,767	$220,759

(Note 1) There was no contingent consideration.
(Note 2) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.
(Note 3) Goodwill largely represents an excess earning power of the acquired company and will not be deductible for tax purposes.

Acquisition–related costs of ¥521 million for the business combination (of which ¥79 million was incurred in the previous fiscal year) were recognized in "Selling, general and administrative expenses."

(3) Performance after the acquisition date

Information is not disclosed because the business combination of MOBOTIX has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2017.

(4) Pro-forma information

Because pro forma information (unaudited information) based on the assumption that the business combination of MOBOTIX took place at the beginning of the current fiscal year, on April 1, 2016, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2017, it is not disclosed here.

7. Trade and other receivables

The components of trade and other receivables as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Notes and accounts receivable–trade	**¥204,564**	¥221,716	**$1,823,371**
Finance lease receivables	**32,156**	23,330	**286,621**
Others	**12,006**	10,713	**107,015**
Allowance for doubtful accounts	**(5,533)**	(6,261)	**(49,318)**
Total	**¥243,195**	¥249,498	**$2,167,707**

8. Inventories

The components of inventories as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished goods	¥104,700	¥ 93,269	$ 933,238
Work in progress	10,691	9,766	95,294
Materials and supplies (Note 1)	20,629	18,325	183,876
Total	¥136,020	¥121,361	$1,212,408

(Note 1) Materials include spare parts for maintenance purpose to be used after 12 months from each fiscal year-end. They are included as inventories as they are held within the ordinary course of business.
(Note 2) The acquisition costs of inventories recognized as expenses during the current fiscal year is primarily included in "cost of sales".
(Note 3) The amount of inventories written down to their net realizable value in the current fiscal year is ¥2,220 million (previous fiscal year: ¥2,902 million), which is included in "cost of sales".

9. Other financial assets

The components of other financial assets as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans receivable	¥ 165	¥ 219	$ 1,471
Investment securities	27,872	24,163	248,436
Lease and guarantee deposits	6,522	6,899	58,134
Derivative financial assets	7,764	5,946	69,204
Others	12,806	5,587	114,146
Allowance for doubtful accounts	(665)	(841)	(5,927)
Total	54,466	41,974	485,480
Current	6,924	3,327	61,717
Non-current	¥47,542	¥38,646	$423,763

10. Non-current assets held-for-sale and disposal groups

For fiscal year ended March 31, 2016, in line with the mid-term management plan to improve asset efficiency, the Group resolved to sell land in North America that is not attributable to reportable segments.

For fiscal year ended March 31, 2017, in regard to the land classified non-current assets held for sale as of March 31 2016, the Group ceased to classify it as held for sale, and transferred it to property, plant and equipment as of March 31 2017.

11. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for fiscal years ended March 31, 2017 and 2016, are as follows:

(Cost)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2015	¥192,428	¥239,275	¥160,849	¥43,957	¥33,296	¥ 4,236	¥674,043
Acquisitions	1,440	1,763	16,228	8,073	–	22,604	50,110
Acquisitions through business combinations	264	78	1,753	2,087	2	–	4,186
Transfer from construction in progress to other account	5,775	7,736	5,955	–	–	(19,467)	–
Disposals	(9,460)	(35,179)	(12,648)	(3,622)	(1,852)	(20)	(62,784)
Others	(82)	(36)	(857)	(3,525)	240	1,151	(3,109)
Effect of foreign currency exchange differences	(2,511)	(2,220)	(4,787)	(1,971)	(114)	(96)	(11,702)
Balance at March 31, 2016	187,854	211,416	166,492	44,997	31,572	8,408	650,743
Acquisitions	**785**	**1,939**	**10,325**	**7,353**	**3**	**18,429**	**38,837**
Acquisitions through business combinations	**1,694**	**1,255**	**796**	**13**	**102**	**23**	**3,884**
Transfer from construction in progress to other account	**7,009**	**11,202**	**4,472**	**5**	**–**	**(22,690)**	**–**
Disposals	**(1,554)**	**(6,791)**	**(9,130)**	**(6,648)**	**(421)**	**(271)**	**(24,817)**
Others	**1,130**	**1,742**	**1,579**	**(1,993)**	**632**	**(230)**	**2,860**
Effect of foreign currency exchange differences	**(1,512)**	**(1,212)**	**(2,633)**	**(1,703)**	**(101)**	**(18)**	**(7,181)**
Balance at March 31, 2017	**¥195,408**	**¥219,553**	**¥171,902**	**¥42,024**	**¥31,788**	**¥ 3,650**	**¥664,327**

(Note) Others includes transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	$1,674,427	$1,884,446	$1,484,018	$401,079	$281,415	$ 74,944	$5,800,365
Acquisitions	**6,997**	**17,283**	**92,031**	**65,541**	**27**	**164,266**	**346,172**
Acquisitions through business combinations	**15,099**	**11,186**	**7,095**	**116**	**909**	**205**	**34,620**
Transfer from construction in progress to other account	**62,474**	**99,848**	**39,861**	**45**	**–**	**(202,246)**	**–**
Disposals	**(13,852)**	**(60,531)**	**(81,380)**	**(59,257)**	**(3,753)**	**(2,416)**	**(221,205)**
Others	**10,072**	**15,527**	**14,074**	**(17,765)**	**5,633**	**(2,050)**	**25,492**
Effect of foreign currency exchange differences	**(13,477)**	**(10,803)**	**(23,469)**	**(15,180)**	**(900)**	**(160)**	**(64,007)**
Balance at March 31, 2017	**$1,741,760**	**$1,956,975**	**$1,532,240**	**$374,579**	**$283,341**	**$ 32,534**	**$5,921,446**

(Accumulated depreciation and impairment losses)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2015	(¥123,623)	(¥206,554)	(¥130,120)	(¥30,717)	(¥1,304)	(¥82)	(¥492,402)
Depreciation expenses	(5,765)	(8,638)	(14,692)	(7,026)	(11)	–	(36,135)
Impairment losses	(1)	(38)	(2)	(9)	–	–	(51)
Disposals	8,084	34,913	9,683	3,237	100	–	56,018
Others	(182)	131	(535)	2,820	(221)	–	2,011
Effect of foreign currency exchange differences	1,089	1,456	3,326	1,260	3	–	7,136
Balance at March 31, 2016	(120,399)	(178,730)	(132,340)	(30,433)	(1,434)	(82)	(463,421)
Depreciation expenses	**(5,629)**	**(9,061)**	**(14,946)**	**(5,435)**	**(10)**	**–**	**(35,082)**
Impairment losses	**(109)**	**(211)**	**(17)**	**(42)**	**–**	**–**	**(382)**
Disposals	**1,361**	**6,057**	**8,399**	**6,315**	**42**	**–**	**22,176**
Others	**(415)**	**(1,544)**	**(1,062)**	**1,390**	**(0)**	**59**	**(1,572)**
Effect of foreign currency exchange differences	**874**	**832**	**1,819**	**1,003**	**6**	**–**	**4,536**
Balance at March 31, 2017	**(¥124,318)**	**(¥182,658)**	**(¥138,149)**	**(¥27,201)**	**(¥1,395)**	**(¥23)**	**(¥473,746)**

(Note) Others includes transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	($1,073,171)	($1,593,101)	($1,179,606)	($271,263)	($12,782)	($731)	($4,130,680)
Depreciation expenses	**(50,174)**	**(80,765)**	**(133,220)**	**(48,445)**	**(89)**	**–**	**(312,702)**
Impairment losses	**(972)**	**(1,881)**	**(152)**	**(374)**	**–**	**–**	**(3,405)**
Disposals	**12,131**	**53,989**	**74,864**	**56,288**	**374**	**–**	**197,665**
Others	**(3,699)**	**(13,762)**	**(9,466)**	**12,390**	**(0)**	**526**	**(14,012)**
Effect of foreign currency exchange differences	**7,790**	**7,416**	**16,214**	**8,940**	**53**	**–**	**40,431**
Balance at March 31, 2017	**($1,108,102)**	**($1,628,113)**	**($1,231,384)**	**($242,455)**	**($12,434)**	**($205)**	**($4,222,711)**

(Carrying amount)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	¥67,455	¥32,686	¥34,151	¥14,564	¥30,138	¥8,325	¥187,322
Balance at March 31, 2017	**¥71,090**	**¥36,894**	**¥33,753**	**¥14,822**	**¥30,392**	**¥3,627**	**¥190,580**

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2017	**$633,657**	**$328,853**	**$300,856**	**$132,115**	**$270,898**	**$32,329**	**$1,698,725**

The carrying amount of property, plant and equipment as of March 31, 2017 and 2016 includes the carrying amount of the following leased assets:

(Carrying amount of lease assets)

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2016	¥384	¥195	¥639	¥3,437	¥895
Balance at March 31, 2017	**¥266**	**¥478**	**¥595**	**¥2,053**	**¥891**

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2017	**$2,371**	**$4,261**	**$5,304**	**$18,299**	**$7,942**

12. Goodwill and intangible assets

The changes in the carrying amounts of goodwill and intangible assets for fiscal years ended March 31, 2017 and 2016 are set out as follows:

(Cost)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note)	Total
Balance at April 1, 2015	¥ 77,843	¥36,292	¥61,521	¥18,366	¥194,023
Acquisitions	–	–	2,024	10,029	12,054
Acquisitions through business combinations	41,487	14,426	504	4,994	61,413
Disposal	–	–	(10,650)	(321)	(10,971)
Others	–	367	5,455	(5,725)	96
Effect of foreign currency exchange differences	(4,232)	(3,081)	(1,300)	(767)	(9,381)
Balance at March 31, 2016	115,098	48,005	57,554	26,577	247,235
Acquisitions	**–**	**–**	**1,910**	**6,859**	**8,770**
Acquisitions through business combinations	**25,939**	**4,356**	**355**	**13,979**	**44,631**
Disposal	**–**	**–**	**(5,055)**	**(38)**	**(5,093)**
Others	**2,142**	**(1,666)**	**7,308**	**(6,285)**	**1,498**
Effect of foreign currency exchange differences	**(2,386)**	**(1,132)**	**(983)**	**(1,898)**	**(6,400)**
Balance at March 31, 2017	**¥140,792**	**¥49,562**	**¥61,090**	**¥39,195**	**¥290,641**

(Note) Software in progress is included in "Others" within intangible assets.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2016	$1,025,920	$427,890	$513,005	$236,893	$2,203,717
Acquisitions	**–**	**–**	**17,025**	**61,137**	**78,171**
Acquisitions through business combinations	**231,206**	**38,827**	**3,164**	**124,601**	**397,816**
Disposal	**–**	**–**	**(45,057)**	**(339)**	**(45,396)**
Others	**19,093**	**(14,850)**	**65,139**	**(56,021)**	**13,352**
Effect of foreign currency exchange differences	**(21,267)**	**(10,090)**	**(8,762)**	**(16,918)**	**(57,046)**
Balance at March 31, 2017	**$1,254,943**	**$441,768**	**$544,523**	**$349,363**	**$2,590,614**

(Accumulated amortization and accumulated impairment losses)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at April 1, 2015	¥ –	(¥19,416)	(¥41,828)	(¥ 6,646)	(¥67,891)
Amortization expenses (Note 2)	–	(4,486)	(8,726)	(1,984)	(15,197)
Disposals	–	–	10,586	259	10,846
Others	–	(605)	1,275	(29)	639
Effect of foreign currency exchange differences	–	1,474	994	288	2,757
Balance at March 31, 2016	–	(23,034)	(37,697)	(8,112)	(68,844)
Amortization expenses (Note 2)	**–**	**(4,842)**	**(9,040)**	**(2,838)**	**(16,721)**
Disposals	**–**	**–**	**4,953**	**18**	**4,972**
Others	**–**	**(28)**	**(275)**	**(893)**	**(1,197)**
Effect of foreign currency exchange differences	**–**	**407**	**642**	**(322)**	**727**
Balance at March 31, 2017	**¥ –**	**(¥27,497)**	**(¥41,417)**	**(¥12,149)**	**(¥81,063)**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) Amortization expenses on intangible assets are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statements of profit or loss.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2016	$ –	($205,312)	($336,010)	($72,306)	($613,638)
Amortization expenses	**–**	**(43,159)**	**(80,578)**	**(25,296)**	**(149,042)**
Disposals	**–**	**–**	**44,148**	**160**	**44,318**
Others	**–**	**(250)**	**(2,451)**	**(7,960)**	**(10,669)**
Effect of foreign currency exchange differences	**–**	**3,628**	**5,722**	**(2,870)**	**6,480**
Balance at March 31, 2017	**$ –**	**($245,093)**	**($369,168)**	**($108,290)**	**($722,551)**

(Carrying amount)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at March 31, 2016	¥115,098	¥24,971	¥19,856	¥18,464	¥178,390
Balance at March 31, 2017	**¥140,792**	**¥22,065**	**¥19,673**	**¥27,046**	**¥209,577**

(Note 1) Software in progress is included in "Others" within intangible assets.
(Note 2) The carrying amount of intangible assets in the current fiscal year includes ¥269 million of internally generated intangible assets.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2017	**$1,254,943**	**$196,675**	**$175,354**	**$241,073**	**$1,868,054**

13. Impairment losses on non-financial assets

The Group recognizes impairment losses when the recoverable amount of assets falls below their carrying amount. Impairment losses are included in other expenses in the consolidated statements of profit or loss.

Impairment losses on property, plant and equipment and goodwill and intangible assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Property, plant and equipment	**¥382**	¥51	**$3,405**
Total	**¥382**	¥51	**$3,405**

Goodwill impairment tests

For the previous fiscal year and current fiscal year, among the goodwill allocated to each CGU, goodwill of ¥46,208 million was generated during management integration with Minolta Co., Ltd. Among the aforementioned goodwill, goodwill of ¥41,613 million is allocated to the Business Technologies Business. The Group considered goodwill allocated to the businesses other than the Business Technologies Business is no material compared to the amount of goodwill in the consolidated statement of financial position.

Calculation of the recoverable amount for CGU to which the goodwill on the Business Technologies Business has been allocated is based on value in use. Value in use is calculated as estimated future cash flows discounted to the present value, based on business plans for three years and a growth rate approved by the Board of Directors. The growth rate used to estimate future cash flows for periods subsequent to approved business plans is determined based on the long-term average rate of growth for markets to which the CGU belongs. The growth rate and the discount rate used during the current fiscal year were 1.0% and 6.3%, respectively. As a result of impairment tests, impairment losses on the goodwill were not recognized.

In the event of changes in principal assumptions used in the impairment tests within the scope of rational forecasting possibility, management judges that the likelihood that significant impairment losses will be generated for these CGUs is low.

14. Investments accounted for using the equity method

Information related to associates is below. The Group has no material associates.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Carrying amount of investments accounted for using the equity method	¥3,489	¥3,614	$31,099

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Share of profit in investments accounted for using the equity method	(¥66)	(¥16)	($588)
Share of other comprehensive income of investments accounted for using the equity method	(18)	6	(160)
Total share of comprehensive income for the year	(¥84)	(¥10)	($749)

15. Leases

(1) As lessee

1) Finance leases

The Group leases a variety of property, plant and equipment under finance lease agreements. Some of these lease agreements include a renewal-or-purchase option. The Group does not engage in sublease agreements, escalation clauses or restrictions imposed by lease agreement (such as limitations on dividend, additional borrowing or additional leases).

Future minimum lease payments and their present values based on finance lease agreements are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Minimum lease payments			Present value of minimum lease payments		
	2017	2016	2017	2017	2016	2017
1 year or less	¥2,735	¥2,967	$24,378	¥2,578	¥2,726	$22,979
More than 1 year, 5 years or less	4,237	4,780	37,766	3,964	4,451	35,333
More than 5 years	61	95	544	58	89	517
Total	7,034	7,843	62,697	¥6,601	¥7,266	$58,838
Less: Future finance costs	432	577	3,851			
Present value of minimum lease payments	¥6,601	¥7,266	$58,838			

2) Operating leases

The Group uses a variety of property, plant and equipment under non-cancellable operating lease agreements.

Lease expenses presented in the consolidated statements of profit or loss for the current fiscal year is ¥10,637 million (previous fiscal year: ¥9,738 million).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
1 year or less	¥10,327	¥ 8,373	$ 92,049
More than 1 year, 5 years or less	20,670	15,548	184,241
More than 5 years	2,177	2,295	19,405
Total	¥33,175	¥26,217	$295,704

(2) As lessor

1) Finance leases

The Group primarily leases business technologies equipment based on finance lease agreements. Gross investment in leases under finance lease agreements and the present value of minimum lease receivables are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Gross investment in the lease			Present value of minimum lease receivables		
	2017	2016	2017	2017	2016	2017
1 year or less	¥13,499	¥ 9,281	$120,323	¥12,438	¥ 8,651	$110,865
More than 1 year, 5 years or less	21,551	15,553	192,094	19,626	14,577	174,935
More than 5 years	94	107	838	91	102	811
Total	35,144	24,941	313,254	¥32,156	¥23,330	$286,621
Less: Unearned finance income	2,987	1,610	26,624			
Present value of minimum lease receivables	¥32,156	¥23,330	$286,621			

(Note 1) No material unguaranteed residual values are set for the lease transactions stated above.
(Note 2) No material allowance for doubtful accounts is recorded for finance lease receivables.

2) Operating leases

The Group principally leases business information equipment under non-cancellable operating lease agreements.

Future minimum lease receivables under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
1 year or less	¥4,143	¥ 5,144	$36,928
More than 1 year, 5 years or less	5,185	6,452	46,216
More than 5 years	0	3	0
Total	¥9,329	¥11,601	$83,154

16. Income taxes

(1) Deferred tax assets and deferred tax liabilities

1) Recognized deferred tax assets and deferred tax liabilities

The major components giving rise to deferred tax assets and liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefits	¥25,984	¥28,470	$231,607
Property, plant and equipment	4,249	4,286	37,873
Goodwill and intangible assets	(533)	2,007	(4,751)
Inventories	10,494	10,373	93,538
Others	254	3,061	2,264
Net losses carried forward	20,840	22,773	185,756
Valuation allowance	(18,381)	(15,363)	(163,838)
Total	42,907	55,609	382,449
Deferred tax assets	48,129	59,052	428,995
Deferred tax liabilities	¥ 5,222	¥ 3,443	$ 46,546

The changes in net deferred tax assets are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥55,609	¥68,891	$495,668
Recognized in profit or loss	(5,797)	(15,073)	(51,671)
Recognized in other comprehensive income	(3,941)	3,817	(35,128)
Business combinations	(3,753)	(1,141)	(33,452)
Others	790	(884)	7,042
Balance, end of the year	¥42,907	¥55,609	$382,449

2) Temporary differences not recognized as deferred tax assets

The Group recognizes deferred tax assets after taking into consideration deductible temporary differences, the forecasted future taxable profits and tax planning. Deductible temporary differences and net losses carried forward that are not recognized for deferred tax assets on this basis are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deductible temporary differences	¥ 5,184	¥ 6,711	$ 46,207
Net losses carried forward	¥52,692	¥41,506	$469,668

Presentation by carried forward accounting term of net losses carried forward that are not expected to recognized for deferred tax assets, as of the end of the current fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
5 years or less	¥37,470	¥24,148	$333,987
More than 5 years	15,222	17,357	135,681
Total	¥52,692	¥41,506	$469,668

(2) Income tax expense

1) Income tax expense recognized in profit or loss

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current income tax expense	¥12,058	¥10,955	$107,478
Deferred income tax expense			
(Increase) Decrease in temporary differences	835	8,893	7,443
(Increase) Decrease in net losses carried forward	1,944	(3,271)	17,328
Increase (Decrease) in valuation allowance	3,017	9,451	26,892
Subtotal	5,797	15,073	51,671
Total	¥17,856	¥26,029	$159,159

2) Income tax expense recognized in OCI

Income tax expense recognized in OCI is indicated in note 30 "Other Comprehensive Income".

3) Reconciliation of the effective tax rate

The Company and its domestic subsidiaries are subject to mainly corporate tax and inhabitant tax as well as business tax, which is deductible. The statutory income tax rate calculated based on such taxes was and will be 30.86% for the fiscal year ended March 31, 2017 and the fiscal year ending March 31, 2018 and will be 30.62% for the years ending March 31, 2019 and thereafter. Changes in the statutory income tax rate are due to a reduction in the corporate tax rate as a result of the tax reform during the fiscal year ended March 31, 2016.

Income taxes for foreign operations are based on the tax laws of the respective jurisdictions.

Differences in the statutory income tax rate and average effective tax rate are attributable to the following.

	%	
	2017	2016
Statutory income tax rate	**30.9**	33.1
Valuation allowance	**7.2**	2.1
Non-taxable revenue	**(0.5)**	(0.5)
Non-deductible expenses	**2.0**	2.2
Difference in statutory tax rate of foreign subsidiaries	**(1.0)**	(2.7)
Tax credits for research and development cost and others	**(2.3)**	(0.3)
Year-end adjustment to deferred tax assets due to tax rate revisions	**–**	6.6
Others	**(0.2)**	4.5
Average effective tax rate after application of tax effect accounting	**36.2**	44.9

17. Trade and other payables

The components of trade and other payables as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Notes and accounts payable-trade	**¥ 95,703**	¥ 92,686	**$ 853,044**
Accounts payable-capital expenditure	**4,947**	7,467	**44,095**
Accounts payable-others	**54,931**	62,297	**489,625**
Others	**508**	456	**4,528**
Total	**¥156,090**	¥162,907	**$1,391,300**

18. Bonds and borrowings

Summary of bonds and borrowings is as follows:

	Millions of yen				Millions of U.S. dollars
	2017	2016	Interest rate (%) (Note 1)	Repayment date	**2017**
Short-term loans payable	**¥ 19,513**	¥ 15,896	1.408	–	**$ 173,928**
Current portion of bonds (Note 3)	**10,000**	20,000	0.956	–	**89,135**
Current portion of long-term loans payable	**9,202**	4,001	0.458	–	**82,022**
Current portion of lease obligations	**2,578**	2,726	–	–	**22,979**
Non-current portion of bonds (Note 2) (Note 3)	**20,000**	30,000	0.902	–	**178,269**
Non-current portion of long-term loans payable (Note 2)	**120,195**	91,113	0.993	May 2018 to June 2023	**1,071,352**
Non-current portion of lease obligations (Note 2)	**4,023**	4,540	–	April 2018 to September 2026	**35,859**
Total	**185,512**	168,277			**1,653,552**
Current	**41,294**	42,624			**368,072**
Non-current	**¥144,218**	¥125,653			**$1,285,480**

(Note 1) Interest rates indicated are weighted average interest rates at the end of the fiscal year.
(Note 2) Expected repayments for bonds, long-term borrowings and lease obligations for each year in the period within five years after the fiscal year-end date are listed in note 32 "Financial instruments".
(Note 3) The carrying amounts of bonds by issuance name are as follows:

			Millions of yen				Millions of U.S. dollars
Company	Name	Issue date	**2017**	2016	Interest rate (%)	Redemption date	**2017**
Konica Minolta	No. 2 Unsecured Bonds	December 2, 2010	**¥10,000**	¥10,000	0.956	December 1, 2017	**$ 89,135**
Konica Minolta	No. 3 Unsecured Bonds	December 2, 2011	**–**	20,000	0.610	December 2, 2016	**–**
Konica Minolta	No. 4 Unsecured Bonds	December 2, 2011	**20,000**	20,000	0.902	November 30, 2018	**178,269**
Total	–	–	**¥30,000**	¥50,000	–	–	**$267,404**

19. Provisions

Summary of provisions and the changes are as follows:

	Millions of yen				
	Provision for product warranties (Note 1)	Provision for restructuring (Note 2)	Asset retirement obligations (Note 3)	Other provisions (Note 4)	Total
Balance at March 31, 2016	¥1,469	¥2,608	¥1,105	¥2,865	¥8,049
Provisions made	757	704	51	1,736	3,249
Provisions utilized	(560)	(2,005)	(262)	(948)	(3,777)
Provisions reversed	(64)	(111)	–	(286)	(462)
Effects of changes in foreign exchange rates	(49)	(119)	(1)	(93)	(263)
Balance at March 31, 2017	**1,552**	**1,077**	**892**	**3,273**	**6,795**
Current	1,552	1,077	28	3,001	5,659
Non-current	¥ –	¥ –	¥ 864	¥ 271	¥1,136

(Note 1) The provision for product warranties is the amount set by the Group to guarantee the reliability and functionality of its products. This provision is calculated based on the historical occurrence of customer claims. Future occurrence of such claims may differ from past experience. However, the Company is of the opinion that the provision amounts will not be significantly different should the assumptions and estimates change.

(Note 2) The provision for restructuring is corresponding to expenses recognized for rationalization or business restructuring to improve the profitability of the Group's businesses. Payment periods are affected by future business plans and other factors.

(Note 3) Asset retirement obligations are provided for the Group's obligation to restore leased offices, buildings and other facilities to their original condition. Recognized amounts are future payments estimated based on past experience with restoring properties to their original condition. In principle, these obligations are paid more than one year after incurred. However, they may be affected by future business plans and other factors.

(Note 4) Other provisions include a provision for loss on litigation.

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for restructuring	Asset retirement obligations	Other provisions	Total
Balance at March 31, 2016	$13,094	$23,246	$9,849	$25,537	$71,744
Provisions made	6,747	6,275	455	15,474	28,960
Provisions utilized	(4,992)	(17,871)	(2,335)	(8,450)	(33,666)
Provisions reversed	(570)	(989)	–	(2,549)	(4,118)
Effects of changes in foreign exchange rates	(437)	(1,061)	(9)	(829)	(2,344)
Balance at March 31, 2017	**13,834**	**9,600**	**7,951**	**29,174**	**60,567**
Current	13,834	9,600	250	26,749	50,441
Non-current	$ –	$ –	$7,701	$ 2,416	$10,126

20. Other financial liabilities

The components of other financial liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Derivative financial liabilities	**¥4,672**	¥3,754	**$41,644**
Contingent consideration	**–**	34	**–**
Others	**61**	24	**544**
Total	**4,734**	3,812	**42,196**
Current	**372**	200	**3,316**
Non-current	**¥4,362**	¥3,611	**$38,880**

21. Employee benefits

The Group has in place a corporate pension plan and lump-sum payments on retirement plan as defined benefit pension plans, and a defined contribution-type corporate pension plan as a defined contribution pension plan.

In some cases, the Group pays additional severance benefits to retiring employees.

An employee pension trust has been established for the Company's plan assets.

Funding standards, fiduciary responsibility, disclosure and other matters are consistent for domestic corporate pension plans, and the officer in charge and responsible departments hold a meeting on the investment policy and results in a timely manner, based on the basic policy regarding investment of plan assets. An actuarial review is conducted every three years based on the Company's financial condition and asset investment forecast. If funding standards are not satisfied, premiums are increased.

Plan assets are legally separate from the Group. Asset investment beneficiaries are responsible for plan assets and have a duty of loyalty to pension plan enrollees, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit obligations are based on pension actuarial assumptions. Accordingly, there exists a risk that these assumptions may change.

A defined contribution plan is a post-retirement benefit plan under which an employer contributes a fixed amount to an independent company and has no legal or constructive obligation to pay an amount in excess of the contributed amount.

(1) Defined benefit plan

Amounts of defined benefit plan in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Present value of the defined benefit obligation	¥189,778	¥189,343	$1,691,577
Fair value of the plan assets	128,692	121,623	1,147,090
Net liability in the consolidated statement of financial position	61,086	67,719	544,487
Defined benefit assets	181	193	1,613
Defined benefit liabilities	¥ 61,267	¥ 67,913	$ 546,100

Changes in the present value of the defined benefit obligation are as follows:

From April 1, 2015, some of consolidated overseas subsidiaries have abolished defined benefit pension plans and transferred to defined contribution pension plans. In line with this transfer, the Company recognized gain or loss on settlement in the previous fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥189,343	¥197,483	$1,687,699
Current service cost	5,765	5,799	51,386
Past service cost	97	25	865
Gain or loss on settlement	–	(3,431)	–
Interest cost	1,688	2,486	15,046
Remeasurement:			
Actuarial gains and losses arising from changes in demographic assumptions	34	124	303
Actuarial gains and losses arising from changes in financial assumptions	3,960	2,563	35,297
Benefits paid	(8,176)	(12,521)	(72,876)
Benefits paid on settlement	(42)	(23)	(374)
Impact of business combinations and disposal	45	115	401
Effect of changes in foreign exchange rates and others	(2,937)	(3,278)	(26,179)
Balance, end of the year	¥189,778	¥189,343	$1,691,577

(Note) As of the end of the current fiscal year, the weighted average payment period for defined benefit obligations was 12.3 years.

Changes in the fair value of the plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance, beginning of the year	¥121,623	¥135,649	$1,084,081
Interest income	1,254	1,830	11,177
Gain or loss on settlement	–	(2,672)	–
Remeasurement:			
Return on plan assets (net)	6,938	(6,846)	61,842
Contributions by the employer	7,882	7,340	70,256
Benefits paid	(6,563)	(10,568)	(58,499)
Effect of changes in foreign exchange rates and others	(2,442)	(3,109)	(21,767)
Balance, end of the year	¥128,692	¥121,623	$1,147,090

Summary of the fair value of the plan assets is as follows:

	Millions of yen					
	2017			2016		
	Quoted market price in an active market			Quoted market price in an active market		
	Yes	No	Total	Yes	No	Total
Equity securities (Domestic)	¥21,124	¥ 485	¥ 21,610	¥21,190	¥ –	¥ 21,190
Equity securities (Foreign)	4,386	4,859	9,245	10,827	–	10,827
Debt securities (Domestic)	1,786	265	2,051	1,378	–	1,378
Debt securities (Foreign)	17,630	2,714	20,344	18,328	–	18,328
Employee pension trust (Domestic equity securities)	10,289	–	10,289	7,753	–	7,753
Employee pension trust (Foreign equity securities)	12,408	–	12,408	15,060	–	15,060
Life insurance company general accounts	–	9,112	9,112	–	10,830	10,830
Cash and cash equivalents	20,968	–	20,968	12,807	–	12,807
Others	¥12,595	¥10,066	22,661	¥14,871	¥ 8,664	23,445
Total			¥128,692			¥121,623

(Note 1) Plan assets are invested in shares, securities and derivatives.
(Note 2) In accordance with the requirements of defined-benefit pension plans, a regular contribution must be made at least annually. To ensure a financial balance between forecasted benefit requirement and expected investment income, this amount is calculated based on the assumptions of interest rates, rates of mortality, withdrawal rates and forecast amounts for other required benefit expenses. Furthermore, this contribution amount is subject to actuarial review every three years. If the reserve amount is below that provided by minimum funding standards, a fixed amount must be contributed.
The calculation method used for the Company's defined benefit plans takes into consideration deductible amounts under tax law, the status of plan assets reserves and various actuarial calculations.
(Note 3) Expected contributions to plan assets in the next fiscal year are ¥6,811 million.

	Thousands of U.S. dollars		
	2017		
	Quoted market price in an active market		
	Yes	No	Total
Equity securities (Domestic)	$188,288	$ 4,323	$ 192,620
Equity securities (Foreign)	39,094	43,310	82,405
Debt securities (Domestic)	15,919	2,362	18,281
Debt securities (Foreign)	157,144	24,191	181,335
Employee pension trust (Domestic equity securities)	91,710	–	91,710
Employee pension trust (Foreign equity securities)	110,598	–	110,598
Life insurance company general accounts	–	81,219	81,219
Cash and cash equivalents	186,897	–	186,897
Others	$112,265	$89,723	201,988
Total			$1,147,090

Principal actuarial assumptions used to measure defined benefit obligations are as follows:

	%	
	2017	2016
Discount rate	0.42	0.31

The table below indicates the effect of a 0.5% increase or decrease in major actuarial assumptions, while other variables are kept constant. In reality, individual assumptions may be simultaneous affected by fluctuations in economic indicators and conditions. Accordingly, because fluctuations may occur independently or mutually, the actual impact of these fluctuations on defined benefit obligations may differ from these assumptions.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect of change of discount rate	(¥6,593)	¥7,302	(¥6,720)	¥7,288	($58,766)	$65,086

(2) Defined contribution plan

The amount of expenses in relation to defined contribution plans was ¥4,826 million for the current fiscal year (previous fiscal year: ¥3,148 million).

(3) Other employee benefits

Certain U.S. subsidiaries employ a Supplemental Executive Retirement Plan (SERP). Obligations incurred under this plan amounted to ¥2,845 million for the current fiscal year (previous fiscal year: ¥2,482 million). These amounts are recognized as other non-current liabilities.

22. Equity and other equity items

(1) Share capital and Treasury shares

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Number of treasury shares
At April 1, 2015	1,200,000,000	511,664,337	9,801,071
Increase (Note 3)	–	–	6,578,682
Decrease (Note 4)	–	9,000,000	9,190,760
At March 31, 2016	1,200,000,000	502,664,337	7,188,993
Increase	**–**	**–**	**3,888**
Decrease	**–**	**–**	**151,799**
At March 31, 2017	**1,200,000,000**	**502,664,337**	**7,041,082**

(Note 1) Shares issued by the Company are non-par value ordinary shares.
(Note 2) Issued shares are fully paid.
(Note 3) On July 23, 2015, the acquisition of treasury shares based on a Board of Directors resolution on May 13, 2015 was completed. Accordingly, the number of treasury shares increased by 6,571,500 shares (¥9,999 million).
(Note 4) Based on a Board of Directors resolution on May 13, 2015, 9,000,000 treasury shares (¥11,086 million) were cancelled on June 30, 2015.

(2) Share premium

Under the Companies Act of Japan ("Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to additional paid-in capital, which is included in share premium. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to share capital.

(3) Put options written on non-controlling interests

Regarding written put options of subsidiary shares granted by the Group to non-controlling interest shareholders, the Group recognized financial liabilities at the present value of its redemption amounts as well as derecognized the interests of the non-controlling shareholders that hold the written put options, and the difference was recorded as share premium.

(4) Retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of share capital. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(5) Other Components of Equity

	Millions of yen					
	Remeasurements of defined benefit pension plans (Note 1)	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income (Note 2)	Net gain (loss) on derivatives designated as cash flow hedges (Note 3)	Exchange differences on translation of foreign operations (Note 4)	Share of other comprehensive income of investments accounted for using the equity method (Note 5)	Total
Balance at April 1, 2015	¥ –	¥8,207	(¥ 324)	¥39,661	¥ 0	¥47,545
Increase (decrease)	(6,974)	(3,851)	(742)	(19,789)	6	(31,351)
Transfer to retained earnings	6,974	35	–	–	–	7,010
Balance at March 31, 2016	–	4,391	(1,067)	19,872	7	23,204
Increase (decrease)	**1,519**	**3,958**	**697**	**(12,142)**	**(18)**	**(5,985)**
Transfer to retained earnings	**(1,519)**	**(13)**	**–**	**–**	**–**	**(1,533)**
Balance at March 31, 2017	**¥ –**	**¥8,336**	**(¥ 369)**	**¥ 7,730**	**(¥11)**	**¥15,685**

(Note 1) Remeasurements of defined benefit pension plans are differences in return on plan assets and interest income on plan assets due to differences between actuarial assumptions at the start of the year and actual results.

(Note 2) Net gain (loss) on revaluation of financial assets measured at fair value through OCI is cumulative in nature.
(Note 3) Net gain (loss) on derivatives designated as cash flow hedges is that the effective portion of the cumulative differences in fair value of derivative transactions designated as cash flow hedges.
(Note 4) Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations and exchange differences on the net investment hedge on foreign operations.
(Note 5) Share of other comprehensive income of investments accounted for using the equity method includes the cumulative net gain (loss) on revaluation of financial assets measured at fair value held by associates and exchange differences resulting from the translation of financial statements of foreign operations.

	Thousands of U.S. dollars					
	Remeasurements of defined benefit pension plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using the equity method	Total
Balance at March 31, 2016	$ –	$39,139	($9,511)	$177,128	$ 62	$206,828
Increase (decrease)	13,540	35,279	6,213	(108,227)	(160)	(53,347)
Transfer to retained earnings	(13,540)	(116)	–	–	–	(13,664)
Balance at March 31, 2017	**$ –**	**$74,303**	**($3,289)**	**$ 68,901**	**($ 98)**	**$139,807**

23. Dividends

(1) Dividend payments

Previous fiscal year (From April 1, 2015 to March 31, 2016)

Resolution	Class of shares	Millions of yen: Amount of dividends	Yen: Dividends per share	Record date	Effective date	Source of Dividends
Board of Directors' meeting held on May 13, 2015	Ordinary shares	¥5,018	¥10.00	March 31, 2015	May 28, 2015	Retained earnings
Board of Directors' meeting held on October 29, 2015	Ordinary shares	¥7,430	¥15.00	September 30, 2015	November 27, 2015	Retained earnings

Current fiscal year (From April 1, 2016 to March 31, 2017)

Resolution	Class of shares	Millions of yen: Amount of dividends	Yen: Dividends per share	Record date	Effective date	Source of Dividends	Thousands of U.S. dollars: Amount of dividends	U.S. dollars: Dividends per share
Board of Directors' meeting held on May 12, 2016	Ordinary shares	¥7,432	¥15.00	March 31, 2016	May 27, 2016	Retained earnings	$66,245	$0.13
Board of Directors' meeting held on October 31, 2016	Ordinary shares	¥7,433	¥15.00	September 30, 2016	November 29, 2016	Retained earnings	$66,254	$0.13

(2) Of the dividends whose record date belongs to the current fiscal year, the dividend whose effective date comes after the last day of the fiscal year

Resolution	Class of shares	Millions of yen: Amount of dividends	Yen: Dividends per share	Record date	Effective date	Source of Dividends	Thousands of U.S. dollars: Amount of dividends	U.S. dollars: Dividends per share
Board of Directors' meeting held on May 11, 2017	Ordinary shares	¥7,434	¥15.00	March 31, 2017	May 29, 2017	Retained earnings	$66,263	$0.13

24. Revenue

The components of revenue for fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Sales of goods	¥556,092	¥ 611,337	$4,956,698
Rendering of services	406,463	420,403	3,622,988
Total	¥962,555	¥1,031,740	$8,579,686

25. Other income

The components of other income for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Patent-related income (Note 1)	¥ 7,751	¥ –	$ 69,088
Gain on sale of property, plant and equipment and intangible assets (Note 2)	1,003	4,151	8,940
Others	5,392	3,635	48,061
Total	¥14,147	¥7,786	$126,099

(Note 1) Patent-related income in the current fiscal year is consideration for licensing of patent right related to Industrial Business.
(Note 2) The gain on sale of property, plant and equipment and intangible assets in the previous fiscal year was primarily attributable to the sale of assets in North America.

26. Other expenses

The components of other expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loss on disposal of mass-produced trial products (Note 1)	¥2,165	¥ 1,551	$19,298
Business restructuring improvement expenses (Note 2)	1,486	3,817	13,245
Loss on sales and disposals of property, plant and equipment and intangible assets	1,004	1,822	8,949
Special extra retirement payment (Note 3)	155	2,912	1,382
Others	2,515	3,235	22,417
Total	¥7,328	¥13,339	$65,318

(Note 1) Loss on disposal of mass-produced trial products is the loss on disposal of mass-produced trial products generated by the Industrial Business in the process of launching new products.
(Note 2) Business restructuring improvement expenses are mainly related to structural reform of sales sites in Europe, North America, and other areas in the Business Technologies Business.
(Note 3) Special extra retirement payment includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program in Japan.

27. Operating expenses by nature

Principal components within operating expenses (total of cost of sales, selling, general and administrative expenses and other expenses) by nature are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Personnel expenses	¥327,100	¥341,300	$2,915,590
Depreciation and amortization expenses	¥ 51,804	¥ 51,333	$ 461,752

The total amount of research and development expenses included in operating expenses for the current fiscal year is ¥73,275 million (previous fiscal year: ¥76,292 million).

28. Finance income and costs

The components of finance income and costs, for fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Finance income			
Interest income			
Financial assets measured at amortized cost	¥1,416	¥1,374	$12,621
Financial assets and liabilities measured at FVTPL	746	–	6,649
Dividends received			
Financial assets measured at FVTOCI	525	545	4,680
Others			
Financial assets and liabilities measured at FVTPL	36	235	321
Total	2,724	2,155	24,280
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	2,508	1,945	22,355
Financial assets and liabilities measured at FVTPL	340	298	3,031
Loss on valuation of investment securities			
Financial assets measured at FVTPL	4	6	36
Foreign exchange loss (Note)	46	1,661	410
Others			
Financial liabilities measured at amortized cost	397	235	3,539
Financial assets and liabilities measured at FVTPL	155	32	1,382
Total	¥3,451	¥4,179	$30,760

(Note) Valuation gains or losses on currency derivatives are included in foreign exchange differences.

29. Earnings per share

A calculation of basic and diluted earnings per share attributable to owners of the Company for fiscal years ended March 31, 2017 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Basis of calculating basic earnings per share			
Profit for the year attributable to owners of the Company	¥31,542	¥31,973	$281,148
Profit for the year not attributable to owners of the Company	–	–	–
Profit for the year to calculate basic earnings per share	31,542	31,973	281,148
Adjustments of profit for the year	–	–	–
Profit for the year to calculate diluted earnings per share	¥31,542	¥31,973	$281,148

	Thousands of shares	
	2017	2016
Weighted average number of ordinary shares outstanding during the period	495,554	496,536
Increase in the number of ordinary shares under subscription rights to shares	1,409	1,438
Weighted average number of diluted ordinary shares outstanding during the period	496,963	497,975

	Yen		U.S. dollars
	2017	2016	2017
Basic earnings per share attributable to owners of the Company	¥63.65	¥64.39	$0.57
Diluted earnings per share attributable to owners of the Company	¥63.47	¥64.21	$0.57

30. Other comprehensive income

Changes in other comprehensive income during the year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans			
Amount arising during the year	¥ 2,943	(¥ 9,534)	$ 26,232
Income tax expense	(1,424)	2,559	(12,693)
Net of tax effects	1,519	(6,974)	13,540
Net gain (loss) on revaluation of financial assets measured at fair value			
Amount arising during the year	5,702	(6,070)	50,824
Income tax expense	(1,744)	2,219	(15,545)
Net of tax effects	3,958	(3,851)	35,279
Share of other comprehensive income of investments accounted for using the equity method	(0)	6	0
Subtotal	5,477	(10,819)	48,819
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Amount arising during the year	2,985	1,112	26,607
Reclassification adjustments	(2,152)	(1,995)	(19,182)
Income tax expense	(135)	140	(1,203)
Net of tax effects	697	(742)	6,213
Exchange differences on translation of foreign operations			
Amount arising during the year	(11,367)	(18,983)	(101,319)
Reclassification adjustments	(320)	–	(2,852)
Income tax expense	(637)	(1,102)	(5,678)
Net of tax effects	(12,324)	(20,086)	(109,849)
Share of other comprehensive income of investments accounted for using the equity method	(18)	–	(160)
Subtotal	(11,645)	(20,828)	(103,797)
Total	(¥ 6,168)	(¥31,648)	($ 54,978)

Among the above, amounts attributable to non-controlling interests are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Exchange differences on translation of foreign operations	(¥182)	(¥297)	($1,622)
Total	(¥182)	(¥297)	($1,622)

31. Share-based payment

The Group's share-based payment arise from the share options to the Company's directors (excluding outside directors), executive officers and group executives.

No vesting conditions are attached, but in the event that an executive officer retires prior to the completion of his target service period, he may retain a number of subscription rights to shares corresponding to that number granted multiplied by the number of months in appointment (from the month prior to the month in which the target service period started until the month in which the executive retired) and divided by 12. The remaining subscription rights to shares are to be returned free of charge.

The exercise period is defined in an allocation agreement, and the options are forfeited if not exercised during that period. Options are also forfeited if the executive retires between the grant date and the date of rights allotment. Rights exercise conditions stipulate that the date that the rights become exercisable is the day following the day on which one year has elapsed from the date when the executive steps down from his position.

The Group accounts for share-based payments as equity-settled share-based payments. Expenses related to equity-settled share-based payment transactions are recognized as selling, general and administrative expenses in the consolidated statements of profit or loss. This amount for the current fiscal year is ¥124 million (previous fiscal year: ¥141 million).

	Number of share options granted	Grant date	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st	194,500	August 23, 2005	June 30, 2025	¥1	¥1,071
2nd	105,500	September 1, 2006	June 30, 2026	1	1,454
3rd	113,000	August 22, 2007	June 30, 2027	1	1,635
4th	128,000	August 18, 2008	June 30, 2028	1	1,419
5th	199,500	August 19, 2009	June 30, 2029	1	776
6th	188,000	August 27, 2010	June 30, 2030	1	664
7th	239,500	August 23, 2011	June 30, 2031	1	428
8th	285,500	August 22, 2012	June 30, 2032	1	518
9th	257,500	August 22, 2013	June 30, 2043	1	678
10th	159,600	September 11, 2014	June 30, 2044	1	1,068
11th	110,100	August 18, 2015	June 30, 2045	1	1,148
12th	191,400	August 31, 2016	June 30, 2046	¥1	¥ 687

	2017		2016	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding, beginning of the year	**1,378,400**	**¥1**	1,460,100	¥1
Granted	**191,400**	**1**	110,100	1
Exercised	**151,500**	**1**	190,500	1
Forfeited	**4,300**	**1**	1,300	1
Outstanding, end of the year	**1,414,000**	**1**	1,378,400	1
Exercisable, end of the year	**1,414,000**	**¥1**	1,378,400	¥1

(Note 1) The number of share options outstanding for each fiscal year is converted to the number of shares.
(Note 2) The weighted average share price for share options exercised during the year was ¥961 (previous fiscal year: ¥1,206).
(Note 3) The weighted average remaining number of years for unexercised share options in the current fiscal year was 20 years (previous fiscal year: 19 years).

The Group uses valuation technique, i.e. Black-Scholes model, to estimate the fair value of the share options, and the primary underlying data and estimation methods are as follows:

	2017	2016
	12th	11th
Share price at the date of grant (Yen)	**¥ 932**	¥1,416
Exercise price (Yen)	**¥ 1**	¥ 1
Expected volatility (Note 1)	**40.794%**	40.012%
Expected option life (Note 2)	**9 yrs 8 mos.**	10 yrs
Expected dividends (Per share) (Note 3)	**¥30.00**	¥30.00
Risk-free interest rate (Note 4)	**-0.083%**	0.395%

(Note 1) Calculations are based on share price performance up to the grant date, according to expected option life.
(Note 2) Estimates are based on the weighted average appointment period of grantees and the subsequent exercisable period for rights.
(Note 3) Estimates are based on past dividend performance and the Company's dividend policy.
(Note 4) This is the average of the compound interest yield on long-term interest-bearing government bonds within three months of the redemption date from the expected option life.

32. Financial instruments

(1) Capital management

The Group actively monitors and manages its capital and debt structure in relation to economic conditions and current company circumstances, and raises necessary funds for working capital, capital expenditure, investment and loans and other items. The necessary funds are primarily funded through bank loans. In addition, the Group maintains commitment-type credit lines with financial institutions. These credit lines are limited to 100 billion Japanese yen and will expire at the end of September 2021. Temporary surpluses are invested in extremely safe financial assets. The Group is not subject to any material capital restrictions.

The principal indicators the Company uses for capital management are as follows:

	2017	2016
ROE (Note 1)	**6.1%**	6.1%
Equity ratio attributable to owners of the Company (Note 2)	**52.1%**	52.7%
D/E ratio (Note 3)	**0.35 times**	0.33 times
Net D/E ratio (Note 4)	**0.18 times**	0.13 times

(Note 1) Profit for the year attributable to owners of the Company / equity attributable to owners of the Company (average for the period)
(Note 2) Equity attributable to owners of the Company / total equity
(Note 3) Interest-bearing debt / equity attributable to owners of the Company
(Note 4) (Interest-bearing debt - cash and cash equivalents) / equity attributable to owners of the Company

(2) Categories of financial instruments

1) The Group classifies financial instruments as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Financial assets			
Cash and cash equivalents	**¥ 92,628**	¥ 99,937	**$ 825,635**
Financial assets measured at amortized cost			
Trade and other receivables	**243,195**	249,498	**2,167,707**
Other financial assets	**14,197**	7,483	**126,544**
Financial assets measured at FVTOCI			
Other financial assets	**27,782**	24,063	**247,633**
Financial assets measured at FVTPL			
Other financial assets	**12,486**	10,428	**111,293**
Total	**390,290**	391,411	**3,478,831**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	**156,090**	162,907	**1,391,300**
Bonds and borrowings	**185,512**	168,277	**1,653,552**
Other financial liabilities	**61**	24	**544**
Financial liabilities measured at FVTPL			
Other financial liabilities	**2,933**	3,788	**26,143**
Total	**¥344,598**	¥334,998	**$3,071,557**

In addition to the above, put options written on non-controlling interests are ¥1,739 million. In regard to these put options, the Group recognized financial liabilities at the present value of the redemption amount as well as derecognized the interests of the non-controlling shareholders that hold the written put options, and the difference was recorded as share premium.

2) Financial assets designated as FVTOCI

Shares and other equity financial instruments are held primarily for the purpose of participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations. These are financial assets designated as FVTOCI.

The names and fair value of principal equity financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
OMRON Corporation	**¥2,719**	¥1,779	**$24,236**
Marubeni Corporation	**2,559**	2,139	**22,810**
ROHM Co., Ltd.	**1,634**	1,085	**14,565**
Mitsubishi Logistics Corporation	**1,415**	1,320	**12,613**
T&D Holdings, Inc.	**¥1,331**	¥ 838	**$11,864**

To increase the efficiency of held assets and use them effectively, regular monitoring is performed in relation to the fair value of equity financial instruments and the financial condition of the issuers, and the ongoing holding status of these instruments is reviewed.

The fair value at the time of sale of shares during the year, cumulative gains or losses recognized in other components of equity (before tax effects), and total dividends received are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Fair value at time of sale	**¥111**	¥287	**$989**
Cumulative gains (net of tax effects)	**22**	145	**196**
Dividends received	**¥ 7**	¥ 2	**$ 62**

(3) Financial risk management

1) Credit risk (risk that counterparties will fail to fulfill their contractual obligations)

Customer credit risk is an inherent part of trade and other receivables. For that reason, with regard to its trade receivables the Group regularly monitors the condition of its key business partners to determine potential unrecoverability due to worsening financial conditions at an early stage and to reduce this risk. The Group also has a policy of managing receivables for each of its transaction partners by due date and balance. For new customers, the Group employs third-party credit ratings, bank references and other available information to analyze individual credit conditions. The Group's policy is to set credit limits for each customer and monitor these on an ongoing basis.

The Group uses derivative transactions to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. The financial institutions that are counterparties to such transactions present credit risks. However, the Group believes its credit risk related to counterparties failing to fulfill their obligations is very low or limited, as the Group only conducts such transactions with financial institutions of high credit ratings.

The maximum exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statement of financial position.

(a) Past-due receivables

The allowance for doubtful accounts on past-due trade and other receivables is as follows:

As of March 31, 2016

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	¥27,686	¥4,226	¥2,242	¥3,808
Allowance for doubtful accounts	(545)	(310)	(1,309)	(3,156)
Trade and other receivables	¥27,140	¥3,915	¥ 933	¥ 651

As of March 31, 2017

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**¥28,464**	**¥3,383**	**¥2,453**	**¥3,862**
Allowance for doubtful accounts	**(515)**	**(665)**	**(847)**	**(3,146)**
Trade and other receivables	**¥27,949**	**¥2,718**	**¥1,606**	**¥ 715**

As of March 31, 2017

	Thousands of U.S. dollars			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**$253,712**	**$30,154**	**$21,865**	**$34,424**
Allowance for doubtful accounts	**(4,590)**	**(5,927)**	**(7,550)**	**(28,042)**
Trade and other receivables	**$249,122**	**$24,227**	**$14,315**	**$ 6,373**

(b) Allowance for doubtful accounts

The Group uses an allowance for doubtful accounts to record impairment losses on individually significant financial assets for their non-recoverable amounts and on financial assets that are not individually significant for the non-recoverable amounts estimated based on such factors as past performance of such financial assets.

The allowance for doubtful accounts for these financial assets is included in "trade and other receivables" and "other financial assets" in the consolidated statement of financial position.

Changes in allowances for doubtful accounts in the respective fiscal years are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance, beginning of the year	**¥7,103**	¥6,911	**$63,312**
Provisions made	**1,244**	2,408	**11,088**
Provisions utilized	**(802)**	(905)	**(7,149)**
Provisions reversed	**(1,103)**	(1,013)	**(9,832)**
Effects of changes in foreign exchange rates	**(243)**	(297)	**(2,166)**
Balance, end of the year	**¥6,198**	¥7,103	**$55,246**

Taking into account such factors as customers' financial conditions and past-due status, impairment losses recognized on trade and other receivables were ¥3,859 million in the current fiscal year (previous fiscal year: ¥1,281 million). Allowances for doubtful accounts on these receivables were ¥2,296 million (previous fiscal year: ¥715 million).

2) Liquidity risk (Risk of not being able to pay on the payment due date)

The Group raises funds through borrowings and other means. With these liabilities, the Group assumes liquidity risk arising from the possibility that it may become unable to meet its payment obligations on their due date, owing to deterioration in the financing environment.

To control liquidity risk, the Company's finance department creates and updates cash plans as necessary, based on information obtained from its consolidated subsidiaries and various departments. At the same time, the Company constantly monitors the operating environment to maintain and ensure appropriate on-hand liquidity in response to changing conditions.

Balances of long-term financial liabilities by due date are shown below. Contractual cash flows are undiscounted cash flows that do not include interest payment amounts.

As of March 31, 2016

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	¥ 95,114	¥ 95,114	¥ 4,001	¥ 9,034	¥ 3,002	¥14,271	¥26,620	¥38,185
Bonds	50,000	50,000	20,000	10,000	20,000	–	–	–
Lease obligations	7,266	7,266	2,726	1,817	1,234	838	561	89
Derivative financial liabilities	3,754	3,754	142	–	–	371	882	2,357
Others	58	58	58	–	–	–	–	–
Total	¥156,194	¥156,194	¥26,929	¥20,852	¥24,236	¥15,480	¥28,064	¥40,632

As of March 31, 2017

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	**¥129,397**	**¥129,397**	**¥ 9,202**	**¥ 3,370**	**¥14,719**	**¥28,910**	**¥31,585**	**¥41,608**
Bonds	**30,000**	**30,000**	**10,000**	**20,000**	**–**	**–**	**–**	**–**
Lease obligations	**6,601**	**6,601**	**2,578**	**1,756**	**1,097**	**695**	**414**	**58**
Derivative financial liabilities	**4,672**	**4,672**	**310**	**–**	**313**	**2,220**	**–**	**1,827**
Others	**61**	**61**	**61**	**–**	**–**	**–**	**–**	**–**
Total	**¥170,733**	**¥170,733**	**¥22,152**	**¥25,127**	**¥16,131**	**¥31,825**	**¥32,000**	**¥43,495**

As of March 31, 2017

	Thousands of U.S. dollars							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	**$1,153,374**	**$1,153,374**	**$ 82,022**	**$ 30,038**	**$131,197**	**$257,688**	**$281,531**	**$370,871**
Bonds	**267,404**	**267,404**	**89,135**	**178,269**	**–**	**–**	**–**	**–**
Lease obligations	**58,838**	**58,838**	**22,979**	**15,652**	**9,778**	**6,195**	**3,690**	**517**
Derivative financial liabilities	**41,644**	**41,644**	**2,763**	**–**	**2,790**	**19,788**	**–**	**16,285**
Others	**544**	**544**	**544**	**–**	**–**	**–**	**–**	**–**
Total	**$1,521,820**	**$1,521,820**	**$197,451**	**$223,968**	**$143,783**	**$283,671**	**$285,230**	**$387,691**

3) Market risks (foreign exchange, share price and interest rate fluctuation risks)

(a) Foreign exchange fluctuation risk

As part of developing its global business, the Group has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk. To manage this risk, the Group determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions and currency option transactions. Depending on foreign exchange market conditions, the Group may also enter into forward exchange contracts and currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

Foreign exchange sensitivity analysis

The table below shows the impact on profit before tax in the consolidated statement of profit or loss of a 1% change in value of the U.S. dollar, the euro and the pound sterling against the yen due to its balances of foreign currency receivables and payables at the end of each fiscal year. In making these calculations, the Group has assumed no changes in currencies other than those used.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
U.S. dollar	**¥227**	¥170	**$2,023**
Euro	**(179)**	10	**(1,596)**
Pound sterling	**¥ 8**	¥ 16	**$ 71**

(b) Share price fluctuation risk

The Group holds shares in other listed companies in the interest of cultivating business relationships, and these equity financial instruments are subject to share price fluctuation risk. Equity financial instruments are held to ensure the smooth operation of business strategies by participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations, and not for earning investment returns through sales. With regard to equity financial instruments, the Group regularly monitors share prices and checks the issuing entity's financial condition.

Share price fluctuation sensitivity analysis

In the sensitivity analysis below, the Group calculates sensitivity based on the price risk on equity financial instruments at the end of the fiscal year. A 1% increase or decrease in share prices had a ¥256 million impact on other components of equity (before tax effects) as of the end of the current fiscal year (previous fiscal year: ¥222 million).

(c) Interest rate fluctuation risk

For debt instrument bearing variable interest rates, the Company enters into interest-rate swap contracts to hedge the potential risk to cash flows of interest rate fluctuations. The Company uses these derivative transactions according to defined policies for the purpose of reducing risk. No interest rate sensitivity analysis is conducted, as interest rate payments have only a slight impact on profits and losses on the Group's performance.

(4) Fair value of financial instruments

Fair value calculation method

The fair value of financial assets and financial liabilities is calculated as described below. Information about defining the level of the hierarchy is described in (5).

1) Derivative financial assets and liabilities

Fair value of currency derivatives is based on forward quotations and prices quoted by financial institutions that enter into these contracts. Fair value of interest rate derivatives is based on prices quoted by financial institutions that enter into these contracts, and both are classified in level 2. Fair value of put options written on non-controlling interests is based on present value of the amount which has possibilities to be required to pay contractual partner and is classified in level 3.

2) Investment securities

Where market prices are available, fair value is based on market prices and classified in level 1. For financial instruments whose market prices are not available, fair value is calculated by discounting future cash flows or using other appropriate valuation methods and classified in level 3, taking into account the individual nature, characteristics and risks of the assets.

3) Borrowings

As short-term loans payable are to be settled in a short period of time, their fair value is assumed to be equivalent to the carrying amounts.

For long-term borrowings with fixed interest rates, fair value is calculated by discounting the total amount of principal and interest using assumed interest rate of a new similar borrowing and classified in level 3. As the interest rates of long-term borrowings with variable interest rates are revised upon each repricing period, their fair value is assumed to be equivalent to the carrying amounts.

4) Bonds

Fair value is calculated on the basis of market value and classified in level 1.

5) Financial instruments other than those indicated above

Financial instruments other than those indicated above are mainly settled in the short term, so fair value is assumed to be equivalent to their carrying amounts.

The carrying amounts and fair values of principal financial instruments not measured at fair value but for which fair value is disclosed are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		**2017**	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term loans payable	**¥129,397**	**¥125,546**	¥ 95,114	¥ 94,055	**$1,153,374**	**$1,119,048**
Bonds	**30,000**	**30,345**	50,000	50,648	**267,404**	**270,479**
Total	**¥159,397**	**¥155,891**	¥145,114	¥144,703	**$1,420,777**	**$1,389,527**

(Note) Long-term borrowings and bonds include balances redeemable within one year.

(5) Fair value hierarchy

Financial instruments which are measured at fair value are classified according to fair value hierarchy. The fair value hierarchy comprises levels 1 through 3, defined as follows:

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable market inputs other than quoted price directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data
Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

Financial assets and financial liabilities measured at fair value in the previous fiscal year and the current fiscal year, by fair value hierarchy are as follows:

	Millions of yen			
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥22,214	¥ –	¥1,949	¥24,163
Derivative financial assets	–	5,946	–	5,946
Others	3,402	–	978	4,381
Total	25,617	5,946	2,927	34,491
Financial liabilities				
Derivative financial liabilities	–	3,754	–	3,754
Others	–	–	34	34
Total	¥ –	¥3,754	¥ 34	¥ 3,788

	Millions of yen			
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥25,699	¥ –	¥2,172	¥27,872
Derivative financial assets	–	7,764	–	7,764
Others	3,774	–	856	4,631
Total	29,474	7,764	3,029	40,269
Financial liabilities				
Derivative financial liabilities	–	2,933	1,739	4,672
Total	¥ –	¥2,933	¥1,739	¥ 4,672

(Note 1) No transfers between levels 1, 2 and 3 occurred during these fiscal years.
(Note 2) In the current fiscal year, MGI Digital Graphic Technology S.A. became a consolidated subsidiary after its investment securities in level 1 were transferred to investment in subsidiaries.

	Thousands of U.S. dollars			
	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	$229,067	$ –	$19,360	$248,436
Derivative financial assets	–	69,204	–	69,204
Others	33,639	–	7,630	41,278
Total	262,715	69,204	26,999	358,936
Financial liabilities				
Derivative financial liabilities	–	26,143	15,500	41,644
Total	$ –	$26,143	$15,500	$ 41,644

Increases or decreases in financial instruments classified as level 3
Increases or decreases in financial instruments classified as level 3 in each fiscal year are as follows:

	Millions of yen	
	Financial assets	Financial liabilities
Balance at April 1, 2015	¥2,793	¥ –
Gains (losses) (Note 1)		
Profit for the year	278	–
Other comprehensive income	7	–
Acquisitions	273	–
Disposals and settlements	(13)	(8)
Business combinations	–	47
Others (Note 2)	(408)	–
Effects of changes in foreign exchange rates	(2)	(5)
Balance at March 31, 2016	2,927	34
Gains (losses) (Note 1)		
Profit for the year	(155)	–
Other comprehensive income	92	–
Acquisitions	222	–
Disposals and settlements	(52)	(32)
Business combinations (Note 3)	–	1,343
Others (Note 4)	–	424
Effects of changes in foreign exchange rates	(5)	(30)
Balance at March 31, 2017	¥3,029	¥1,739

(Note 1) Gains or losses recognized in profit for the year are presented in the consolidated statements of profit or loss as "finance income" or "finance costs". Gains or losses recognized in other comprehensive income are presented in the consolidated statement of comprehensive income as "net gain (loss) on revaluation of financial assets measured at fair value".
(Note 2) In the previous fiscal year, certain shares were transferred from other financial assets to investments accounted for using the equity method due to acquisition of additional interests.
(Note 3) This is the liability recognized by granting put options written on non-controlling interests when the Group acquired shares in acquired company through the business combination.
(Note 4) This is the difference in change arising from subsequently measuring fair value of put options written on non-controlling interests. The difference in change was recorded in share premium.

	Thousands of U.S. dollars	
	Financial assets	Financial liabilities
Balance at March 31, 2016	$26,090	$ 303
Gains (losses)		
Profit for the year	**(1,382)**	**–**
Other comprehensive income	**820**	**–**
Acquisitions	**1,979**	**–**
Disposals and settlements	**(463)**	**(285)**
Business combinations	**–**	**11,971**
Others	**–**	**3,779**
Effects of changes in foreign exchange rates	**(45)**	**(267)**
Balance at March 31, 2017	**$26,999**	**$15,500**

(6) Derivatives and hedge accounting

The Group enters into derivative contracts with financial institutions, hedging fluctuations in cash flows on its financial assets and financial liabilities, and not for speculation purposes.

In principle, the Group uses forward exchange contracts and currency options to hedge foreign exchange fluctuation risk categorized by currency and by month. Depending on foreign exchange market conditions, the Group may enter into forward exchange contracts and conduct currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

The Group uses currency swap and interest-rate swap transactions to reduce interest rate fluctuation risk for borrowings with variable interest rates, as well as to mitigate fluctuation risk on expected future funding costs, and makes use of cash flow hedges.

In addition to these, the Group is conducting hedge accounting treatment by using derivatives or foreign-currency borrowings for the purpose of avoiding its foreign exchange exposure in equity investments in foreign operations mainly.

The fair value of derivatives are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Derivatives employing hedge accounting			
Currency derivatives	**¥ 96**	(¥1,421)	**$ 856**
Interest rate derivatives	**(522)**	(1,164)	**(4,653)**
Net investment hedge derivatives	**5,712**	3,226	**50,914**
Derivatives not employing hedge accounting			
Currency derivatives	**(546)**	1,551	**(4,867)**
Interest rate derivatives	**91**	–	**811**
Put options written on non-controlling interests	**(1,739)**	–	**(15,500)**
Total	**¥3,091**	¥2,192	**$27,551**

(Note) In addition to the above items, foreign-currency borrowings of ¥5,216 million (previous fiscal year: ¥5,239 million) are designated as hedging instruments to hedge a portion of its foreign exchange exposure in equity investments in foreign operations, and a net investment hedge is applied.

(7) Offsetting financial assets and financial liabilities

Information related to offsetting recognized financial assets and financial liabilities for the same business partner is as follows:

Current fiscal year (From April 1, 2016 to March 31, 2017)

		Millions of yen		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	¥62,072	¥61,824	¥248

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	¥61,824	¥61,824	¥–

		Thousands of U.S. dollars		
Financial assets	Type of transaction	Total amount of recognized financial assets	Total amount of recognized financial liabilities to be offset in consolidated statement of financial position	Net amount of financial assets reported in consolidated statement of financial position
Cash and cash equivalents	Notional pooling	$553,276	$551,065	$2,211

Financial liabilities	Type of transaction	Total amount of recognized financial liabilities	Total amount of recognized financial assets to be offset in consolidated statement of financial position	Net amount of financial liabilities reported in consolidated statement of financial position
Bonds and borrowings	Notional pooling	$551,065	$551,065	$–

33. Related parties

Remuneration for directors and audit and supervisory board members for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Fixed remuneration	¥ 765	¥ 676	$6,819
Performance-linked remuneration	200	205	1,783
Share-based remuneration	114	141	1,016
Total	¥1,079	¥1,024	$9,618

34. Commitments

The amount of contractual commitments to acquire assets is negligible.

35. Contingencies

The Group guarantees borrowings and lease obligations, etc., to financial institutions for companies outside the Group. As of the end of the current fiscal year, guarantee obligations totaled to ¥316 million (previous fiscal year: ¥386 million). As the likelihood of performance of these guarantee obligations is low, they are not recognized as financial liabilities.

36. Disclosure of interests in other entities

The Group's subsidiaries as of March 31, 2017 are as follows:

Name	Location	Ownership interest (%)
Konica Minolta Japan, Inc.	Minato-ku, Tokyo	100
Kinko's Japan Co., Ltd.	Minato-ku, Tokyo	100
Konica Minolta Supplies Manufacturing Co., Ltd.	Kofu, Yamanashi	100
Konica Minolta Technoproducts Co., Ltd.	Sayama, Saitama	100
Konica Minolta Opto Products Co., Ltd.	Fuefuki, Yamanashi	100
Konica Minolta Planetarium Co., Ltd.	Toshima-ku, Tokyo	100
Konica Minolta Business Associates Co., Ltd.	Hino, Tokyo	100
Konica Minolta Engineering Co., Ltd.	Hino, Tokyo	100
Konica Minolta Information System Co., Ltd.	Tachikawa, Tokyo	100
Konica Minolta Business Solutions U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta Business Solutions Europe GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions Deutschland GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions France S.A.S.	Carrieres-sur-Seine, France	100
Konica Minolta Business Solutions (UK) Ltd.	Essex, United Kingdom	100
Charterhouse PM Ltd.	Hertfordshire, United Kingdom	100
Konica Minolta Business Solutions (CHINA) Co., Ltd.	Shanghai, China	100
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	Hong Kong, China	100
Konica Minolta Business Technologies (WUXI) Co., Ltd.	Wuxi, China	100
Konica Minolta Business Technologies (DONGGUAN) Co., Ltd.	Dongguan, China	100
Konica Minolta Business Technologies (Malaysia) Sdn. Bhd.	Melaka, Malaysia	100
Konica Minolta Business Solutions Australia Pty. Ltd.	New South Wales, Australia	100
Ergo Asia Pty Limited	New South Wales, Australia	100
Konica Minolta Healthcare Americas, Inc.	New Jersey, U.S.A.	100
Konica Minolta Medical & Graphic Imaging Europe B.V.	Amsterdam, The Netherlands	100
Konica Minolta Medical & Graphic (Shanghai) Co., Ltd.	Shanghai, China	100
Radiant Vision Systems, LLC	Washington, U.S.A.	100
Konica Minolta Sensing Americas, Inc.	New Jersey, U.S.A.	100
Instrument Systems GmbH	Munich, Germany	100
Konica Minolta Sensing Europe B.V.	Nieuwegein, The Netherlands	100
Konica Minolta Sensing Korea Co., Ltd.	Goyang, Korea	100
Konica Minolta Opto (Dalian) Co., Ltd.	Dalian, China	100
Konica Minolta Holdings U.S.A., Inc.	New Jersey, U.S.A.	100
MOBOTIX AG	Langmeil Germany	65.5
Konica Minolta (China) Investment Ltd.	Shanghai, China	100
119 other companies		

The Group has no material non-controlling interests in subsidiaries.

No significant legal or contractual limitations exist with regard to the transfer or use of assets or liability settlement capabilities within the Group.

37. Events after the reporting period

(Merger agreement between the Company's subsidiary and Ambry Genetics Corporation)

On July 6, 2017, the Company decided to make Ambry Genetics Corporation (hereafter, "AG") a subsidiary by acquiring the shares in AG through Konica Minolta Healthcare Americas, Inc. (hereafter, "KMHA"), a wholly owned US subsidiary of the Company, in partnership with Innovation Network Corporation of Japan (hereafter, "INCJ") (hereafter, "the transaction"), and concluded a merger agreement with AG.

In the transaction, Konica Minolta Geno., Inc., a subsidiary set up for the purpose of the merger by Konica Minolta PM., Inc. (hereafter, "KMP"), which is in turn a company newly established by KMHA, is scheduled to carry out a merger with AG that will leave AG as the surviving company and a subsidiary of KMHA. Before the transaction is executed, INCJ will take an equity stake in KMP, such that KMHA's stake in KMP is 60% of the company, with INCJ holding 40%. In accordance with an agreement between the Company and INCJ, a put option will be established on INCJ's 40% stake in KMP. In addition, the transaction will be executed only after completion of procedures related to competition laws in the US and in other countries where it is deemed necessary.

(1) Objective of the transaction

AG, which possesses cutting-edge genetic diagnostics technology, sophisticated product development capabilities, a variety of test items, advanced test processing competencies, and overwhelming strength in the genetic counselor channel, has become a leader in the US market for genetic testing, which has recorded remarkable growth, primarily in the rapidly expanding field of oncology. The company, which started the world's first-ever exome analysis testing for diagnostic purposes, provides genetic tests in a variety of clinical fields, such as hereditary and non-hereditary tumors, heart disease, respiratory disease, and neurological disorders. The company's extensive and cutting-edge laboratory in California has already amassed a track record of more than 1 million genetic tests, and has identified over 45,000 mutations in 500 genes.

The transaction is a harbinger of strategic initiatives aimed at promoting precision medicine (treatments tailored to individual patients), an area that is expected to play an important future role in such fields as cancer treatment. By means of the transaction the Company will acquire state-of-the-art genetic diagnostics technology, advanced IT analysis technology that makes full use of bioinformatics, a large, cutting-edge laboratory for specimen testing, as well as a lucrative service business. Furthermore, by combining the Company's proprietary High-Sensitivity Tissue Testing (HSTT) technology with AG's genetic diagnostics technology, the Company will own two core technologies crucial to the grouping of patients and new drug development. Leveraging the technologies of both parties, the Company will work to expand outside the US, where AG is the leader in precision medicine, and to become a global leading company by developing markets such as Japan, Asia, and Europe.

(2) Overview of acquisition target subsidiary

Name	Ambry Genetics Corporation
Business content	Genetic diagnostics for breast cancer, colorectal cancer, etc.
Share capital	US$102

(3) Timing of transaction execution

October 2017 (expected)

(4) Number of shares acquired and acquisition cost

Number of shares acquired	1,020,792 shares (Note 1)	
Acquisition cost	Ordinary shares of AG	US$800 million (Note 2) (Note 3)
	Advisory fees, etc. (rough estimate)	¥2.2 billion
	Total (rough estimate)	¥90.2 billion (converted at ¥110 to the U.S. dollar)

(Note 1) This is the total number of AG shares acquired by the Company and by INCJ through KMP.
(Note 2) The acquisition price is expected to be the amount resulting from price adjustments (including those made to take into account net interest-bearing debts) made at the time of the execution of the acquisition of shares, as provided for in the merger agreement.
(Note 3) The transaction adopts a performance-based earn out approach, such that a sum of money of up to US$200 million, in addition to the above, may be paid conditional on AG achieving certain financial results over the next two fiscal years.

Independent Auditor's Report

To the Shareholders and Board of Directors of Konica Minolta, Inc.:

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta, Inc. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2017
Tokyo, Japan

Company Overview/Stock Information

Company Overview (as of March 31, 2017)

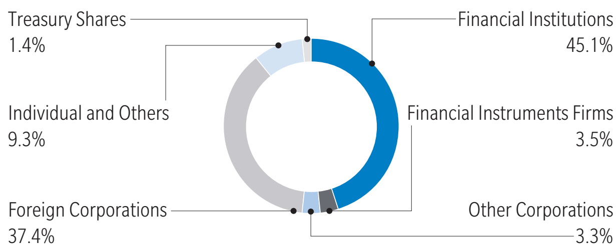
Company name	KONICA MINOLTA, INC.
Stock code	4902 Included in the "JPX-Nikkei Index 400"
Date established	1873
Establishment as joint-stock company	1936
Capital	37,519 million yen
Number of employees	Consolidated: 43,979
Head office	JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7015, Japan

Stock Information (as of March 31, 2017)

Stock Information

Total number of shares authorized to be issued	1,200,000,000 shares
Total number of shares issued	502,664,337 shares
Number of shareholders	34,920
Minimum trading units	100 shares

Shareholder Composition



Major Shareholders (the top ten shareholders)

Name of shareholder	Number of shares held (thousand shares)	Ratio of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	36,128	7.2
The Master Trust Bank of Japan, Ltd. (Trust account)	34,932	7.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,945	2.8
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.3
Nippon Life Insurance Company	10,809	2.1
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for the Bank of Tokyo-Mitsubishi UFJ, Ltd.)	10,801	2.1
Daido Life Insurance Company	9,040	1.8
JP MORGAN CHASE BANK 385632	8,884	1.7
Japan Trustee Services Bank, Ltd. (Trust account 5)	8,600	1.7
THE BANK OF NEW YORK MELLON 140044	7,785	1.5

* Ratio of shares held is calculated by deducting treasury stock 7,041,082 shares.

Glossary

Business Technologies Business

- MFP (Multi-Functional Peripherals)
  Units that support a variety of functions otherwise handled by separate equipment, such as copiers, printers, scanners, and facsimiles. We manufacture and sell color and monochrome MFPs under the "bizhub" brand.
- MIF (Machines In the Field)
  In the market for MFPs (multi-functional peripherals), production print machines, etc., it refers to the total installed base (number of working units).
- PV (Print Volume)
  The print output quantity. (Also called Copy Volume.)
- OPS (Optimized Print Services)
  OPS is the name of our Managed Print Services (MPS) offering. OPS provides services to boost efficiency and reduce costs through optimization of the customer's print environment (output and document management environment).
- GMA (Global Major Account)
  Refers to our major enterprise customers (businesses) that operate on a global scale.
- MIT (Managed IT)
  Services that support all operations in a company's IT department. These wide-ranging services include support for a product's lifecycle, including the creation of plans for deploying things such as PCs and servers, operating systems, software, and networks, as well as the actual deployment, contracted operation and support, management, maintenance, and contracted collection.
- MCS (Managed Content Services)
  The collective term given to services for centrally managing paper or digital documents, e-mails, forms, diagrams, and other such business content, and for building systems to properly use, store, and dispose of this content.
- BPS (Business Process Management Service)
  This service utilizes software tools such as OpenText and HP-Autonomy to quickly and affordably manage business processes.
- MPM (Marketing Production Management)
  MPM provides services optimizing the production cost of marketing materials for customers using our own supplier network.
- MMS (Marketing Management Services)
  A comprehensive package of services that spans planning to media creation to marketing activities in accordance with communication strategies that leverage a combination of printed and digital media and that are informed by customer preferences and purchasing behavior analyses. Along with maximizing return on investment, MMS help increase brand equity and improve customer loyalty.
- Inkjet textile printing method
  Method for printing directly to cloth fabric (textile printing) with an inkjet. Because it does not require the plate-making and color paste preparation required by traditional screen textile printing, and the ink can be applied only where needed, it has attracted attention as an innovative dyeing method that makes multi-product, small-lot production quick, easy, and inexpensive, and makes textile printing more environment-friendly.

Healthcare Business

- DR (Digital Radiography)
  Also referred to as digital X-rays. A technique that detects the intensity distribution of the X-rays that pass through the body when an X-ray is taken, and then converts the data to a digital signal, which is processed by computer. Also refers to systems that do this. In March 2011 Konica Minolta launched the AeroDR series of world-class lightweight cassette-type DR products domestically and globally.
- PACS (Picture Archiving and Communication System)
  An image storage and communication system for medical image processing. More generally, any system for managing a large number of images, such as CT, MRI, and X-ray images from DR or CR.
- Diagnostic ultrasound systems
  Because diagnostic ultrasound systems have such advantages as enabling real-time diagnostic imaging and putting less physical burden on patients under repeated examinations due to their low-intrusion nature, they are used in a wide range of clinical fields. Further growth is expected in the market in the future.
- Informity
  Our ICT service platform for helping hospitals and clinics deliver care in a variety of ways. Offerings include our Collaboration Box Service, which allows multiple institutions to share medical data such as examination images and reports, and remote diagnostic support services that facilitate requests for image interpretation.
- SPFS / Surface Plasmon Field-enhanced Fluorescence Spectroscopy
  An immunological testing system. This is a method for detecting fluorescence signals generated by exciting fluorophores that are surface-confined by an antigen-antibody reaction. The fluorophores are excited with extreme efficiency by near-field light induced very close to the gold membrane surface.

Industrial Business

- Light source color measuring instruments
  Instruments for high-accuracy measurement of chromaticity, brightness, and color balance of various displays and light-emitting devices. These instruments can measure illuminance/chromaticity with a high accuracy that does not depend on the emission characteristics of the light source. Our products have been adopted as standard equipment by many companies in fields such as quality control and product color management.
- TAC (Triacetyl cellulose) film
  Primarily composed of cellulose acetate, it is mainly used as a protective film for polarizers, a component of LCDs. TAC film was originally developed as a substrate for photographic film, but because of its superior flame resistance, transparency, surface appearance, and electric insulation characteristics, we are pursuing development of applications outside of photographic film.
- QWP (Quarter Wavelength Plate) film
  This film for displays utilizes Konica Minolta proprietary optical design technologies and the optical properties of specially-developed cellulose material to achieve near natural light and allow colors to appear as normal even when viewing through polarized sunglasses. And because it performs the functions of both polarizer protective films and eyefriendly films for polarized sunglasses, QWP film allows for thinner displays and fewer parts.
- OLED (Organic Light Emitting Diode)
  Organic matter comes in an infinite array of molecular structures, each with a different color and durability. We are presently strengthening and growing our lighting business in this area as a future pillar of the business, building on our strengths in materials and coating technologies developed in photosensitive materials.
- Zero-TAC film
  TAC film with zero retardation. Is used primarily in IPS displays and provides greater screen visibility.

Other businesses

- VMS (Video Management Software)
  An application that connects input devices such as cameras and data recording media over a network and controls them.

KONICA MINOLTA

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