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# NOTICE OF CONVOCATION OF THE 112TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Konica Minolta, Inc.

## Konica Minolta Philosophy

## Our Philosophy

### The Creation of New Value

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.

### Our 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.

## 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.

## Message from the President

I would like to begin by expressing my appreciation to shareholders for your strong support. I am pleased to share my thoughts about our goals as part of this notice of the 112th ordinary general meeting of shareholders.

Fiscal 2015 (from April 1, 2015 to March 31, 2016) was the second year of our Medium Term Business Plan, “TRANSFORM 2016.” In accordance with the basic policies, we took many actions to transform Konica Minolta into an organization capable of true innovation. Accomplishing this transformation will require increasing productivity as we work closely with customers and provide solutions that meet customers’ management and social issues.

As one way to give shareholders a better understanding of our ongoing initiatives, the 112th ordinary general meeting of shareholders will take place at a new location with space for exhibits that explain our products and services. I would appreciate it if you could attend this meeting.

Based on our management philosophy “The Creation of New Value,” we are leveraging the collective strengths of the group as “One Konica Minolta” to earn the support of the public and be a company that is a vital member of society.

I ask for your continued support and encouragement as we make progress toward our goals.

May, 2016
Shoei Yamana
President and CEO, and
Representative Executive Officer

Konica Minolta, Inc.

Securities Code: 4902
May 26, 2016

To Our Shareholders

Shoei Yamana
Director, President and CEO
Representative Executive Officer
**Konica Minolta, Inc.**
2-7-2 Marunouchi, Chiyoda-ku, Tokyo

# NOTICE OF CONVOCATION OF THE 112TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

KONICA MINOLTA, INC. ("the Company") respectfully requests your attendance at the 112th Ordinary General Meeting of Shareholders ("the Meeting"), which will be held as detailed below.

**If you are unable to attend the Meeting, you may exercise your voting rights in writing or by an electronic method (via the Internet). In this case, please examine the attached Reference Documents for the General Meeting of Shareholders, indicate your approval or disapproval on the enclosed Voting Form and return it so it reaches us by 5:40 p.m., Thursday, June 16, 2016, or vote on the website for exercising voting rights designated by the Company (http://www.evote.jp/) no later than the above-mentioned deadline.**

**1. Date and Time:** Friday, June 17, 2016 at 10.00 a.m.

**2. Place:** Tokyo Marriott Hotel, B1F "The GOTENYAMA Ballroom"
4-7-36, Kitashinagawa, Shinagawa-ku, Tokyo, Japan
(Please note that the location has changed from last year.)

**3. Objectives:**

**Matters to be Reported:**
1. Reports on the Business Report, the Consolidated Financial Statements for the 112th Fiscal Year (from April 1, 2015 to March 31, 2016); and Audit Reports by the Accounting Auditor and the Audit Committee on the Consolidated Financial Statements
2. Reports on the Non-consolidated Financial Statements for the 112th Fiscal Year (from April 1, 2015 to March 31, 2016)

**Matters to be Resolved:**
**Agenda Item:** Election of Ten (10) Directors

**4. Guide to the Exercise of Voting Rights, etc.**
Please refer to "Guide to the Exercise of Voting Rights, etc."

- Method of Publication in the Event of Revisions to the Reference Documents, Business Report, Consolidated Financial Statements and the Non-Consolidated Financial Statements

In case of any changes to the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements, the changes will be posted on the Company's website.
Website: http://www.konicaminolta.com/about/investors/event/stock/meeting.html

**Guide to the Exercise of Voting Rights, etc.**

You may exercise your voting rights in the following three ways.
Please examine the attached Reference Documents for the General Meeting of Shareholders and indicate your approval or disapproval.

**Attending Meeting to exercise voting rights**

Please bring the enclosed voting form and submit at the reception desk. Meeting will be held at 10:00 a.m., Friday, June 17, 2016.

**Using mail to exercise voting rights**

Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it so it reaches us by 5:40 p.m., Thursday, June 16, 2016.

**Using the Internet to exercise voting rights**

Please use the Company's designated voting website (http://www.evote.jp/) to submit votes concerning the proposals. Votes can be submitted until 5:40 p.m., Thursday, June 16, 2016.

Although the exercise of voting rights via the Internet will be acceptable until 5.40 p.m. on Thursday, June 16, 2016, we recommend that you exercise your voting rights earlier. If you have any enquiries, please contact the helpdesk shown below.

For enquiries with respect to the system, etc.

Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department (helpdesk)
Telephone: 0120-173-027
（Operating Hours: 9.00 to 21.00, toll-free number）
(Japanese language only)

**To Institutional Investors**

As an additional method for exercising your voting rights via the Internet described above, any trust management bank or other nominal shareholders (including standing proxies) may use the electronic voting platform for institutional investors operated by ICJ, Inc. subject to prior request for the use of the platform.

**About the exercise of voting rights**

1. Any voting right exercised without indicating approval or disapproval for a particular proposal will be counted as a vote for approval of the proposal.
2. If any voting right is exercised more than once by mail, the latest exercise will be upheld as a valid exercise of the voting right.
3. Shareholders are respectfully requested to notify the Company in writing of any diverse exercising of voting rights and the reason therefore not later than three days before the Meeting.
4. If any voting right is exercised both by mail and by the Internet, the exercise via the Internet will be upheld as valid exercise of the voting right.
5. If any voting right is exercised more than once via the Internet, the latest exercise will be upheld as a valid exercise of the voting right.
6. If you intend to attend the Meeting in person, voting in writing or using the Internet is unnecessary.

**Note in exercising voting rights via the Internet:**

- You may only exercise voting rights via the Internet by accessing the website for exercising voting rights designated by the Company (http://www.evote.jp/) through a personal computer, smartphone or cellular phone (i-mode, EZweb or Yahoo! Mobile)*. Please note that you will not be able to access the above URL from 2.00 a.m. to 5.00 a.m. each day during the exercise period.
  * "i-mode" is a trademark or registered trademark of NTT DoCoMo Inc., "EZweb" is a trademark or registered trademark of KDDI Corporation and "Yahoo!" is a trademark or registered trademark of Yahoo! Inc. in the United State.
- In some network environments (including, but not limited to, the case in which you use firewall, etc. antivirus programs or a Proxy Server for Internet access), you may not be able to exercise voting rights.
- On the website for exercising voting rights (http://www.evote.jp/), please enter your approval or disapproval for the proposals by using your "Login ID" and "Temporary Password" described in the Voting Form and by following the instructions on the screen.
- Please note that if you wish to exercise your voting rights via the Internet, you will be asked to change your "Temporary Password" on the website for exercising voting rights in order to prevent unauthorized access (web spoofing) or alteration of the voting by any other person than you.
- The "Login ID" and the "Temporary Password" will be renewed and sent to you for each general meeting of shareholders to be held in the future.
- Any costs arising from access to the website for exercising voting rights (the Internet connection fees, communication fees, etc.) shall be paid by you. In addition, data transmission or other fees are required when using a cellular phone and you are responsible for these fees, too.

# REFERENCE DOCUMENTS
# FOR
# THE GENERAL MEETING OF SHAREHOLDERS

## AGENDA ITEM
## Election of Ten (10) Directors

Upon the close of this Ordinary General Meeting of Shareholders ("the Meeting") of Konica Minolta, Inc. ("the Company"), the terms of office of all the eleven (11) Directors will expire. Accordingly, shareholders are requested to elect ten (10) Directors based on the nominations of the Nominating Committee.

The candidates for the position of Director are as follows. For career histories, please refer to pages 8 through 20.

Please refer to pages 54 through 56 for information on the Company's corporate governance structure and refer to the following page for information on the policies regarding the nomination of Director candidates, procedures and other items.

| No. | Name | Current Position and Responsibilities at the Company | |
|---|---|---|---|
| 1 | **Masatoshi Matsuzaki** | Director and Chairman of the Board of the Company<br>Member of Nominating Committee | Up for re-election |
| 2 | **Shoei Yamana** | Director, President and CEO, and Representative Executive Officer of the Company | Up for re-election |
| 3 | **Takashi Enomoto** | Director of the Company<br>Chairman of Audit Committee<br>Member of Nominating Committee | Up for re-election<br>Outside<br>Independent |
| 4 | **Kazuaki Kama** | Director of the Company<br>Chairman of Compensation Committee<br>Member of Audit Committee | Up for re-election<br>Outside<br>Independent |
| 5 | **Hiroshi Tomono** | Director of the Company<br>Member of Nominating Committee, Audit Committee and Compensation Committee | Up for re-election<br>Outside<br>Independent |
| 6 | **Kimikazu Noumi** | | First-time candidate<br>Outside<br>Independent |
| 7 | **Yoshiaki Ando** | Director of the Company<br>Member of Nominating Committee, Audit Committee and Compensation Committee | Up for re-election |
| 8 | **Ken Shiomi** | Director of the Company<br>Member of Audit Committee and Compensation Committee | Up for re-election |
| 9 | **Seiji Hatano** | Director and Senior Executive Officer of the Company | Up for re-election |
| 10 | **Kunihiro Koshizuka** | Director and Senior Executive Officer of the Company | Up for re-election |

Note: If the ten Directors are elected at the Meeting, the members of each of the committees will be appointed as shown on page 20.

**Policies and Procedures for the Nomination of Director Candidates**

The Nominating Committee has formulated Director election standards and independence standards for Outside Directors, which are shown on page 19 through 20.

Prior to selecting candidates, the Nominating Committee reviews the composition of the Board of Directors and committees and deliberates on the number of Director candidates for the upcoming fiscal year. Concerning the size of the Board of Directors, the Company considers the current membership of 10 to11 Directors to be appropriate, considering the composition and combination of Inside Directors who do not concurrently serve as Executive Officers, Inside Directors who concurrently serve as Executive Officers and Outside Directors.

Based on principles prescribing limitations to the number of years re-election is possible and taking into account directors who are scheduled to step down, the Nominating Committee assumes the number of candidates for new election, separating them according to Inside Directors and Outside Directors, and proceeds with candidate selection.

Among candidates for Inside Directors of the Company, we find that those who can serve as Chairman of the Board of Directors and enhance the effectiveness of corporate governance and those who can secure a certain level of audit at meetings of the Audit Committee as regular Members of the Audit Committee should be selected for Inside Directors who do not serve as Executive Officers. For Inside Directors who serve as Executive Officers, we find that those who are in charge of primary duties along with President and CEO, Representative Executive Officer, should be selected so that they are able to engage in active and essential discussions at meetings of the Board of Directors.

With regard to Directors diversity, the Nominating Committee Regulations specify “people with organizational management experience in industry, government or academia, or specialists in technology, accounting, law or some other field” and “Outside Directors who have professional records and visions in their respective fields.” The Nominating Committee conducts broad-ranging deliberations that also take diversity into account to ensure that candidates have the necessary qualifications and capabilities to augment and enhance the strategic orientation to the management issues the Board of Directors faces.

Fundamentally, this year the Nominating Committee determined to select Outside Director candidates with corporate management experience who are promising for providing helpful advice and supervision to enhance new business cultivation and business transformation. Specifically, the Nominating Committee takes the following steps in selecting candidates.

<Outside Director Candidates>

a. Outside Director candidates are endorsed by a consensus of Nominating Committee members, other Outside Directors and President and CEO, Representative Executive Officer referring to a candidate database created by the Nominating Committee secretariat from among “chairmen” of excellent companies, taking into account such factors as independence from the Company, their age, concurrent positions and amount of sales of their companies.

b. Taking into account the balance among such factors as candidates’ original fields of business, primary management experience and fields of expertise, including those of candidates for reelection as Outside Directors, the Nominating Committee refines the candidate pool and ranks candidates.

c. In order of ranking, the Nominating Committee approaches candidates regarding appointment as Outside Directors and conducts interviews.

<Inside Director Candidates>

For Inside Director candidates, a draft proposal is created in consultation with the Chairman of the Board of Directors and the President and CEO. The Nominating Committee decides on candidates following deliberations that take into consideration the appropriate composition of members with duties on the Board of Directors and three committees, the balance of work experience and the areas candidates would concurrently oversee as Executive Officers.

No. 1

# Masatoshi Matsuzaki

(July 21, 1950)

Up for re-election

・Number of shares of the Company held: **72,200 shares**

・Board of Directors meeting attendance: **14 times/14 times**

・Term of office: **ten years**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1976 | Joined Konishiroku Photo Industry Co., Ltd. |
| November 1997 | General Manager of Development Group No. 2, Color Business Machines Development Div., Business Machines Headquarters of Konica Corporation |
| May 1998 | General Manager of Development Center No. 1, System Technology Development Div., Business Machines Headquarters of Konica Corporation |
| October 2003 | Director of Konica Minolta Business Technologies, Inc. |
| April 2005 | Executive Officer of the Company, and Representative Director and President of Konica Minolta Technology Center, Inc. |
| April 2006 | Senior Executive Officer of the Company, and Representative Director and President of Konica Minolta Technology Center, Inc. |
| June 2006 | Director and Senior Executive Officer of the Company, and Representative Director and President of Konica Minolta Technology Center, Inc. |
| April 2009 | Director, President and CEO, and Representative Executive Officer of the Company |
| April 2014 | Director and Chairman of the Board of the Company (positions which he continues to hold) |

**Important position concurrently held**

Outside Director of Ichigo Inc. (scheduled to assume office in May)
Outside Director of Nomura Research Institute, Ltd. (scheduled to assume office in June)
Outside Director of Nippon Sheet Glass Co. Ltd. (scheduled to assume office in June)

- Reasons for selecting the candidate for Director

Mr. Masatoshi Matsuzaki has extensive experience and expertise. At Konica Minolta and its Group companies, under the company split and holding company structure, Mr. Matsuzaki has been in charge of research for the Business Technologies Business, served as president of a subsidiary handling basic research and development of elemental technologies and served as Executive Officer in charge of technology strategy at Konica Minolta. In addition, Mr. Matsuzaki led the management of the Konica Minolta Group, serving as President and CEO from April 2009 through March 2014. Since April 2014, as Chairman of the Board of Directors, he has worked to further enhance corporate governance.
The Company believes that having an Inside Director who does not concurrently serve as Executive Officers with this level of familiarity of the Company’s management as the Chairman of the Board of Directors will contribute to helping the Company’s governance system function effectively, thereby leading to enhanced corporate value. Therefore, the Company requests that shareholders elect for him to continue.

No.
2

## Shoei Yamana

(November 18, 1954)

Up for
re-election

・Number of shares of the Company held:
**42,400 shares**

・Board of Directors meeting attendance:
**14times／14times**

・Term of office:
**ten years**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1977 | Joined Minolta Camera Co., Ltd. |
| July 1996 | General Manager of Management Planning Div. of Minolta Co., Ltd. |
| January 2001 | CEO of Minolta QMS Inc. |
| July 2002 | Executive Officer, General Manager of Management Planning Div., Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of Minolta Co., Ltd. |
| August 2003 | Senior Executive Officer of the Company, and Executive Officer and General Manager of MFP Operations and Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of Minolta Co., Ltd. |
| October 2003 | Senior Executive Officer of the Company, and Managing Director of Konica Minolta Business Technologies, Inc. |
| April 2006 | Senior Executive Officer of the Company |
| June 2006 | Director and Senior Executive Officer of the Company |
| April 2011 | Director and Senior Executive Officer of the Company, and Representative Director and President of Konica Minolta Business Technologies, Inc. |
| April 2013 | Director and Senior Managing Executive Officer of the Company |
| April 2014 | Director, President and CEO, and Representative Executive Officer of the Company<br>(positions which he continues to hold) |

**Important position concurrently held**

None

- Reasons for selecting the candidate for Director

Mr. Shoei Yamana has extensive experience and expertise. At Konica Minolta and its Group companies, Mr. Yamana has been an Executive Officer in charge of management strategy and IR, served as General Manager of the Sales Division of Image Information Products and been in charge of operations, among other positions. Mr. Yamana has led the management of the Konica Minolta Group, serving as President and CEO since April 2014, and has worked to enhance corporate value by promoting “TRANSFORM 2016,” the Company’s Medium-Term Business Plan.
As the Chief Executive Officer for the Konica Minolta Group, Mr. Yamana has led the Company to ongoing profit growth. In addition to demonstrating accountability as Representative Executive Officer for supervising management on the Board of Directors, Mr. Yamana has contributed to the enhancement of the function of making important decisions from a management standpoint. Therefore, the Company requests that shareholders elect for him to continue.

No. 3

# Takashi Enomoto

(January 18, 1953)

Up for re-election

Outside

Independent

・Number of shares of the Company held: **0 shares**

・Board of Directors meeting attendance: **13times／14times**

・Term of office: **three years**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1975 | Joined Nippon Telegraph and Telephone Public Corporation |
| June 2003 | Director of NTT DATA Corporation |
| June 2007 | Representative Director and Senior Executive Officer of NTT DATA Corporation |
| June 2008 | Representative Director and Vice-President of NTT DATA Corporation |
| June 2012 | Executive Advisor of NTT DATA Corporation (position which he continues to hold) |
| June 2013 | Director of the Company (position which he continues to hold) |

**Important position concurrently held**

Executive Advisor of NTT DATA Corporation

Outside Director of Tokyu Fudosan Holdings Corporation (scheduled to assume office in June)

- Reasons for selecting the candidate for Outside Director (Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act)

  Mr. Takashi Enomoto has many years of experience in the management of IT solutions businesses at NTT DATA Corporation. He has extensive experience and a broad range of knowledge as a corporate executive. In addition, Mr. Enomoto has a high degree of independence from the Company as stated below. Following his election as a Director in June 2013, Mr. Enomoto has performed well as a member of the Board of Directors and other committees. Fiscal 2015 activities are listed in "Primary activities of Outside Directors" in the business report (page 48). Therefore, the Company believes that Mr. Enomoto can continue contributing to the maintenance and upgrading of corporate governance through the activities of the Board of Directors and the committees, and requests shareholders to elect him as an Outside Director.

- Information concerning independence

  NTT DATA Corporation and the Company are not major customers of each other because these sales accounted for less than 1% of the consolidated net sales of each company. Furthermore, the two companies are not major shareholders of each other.

  Mr. Enomoto meets the independence standards for Outside Directors established by the Company's Nominating Committee as well as the standards for independence of Tokyo Stock Exchange, Inc. The Company has submitted a notice to this exchange designating Mr. Enomoto as an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

No. 4

# Kazuaki Kama

(December 26,1948)

Up for re-election

Outside

Independent

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| July 1971 | Joined IHI Corporation (former Ishikawajima-Harima Heavy Industries Co., Ltd.) |
| June 2004 | Executive officer of IHI Corporation |
| April 2005 | Managing Executive Officer of IHI Corporation |
| June 2005 | Director and Managing Executive Officer of IHI Corporation |
| April 2007 | Representative Director and President & Chief Executive Officer of IHI Corporation |
| April 2012 | Representative Director and Chairman of IHI Corporation |
| April 2016 | Director of IHI Corporation (position which he continues to hold) |
| June 2014 | Director of the Company (position which he continues to hold) |

・Number of shares of the Company held:
**0 shares**

・Board of Directors meeting attendance:
**13times／14times**

・Term of office:
**two years**

**Important position concurrently held**

Director of IHI Corporation (scheduled to retire in June and be appointed Senior Corporate Advisor)
Outside Director of Kyokuto Boeki Kaisha, Ltd.
Outside Director of NSK Ltd.
President of Financial Accounting Standards Foundation

- Reasons for selecting the candidate for Outside Director (Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act)

  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. In addition, Mr. Kama has a high degree of independence from the Company as stated below.

  Following his election as a Director in June 2014, Mr. Kama has performed well as a member of the Board of Directors and other committees. Fiscal 2015 activities are listed in “Primary activities of Outside Directors” in the business report (page 48).

  Therefore, the Company believes that Mr. Kama can continue contributing to the maintenance and upgrading of corporate governance through the activities of the Board of Directors and the committees, and requests shareholders to elect him as an Outside Director.

- Information concerning independence

  IHI Corporation and the Company are not major customers of each other because these sales accounted for less than 1% of the consolidated net sales of each company. Furthermore, the two companies are not major shareholders of each other.

  Mr. Kama meets the independence standards for Outside Directors established by the Company’s Nominating Committee as well as the standards for independence of Tokyo Stock Exchange, Inc. The Company has submitted a notice to this exchange designating Mr. Kama as an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

No. 5

# Hiroshi Tomono

(July 13,1945)

Up for re-election

Outside

Independent

・Number of shares of the Company held:
**0 shares**

・Board of Directors meeting attendance:
**10times／11times**

・Term of office:
**one year**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1971 | Joined Sumitomo Metal Industries, Ltd. |
| June 1998 | Director of Sumitomo Metal Industries, Ltd. |
| June 1999 | Managing Executive Officer of Sumitomo Metal Industries, Ltd. |
| April 2003 | Senior Managing Executive Officer of Sumitomo Metal Industries, Ltd. |
| June 2003 | Director and Senior Managing Executive Officer of Sumitomo Metal Industries, Ltd. |
| April 2005 | Representative Director and Executive Vice President of Sumitomo Metal Industries, Ltd. |
| June 2005 | Representative Director and President of Sumitomo Metal Industries, Ltd. |
| October 2012 | Representative Director, President and Chief Operating Officer (COO) of Nippon Steel & Sumitomo Metal Corporation |
| April 2014 | Representative Director and Vice Chairman of Nippon Steel & Sumitomo Metal Corporation |
| April 2015 | Director and Senior Advisor of Nippon Steel & Sumitomo Metal Corporation |
| June 2015 | Senior Advisor of Nippon Steel & Sumitomo Metal Corporation (position which he continues to hold) |
| June 2015 | Director of the Company (position which he continues to hold) |

**Important position concurrently held**

Senior Advisor of Nippon Steel & Sumitomo Metal Corporation
Outside Director of Sumitomo Chemical Company, Limited
Administrative Director of Tekkou Gakuen

- Reasons for selecting the candidate for Outside Director (Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act)

  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. In addition, Mr. Tomono has a high degree of independence from the Company as stated below.

  Following his election as a Director in June 2015, Mr. Tomono has performed well as a member of the Board of Directors and other committees. Fiscal 2015 activities are listed in “Primary activities of Outside Directors” in the business report (page 48).

  Therefore, the Company believes that Mr. Tomono can continue contributing to the maintenance and upgrading of corporate governance through the activities of the Board of Directors and the committees, and requests shareholders to elect him as an Outside Director.

- Information concerning independence

Nippon Steel & Sumitomo Metal Corporation and the Company are not major customers of each other because these sales accounted for less than 1% of the consolidated net sales of each company. Furthermore, the two companies are not major shareholders of each other.

Mr. Tomono meets the independence standards for Outside Directors established by the Company's Nominating Committee as well as the standards for independence of Tokyo Stock Exchange, Inc. The Company has submitted a notice to this exchange designating Mr. Tomono as an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

No. 6

## Kimikazu Noumi

(October 24,1945)

First-time candidate

Outside

Independent

・Number of shares of the Company held:
**0 shares**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1969 | Joined The Norinchukin Bank |
| June 1999 | Senior Executive Trustee of The Norinchukin Bank |
| June 2002 | Senior Managing Executive Trustee of The Norinchukin Bank |
| June 2004 | Representative Director and President of Norinchukin Zenkyoren Asset Management Co., Ltd |
| June 2006 | Representative Director and Vice Chairman of Aozora Bank, Ltd. |
| February 2007 | Representative Director, Chairman and CEO of Aozora Bank, Ltd. |
| July 2009 | Representative Director, President and CEO of Innovation Network Corporation of Japan |
| July 2015 | Executive Advisor of J-WILL CORPORATION (position which he continues to hold) |

**Important position concurrently held**

Executive Advisor of J-WILL CORPORATION

- Reasons for selecting the candidate for Outside Director (Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act)

  Mr. Kimikazu Noumi has experience at The Norinchukin Bank and Aozora Bank, Ltd. in the management of the finance sector and also engaged in new business cultivation through investment activities, as well as supporting corporate transformation at Innovation Network Corporation of Japan. He has broad range of management experience and knowledge as a corporate executive. In addition, Mr. Noumi has a high degree of independence from the Company as stated below. Therefore, the Company believes that Mr. Noumi can contribute to the maintenance and upgrading of corporate governance through the activities of the board of Directors and the committees, and requests shareholders to newly elect him as an Outside Director.
- Information concerning independence

  J-WILL CORPORATION and the Company do not have any business transaction. Furthermore, the two companies are not major shareholders of each other.

  Mr. Noumi meets the independence standards for Outside Directors established by the Company's Nominating Committee as well as the standards for independence of Tokyo Stock Exchange, Inc. The Company has submitted a notice to this exchange designating Mr. Noumi as an eligible candidate of Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

No.
7

# Yoshiaki Ando

(November 16, 1951)

Up for
re-election

・Number of shares of the Company held:
**30,500 shares**

・Board of Directors meeting attendance:
**13times／14times**

・Term of office:
**six years**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1975 | Joined Konishiroku Photo Industry Co., Ltd. |
| March 1994 | Executive Vice-President and CFO of Konica Business Machines U.S.A., Inc. |
| June 1998 | General Manager of Planning Dept., Business Machines Marketing Div., Business Machines Headquarters of Konica Corporation |
| October 2002 | Director of Konica Business Machines Co., Ltd. |
| October 2003 | Director of Konica Minolta Business Solutions Japan Co., Ltd. |
| April 2005 | General Manager of Corporate Finance Division of the Company |
| April 2007 | Executive Officer and General Manager of Corporate Finance Division of the Company |
| April 2010 | Senior Executive Officer of the Company |
| June 2010 | Director and Senior Executive Officer of the Company |
| April 2014 | Director of the Company (position which he continues to hold) |

**Important position concurrently held**

None

- Reasons for selecting the candidate for Director
  The Company believes that it is important for the Audit Committee to include an Inside Director who has business management experience and expertise involving the collection of information.
  Mr. Yoshiaki Ando has extensive experience and considerable expertise related to finance and accounting, having served as General Manager of the Corporate Finance Division of the Company and, as Senior Executive Officer, taking charge of accounting, finance and management strategy.
  Since 2014, as a Director at the Company not concurrently serving as Executive Officer Mr. Ando engages in supervising management and works to enhance activities of the Company's internal committees as a member of the Nominating, Audit and Compensation Committees.
  Therefore, the Company believes that Mr. Ando can enhance corporate value by maintaining and upgrading the corporate governance, and requests that shareholders elect for him to continue.

No. 8

# Ken Shiomi

(December 12, 1954)

Up for re-election

・Number of shares of the Company held:
**14,400 shares**

・Board of Directors meeting attendance:
**11times／11times**

・Term of office:
**one year**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1977 | Joined Minolta Camera Co., Ltd. |
| April 2000 | General Manager, Corporate Business Management Division of Minolta Co., Ltd. |
| October 2003 | General Manager, Corporate Accounting Division of Konica Minolta Camera, Inc. |
| April 2006 | President of Konica Minolta Sensing Europe B.V. |
| January 2008 | General Manager of Business Management of Konica Minolta Sensing, Inc. |
| June 2008 | Director, General Manager, Corporate Business Management Division of Konica Minolta Sensing, Inc. |
| April 2012 | Executive Officer of the Company, Director of Konica Minolta Optics, Inc. |
| April 2013 | Executive Officer of the Company |
| June 2015 | Director of the Company (position which he continues to hold) |

**Important position concurrently held**

None

- Reasons for selecting the candidate for Director
  The Company believes that it is important for the Audit Committee to include an Inside Director who has business management experience and expertise involving the collection of information.
  Mr. Ken Shiomi has extensive experience and considerable expertise related to business administration from serving as Executive Officer in the Company’s sensing and optics businesses. Since 2015, Mr. Shiomi has been engaging in supervising management as a Director at the Company not concurrently serving as Executive Officer and contributing to Audit and Compensation Committees duties. Therefore, the Company believes that Mr. Shiomi can enhance corporate value by maintaining and upgrading the corporate governance, and requests that shareholders elect for him to continue.

No.
9

# Seiji Hatano

(December 17, 1959)

Up for
re-election

・Number of shares of the Company held:
**13,200 shares**

・ Board of Directors meeting attendance:
**14times／14times**

・Term of office:
**two years**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1982 | Joined the Mitsubishi Bank, Ltd. |
| June 2011 | Resigned the Bank of Tokyo-Mitsubishi UFJ, Ltd. |
| July 2011 | Joined the Company |
| April 2013 | Executive Officer and General Manager, Corporate Strategy Division of the Company |
| April 2014 | Senior Executive Officer and General Manager, Corporate Strategy Division of the Company |
| June 2014 | Director, Senior Executive Officer and General Manager, Corporate Strategy Division of the Company |
| April 2016 | Director, Senior Executive Officer and General Manager, Management Planning Division of the Company (position which he continues to hold) |

**Important position concurrently held**

None

- Reasons for selecting the candidate for Director
  As a Senior Executive Officer of the Company, Mr. Seiji Hatano is the executive for corporate strategies, finance and accounting, and other administrative operations and is involved with promoting the medium-term business plan, seeking to enhance the corporate value of the Konica Minolta Group. As Senior Executive Officer in charge of supervising management strategy and business management and promoting M&A activities, the Company believes Mr. Hatano will demonstrate accountability to the Board of Directors and participate in important management decisions. Therefore, the Company requests that shareholders elect for him to continue.

No. 10

# Kunihiro Koshizuka

(September 30, 1955)

Up for re-election

・Number of shares of the Company held:

**13,500 shares**

・Board of Directors meeting attendance:

**11times／11times**

・Term of office:

**one year**

**Career history, position and responsibilities at the Company**

| | |
|---|---|
| April 1981 | Joined Konishiroku Photo Industry Co., Ltd. |
| October 2003 | GI System Group Leader (Manager), R&D Center, of Konica Minolta Medical & Graphic, Inc. |
| June 2004 | General Manager, Development Center, of Konica Minolta Medical & Graphic, Inc. |
| June 2008 | Director and General Manager, Development Center, of Konica Minolta Medical & Graphic, Inc. |
| April 2012 | Executive Officer and General Manager, Technology Strategy Division of the Company |
| April 2014 | Senior Executive Officer and General Manager, Corporate R&D Headquarters of the Company |
| April 2015 | Senior Executive Officer and General Manager, Business Development Headquarters of the Company |
| June 2015 | Director, Senior Executive Officer and General Manager, Business Development Headquarters of the Company |
| April 2016 | Director and Senior Executive Officer of the Company (position which he continues to hold) |

**Important position concurrently held**

None

- Reasons for selecting the candidate for Director
  As a Senior Executive Officer of the Company, Mr. Kunihiro Koshizuka promotes the medium-term business plan, as well as taking charge of all aspects of the technology sector, seeking to enhance the corporate value of the Konica Minolta Group. As a Senior Executive Officer in charge of supervising and promoting technology strategy, basic research and new technology development, the Company believes Mr. Koshizuka will demonstrate accountability to the Board of Directors and participate in important management decisions. Therefore, the Company requests that shareholders elect for him to continue.

Notes: 1. No conflicts of interest exist between the Company and the Director candidates.

2. The Company has entered into liability limitation agreements with Outside Directors Mr. Takashi Enomoto, Mr. Kazuaki Kama, and Mr. Hiroshi Tomono, the content of which is summarized in “Liability limitation agreements” on page 49 of the Business Report. The Company will enter into similar agreements with them if they are re-elected, and with Mr. Kimikazu Noumi, the first-time candidate for Outside Director, if he is elected.

[Reference]

1. 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

2. Regarding standards for the independence of Outside Directors, the Company’s Nominating Committee selects Outside Director candidates, provided that none of the following criteria 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 twice removed or less) that has served as a Director, executive officer, auditor or top manager 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, auditor 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

3. If the ten Directors are elected at the Meeting, the members of each of the committees under the company with three committees provided for in Article 2, Item 12 of the Companies Act will be appointed as follows from among three Inside Directors, Mr. Masatoshi Matsuzaki, Mr. Yoshiaki Ando and Mr. Ken Shiomi who do not concurrently hold Executive Officer posts, and the four Outside Directors.
The Company appoints the Chairman of each committee especially from among Outside Directors. The Representative Executive Officer and President serves as neither member of the committees. Thus, the Company continues to strive to ensure the transparency of the administration of three committees. Committees are composed of three Outside Directors and two Inside Directors who do not concurrently

serve as Executive Officers, and consideration is given to cooperation among the committees and between the individual committees and the senior management.

| | |
|---|---|
| Nominating Committee | Hiroshi Tomono (Chairman), Kazuaki Kama, Kimikazu Noumi, Masatoshi Matsuzaki, Yoshiaki Ando |
| Audit Committee | Takashi Enomoto (Chairman), Hiroshi Tomono, Kimikazu Noumi, Yoshiaki Ando, Ken Shiomi |
| Compensation Committee | Kazuaki Kama (Chairman), Takashi Enomoto, Kimikazu Noumi, Yoshiaki Ando, Ken Shiomi |

[Provided Documents]

# BUSINESS REPORT

From April 1, 2015 to March 31, 2016

## 1. Overview of Konica Minolta Group business activities

### (1) Developments and results of business activities

Looking back over the economic situation during the consolidated fiscal year under review ("the fiscal year"), the US continued its trend of recovery on the back of such factors as improving employment. In Europe, on the other hand, where economic stimulus measures such as monetary easing had led to a gradual recovery, the end of the fiscal year saw a slight dip in the economic upswing. Meanwhile, previous excessive capital expenditures in China led to shrinking investment and emerging countries were affected by the decline in commodity prices, leading to a continuation of the move towards slower growth. In the Japanese economy, corporate results are on an improving trend but, due the impact of the deceleration in emerging economies, manufacturing activity was sluggish. In this way, for the global economy as a whole the impact of slowing economies in China and emerging countries was significant and it was a year in which business conditions remained at a standstill.

In this economic environment, consolidated revenue for the Konica Minolta Group ("the Group") came to ¥1,031.7 billion (up 2.9% year on year). Viewed by business segment, in the Business Technologies Business sales of high-end color models for commercial printing rose, in addition to which corporate acquisitions and the weaker yen against the US dollar contributed to revenue growth. In the Industrial Business, the field of optical systems for industrial use benefited from the effects of acquisitions in measuring instruments and recorded higher revenue, but in the field of performance materials, the impact of the deterioration in display-related markets led to a decline in revenue. The Healthcare Business was helped by the contribution of a corporate acquisition in the US and revenue there rose.

Operating profit was ¥60.0 billion yen (down 8.7% year on year). The Business Technologies Business posted a decline in profit, albeit a small one. This can be attributed to higher costs related to the transformation in the focus of our business carried out in an increasingly competitive environment, the yen's appreciation against the euro in the latter half of the fiscal year, which had a considerable impact on profits, and reserves set aside for business structure improvement expenses for the next fiscal year. In the Healthcare Business, we saw a clear trend towards profit growth with higher sales of digital products both in Japan and overseas, but the Industrial Business saw profits fall due to lower sales of mainstay products. These factors coincided with costs related to structural reforms implemented in the first half of the fiscal year, causing a fall in profit for the Group as a whole. Profit before tax was ¥58.0 billion yen (down 11.4% year on year) and profit attributable to owners of the company came to ¥31.9 billion yen (down 21.9% year on year) due to the reduction of corporate tax rate as a result of the tax reform beginning in the next consolidated fiscal year.

In fiscal 2014, the Group started implementation of its Medium Term Business Plan, "TRANSFORM 2016." As well as moving forward with adding value to existing businesses, we are also accelerating customer-centric initiatives to create new businesses that resolve the problems faced by customers and society.

In Japan, we received our first orders for the Group's "Care Support Solution," which aims to resolve the social problems caused by the progressive aging of societies in Japan and Asia that is leading to a rise in the number of people requiring nursing care, as well as shortages of caregiving staff.

The Group also concluded an agreement to acquire 65.5% of the shares of video surveillance camera manufacturer MOBOTIX AG (headquartered in Germany), whose strength is its proprietary video management system. We intend to combine this with our own proprietary optical systems for industrial use, such as 3D laser radar, to provide high-quality security systems and the like, opening the way to offering solutions for a wide range of industries and businesses.

Furthermore, in Japan, we have reorganized our domestic business and commenced operations of Konica Minolta Japan, Inc. from April 2016. This entity gathers together the combined power of the Group, leveraging our know-how in proprietary digital manufacturing and in digital marketing, cultivated through our own practices as a manufacturer, in order to support a reform of digital workflow and to enable us to offer solutions varied by industry and business type. In addition, we have concluded a capital and business alliance with Netyear Group Corporation (headquartered in Tokyo), which has a track record in devising digital marketing strategies and creating content rooted in customer experience, thus enhancing our ability to provide digital marketing.

**[External evaluation of the Group]**

By steadily executing the initiatives stated under the Medium Term Business Plan, "TRANSFORM 2016," the Group aims to achieve sustainable growth by shifting the focus of our business. Moreover, we have positioned corporate social responsibility (CSR) activities as key to management and aims to be a global company that is vital to society by undertaking a broad array of initiatives in such areas as the environment, human rights, labor, and governance.

Through such activities, we have received accolades from varied external organizations. In fiscal 2015 we ranked in first place in the overall manufacturing sector at the 19th Environmental Management Survey conducted by Nikkei Inc., our second consecutive year of such an achievement. We were selected for the JPX-Nikkei Index 400 for the third consecutive year and also chosen for the second year running as one of the "Health & Productivity Stock Selection" jointly undertaken by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. In terms of investment indices, we were named to the Dow Jones Sustainability World Index of the United States, a globally prestigious SRI index, for the fourth year in a row. We have been selected for the Silver Class by RobecoSAM, an investment specialist focused exclusively on sustainability investing.

Thus, in this fiscal year the Group was hit by the cutbacks in corporate investment caused by the sluggish global economy and the intensifying competition, leading to a difficult set of results for the fiscal year on a standalone basis. Nevertheless, in its interim year the measures in the Medium Term Business Plan, "TRANSFORM 2016" aimed at medium- to long-term growth achieved considerable success.

Business conditions in each segment during the fiscal year under review are as follows.

Fiscal year ended March 31 [Billions of yen]

| | 2016 | 2015 | Increase (Decrease) | |
|---|---|---|---|---|
| **Business Technologies Business** | | | | |
| Net sales - external | 832.1 | 808.2 | 23.9 | 3.0% |
| Operating income | 70.2 | 72.6 | (2.4) | -3.4% |
| **Healthcare Business** | | | | |
| Net sales - external | 89.8 | 78.5 | 11.2 | 14.4% |
| Operating income | 3.9 | 2.1 | 1.7 | 85.0% |
| **Industrial Business** | | | | |
| Net sales - external | 105.9 | 112.7 | (6.8) | -6.0% |
| Operating income | 17.0 | 19.7 | (2.6) | -13.7% |

Note: From the year ended March 31, 2016, business conditions have been prepared on the basis of International Financial Reporting Standards ("IFRS"). Also, figures from the year ended March 31, 2015 on the basis of IFRS have been provided.

Furthermore, we executed a treasury shares acquisition (6,570,000 shares) and cancelled treasury shares (9,000,000 shares) in an effort to enhance shareholders' return.

Regarding the payment of dividends from retained earnings at the end of the fiscal year, we will pay ¥15 per share as planned. Including the dividend distributed on September 30, 2015, we will pay a full-year dividend of ¥30 per share.

- Stock Acquisitions and Cancellations

The Company acquires and cancels stock for the distribution of earnings to shareholders in a flexible manner and to improve the ROE. Stock acquisitions and cancellations during the fiscal year were as follows.

| | | | |
|---|---|---|---|
| Stock acquired | 6.57 million shares | Cost | ¥9.9 billion |
| Start and end | May 14 to July 23, 2015 | Stock cancelled | 9 million shares |
| Value of stock cancelled | ¥11.0 billion | Cancellation date | June 30, 2015 |

## Business Activity Highlights of the fiscal year

**July 2015**
Completed **the treasury shares acquisition of 6.57 million shares at a cost of ¥9.9 billion** as one way to distribute earnings to shareholders

**September 2015**
Established **Basic Policy on Corporate Governance** along with adoption of the Corporate Governance Code

**January 2016**
**First place in the overall manufacturing sector** for the second consecutive year at the 19th Environmental Management Survey

**February 2016**
**Equity and business alliance with Netyear Group Corporation.** to become more competitive in the digital marketing business

**March 2016**
**Signed an agreement to purchase 65.5% of the shares of MOBOTIX AG**, a German company with advanced network camera technologies to strengthen operations involving security.

2015 | 2016

Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec. Jan. Feb. Mar.

**May 2015**
**Operations started** at the Malaysian production site, which **uses the digital manufacturing concept**. Combines ICT and automation technology for the automatic oversight of production processes for high efficiency.

**August 2015**
**Acquired Radiant Vision Systems, LLC, a leading provider of test and measurement solutions to the flat panel display industry** in the U.S. Synergies with this company will be used to enter the growing market for manufacturing inspection systems.

**September 2015**
**Displayed the KM-1 UV Sheet-fed Inkjet Printer**, which is to be launched in the spring of 2016, at IGAS 2015, Japan's largest international show of printing machinery and materials. This next-generation digital printing system targets high-end needs involving production printing and attracted a large number of visitors.

**October 2015**
**Acquired Viztek LLC, a leading healthcare imaging solution provider** in the U.S. Synergies with this company will upgrade the ability to provide solutions in the U.S. as the Health Insurance Reform create a greater need for more efficient healthcare.

### i. Business Technologies Business

**Business Details**

The Business Technologies Business consists of multi-functional peripherals and other devices, the provision of IT services in the office services field, digital printing equipment, various printing services and industrial inkjet business in the commercial and industrial printing field.

**Office services**

In light of digitalization and networking in industry and society, this business provides total and optimized solutions for customer office environments through the combination of advanced ICT services and a diverse array of product lines including color MFPs.

**Commercial and industrial printing**

Amid the growing need for coordination with digital media and the diversification of corporate printed materials, this business supports optimal printing through the provision of various printing systems and services, including high-performance medium- and high-speed digital printing equipment. It is also expanding the scope of industrial inkjet utilization making full use of advanced inkjet technology.

<Office services>

For mainstay A3 color MFPs (Multi-functional peripherals), amid intensifying competition in the US and Europe, the Group stuck to its sales policy of prioritizing profits and worked to expand sales, primarily of mid-range and higher segment models. Even sales volumes of monochrome models exceeded prior-year levels. Regarding big deals associated with global procurement / business services, our important customers such as BMW Group and Allianz (both headquartered in Germany) have highly evaluated our optimized printing solutions so that we were successful to extend global agreements with them in the future multiple years. In “hybrid-type sales,” which we are deploying to small-and medium-sized enterprises and that comprise a combination of IT services and input/output equipment, we have been proposing improvements to the customer’s workflow whereby paper documents are scanned using our MFPs and the necessary information is automatically extracted and coordinated with the core systems. We have also been providing “Managed IT” composite services wherein we take over the whole of the IT environment including maintenance and management and have been successfully concluding contracts.

<Commercial and industrial printing>

In production print, sales of the top-of-the-line “bizhub PRESS C1100” digital color printing system grew primarily in the US and Europe. We strived to expand from the previous customer base, consisting mostly of small- and medium- sized printing companies, to large-sized commercial printing companies where high output volumes can be expected.

In Marketing Production Management (MPM) services, which help optimize printing costs and improve business processes in a company’s marketing department, we pushed initiatives to expand the region of services provided to existing customers.

In the industrial inkjet business, sales of components such as inkjet printheads for use in large-format printers were strong. The “KM-1” Sheet-fed UV inkjet press co-developed with KOMORI Corporation (headquartered in Tokyo) has been prepared for launch and sales will begin in earnest in fiscal 2016. We also raised our ownership ratio in MGI Digital Technology (headquartered in France), with which we began a financial and strategic alliance in fiscal 2014, effective April 1, 2016. We will leverage MGI’s superior marketing and unique product development capabilities related to digital printing equipment in order to expand our business into the commercial printing market.

In manufacturing, we are promoting digital manufacturing both in Japan and overseas. In the Malaysian production site that has been in full operation since May 2015, initiatives leveraging cutting-edge ICT to automate and improve manufacturing process efficiency have been successful, and we are reinforcing systems to continuously reduce production costs for digital MFPs.

As a result, revenue of the Business Technologies Business from external customers stood at ¥832.1 billion, up 3.0% year on year, and operating profit was ¥70.2 billion, down 3.4% year on year. Revenue rose as a result of corporate acquisitions, to which was added the effect of the weaker yen against the US dollar. Despite gains on sale of property, plant and equipment in North America, in addition to the yen continuing the previous year's trend of strengthening against the euro, which has a negative impact on profits, there were also increases in costs related to the transformation in the focus of our business, including the bolstering of our service provision capability, as well as reserves set aside for business structure improvement expenses, and thus a small decrease in profit was recorded.

**(Company-business related glossary)**

MIT: Managed IT. A package of comprehensive services from the introduction of IT equipment and systems, to their operations, management, and maintenance.

MPM: Marketing Print Management. A service attempting to optimize the cost of fiduciary printed materials using our own supplier network.

### ii. Healthcare Business

**Business Details**

The Healthcare Business manufactures and sells medical diagnostic imaging systems incorporating cutting-edge image processing technologies, as well as develops maintenance and service businesses.

As a pioneer of x-ray film in Japan, this business contributes to the realization of faster, more reliable diagnostics through the provision of devices, systems and services contributing to medical digitalization and networking with medical diagnostic imaging technologies at the core.

In Japan, the SONIMAGE HS1 diagnostic ultrasound system has become widely accepted in the field of orthopedic surgery and sales grew significantly. Meanwhile, sales in the US grew year on year with Viztek, LLC (headquartered in the US), which was acquired in October 2015, becoming consolidated for the latter half of the fiscal year.

In mainstay products, the medical IT service PACS (picture archiving and communication systems) remained solid, while sales of the “AeroDR” cassette-type digital X-ray diagnostics imaging systems grew primarily in overseas markets.

As a result, revenue of the Healthcare Business from external customers stood at ¥89.8 billion, up 14.4% year on year, and operating profit was ¥3.9 billion, up 85.0% year on year. In addition to the increase in gross profit generated by rising sales and rising overseas revenue of mainstay products, there was an increase in the number of service contracts, which depend on the installed base of such products and equipment, in turn contributing to an improvement in profitability.

**(Company-business related glossary)**

Diagnostic Ultrasound System: 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.

In July 2014, we launched the first product jointly developed with the ultrasound business unit of Panasonic Healthcare Co., Ltd., which was transferred to the Company. This product achieves the best resolution level in its class, delivering sharp and high-quality images that clearly show the fiber structure of nerve and muscle bundles tens to hundreds of microns in thickness. The series of products is released under the brand name “SONIMAGE” which is highly evaluated in the field of orthopedic surgery.

DR: Digital Radiography. 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 perform this function.

We provide the cassette-type digital X-ray system “AeroDR” as DR.

### iii. Industrial Business

**Business Details**

The Industrial Business consists of the optical systems for industrial use field, comprised of measuring instruments and lenses for industrial and professional use, and the performance materials field, comprised of TAC film used for liquid crystal displays, functional films and OLED lighting, a growing field.

**Performance materials**

Contributing to the creation of an abundant society through the creation of value-added materials having the functions demanded by industry and society, including protection, thermal insulation, polarization and luminescence acquired through the use of material and film-making technologies.

**Optical systems for industrial use**

Contributing to the creation of better social infrastructure through the provision of products bringing innovation to various industries using the world’s leading light technologies.

<Performance materials>

In TAC film, falling demand in emerging markets in the latter half of the fiscal year led to a prolonging of the supply-chain inventory correction, and sales of TAC film for large LCD televisions declined. In products for small and medium-size panels, the thin-film products in which the Group specializes turned to recovery in the second half of the fiscal year, but this was insufficient to compensate for the fall in sales of television-related products and sales were down over the previous fiscal year.

<Optical systems for industrial use>

In measuring instruments, the mainstay light-source color measurement equipment grew in the second half of the fiscal year, in addition to which Radiant Vision Systems, LLC (headquartered in the US), which was acquired in August 2015, became consolidated and contributed to the growth in revenue. As for lenses for industrial and professional use, optical units for projectors used at events for projection mapping, etc. remained solid and revenue rose.

As a result, revenue of the Industrial Business from external customers came to ¥105.9 billion (down 6.0% year on year) and operating profit stood at ¥17.0 billion (down 13.7% year on year).

**(Company-business related glossary)**

TAC (Triacetylcellulose) film: General term for protective film for polarizers, composed primarily of cellulose acetate. It is mainly used as a protective film for polarizers, a component of LCDs. TAC 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.

OLED: Organic Light Emitting Diode. Organic EL (electroluminescence) refers to the phenomenon of organic matter that emits light when a voltage is applied to it. Our plastic substrate flexible OLED lighting panels, which have been started to be mass-produced leading the world, have the characteristics not seen in traditional light sources which are thin, light, surface illuminant and flexible, with our original technology at the core. The panels are also superior in good environmental performance so that they have high energy performance, generate less heat, and do not need mercury.

## (2) Financing, etc.

### a. Financing

In the fiscal year, there were no sales of stock or bonds or other new fund procurement activities.

### b. Capital expenditure

The capital expenditure of the Group during the fiscal year totaled ¥52.6 billion, with the emphasis on expenditure for the development and manufacture of new products mainly in the Business Technologies Business and the Industrial Business. Significant expenditures included expansion of production bases and manufacturing facilities in the Business Technologies Business and the production facilities for functional film in the Industrial Business.

### (3) Business results

Japan standards

| | | 109th Term<br>Fiscal Year Ended<br>March 31, 2013 | 110th Term<br>Fiscal Year Ended<br>March 31, 2014 | 111th Term<br>Fiscal Year Ended<br>March 31, 2015 |
|---|---|---|---|---|
| Net sales | (Hundred millions of yen) | 8,130 | 9,437 | 10,117 |
| Operating income | (Hundred millions of yen) | 406 | 581 | 662 |
| Ordinary income | (Hundred millions of yen) | 389 | 546 | 598 |
| Profit attributable to owners of parent (Note 1) | (Hundred millions of yen) | 151 | 218 | 327 |
| Earnings per share | (yen) | 28.52 | 41.38 | 64.73 |
| Total assets | (Hundred millions of yen) | 9,405 | 9,660 | 9,704 |
| Net assets | (Hundred millions of yen) | 4,664 | 4,800 | 5,016 |
| Net assets per share | (yen) | 876.65 | 929.04 | 995.48 |
| Dividend per share<br>[of which, interim dividend per share] | (yen) | 15<br>[7.5] | 17.5<br>[10] | 20<br>[10] |
| ROE (Note 3) | (%) | 3.4 | 4.6 | 6.7 |

International Financial Reporting Standards ("IFRS")

| | | 111th Term<br>Fiscal Year Ended<br>March 31, 2015 | 112th Term<br>Fiscal Year Ended<br>March 31, 2016<br>(fiscal year) |
|---|---|---|---|
| Net sales | (Hundred millions of yen) | 10,027 | 10,317 |
| Operating income | (Hundred millions of yen) | 657 | 600 |
| Profit attributable to owners of the company | (Hundred millions of yen) | 409 | 319 |
| Basic earnings per share attributable to owners of the company (yen) | | 81.01 | 64.39 |
| Equity attributable to owners of the company | (Hundred millions of yen) | 5,359 | 5,142 |
| Total assets | (Hundred millions of yen) | 10,018 | 9,763 |
| Equity per share attributable to owners of the parent | (yen) | 1,067.97 | 1,037.96 |
| Dividend per share<br>[of which, interim dividend per share] | (yen) | 20<br>[10] | 30<br>[15] |
| ROE (Note 3) | (%) | 7.9 | 6.1 |

Note: 1. Net income has been changed to profit attributable to owners of parent due to the application of Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013 and other accounting standards.

2. From the year ended March 31, 2016, business results have been prepared on the basis of International Financial Reporting Standards ("IFRS"). Also, figures from the year ended March 31, 2015 on the basis of IFRS have been provided for reference purposes.

3. The following methods are used to calculate the return on equity.

Japanese standard: Profit attributable to owners of parent divided by equity (average of equity at beginning and end of fiscal year)

IFRS: Profit attributable to owners of the company divided by equity attributable to owners of the company (average of equity at beginning and end of fiscal year)

### (4) Issues to be handled

#### (a) Group's Vision

Society's and customers' demands are becoming increasingly complex and diverse in this period of rapid transformation in which social and economic changes and technological innovation are occurring at unprecedented speeds. New business models that can bring about creative destruction to meet these needs are being continuously devised across industry lines.

In this environment, the Group is striving to realize its vision of becoming "a global company that is vital to society" and "an innovative company that is robust and constantly evolving," based on our Philosophy of "the Creation of New Value."

To realize this vision, we devised our Medium Term Business Plan, "TRANSFORM 2016," and are carrying out reforms to become a company that contributes to the creation of value in order to realize a high-quality society by closely examining customers' and society's issues and driving innovation.

In order to generate innovation, human resources with diverse values must recognize each other's differences, work hard together and thus create chemical reactions. This means that it is essential that we promote diversity. The Group comprises 43,000 employees, including the mid-career hires and employees joining the Group through M&As on a global scale who bring their varied experiences and values to the Group. We will create a workplace in which, regardless of nationality, age, and gender, these human resources can excel on the global stage as "One Konica Minolta."

Our fundamental growth strategy is the creation of new value by offering solutions to diverse challenges through its technological and business innovations.

#### (b) Medium- to Long-term Management Strategies and Issues to be handled

We have decided on the following three items as Basic Policies of the Medium Term Business Plan, "TRANSFORM 2016," with the aim to fully understand our customers and become a partner that can provide them with high added value in order to outstrip global competition amid changes in the management environment surrounding the Group.

1. Realize sustainable profit growth
2. Transform into a customer-centric company
3. Establish a strong corporate structure

Under the Basic Policies, with our eyes on the growth in the medium to long term beyond fiscal 2016, the final fiscal year of the Medium Term Business Plan, "TRANSFORM 2016" we will strive to radically reinforce our earning power.

1. Realize sustainable profit growth

From the previous product-centric sales approach in which we primarily offered MFPs for use in the customer's administration and procurement departments, we are evolving towards a multi-pronged approach in which we actively submit proposals to resolve operational issues in the customer's various departments. Specifically, by expanding the menu of services we can offer and by using a value-added, proposal-based sales approach that leverages the integrated capabilities of the "One Konica Minolta" Group, we will grow our earnings throughout the term of the transaction and use this non-price competition capability to capture new customer accounts.

In addition, since the introduction of product lifecycle management methods in fiscal 2014, we have been advancing initiatives to maximize earnings over the lifespan of the product, from development to production to termination of sales.

2. Transform into a customer-centric company

Because we take a comprehensive view of society as a whole and offer services that provide the means to resolve social problems and latent issues at customers, we work closely with customer facilities to realize business reforms that have real value to customers.

Based on these ideas, we will strive as a digital company in the vanguard of the IoT era, in which widely varied objects become connected to the Internet aiming to turn new business concepts into reality. Leveraging our specialties in sensor and optical technologies, we will digitalize events in the real world, analyze them using artificial intelligence-based deep learning and other techniques, and extract and output information that customers find useful, opening the way to resolving their issues.

In concrete terms, in each business field we will focus on creating the businesses that will drive the next generation of growth.

<Business Technologies Business>

In the office services field, we will evolve current MFPs to become data processing platforms to analyze the vast quantities of information generated in the office, supporting the customer’s management and decision-making as well as new working styles. In the commercial and industrial printing field, we will provide services that optimize the overall flow of operations by connecting the diverse range of printing equipment used by printing companies. In addition, we will provide marketing services to corporate marketing departments that fuse digital media with traditional advertising and sales promotion media to maximize return on investment.

<Healthcare Business>

While expanding our area of operations into high value-added X-ray diagnostic imaging systems, we will provide services that support community-based comprehensive medical care, which brings together primary care, nursing care, and home care. In addition, we are working on entering the field of drug discovery and clinical trial support.

<Industrial Business>

In the optical systems for industrial use field, we will add value by using status monitoring solutions to provide support for sophisticated systems for security, marketing, and mobile object detection in self-driving.

We will use our strengths in the core technologies for optical and image processing as well as our customer base and direct sales and service networks that span the globe as differentiators as we move ahead with these initiatives to reinforce our capabilities as a digital company. We are also rolling out predictive maintenance initiatives, which use artificial intelligence and the IoT to prevent equipment malfunctions, throughout our businesses with the aims of raising customer satisfaction as well as improving profitability. At the same time, leveraging our Business Innovation Centers in five major regions around the world, we will conduct joint development with the world's leading companies and promote strategic alliances that allow us to form connections between companies and realize our unique added value.

3. Establish a strong corporate structure

In preparation for enhancing production efficiency, we will move forward with a focus on our own proprietary “digital manufacturing.” At the Malaysian production site that began operations in May 2015, we are already working not only on automating in-house assembly processes and reforming the flow of operations, but also on sharing information with suppliers to significantly reduce production lead times and optimize inventory. Moreover, in all functions and operations, we will work to reform processes, promote standardization, improve our agility, and raise operational productivity per employee, enabling us to establish a corporate structure with augmented ability to generate profits and cash, without increasing fixed costs.

### (5) Network of Konica Minolta Group (as of fiscal year end)

### a. Main business offices, plants, etc.

The Group consists of the Company, 151 consolidated subsidiaries and six affiliated companies using the equity method. The Group has product and technology development, manufacturing, and sales bases worldwide.

**Main business offices in Japan**

The Company

(1) Head Office (Chiyoda-ku, Tokyo)
(2) Kansai Office (Osaka City, Osaka)

Other domestic offices a) Hino City (Tokyo), Hachioji City (Tokyo), b) Chuo City (Yamanashi Prefecture), c) Toyokawa City (Aichi Prefecture), d) Sakai City (Osaka), Osakasayama City (Osaka), e) Kobe City (Hyogo Prefecture))

Subsidiaries

(1) Konica Minolta Business Solutions Japan Co., Ltd. (Minato-ku, Tokyo)
Konica Minolta Healthcare Co., Ltd. (Minato-ku, Tokyo)
(2) Konica Minolta Supplies Manufacturing Co., Ltd. (Kofu City, Yamanashi Prefecture)
(3) Konica Minolta Technoproducts Co., Ltd. (Sayama City, Saitama Prefecture)

**Main business offices overseas**

Subsidiaries

U.S.A.

(1) Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Medical Imaging U.S.A., Inc.

Europe

(2) Konica Minolta Business Solutions Europe GmbH (Germany)
Konica Minolta Business Solutions Deutschland GmbH (Germany)
Instrument Systems GmbH (Germany)
(3) Konica Minolta Business Solutions France S.A.S. (France)
(4) Konica Minolta Business Solutions (UK) Limited (U.K.)
Charterhouse PM Limited (U.K.)

Asia, etc.

(5) Konica Minolta Business Solutions (CHINA) Co., Ltd. (China)
(6) Konica Minolta Business Technologies Manufacturing (HK) Ltd. (Hong Kong)
(7) Konica Minolta Business Technologies (WUXI) Co., Ltd. (China)
(8) Konica Minolta Business Technologies (DONGGUAN) Co., Ltd. (China)
(9) Konica Minolta Business Technologies (Malaysia) Sdn. Bhd. (Malaysia)
(10) Konica Minolta Business Solutions Australia Pty. Ltd. (Australia)
Ergo Asia Pty Limited (Australia)

(Reference)

**External revenue by Region (the fiscal year)**

**External revenue of the fiscal year by geographical area is as follows.**

| Region | Revenue (Hundred millions of yen) | Sales proportion of each region |
|---|---|---|
| Japan | 2,001 | 19.4% |
| North America | 2,675 | 25.9% |
| Europe | 3,197 | 31.0% |
| China | 763 | 7.4% |
| Asia | 812 | 7.9% |
| Other | 866 | 8.4% |
| Total | 10,317 | 100% |

Note: Revenue classifications are based on customers' countries. When there are no key countries for customers in any of the regions above, they are classified into the respective regions.

## b. Employees of the Group

| Number of employees | Compared with end of previous fiscal year |
|---|---|
| 43,332 | Increase of 1,727 |

Note: The number of employees indicates the number of employees currently on duty.

## (6) Significant subsidiaries (as of the fiscal year end)

| Company name | Capital | Ratio of voting rights held by the Company | Description of principal businesses |
|---|---|---|---|
| Konica Minolta Business Solutions Japan Co., Ltd. | Millions of yen 497 | 100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in Japan, and providing related solution services |
| Konica Minolta Healthcare Co., Ltd. | Millions of yen 397 | 100% | Sales, maintenance and after-sales service of medical diagnostic imaging systems in Japan |
| Konica Minolta Supplies Manufacturing Co., Ltd. | Millions of yen 1,500 | 100% | Manufacturing and sale of supplies for multi-functional peripherals, digital printing systems and printers |
| Konica Minolta Technoproducts Co., Ltd. | Millions of yen 350 | 100% | Manufacturing and sale of equipment for medical system |
| Konica Minolta Business Solutions U.S.A., Inc. | Thousand US dollar 40,000 | *100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in the U.S., and providing related solution services |
| Konica Minolta Business Solutions Europe GmbH | Thousand euro 88,100 | 100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in Europe and others, and providing related solution services |
| Konica Minolta Business Solutions Deutschland GmbH | Thousand euro 10,025 | *100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in Germany, and providing related solution services |
| Konica Minolta Business Solutions France S.A.S. | Thousand euro 29,365 | *100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in France, and providing related solution services |
| Konica Minolta Business Solutions (UK) Ltd. | Thousand British pound 21,000 | 100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in the U.K., and providing related solution services |
| Charterhouse PM Limited | Thousand British pound 440 | *100% | Print management service providers in Europe |

Note: The ratio of voting rights marked with * include those held by subsidiaries.

| Company name | Capital | Ratio of voting rights held by the Company | Description of principal businesses |
|---|---|---|---|
| Konica Minolta Business Solutions (CHINA) Co., Ltd. | Thousand RMB 96,958 | 100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in China, and providing related solution services |
| Konica Minolta Business Technologies Manufacturing (HK) Ltd. | Thousand HK dollar 195,800 | 100% | Manufacturing and sale of multi-functional peripherals, printers, and related supplies |
| Konica Minolta Business Technologies (WUXI) Co., Ltd. | Thousand RMB 289,678 | *100% | Manufacturing and sale of multi-functional peripherals, digital printing systems, printers, and related supplies |
| Konica Minolta Business Technologies (DONGGUAN) Co., Ltd. | Thousand RMB 141,201 | *100% | Manufacturing and sale of multi-functional peripherals, digital printing systems, printers, and related supplies |
| Konica Minolta Business Technologies (Malaysia) Sdn. Bhd. | Thousand Malaysian ringgit 135,000 | 100% | Manufacturing and sale of multi-functional peripherals, digital printing systems, printers, and related supplies |
| Konica Minolta Business Solutions Australia Pty. Ltd. | Thousand Australian dollar 24,950 | 100% | Sale of multi-functional peripherals, digital printing systems, printers and related supplies in Australia, and providing related solution services |
| Ergo Asia Pty Limited | Australian dollar 2 | 100% | Print management service providers in Oceania and Asia |
| Konica Minolta Medical Imaging U.S.A., Inc. | Thousand US dollar 5,300 | *100% | Sale of medical imaging systems and other products in the United States and other countries |
| Instrument Systems GmbH | Thousand euro 600 | 100% | Manufacturing and sale of LED light sources, light measurement systems and other products in Europe and Asia |

Note: The ratio of voting rights marked with * include those held by subsidiaries.

### (7) Principal lenders and the amount of loans of the Group (as of the fiscal year end)

[Hundred millions of yen]

| Lender | Outstanding amount of loan |
|---|---|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 241 |
| Sumitomo Mitsui Banking Corporation | 130 |
| Resona Bank, Limited. | 118 |
| Nippon Life Insurance Company | 82 |
| Daido Life Insurance Company | 44 |

### (8) Policy on exercise of authority if Articles of Incorporation allow distribution of dividends from retained earnings by the resolution of the Board of Directors (Article 459, Paragraph 1 of the Companies Act)

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 treasury shares.

### (9) Other significant matters of the Group

No significant matters worth mentioning.

## 2. State of shares (as of the fiscal year end)

**(1) Total number of shares authorized to be issued** ······· 1,200,000,000 shares

**(2) Total number of shares issued** ····························· 502,664,337 shares

(of which, treasury shares 7,188,993 shares)

Note: 9,000,000 shares decreased from the end of the previous fiscal year, due to cancellation of treasury shares exercised on June 30, 2015.

**(3) Number of shareholders** ···································· 32,482

**(4) Share unit number** ·········································· 100 shares

**(5) 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) | 34,909 | 7.0 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 27,617 | 5.5 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,945 | 2.8 |
| JPMorgan Chase Bank 385167 | 11,948 | 2.4 |
| 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 |
| JPMorgan Chase Bank 385632 | 9,830 | 1.9 |
| Daido Life Insurance Company | 9,040 | 1.8 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 7,666 | 1.5 |

Note: Ratio of shares held is calculated by deducting treasury shares.

## 3. Subscription rights, etc. of the Company

**Summary of subscription rights, etc., issued to/held by Directors and Executive Officers of the Company as compensation for the execution of duties (as of the fiscal year end)**

Starting in fiscal 2005, the Company began issuing subscription rights to Directors (excludes Outside Directors) and Executive Officers in the form of a compensation-type stock option plan, in accordance with its compensation determination policy.

Upon the exercise of subscription rights, treasury shares owned by the Company will be transferred.

<table>
<tr><th colspan="2"></th><th>First Series<br>Fiscal Year Ended March 31, 2006</th><th>Second Series<br>Fiscal Year Ended March 31, 2007</th><th>Third Series<br>Fiscal Year Ended March 31, 2008</th></tr>
<tr><td colspan="2">Number of subscription rights</td><td>389</td><td>211</td><td>226</td></tr>
<tr><td colspan="2">Type and number of shares under subscription rights</td><td>Ordinary shares 194,500 shares</td><td>Ordinary shares 105,500 shares</td><td>Ordinary shares 113,000 shares</td></tr>
<tr><td colspan="2">Amount to be paid upon exercise of the subscription rights</td><td>One (1) yen per share</td><td>One (1) yen per share</td><td>One (1) yen per share</td></tr>
<tr><td colspan="2">Exercise period of subscription rights</td><td>August 23, 2005 - June 30, 2025</td><td>September 2, 2006 - June 30, 2026</td><td>August 23, 2007 - June 30, 2027</td></tr>
<tr><td colspan="2">Primary condition for exercise of subscription rights</td><td colspan="3">The Optionee shall exercise subscription rights during the period from one (1) year after the date of retirement from the post of Director or Executive Officer of the Company up until five (5) years from that starting date.</td></tr>
<tr><td colspan="2">Primary events and conditions for acquisition of subscription rights</td><td colspan="3">The Company may acquire subscription rights without any compensation if the General Meeting of Shareholders approves merger agreement in which the Company becomes the dissolving company, etc.</td></tr>
<tr><td rowspan="3">Holdings of Directors and Executive Officers</td><td>Number of holders</td><td>3</td><td>3</td><td>4</td></tr>
<tr><td>Number of rights</td><td>36</td><td>27</td><td>35</td></tr>
<tr><td>Number of shares</td><td>18,000 shares</td><td>13,500 shares</td><td>17,500 shares</td></tr>
</table>

<table>
<tr><th colspan="2"></th><th>Fourth Series<br>Fiscal Year Ended<br>March 31, 2009</th><th>Fifth Series<br>Fiscal Year Ended<br>March 31, 2010</th><th>Sixth Series<br>Fiscal Year Ended<br>March 31, 2011</th></tr>
<tr><td colspan="2">Number of subscription rights</td><td>256</td><td>399</td><td>376</td></tr>
<tr><td colspan="2">Type and number of shares under subscription rights</td><td>Ordinary shares<br>128,000 shares</td><td>Ordinary shares<br>199,500 shares</td><td>Ordinary shares<br>188,000 shares</td></tr>
<tr><td colspan="2">Amount to be paid upon exercise of the subscription rights</td><td>One (1) yen per share</td><td>One (1) yen per share</td><td>One (1) yen per share</td></tr>
<tr><td colspan="2">Exercise period of subscription rights</td><td>August 19, 2008 -<br>June 30, 2028</td><td>August 20, 2009 -<br>June 30, 2029</td><td>August 28, 2010 -<br>June 30, 2030</td></tr>
<tr><td colspan="2">Primary condition for exercise of subscription rights</td><td colspan="3">The Optionee shall exercise subscription rights during the period from one (1) year after the date of retirement from the post of Director or Executive Officer of the Company up until five (5) years from that starting date.</td></tr>
<tr><td colspan="2">Primary events and conditions for acquisition of subscription rights</td><td colspan="3">The Company may acquire subscription rights without any compensation if the General Meeting of Shareholders approves merger agreement in which the Company becomes the dissolving company, etc.</td></tr>
<tr><td rowspan="3">Holdings of Directors and Executive Officers</td><td>Number of holders</td><td>5</td><td>6</td><td>7</td></tr>
<tr><td>Number of rights</td><td>47</td><td>108</td><td>124</td></tr>
<tr><td>Number of shares</td><td>23,500 shares</td><td>54,000 shares</td><td>62,000 shares</td></tr>
</table>

| | | Seventh Series<br>Fiscal Year Ended<br>March 31, 2012 | Eighth Series<br>Fiscal Year Ended<br>March 31, 2013 |
|---|---|---|---|
| Number of subscription rights | | 479 | 571 |
| Type and number of shares under subscription rights | | Ordinary shares<br>239,500 shares | Ordinary shares<br>285,500 shares |
| Amount to be paid upon exercise of the subscription rights | | One (1) yen per share | One (1) yen per share |
| Exercise period of subscription rights | | August 24, 2011 - June 30, 2031 | August 23, 2012 - June 30, 2032 |
| Primary condition for exercise of subscription rights | | The Optionee shall exercise subscription rights during the period from one (1) year after the date of retirement from the post of Director or Executive Officer of the Company up until five (5) years from that starting date. | |
| Primary events and conditions for acquisition of subscription rights | | The Company may acquire subscription rights without any compensation if the General Meeting of Shareholders approves merger agreement in which the Company becomes the dissolving company, etc. | |
| Holdings of Directors and Executive Officers | Number of holders | 9 | 14 |
| | Number of rights | 193 | 310 |
| | Number of shares | 96,500 shares | 155,000 shares |

| | | Ninth Series<br>Fiscal Year Ended<br>March 31, 2014 | Tenth Series<br>Fiscal Year Ended<br>March 31, 2015 | 11th Series<br>Fiscal Year Ended<br>March 31, 2016 |
|---|---|---|---|---|
| Number of subscription rights | | 515 | 1,596 | 1,101 |
| Type and number of shares under subscription rights | | Ordinary shares<br>257,500 shares | Ordinary shares<br>159,600 shares | Ordinary shares<br>110,100 shares |
| Amount to be paid upon exercise of the subscription rights | | One (1) yen per share | One (1) yen per share | One (1) yen per share |
| Exercise period of subscription rights | | August 23, 2013 - June 30, 2043 | September 12, 2014 - June 30, 2044 | August 19, 2015 - June 30, 2045 |
| Primary condition for exercise of subscription rights | | The Optionee shall exercise subscription rights during the period from one (1) year after the date of retirement from the post of Director or Executive Officer of the Company up until ten (10) years from that starting date. | | |
| Primary events and conditions for acquisition of subscription rights | | The Company may acquire subscription rights without any compensation if the General Meeting of Shareholders approves merger agreement in which the Company becomes the dissolving company, etc. | | |
| Holdings of Directors and Executive Officers | Number of holders | 18 | 19 | 22 |
| | Number of rights | 327 | 1,457 | 1,101 |
| | Number of shares | 163,500 shares | 145,700 shares | 110,100 shares |

Note: The number of shares issued upon the exercise of each subscription right was 500 from the first to the ninth series and is 100 from the tenth series.

## 4. Status of the Company’s management members

### (1) Names, etc. of Directors and Executive Officers

### a. Directors (as of the fiscal year end)

| Position | Name | Responsibilities | Important positions concurrently held |
|---|---|---|---|
| Director | Masatoshi Matsuzaki | Chairman of the Board<br>Member of Nominating Committee | President of Japan Business Machine and Information System Industries Association |
| Director | Shoei Yamana | (President and CEO, and Representative Executive Officer) | |
| Outside Director | Shoji Kondo | Member of Nominating Committee (Chairman)<br>Member of Compensation Committee | Executive Advisor of Hino Motors, Ltd. |
| Outside Director | Takashi Enomoto | Member of Audit Committee (Chairman)<br>Member of Nominating Committee | Executive Advisor of NTT DATA Corporation |
| Outside Director | Kazuaki Kama | Member of Compensation Committee (Chairman)<br>Member of Audit Committee | Chairman of the Board of IHI Corporation<br>Outside Director of Kyokuto Boeki Kaisha, Ltd.<br>Outside Director of NSK Ltd.<br>Representative Director of Japanese Aero Engines Corporation<br>President of Financial Accounting Standards Foundation |
| Outside Director | Hiroshi Tomono | Member of Nominating Committee<br>Member of Audit Committee<br>Member of Compensation Committee | Senior Advisor of Nippon Steel & Sumitomo Metal Corporation<br>Outside Director of Sumitomo Chemical Co., Ltd.<br>Administrative Director of Tekkou Gakuen |
| Director | Yoshiaki Ando | Member of Nominating Committee<br>Member of Audit Committee<br>Member of Compensation Committee | |
| Director | Ken Shiomi | Member of Audit Committee<br>Member of Compensation Committee | |
| Director | Ken Osuga | (Senior Executive Officer) | |
| Director | Seiji Hatano | (Senior Executive Officer) | |
| Director | Kunihiro Koshizuka | (Senior Executive Officer) | |

Notes 1. The four Directors Mr. Shoji Kondo, Mr. Takashi Enomoto, Mr. Kazuaki Kama and Mr. Hiroshi Tomono are Outside Directors, as provided for in Article 2, Item 15 of the Companies Act and Independent Directors, as provided for under Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

2. At the 111th Ordinary General Meeting of Shareholders held on June 19, 2015, the terms of office of all eleven (11) Directors expired. The following eight Directors were reelected: Mr. Masatoshi Matsuzaki, Mr. Shoei Yamana, Mr. Shoji Kondo, Mr. Takashi Enomoto, Mr. Kazuaki Kama, Mr. Yoshiaki Ando, Mr. Ken Osuga and Mr. Seiji Hatano; and three Directors: Mr. Hiroshi Tomono, Mr. Ken Shiomi and Mr. Kunihiro Koshizuka were newly elected and assumed office the same day.

3. Upon the close of the 111th Ordinary General Meeting of Shareholders held on June 19, 2015, the term of office of Mr. Hirokazu Yoshikawa, Mr. Akio Kitani and Mr. Takashi Sugiyama expired and they retired from the office of Director.

4. Audit Committee member Mr. Yoshiaki Ando had been in charge of the corporate accounting and corporate finance of the Company as the Senior Executive Officer and has considerable knowledge of corporate finance and corporate accounting.

5. Mr. Yoshiaki Ando and Mr. Ken Shiomi are full-time members of the Audit Committee. In this role, they constantly collect information, receive periodic reports from business units, visit business sites to perform inspections, and conduct other activities. Sharing information acquired from these activities with all members of the Audit Committee allows this committee to perform effective examinations of various subjects and issues.

### b. Executive Officers (as of the fiscal year end)

| Position | Name | Responsibilities and important positions concurrently held |
|---|---|---|
| * President and CEO, and Representative Executive Officer | Shoei Yamana | |
| Senior Managing Executive Officer | Takashi Sugiyama | General Manager, Business Technologies Business R&D Headquarters |
| Senior Executive Officer | Nobuyasu Ieuji | In charge of Corporate Social Responsibility Operations, Corporate SCM Center and Business Technologies Business Quality Assurance Operations<br>General Manager, Kansai Headquarters |
| Senior Executive Officer | Yoshitsugu Shiraki | General Manager, Advanced Layers Business Headquarters |
| Senior Executive Officer | Jun Haraguchi | General Manager, Business Technologies Business Marketing Headquarters<br>In charge of Inkjet Business Unit |
| Senior Executive Officer | Tsukasa Wakashima | General Manager, Corporate Human Resources Division<br>In charge of Corporate General Affairs Division |
| * Senior Executive Officer | Kunihiro Koshizuka | General Manager, Business Development Headquarters<br>In charge of Corporate R&D Headquarters |
| * Senior Executive Officer | Ken Osuga | General Manager, Corporate Business Management Division<br>In charge of Corporate Accounting Division, Corporate Finance Division, Corporate Business Process Transformation Division and Risk Management |
| * Senior Executive Officer | Seiji Hatano | General Manager, Corporate Strategy Division<br>In charge of Corporate CSR & Communications & Branding Division |
| Senior Executive Officer | Shingo Asai | General Manager, Business Technologies Business Manufacturing Headquarters |
| Senior Executive Officer | Toyotsugu Ito | General Manager, Corporate Production Operations<br>In charge of Group Production Engineering |
| Executive Officer | Kazuyoshi Hata | General Manager, Healthcare Business Unit |
| Executive Officer | Hiroyuki Suzuki | General Manager, Corporate Audit Division |
| Executive Officer | Tomio Nakamura | General Manager, Optics Business Unit<br>In charge of Sensing Business Unit |
| Executive Officer | Kenichi Sanada | In charge of Intellectual Property Center, Corporate Legal Division, Compliance and Crisis Management |
| Executive Officer | Akira Tai | General Manager, Corporate IT Planning Division |
| Executive Officer | Ikuo Nakagawa | President, Konica Minolta Business Solutions Europe GmbH |
| Executive Officer | Yuji Ichimura | Deputy General Manager, Business Technologies Business Marketing Headquarters, Deputy General Manager, Business Development Headquarters |
| Executive Officer | Noriyasu Kuzuhara | General Manager, Performance Materials Business Unit |
| Executive Officer | Toshimitsu Taiko | CEO, Konica Minolta Business Solutions U.S.A., Inc. |
| Executive Officer | Atsuo Takemoto | General Manager, Corporate Procurement Division<br>Deputy General Manager, Business Technologies Business Manufacturing Headquarters |

Notes 1. Executive officers marked with * hold concurrent Director positions.
2. The above Executive Officers were, after the close of the 111th Ordinary General Meeting of Shareholders held on June 19, 2015, elected at the meeting of the board of Directors held the same day.
3. Mr. Takashi Sugiyama, Mr. Yoshitsugu Shiraki and Mr. Tomio Nakamura resigned as Executive Officers as of March 31, 2016.
4. Mr. Noriyasu Kuzuhara was promoted to Senior Executive Officer and Mr. Masafumi Uchida, Mr. Hajime Takei, Mr. Richard K. Taylor and Mr. Kiyotaka Fujii newly assumed Executive Officer posts as of April 1, 2016. Executive officers and its responsibilities changed as of April 1, 2016 as follows.

**Executive Officer as of April 1, 2016**

| Position | Name | Responsibilities, important positions concurrently held |
|---|---|---|
| President and CEO, and Representative Executive Officer | Shoei Yamana | In charge of Corporate Strategy |
| Senior Executive Officer | Nobuyasu Ieuji | In charge of China Business |
| Senior Executive Officer | Jun Haraguchi | Representative Director and President, Konica Minolta Japan, Inc. |
| Senior Executive Officer | Tsukasa Wakashima | In charge of Human Resources and General Affairs |
| Senior Executive Officer | Kunihiro Koshizuka | In charge of Engineering |
| Senior Executive Officer | Ken Osuga | In charge of Business Technologies Business Business Management and Sales Operation |
| Senior Executive Officer | Seiji Hatano | In charge of Management Planning, Administration, Risk Management |
| Senior Executive Officer | Shingo Asai | In charge of Production |
| Senior Executive Officer | Toyotsugu Ito | In charge of Management Quality Improvement |
| Senior Executive Officer | Noriyasu Kuzuhara | General Manager, Performance Materials Business Headquarters, In charge of OLED Business |
| Executive Officer | Kazuyoshi Hata | In charge of Alliance |
| Executive Officer | Hiroyuki Suzuki | General Manager, Corporate Audit Division |
| Executive Officer | Kenichi Sanada | In charge of Intellectual Property, Legal, Compliance and Crisis Management |
| Executive Officer | Akira Tai | In charge of IT |
| Executive Officer | Ikuo Nakagawa | President, Konica Minolta Business Solutions Europe GmbH |
| Executive Officer | Yuji Ichimura | General Manager, Business Development Headquarters<br>Deputy General Manager, Business Technologies Business Business Planning Headquarters |
| Executive Officer | Toshimitsu Taiko | In charge of Business Technologies Business<br>Business Planning |
| Executive Officer | Atsuo Takemoto | In charge of Procurement |
| Executive Officer | Masafumi Uchida | General Manager, Environment Management and Quality Promotion Division<br>In charge of Business Technologies Business Quality Assurance |
| Executive Officer | Hajime Takei | General Manager, Business Technologies Business Development Headquarters |
| Executive Officer | Richard K. Taylor | CEO, Konica Minolta Business Solutions U.S.A., Inc. |
| Executive Officer | Kiyotaka Fujii | General Manager, Healthcare Business Headquarters |

**(2) Total compensation to Directors and Executive Officers**

| | | Total | Compensation | | (Millions of yen) | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Base salary | | Performance-based cash bonus | | Stock compensation-type stock options | |
| | | | Persons | Amount | Persons | Amount | Persons | Amount |
| Directors | Outside | 47 | 5 | 47 | - | - | - | - |
| | Inside | 156 | 4 | 127 | - | - | 4 | 29 |
| | Total | 204 | 9 | 174 | - | - | 4 | 29 |
| Executive Officers | | 819 | 22 | 502 | 22 | 205 | 20 | 112 |

Notes 1. At the end of the period (March 31, 2016), the Company has four (4) Outside Directors, three (3) Inside Directors (not concurrently holding Executive Officer posts) and 21 Executive Officers.
2. In addition to the four (4) Inside Directors shown above, the Company has another five (5) 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 were recorded as expense in the period are stated.
4. Regarding the stock compensation-type stock options, the amounts which were recorded as expense based on an estimation of the fair value of the 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 2016 due to a resolution by the Compensation Committee based on the retirement payment system that was terminated in June 2005.
· Director (one): ¥5 million (Retired on June 19, 2015)

**(3) Summary of policy for determining amount of Director or Executive Officer compensation and the method of calculation**

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.

In keeping with these aims, the Compensation Committee has established a policy for determining the individual compensation entitlement of Directors and Executive Officers as set out below, and determines the amount, etc. of individual compensation entitlement of Directors and Executive Officers in line with this policy.

a. Compensation system

1) 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-to-long-term incentives in the form of “compensation-type stock options.” Outside Directors receive base salary only.

2) Executive Officer compensation packages consist of “base salary,” “performance-based cash bonus,” which reflects the short-term performance of the Group and the short-term performance of the business of which they are in charge, and “stock compensation-type stock options” as a medium-to-long-term incentive.

b. The total amount of individual compensation entitlement and "base salary" are set at an appropriate level for each position, based upon objective data, evaluation data and other data collected at regular intervals, etc.
c. The amount of the "performance-based cash bonus" is determined according to the level of performance result for the fiscal year (consolidated operating income) and the degree of attainment of annual performance targets. 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 (sales, operating income, ROE and others) associated with results of operations.
d. Regarding the "stock compensation-type stock options," the Company grants subscription rights to Inside Directors and Executive Officers as share-price based incentives from a shareholder perspective. The number of rights granted is determined based on the position.
e. The standard for compensation to Executive Officers is a 60:25:15 mix of "base salary," "performance-based cash bonus" and "stock compensation-type stock options." For the Executive Officers ranked in a more senior position, the "base salary" ratio is lowered while the ratio of "performance-based cash bonus" is increased.
f. The Company reviews matters such as the level of compensation and the compensation structure in a timely and appropriate manner in response to changes in the business environment.

Regarding the conventional retirement benefit system abolished in June 2005, the Compensation Committee has determined individual entitlements within reason based upon certain criteria established by the Company, and will pay such entitlement upon the retirement of each Director or Executive Officer in office prior to the abolition of this system.

### (4) Matters regarding Outside Directors

**a. Persons serving as Executive Officers at the important positions of other companies, etc.**

| Name | Name of company, etc. | Position |
|---|---|---|
| Kazuaki Kama | IHI Corporation<br>Japanese Aero Engines Corporation<br>Financial Accounting Standards Foundation | Chairman of the Board<br>Representative Director<br>President |
| Hiroshi Tomono | Tekkou Gakuen | Administrative Director |

There is no material transaction with the Company.

**b. Persons serving as Outside Directors at the important positions of other companies, etc.**

| Name | Name of company, etc. | Position |
|---|---|---|
| Kazuaki Kama | Kyokuto Boeki Kaisha, Ltd.<br>NSK Ltd. | Outside Director<br>Outside Director |
| Hiroshi Tomono | Nippon Steel & Sumitomo Metal Corporation | Outside Director |

There is no material transaction with the Company.

**c. Family relationship with an Executive Officer, etc. of the Company or of a specified related business operator of the Company**

Not applicable.

**d. Primary activities of Outside Directors**

Outside Directors of the Company participate in Board of Directors meetings by making constructive statements on the decision-making and supervision of management, and they are also in charge of duties of the three committees: the Nominating Committee, the Audit Committee and the Compensation Committee, as stated in “(1) Names, etc. of Directors and Executive Officers.” Also, where appropriate, Outside Directors also observe development, production and marketing and other actual operations as part of their supervision and auditing work, and exchange information with the President, the Chairman and other Directors of the Board on various aspects including the running of Board of Directors meetings. The principal activities of Outside Directors are as follows.

1) Mr. Shoji Kondo

During the fiscal year that ended in March 2016, Mr. Kondo attended all 14 meetings of the Board of Directors, all eight meetings of the Nominating Committee, two of the three meetings of the Audit Committee that were held when he was a committee member until June 2015, all six meetings of the Compensation Committee that were held after he was named to this committee in June 2015. As a Director, Mr. Kondo used his experience as a manager to provide supervision and advice concerning manufacturing strategies, sales strategies, the modality of organizations and other subjects. In addition, as a member of the Audit Committee until June 2015, Mr. Kondo used his experience and knowledge to make statements as needed.

2) Mr. Takashi Enomoto

During the fiscal year that ended in March 2016, Mr. Enomoto attended 13 of the 14 meetings of the Board of Directors, all eight meetings of the Nominating Committee that were held after he was named to this committee in June 2015, all 13 of the Audit Committee meetings, and all two meetings of the Compensation Committee that were held when he was a committee member until June 2015. As a Director, Mr. Enomoto used his experience as a manager to provide supervision and advice concerning IT solution business, human resources strategies, M&A strategies and other subjects. In addition, as chairman of the Audit Committee, Mr. Enomoto used his experience and knowledge to make statements as needed.

3) Mr. Kazuaki Kama

During the fiscal year that ended in March 2016, Mr. Kama attended 13 of the 14 meetings of the Board of Directors, all 13 of the Audit Committee meetings, and all eight meetings of the Compensation Committee. As a Director, Mr. Kama used his experience as a manager to provide supervision and advice concerning financial strategies, M&A strategies, group business management and other subjects. In addition, at the Audit Committee, Mr. Kama used his experience and knowledge to make statements as needed.

4) Mr. Hiroshi Tomono (elected at the Ordinary General Meeting of Shareholders held June 2015)

Mr. Tomono attended ten of the 11 Board of Directors meetings held after his appointment, seven of the eight Nominating Committee meetings, nine of the ten Audit Committee meetings, and five of the six Compensation Committee meetings, which were respectively held during the fiscal year. As a Director, Mr. Tomono used his experience as a manager to provide supervision and advice concerning new business strategies, business management and other subjects. In addition, at the Audit Committee, Mr. Tomono used his experience and knowledge to make statements as needed.

**e. Liability limitation agreements**

To attract skillful people as Outside Directors and to enable them to fully demonstrate their expected role, the Company stipulates in its current Articles of Incorporation that the Company may, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, enter into an agreement with Outside Directors which limits their liabilities for payment of damages with respect to the acts mentioned in Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations. Based on these stipulations, the four Outside Directors Mr. Shoji Kondo, Mr. Takashi Enomoto, Mr. Kazuaki Kama and Mr. Hiroshi Tomono have entered into an agreement with the Company limiting their liabilities for payment of damages, and the content of this agreement is summarized as follows.

The maximum amount of liability of an Outside Director who, with the best of intentions and without gross negligence, fails to execute his or her duties while in office and causes damage to the Company shall be limited to the aggregate sum of the amounts prescribed in Article 113 of the Companies Act Enforcement Regulations multiplied by two (Article 425, Paragraph 1, Item 1 (c) of the Companies Act).

## 5. Status of Accounting Auditor

### (1) Name of Accounting Auditor

KPMG AZSA LLC

### (2) Compensation to the Accounting Auditor

**a. Compensation paid by the Company to the Accounting Auditor during the fiscal year under review**

| | |
|---|---|
| Compensation for audit certification in accordance with Article 2, Section 1 of the Certified Public Accountants Act | ¥202 million |
| Compensation for services other than those stipulated in Article 2, Section 1 of the Certified Public Accountants Act | ¥19 million |
| Total | ¥222 million |

Notes 1.Under an audit contract between the Company and the Accounting Auditor, compensation is the total of compensation for the Accounting Auditor’s audit under the Companies Act and audit compensation under the Financial Instruments and Exchange Act, as there is no clear separation between the two.

2. The Audit Committee has agreed on the amount of compensation to be paid to the Accounting Auditor as well as other items related to the Accounting Auditor’s duties under Article 2, Paragraph 1 of the Certified Public Accountants Act after the committee examined the fiscal year auditing plan, number of audit days, assignment of personnel and other items as explained by the Accounting Auditor and Executive Officer for accounting and finance. The committee also confirmed and assessed audits performed in the previous fiscal year, checked the status and suitability of audits by the Accounting Auditor, and examined the basis used for calculations of estimates used as the premise for determining compensation.

3. The Company pays considerations to the Accounting Auditor for financial and tax due diligence and other services, which are not included in the duties under Article 2-1 of the Certified Public Accountants Act (non-audit duties).

**b. Total amount of other property benefits paid by the Company and its subsidiaries**

¥304 million

### (3) Policy regarding decisions to dismiss or deny reappointment to Accounting Auditor

The Audit Committee will examine dismissing or denying reappointment of the Accounting Auditor if the Accounting Auditor has committed a serious violation or infringement of the Companies Act, the Certified Public Accountants Act or other relevant laws or regulations, or if the Accounting Auditor is deemed to have committed a serious breach of public order or custom. If, as a result of this examination, it is deemed appropriate to dismiss or deny reappointment, the

Audit Committee will request the Board of Directors to submit a proposition calling for the dismissal or denial of reappointment of the Accounting Auditor to the General Meeting of Shareholders pursuant to the provisions of Article 339, Paragraph 1 and Article 404, Paragraph 2, Item 2 of the Companies Act.

The Audit Committee also examines the status of the performance of the Accounting Auditor and decides the reappointment or denial every fiscal year.

**6. Establishment of system to ensure appropriate business operations**

The Board of Directors of the Company adopted resolutions on the matters prescribed by the applicable Ordinance of the Ministry of Justice as those necessary for the execution of the duties of the Audit Committee (Article 416, Paragraph 1, Item 1 (b) of the Companies Act), and on the establishment of systems necessary to ensure that the execution of duties by Executive Officers complies with laws and regulations and the Articles of Incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company (Article 416, Paragraph 1, Item 1 (e) of the Companies Act). A summary of the resolutions is as follows.

**<I. Requirements for the execution of duties by the Audit Committee>**

a. The Company set up the Audit Committee Office with a full-time staff to support the Audit Committee, and, besides being the secretariat of the Audit Committee, the Audit Committee Office shall perform its duties in accordance with the instructions of the Audit Committee. Furthermore, this principle is to be clearly specified in Company rules and made common knowledge.
b. To ensure the independence of the above Audit Committee Office from Executive Officers and the effectiveness of instructions received from the Audit Committee, personnel matters regarding the Audit Committee Office including appointment, personnel changes and disciplinary action, shall be approved in advance by the Audit Committee.
c. The Company's Executive Officers in charge of the Group's internal control, including the Corporate Audit Division, Risk Management Committee and the Compliance Committee, shall report on the status of operation to the Audit Committee on a regular basis and without delay if an urgent situation that must be reported has arisen or if requested to make a report by the Audit Committee. The subsidiaries' internal audit division, risk management division, compliance division and auditors shall report on the status of operation to the Audit Committee without delay if requested to make a report by the Company's Audit Committee.
d. The Company will secure and manage a budget that is necessary and appropriate for paying expenses arising from the execution of work duties by the Audit Committee members.
e. The Company will provide opportunity for Audit Committee members elected by the Audit Committee to attend management council meetings and other important meetings. The Executive Officers in charge of internal control, including the Corporate Audit Division, Risk Management Committee and the Compliance Committee shall report without delay if requested to make investigations, reports, etc. by the Audit Committee members.

**<II. Systems for ensuring compliance of execution of duties by Executive Officers with laws, regulations and the Articles of Incorporation and other required systems of the Group for ensuring the properness of business operations>**

f. Each Executive Officer shall manage the minutes of management council meetings and other important meetings, documents requesting formal approval and other information concerning the performance of their duties to ensure that documents are preserved in an appropriate manner and made available for inspection in accordance with the provisions of the Executive Officer document management rules and internal rules concerning the management of other documents.

g. The Company set up the Risk Management Committee which is in charge of managing the various risks that arise in connection with the Group's business activities, and the Executive Officer nominated by the Board of Directors shall be responsible for the development of risk management systems including the following, in accordance with the Risk Management Committee Regulations.
   1) With respect to management of the business risks and operational risks, each Executive Officer shall be responsible in accordance with respective assigned area. The Risk Management Committee shall provide support to each Executive Officer. Further, the Risk Management Committee shall periodically conduct selection, assessment and review of risks material to Group management, develop measures, and confirm management status.
   2) The Executive Officer in charge of risk management nominated by the Board of Directors shall be responsible for establishing the contingency plans and countermeasures to minimize the damages by a crisis which is supposed to adversely affect the corporate value.
   3) Provide support to the development and strengthening of risk management systems at each group company.

h. The Company set up a Corporate Audit Division which is in charge of the internal auditing of the Group to evaluate and improve the status of execution of business operations in all business activities from the viewpoint of legality and rationality, and which shall be responsible for establishing and operating internal auditing systems in accordance with the Internal Auditing Regulations.

i. The Company shall be responsible for establishing and operating a system of internal control over financial reporting in the Group and a system for evaluating the efficacy of their operation.

j. The Company set up the Compliance Committee which is in charge of establishing and operating the Group's compliance systems, and the Executive Officer nominated by the Board of Directors shall be responsible for establishing and operating the compliance systems including the following, in accordance with the Compliance Committee Regulations.
   1) Defining compliance in the Group as the observance of laws and regulations applicable to corporate activities, corporate ethics and internal regulations and policies, and making this known to every individual working for the Group.
   2) Establishing the Konica Minolta Group Charter of Corporate Behavior, familiarizing this through the Group, and enacting compliance conduct guidelines, etc. based on the philosophy of the Charter of Corporate Behavior.
   3) Establishing and operating systems to promote compliance at each group company.
   4) Establishing and operating a whistle blowing system that allows employees to report any compliance violations that are discovered or anticipated. Make this system clear common knowledge in Company rules to halt unfair treatment through the reporting of infractions. Furthermore, the department in charge of the whistle blowing system will regularly inform the Audit Committee of report details and status.

k. The Company established the Corporate Organization Basic Regulations, and shall develop the corporate governance mechanisms of the Company and the Group, including the foregoing systems. The Company shall also work to establish and operate a system for ensuring the appropriateness of business operation through the management council and other meeting bodies, authority regulations and other internal regulations, and shall endeavor to ensure the legality, rationality and efficiency of business execution by reviewing as necessary systems for management and administration across all the business activities of the Group. Furthermore, based on internal rules, etc. such as Authorization Regulations, the Company will make subsidiaries regularly report and seek preapproval on matters concerning the execution of important work duties, accounting, financial execution, human resources and other important information pertaining to such subsidiaries through Management Consultation Committee and other meetings.

**7. Framework for ensuring appropriate business operations and status**

The Company has established the framework described in “6. Establishment of system to ensure appropriate business operations” and has the following activities in accordance with the goals of this system.

Executive Officers and employees at the Corporate Audit Division, Risk Management Committee, Compliance Committee and other units responsible for the Group’s internal controls submit reports every month in writing or at periodic meetings to the Audit Committee concerning business operations. Furthermore, explanations are given as needed concerning important subjects and issues involving internal controls.

Members of the Audit Committee, who is responsible for performing examinations, attended all meetings of the Management Executive Meeting during the fiscal year as well as operations meetings of business units and other important meetings. Audit Committee members used these activities to confirm decision-making processes and how Executive Officers and employees are doing their jobs.

<Risk management>

The Risk Management Committee meets twice each year and at other times as needed. The committee identifies risks associated with business operations and determines measures to deal with these risks. In addition, committee members confirm that the risk management system is functioning effectively and evaluate this system. In the fiscal year, the Risk Management Committee held two meetings.

The Company has reporting rules for the purpose of responding to a crisis in a rapid and suitable manner. Crisis reports are sent to Executive Officers, executives of subsidiaries and others. Based on these rules, the Executive Officer in charge of crisis management performs the management of all information involving a natural disaster, accident or other crisis that has occurred anywhere in the world.

<Internal audits>

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.

To prevent fraudulent accounting activities, an internal controls report that is based on internal evaluations that cover the entire Group of 121 consolidated companies. This report is prepared in accordance with the Financial Instruments and Exchange Act for the purpose of ensuring the reliability of financial reports. After an audit by the Accounting Auditor, the report is submitted with the Securities Report.

<Compliance>

The Executive Officer in charge of compliance ("the Compliance Officer"), who is appointed by the Board of Directors under the oversight of the Representative Executive Officer, determines important issues involving Group compliance activities and oversees compliance activities. The Group Compliance Committee, which consists of Executive Officers for a variety of corporate functions, serves as an advisory body to the Compliance Officer. In the fiscal year, this committee held two meetings.

At subsidiaries, the company presidents are responsible for compliance, including the establishment of a system for compliance activities. In addition, there are regional compliance coordinators for Europe, North America, China and Southeast Asia, who are appointed by the Compliance Officer. This framework allows performing compliance activities that match the characteristics and needs of each overseas region.

To reinforce awareness of the importance of compliance, all business units and subsidiaries are required to submit period reports about the status of compliance programs. The Compliance Officer uses this information to determine the status of compliance for the entire group and submits periodic reports to the Audit Committee.

<Whistle blowing system>

The Company has a whistle blowing system for compliance and is always seeking ways to improve this system. In Japan, Group employees can use a telephone call, e-mail, letter or other method to contact the representative Executive Officer, Compliance Officer, general manager of the Corporate Legal Division or an external attorney about a compliance problem or for a consultation. In the Americas, there is a whistle blowing system for North America. In Europe, there is a 24-hour, multi-language whistle blowing system. There is also a whistle blowing for China and whistle blowing systems for subsidiaries in Southeast Asia.

In the fiscal year, this whistle blowing system was used 11 times in Japan and 50 times overseas. No reports involved a serious violation of a law or regulation.

When a whistle blowing report is received, an investigation is performed while ensuring that there will be no negative consequences for the individual who submitted the whistle blowing report. Departments involved in this investigation determine a solution in a timely manner. The Compliance Officer submits reports to the Audit Committee about these whistle blowings on a regular basis.

*Amounts and numbers of shares shown in this business report are rounded down to the nearest whole unit.

**Reference: Corporate Governance**

**(1) Basic Concept for Corporate Governance**

The Company has established a corporate governance framework from the standpoint of supervision. This is based on the conviction that corporate governance that contributes to medium and long-term corporate value growth must encourage suitable risk-taking in business operations and have a highly effective supervisory function for business operations. In 2003, the “company with committees” (currently “company with three committees”) structure was selected as the organizational structure in accordance with the Companies Act. In addition, to maintain a governance system devoid of personal characteristics, there have been measures to operate a governance system in a distinctive Konica Minolta style. The followings are our basic policies for corporate governance concept:

- Reinforcement of management oversight for corporate value growth by separating the roles of management oversight and operation of business activities;
- Election of independent Outside Directors who can perform supervision from the standpoint of shareholders; and
- Using these measures for improving the transparency, integrity and efficiency of management

The diagram on page 56 shows the structure of this corporate governance system centered on the Board of Directors and three committees.

**(2) Board of Directors**

The Company believes that determining strategic goals is the primary role of the Board of Directors. The Board of Directors make decisions about basic management policies and other matters that must be decided by the Board of Directors in accordance with laws and regulations. In addition, the Board of Directors make decisions for expenditures only for matters of at least a certain amount or other items that may have a significant effect on the operations of the Group. Furthermore, there are Outside Directors and Inside Directors who are not also Executives Officers for the purpose of performing highly effective oversight of business operations from an objective perspective.

**(3) Executive Officers**

Executive Officers make decisions and conduct business activities in the business sectors designated for each Executive Officer by the Board of Directors. The Executive Officers are granted considerable autonomy by the Board of Directors within the legally permitted limit for the Company with three committee management structure. This authority allows conducting business activities with speed and flexibility and speeds up decision-making concerning management and business activities.

**(4) Nominating Committee**

This committee makes decisions about proposals submitted at General Meeting of Shareholders meetings about the election and termination of Directors. Committee members also receive reports about the Representative Executive Officer’s succession plan and oversee this plan as needed.

**(5) Audit Committee**

This committee audits the performance of Directors and Executive Officers, prepares audit reports, and makes decisions about proposals submitted at General Meeting of Shareholders for the election, termination or reappointment denial of the Accounting Auditor.

**(6) Compensation Committee**

This committee makes decisions about the compensation of individual Directors and Executive Officers. To reach these decisions, this committee determines suitable compensation structures for each role of the Directors and Executive Officers. This committee also establishes a Compensation Policy for Directors and Executive Officers that takes into account linking compensation with the Company’s medium to long-term performance and combining cash and stock compensation-type stock options.

**(7) Analysis and Assessment of Effectiveness of Governance**

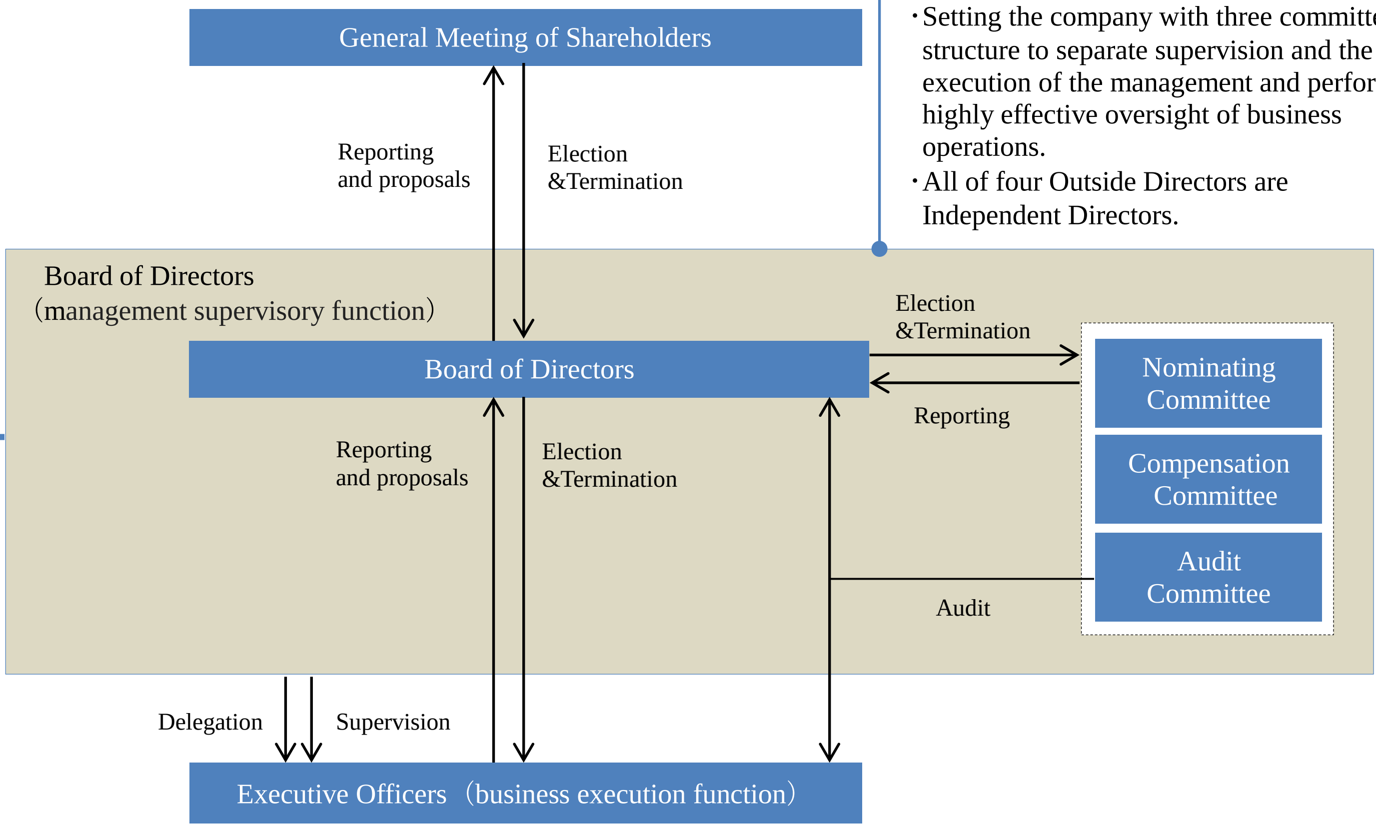
The Board of Directors uses a self-evaluation system. Directors are required to complete questionnaires each year, which include self-evaluations, concerning the composition of the Board of Directors and the three committees as well as issues and other items involving the operation of the board. The overall effectiveness of the Board of Directors is then analyzed and evaluated, issues are identified, and improvements are made as needed. Furthermore, for the sustained growth of the Company, there are activities for making governance even more effective, such as by collecting opinions about issues that the Directors should examine in the next fiscal year.

## Distinctive Characteristics of Governance at Konica Minolta

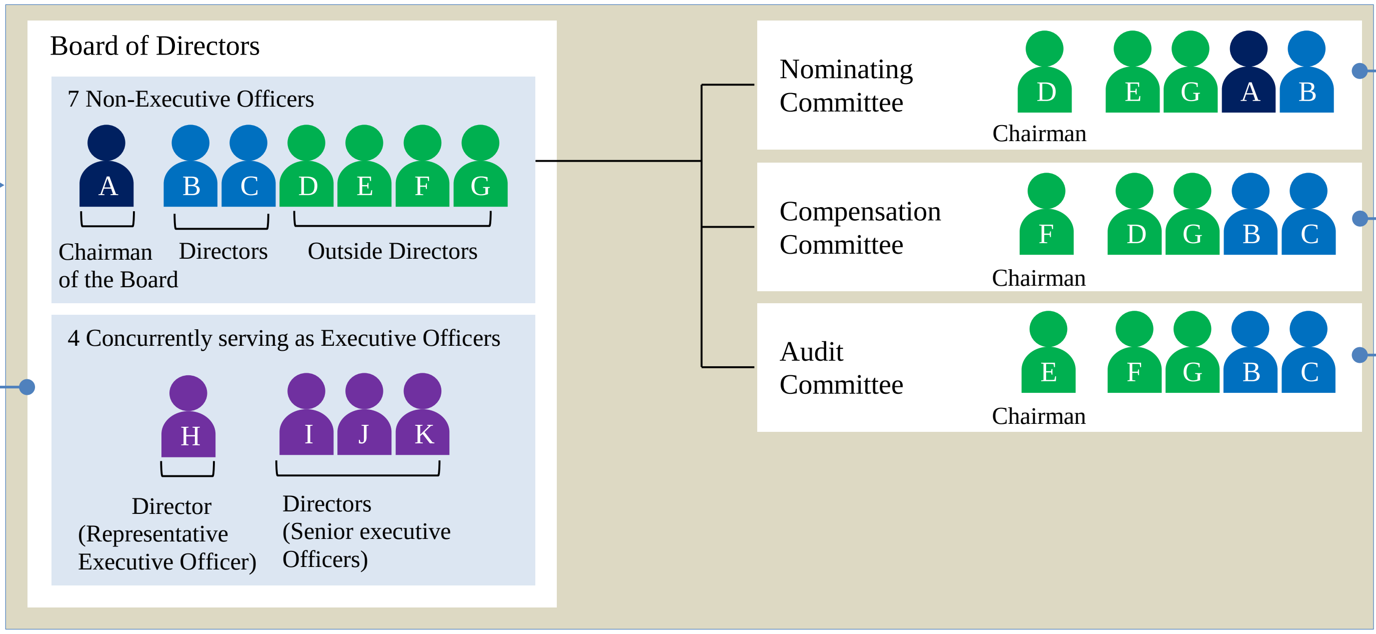
Structure of Corporate Governance Systems

### 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.




Board of Directors and three Committees (as of March 31, 2016)




### 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

# CONSOLIDATED FINANCIAL STATEMENTS
## Consolidated Statement of Financial Position

(As of March 31, 2016) [Millions of yen]

| Item | Amount |
|---|---:|
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | 99,937 |
| Trade and other receivables | 249,498 |
| Inventories | 121,361 |
| Income tax receivables | 3,210 |
| Other financial assets | 3,327 |
| Other current assets | 18,249 |
| Subtotal | 495,585 |
| Assets held for sale | 630 |
| **Total current assets** | **496,216** |
| **Non-current assets** | |
| Property, plant and equipment | 187,322 |
| Goodwill and intangible assets | 178,390 |
| Investments accounted for using the equity method | 3,614 |
| Other financial assets | 38,646 |
| Deferred tax assets | 59,052 |
| Other non-current assets | 13,128 |
| **Total non-current assets** | **480,154** |
| **Total assets** | **976,370** |

[Millions of yen]

| Item | Amount |
|---|---|
| **Liabilities** | |
| **Current liabilities** | |
| Trade and other payables | 162,907 |
| Bonds and borrowings | 42,624 |
| Income tax payables | 3,317 |
| Provisions | 6,821 |
| Other financial liabilities | 200 |
| Other current liabilities | 39,379 |
| **Total current liabilities** | **255,251** |
| **Non-current liabilities** | |
| Bonds and borrowings | 125,653 |
| Retirement benefit liabilities | 67,913 |
| Provisions | 1,227 |
| Other financial liabilities | 3,611 |
| Deferred tax liabilities | 3,443 |
| Other non-current liabilities | 4,286 |
| **Total non-current liabilities** | **206,137** |
| **Total liabilities** | **461,389** |
| **Equity** | |
| Share capital | 37,519 |
| Share premium | 203,397 |
| Retained earnings | 258,562 |
| Treasury shares | (9,408) |
| Subscription rights to shares | 1,009 |
| Other components of equity | 23,204 |
| Equity attributable to owners of the company | 514,285 |
| Non-controlling interests | 696 |
| **Total equity** | **514,981** |
| **Total liabilities and equity** | **976,370** |

# Consolidated Statement of Profit or Loss

(From April 1, 2015 to March 31, 2016) [Millions of yen]

| Item | Amount |
|---|---|
| **Revenue** | **1,031,740** |
| Cost of sales | 536,226 |
| **Gross profit** | **495,514** |
| Other income | 7,786 |
| Selling, general and administrative expenses | 429,891 |
| Other expenses | 13,339 |
| **Operating profit** | **60,069** |
| Finance income | 2,155 |
| Finance costs | 4,179 |
| Share of loss of investments accounted for using the equity method | 16 |
| **Profit before tax** | **58,029** |
| Income tax expense | 26,029 |
| **Profit for the year** | **32,000** |
| | |
| **Profit attributable to** | |
| Owners of the company | 31,973 |
| Non-controlling interests | 26 |

# Consolidated Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016) [Millions of yen]

| | Equity attributable to owners of the company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| | Share capital | Share premium | Retained earnings | Treasury shares | Subscription rights to shares | Remeasurements of defined benefit pension plans | Net gain (loss) on revaluation of financial assets measured at fair value |
| Balance at April 1, 2015 | 37,519 | 203,395 | 257,227 | (10,727) | 1,016 | - | 8,207 |
| Profit for the year | - | - | 31,973 | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | - | (6,974) | (3,851) |
| Total comprehensive income | - | - | 31,973 | - | - | (6,974) | (3,851) |
| Dividends | - | - | (12,448) | - | - | - | - |
| Acquisition and disposal of treasury shares | - | - | (92) | (9,767) | - | - | - |
| Cancellation of the treasury shares | - | - | (11,086) | 11,086 | - | - | - |
| Share-based payments (Subscription rights to shares) | - | - | - | - | (6) | - | - |
| Changes in the ownership interest in subsidiaries | - | 2 | - | - | - | - | - |
| Transfer from other components of equity to retained earnings | - | - | (7,010) | - | - | 6,974 | 35 |
| Total transactions with owners | - | 2 | (30,638) | 1,318 | (6) | 6,974 | 35 |
| Balance at March 31, 2016 | 37,519 | 203,397 | 258,562 | (9,408) | 1,009 | - | 4,391 |

| | Equity attributable to owners of the company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Other components of equity | | | | | | |
| | 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 | Total | Non-controlling interests | Total equity |
| Balance at April 1, 2015 | (324) | 39,661 | 0 | 47,545 | 535,976 | 1,071 | 537,048 |
| Profit for the year | - | - | - | - | 31,973 | 26 | 32,000 |
| Other comprehensive income (loss) | (742) | (19,789) | 6 | (31,351) | (31,351) | (297) | (31,648) |
| Total comprehensive income | (742) | (19,789) | 6 | (31,351) | 622 | (270) | 351 |
| Dividends | - | - | - | - | (12,448) | - | (12,448) |
| Acquisition and disposal of treasury shares | - | - | - | - | (9,860) | - | (9,860) |
| Cancellation of the treasury shares | - | - | - | - | - | - | - |
| Share-based payments (Subscription rights to shares) | - | - | - | - | (6) | - | (6) |
| Changes in the ownership interest in subsidiaries | - | - | - | - | 2 | (104) | (102) |
| Transfer from other components of equity to retained earnings | - | - | - | 7,010 | - | - | - |
| Total transactions with owners | - | - | - | 7,010 | (22,313) | (104) | (22,418) |
| Balance at March 31, 2016 | (1,067) | 19,872 | 7 | 23,204 | 514,285 | 696 | 514,981 |

# Notes to Consolidated Financial Statements

**＜NOTES TO BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS＞**

1. Basis for the preparation of consolidated financial statements

From the fiscal year under review, the consolidated financial statements for the Group are prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”) as provided by Article 120-1 of the Ordinance on Company Accounting. Part of the descriptions and notes required under IFRS have been omitted, in accordance with the provisions in the latter part of this item.

2. Scope of Consolidation

Number of consolidated subsidiaries and names of principal consolidated subsidiaries

Number of consolidated subsidiaries: 151 companies

Names of principal consolidated subsidiaries:

Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Healthcare Co., Ltd.
Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Technoproducts Co., Ltd.
Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Business Solutions Europe GmbH
Konica Minolta Business Solutions Deutschland GmbH
Konica Minolta Business Solutions France S.A.S.
Konica Minolta Business Solutions (UK) Ltd.
Charterhouse PM Limited
Konica Minolta Business Solutions (CHINA) Co., Ltd.
Konica Minolta Business Technologies Manufacturing (HK) Ltd.
Konica Minolta Business Technologies (WUXI) Co., Ltd.
Konica Minolta Business Technologies (DONGGUAN) Co., Ltd.
Konica Minolta Business Technologies (Malaysia) Sdn. Bhd.
Konica Minolta Business Solutions Australia Pty. Ltd.
Ergo Asia Pty Limited
Konica Minolta Medical Imaging U.S.A., Inc.
Instrument Systems GmbH

Note: Effective on April 1, 2016, Konica Minolta Healthcare Co., Ltd. merged Konica Minolta Business Solutions Japan Co., Ltd., and was renamed Konica Minolta Japan, Inc.

Due to the acquisition of equity interest during the fiscal year under review, Radiant Vision Systems, LLC; Viztek LLC; Dactyl Buro Du Centre; OMR Impression became consolidated subsidiaries.

3. Scope of the Use of Equity Accounting

Number of affiliated companies accounted for using the equity method and names of principal affiliated companies

Number of affiliated companies accounted for using the equity method: 6 companies

Name of principal affiliated company accounted for using the equity method: Netyear Group Corporation

Due to the acquisition of shares during the fiscal year under review, Netyear Group Corporation became an affiliated company.

4. Accounting policies

(1) Asset valuation standards and methods

a. Financial instruments

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).

i) 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.

ii) 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 (i) above, and if it is an equity instrument other than those designated as financial assets measured at fair value through other comprehensive income.

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

iii) Financial assets measured at FVTOCI

Upon initial recognition, the Group elects to recognize the valuation differences of equity instruments held to expand its revenue base by maintaining or strengthening relations with business partners in other comprehensive income. In case equity instruments are recognized for accounting by the FVTOCI method, the method is applied consistently assuming that the election is irrevocable.

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 other comprehensive income. Upon derecognition of these financial assets or when they fall substantially below their fair value, the cumulative amounts recognized in other comprehensive income are transferred to retained earnings.

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.

3) Derivative financial instruments and hedge accounting

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 derivative financial instruments satisfy the conditions for hedge accounting. The Group applies hedge accounting on those derivative financial instruments that satisfy the conditions for hedge accounting.

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

Changes in fair value are recognized in profit or loss.

ii) 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 they are highly effective in offsetting changes in cash flows of the hedging instrument and the cash flows of the hedged item.
The effective portion of changes in the fair value of the hedging instrument is recognized in Other comprehensive income (hereafter, “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 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.

b. 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. If net realizable value is less than the cost, that difference is accounted for as a write off and recognized as an expense. The weighted average method is used to calculate cost. 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.

c. 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.
Property, plant and equipment is measured using the Cost model that is, at cost less accumulated depreciation and accumulated impairment losses.

d. 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.
Expenses on internally generated intangible assets are recognized as expense 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.
Intangible assets are subsequently measured using the Cost model that is, at cost less accumulated amortization and accumulated impairment losses.

e. 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, Cash generating unit (hereafter, “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 pre-tax 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.

(2) Depreciation method for depreciable assets and amortization method for amortizable assets
a. Property, plant and equipment
The historical cost less residual value of each asset is depreciated using the straight-line method over its estimated useful life.

b. Intangible assets

1) Intangible assets with finite useful lives
Intangible assets for which useful life can be determined are amortized on a straight-line method over their estimated useful lives from the date the assets are available for use.
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.

c. Lease assets
Assets used in leases are depreciated under the straight-line method over their estimated useful lives or lease terms, whichever is shorter.

(3) Accounting standards for 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.

(4) Accounting methods related to 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 at the time of contribution.

(5) Foreign currency translation
a. 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.

b. 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 or approximate rates. Monetary assets and liabilities denominated in foreign currencies are translated to 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 other comprehensive income, cash flow hedges and a hedge of the net investment in a foreign operation are recognized in OCI. Items denominated in foreign currencies due to their measurement at historical cost are translated using the exchange rate on their acquisition dates.

c. 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 other comprehensive income to profit or loss.

(6) Other important items regarding the preparation of consolidated financial statements

Accounting for consumption taxes

The tax-exclusion method is used to account for consumption taxes and regional consumption taxes.

**<Note concerning changes in accounting policy>**

The Group has applied the following standard from the fiscal year ended March 31, 2016. The application of this standard had no material effect on the Group's condensed consolidated financial statement.

| Standard | | Outline |
|---|---|---|
| IAS 19 | Employee Benefits | Amendment of accounting for contributions from employees or third parties |

**<Notes to Consolidated Balance Sheet Items>**

1. Allowances for doubtful accounts deducted directly from assets

| | |
|---|---|
| Trade and other receivables | ¥6,261 million |
| Other financial assets | ¥841 million |

2. Accumulated depreciation on assets (including accumulated impairment losses)

| | |
|---|---|
| Accumulated depreciation on tangible non-current assets | ¥463,421 million |

3. Balance of guaranteed obligations

| | |
|---|---|
| Guaranteed obligations<br>(The Group guarantees for bank loans and lease obligations, etc. of unconsolidated companies, etc.) | ¥386 million |

**<Notes to Consolidated Statement of Changes in Equity>**

1. Issued shares and treasury shares (shares)

| | Number of authorized shares | Number of issued shares (Note 1) (Note 2) | Number of treasury shares |
|---|---|---|---|
| At March 31, 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 |

Notes
1. Shares issued by the Company are non-par value ordinary shares.
2. Issued shares have been fully paid.
3. On July 23, 2015, the acquisition of own shares based on the resolution at the Board of Directors meeting held on May 13, 2015 was completed. Accordingly, the number of treasury shares increased by 6,571,500 shares (¥9,999 million).
4. 9,000,000 shares of treasury shares (¥11,086 million) were canceled on June 30, 2015, based on the resolutions at the Board of Directors meeting held on May 13, 2015.

2. Dividends

Dividend payments are as follows. The source of dividends is retained earnings.

| Resolution Date | Class of shares | Amount of dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' meeting held on May 13, 2015 | Ordinary shares | 5,018 | 10.00 | March 31, 2015 | May 28, 2015 |
| Board of Directors' meeting held on October 29, 2015 | Ordinary shares | 7,430 | 15.00 | September 30, 2015 | November 27, 2015 |

Dividends with an effective date in the following fiscal year are as follows. The source of dividends is retained earnings.

| Resolution Date | Class of shares | Amount of dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' meeting held on May 12 ,2016 | Ordinary shares | 7,432 | 15.00 | March 31, 2016 | May 27, 2016 |

3. Stock subscription rights

Type and number of shares under stock subscription rights for FY2015

| Breakdown of stock subscription rights | Type of shares under stock subscription rights | Number of shares under stock subscription rights |
|---|---|---|
| First issue of stock compensation-type stock options for 2005 | Ordinary shares | 23,500 shares |
| Second issue of stock compensation-type stock options for 2006 | Ordinary shares | 19,000 shares |
| Third issue of stock compensation-type stock options for 2007 | Ordinary shares | 45,500 shares |
| Fourth issue of stock compensation-type stock options for 2008 | Ordinary shares | 58,500 shares |
| Fifth issue of stock compensation-type stock options for 2009 | Ordinary shares | 106,500 shares |
| Sixth issue of stock compensation-type stock options for 2010 | Ordinary shares | 138,000 shares |
| Seventh issue of stock compensation-type stock options for 2011 | Ordinary shares | 221,500 shares |
| Eighth issue of stock compensation-type stock options for 2012 | Ordinary shares | 262,000 shares |
| Ninth issue of stock compensation-type stock options for 2013 | Ordinary shares | 235,500 shares |
| Tenth issue of stock compensation-type stock options for 2014 | Ordinary shares | 158,300 shares |
| 11th issue of stock compensation-type stock options for 2015 | Ordinary shares | 110,100 shares |
| Total | | 1,378,400 shares |

**<Notes to Financial Instruments>**

1. Matters relating to the status of financial instruments

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 Group works to reduce credit risk on trade and other receivables through credit management based on receivables management regulations.

The Group uses forward exchange contracts and currency swap transactions to reduce foreign exchange risk on claims and obligations denominated in foreign currencies. The Group also uses interest rate swap transactions to reduce interest rate fluctuation risk on certain borrowings. Derivative transactions are conducted only to hedge foreign exchange risk and interest rate fluctuation risk, and are not engaged in for speculative purposes.

The Group reduces liquidity risk related to procuring funds through borrowing by maintaining and securing appropriate on-hand liquidity.

2. Fair value of financial instruments

The fair value of financial assets and financial liabilities is calculated as described below.

(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.

(2) Investment securities

Where market prices are available, fair value is based on market prices. For financial instruments whose market prices are not available, fair value is measured by discounting future cash flows or using other appropriate valuation methods, 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. As the interest rate of long-term borrowings with variable interest rates is revised periodically and their fair value is approximate to carrying amounts, their fair value is assumed to be equivalent to carrying amounts.

(4) Bonds

Fair value is calculated on the basis of market value.

(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.

Amounts stated in the consolidated statement of financial position and their fair value as of March 31, 2016, is as follows.

(Millions of yen)

| | Book value | Fair value |
|---|---|---|
| <Financial assets> | | |
| Cash and cash equivalents | 99,937 | 99,937 |
| Net trade and other receivables | 249,498 | 249,498 |
| Other financial assets | 41,974 | 41,974 |
| Total | 391,411 | 391,411 |
| <Financial liabilities> | | |
| Trade and other payables | 162,907 | 162,907 |
| Bonds and borrowings | 168,277 | 167,866 |
| Other financial liabilities | 3,812 | 3,812 |
| Total | 334,998 | 334,587 |

**<Notes on Per-Share Information>**

1. Equity per share attributable to owners of the company ¥1,037.96
2. Basic earnings per share ¥64.39

**<Significant Subsequent Events>**

As of May 10, 2016, the Group used cash to acquire 65.5% of shares of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software.
Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression, and image data analytics technologies.
Fair value of the consideration for acquisition is €172 million. Detailed information related to the accounting for this business combination is not disclosed since the initial accounting for acquisition of such shares has not been completed as of the date for submission of the consolidated financial results for the fiscal year ended March 31, 2016.

**<Other Notes>**

1. Business combinations

The major business combinations that occurred during the fiscal year ended March 31, 2016 were as follows.

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group used cash to acquire 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, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

| | |
|---|---|
| Fair value of the consideration for acquisition | 29,056 |
| Fair value of assets acquired and liabilities assumed | |
| Cash and cash equivalents | 921 |
| Trade and other receivables | 1,199 |
| Inventories | 678 |
| Property, plant and equipment | 351 |
| Intangible assets | 8,622 |
| Other assets | 58 |
| Liabilities | (722) |
| Goodwill (Note 2) | 17,948 |
| Total | 29,056 |

Notes 1. There was no contingent consideration.
2. Goodwill largely represents an excess earnings 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 condensed consolidated statement of profit or loss for the fiscal year ended March 31, 2016.

(4) Pro-forma information
Because pro forma information based on the assumption that the business combination of the said company took place at the beginning of the fiscal year under review, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss 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 used cash to acquire 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, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

| | |
|---|---|
| Fair value of the consideration for acquisition | 9,124 |
| Fair value of assets acquired and liabilities assumed | |
| Cash and cash equivalents | 15 |
| Trade and other receivables | 1,042 |
| Inventories | 1,060 |
| Property, plant and equipment | 78 |
| Intangible assets | 2,478 |
| Other assets | 8 |
| Liabilities | (2,236) |
| Goodwill (Note 2) | 6,676 |
| Total | 9,124 |

Notes 1. There was no contingent consideration.
2. Goodwill largely represents an excess earnings power of 20/20 Healthcare LLC, and the total sum is posted as losses 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 condensed consolidated statement of profit or loss for the fiscal year ended March 31, 2016.

(4) Pro-forma information
Because pro forma information based on the assumption that the business combination of the said company took place at the beginning of the fiscal year under review, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shares of Dactyl Buro du Centre and OMR Impressions)

(1) Description of the business combination

As of February 15, 2016, the Group used cash to acquire 100% of shares of Dactyl Buro du Centre and OMR Impressions, France's leading MFP sales companies.

Through this acquisition, the Group will boost MFP sales by establishing a direct sales network that covers all of France's major cities and strengthen its digital printing systems and IT service offerings in the Business Technologies Business.

(2) Fair value of the consideration for acquisition, assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

| | |
|---|---|
| Fair value of the consideration for acquisition | 10,856 |
| Fair value of assets acquired and liabilities assumed | |
| Cash and cash equivalents | 966 |
| Trade and other receivables | 2,112 |
| Inventories | 452 |
| Property, plant and equipment | 2,117 |
| Intangible assets | 3,945 |
| Other assets | 680 |
| Bonds and borrowings | (3,061) |
| Deferred tax liabilities | (621) |
| Other liabilities | (2,566) |
| Goodwill (Note 3) | 6,831 |
| Total | 10,856 |

Notes 1. There was no contingent consideration.
2. The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.
3. Goodwill largely represents an excess earnings 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 Dactyl Buro du Centre and OMR Impressions has no material effect on the condensed consolidated statement of profit or loss for the fiscal year ended March 31, 2016.

(4) Pro-forma information

Because pro forma information based on the assumption that the business combination of the said companies took place at the beginning of the fiscal year under review, on April 1, 2015, has no material effect on the condensed consolidated statement of profit or loss for the fiscal year ended March 31, 2016, it is not disclosed here.

2. Other income

Other income was mainly ¥4,151 million for gain on sales of property, plant and equipment due to sales of assets in North America.

3. Other expenses

Other expenses were mainly ¥3,817 million for business structure improvement expenses, ¥2,912 million for special extra retirement payment and ¥1,822 million for loss on sales and disposals of property, plant and equipment and intangible assets. Business structure improvement expenses included expenses related to structural reform of sales sites in Europe and North America, e.t.c. for the Business Technologies Business. Special extra retirement payment includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.

4. Revisions of deferred tax assets and others due to change in corporate tax rates

The Company and its domestic subsidiaries are subject to mainly corporate tax and inhabitant tax as well as tax deductible business tax. The statutory income tax rate calculated based on such taxes will be 30.86% for the fiscal years ending March 31, 2017 and March 31, 2018 and 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.

The reduction in the corporate tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥3,820 million for the fiscal year ended March 31, 2016, and respective increases in income tax expense and other comprehensive income of ¥3,848 million and ¥27 million, for the fiscal year ended March 31, 2016.

5. Figures given in the text have been rounded down to the nearest million.

# FINANCIAL STATEMENTS

## Balance Sheet

(As of March 31, 2016) [Millions of yen]

| Item | Amount | Item | Amount |
|---|---|---|---|
| **Assets** | | **Liabilities** | |
| **Current assets** | **255,552** | **Current liabilities** | **164,330** |
| Cash and deposits | 48,969 | Notes payable - trade | 9,117 |
| Notes receivable - trade | 2,625 | Accounts payable - trade | 51,007 |
| Accounts receivable - trade | 85,577 | Short-term loans payable | 40,274 |
| Short-term investment securities | 1,001 | Current portion of bonds | 20,000 |
| Inventories | 38,238 | Current portion of long-term loans payable | 4,000 |
| Prepaid expenses | 1,943 | Lease obligations | 297 |
| Deferred tax assets | 5,299 | Accounts payable - other | 25,529 |
| Short-term loans receivable | 58,913 | Accrued expenses | 5,494 |
| Current portion of long-term loans receivable | 230 | Income taxes payable | 252 |
| Accounts receivable – other | 6,078 | Advances received | 518 |
| Income taxes receivable | 1,786 | Provision for bonuses | 6,563 |
| Other | 6,119 | Provision for Directors' bonuses | 194 |
| Allowance for doubtful accounts | (1,231) | Provision for product warranties | 159 |
| | | Other | 920 |
| **Non-current assets** | **406,025** | | |
| **Property, plant and equipment** | **105,015** | **Non-current liabilities** | **149,989** |
| Buildings, net | 41,285 | Bonds payable | 30,000 |
| Structures, net | 1,858 | Long-term loans payable | 87,697 |
| Machinery and equipment, net | 17,545 | Lease obligations | 276 |
| Vehicles, net | 31 | Deferred tax liabilities for land revaluation | 3,818 |
| Tools, furniture and fixtures, net | 11,661 | Provision for retirement benefits | 25,339 |
| Land | 28,029 | Asset retirement obligations | 799 |
| Lease assets, net | 330 | Other | 2,059 |
| Construction in progress | 4,273 | **Total liabilities** | **314,320** |
| | | **Net assets** | |
| **Intangible assets** | **18,769** | **Shareholders' equity** | **329,998** |
| Software | 11,380 | **Capital stock** | **37,519** |
| Other | 7,388 | **Capital surplus** | **135,592** |
| | | Legal capital surplus | 135,592 |
| **Investments and other assets** | **282,240** | **Retained earnings** | **166,295** |
| Investment securities | 22,551 | Other retained earnings | 166,295 |
| Stock of subsidiaries and affiliates | 150,024 | Retained earnings brought forward | 166,295 |
| Investments in capital of subsidiaries and affiliates | 77,632 | **Treasury shares** | **(9,408)** |
| Long-term loans receivable | 2,072 | | |
| Long-term prepaid expenses | 3,599 | **Valuation and translation adjustments** | **16,248** |
| Deferred tax assets | 15,939 | Valuation difference on available-for-sale securities | 4,727 |
| Other | 10,455 | Deferred gains or losses on hedges | 2,880 |
| Allowance for doubtful accounts | (33) | Revaluation reserve for land | 8,640 |
| | | **Subscription rights to shares** | **1,009** |
| | | **Total net assets** | **347,257** |
| **Total assets** | **661,577** | **Total liabilities and net assets** | **661,577** |

# Statement of Income

(From April 1, 2015 to March 31, 2016) [Millions of yen]

| Item | Amount | |
|---|---|---|
| **Net sales** | | **486,105** |
| Cost of sales | | 318,025 |
| **Gross profit** | | **168,079** |
| Selling, general and administrative expenses | | 148,616 |
| **Operating income** | | **19,463** |
| Non-operating income | | |
| Interest and dividends income | 9,590 | |
| Miscellaneous income | 1,991 | 11,582 |
| Non-operating expenses | | |
| Interest expenses | 1,539 | |
| Foreign exchange losses | 1,071 | |
| Miscellaneous expense | 3,691 | 6,302 |
| **Ordinary income** | | **24,743** |
| Extraordinary income | | |
| Gain on sales of non-current assets | 381 | |
| Gain on sales of investment securities | 149 | 531 |
| Extraordinary loss | | |
| Loss on sales and retirement of non-current assets | 1,153 | |
| Loss on sales of investment securities | 6 | |
| Impairment losses | 1 | |
| Business structure improvement expenses | 598 | |
| Special extra retirement payments | 2,124 | 3,885 |
| **Income before income taxes** | | **21,389** |
| Income taxes-current | (1,133) | |
| Income taxes-deferred | 12,694 | 11,560 |
| **Profit** | | **9,828** |

# Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016) [Millions of yen]

| | Shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus: Legal capital surplus | Capital surplus: Total capital surplus | Retained earnings: Other retained earnings: Retained earnings brought forward | Retained earnings: Total retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1, 2015 | 37,519 | 135,592 | 135,592 | 180,095 | 180,095 | (10,727) | 342,479 |
| Changes of items during period | | | | | | | |
| Dividends from surplus | - | - | - | (12,448) | (12,448) | - | (12,448) |
| Profit | - | - | - | 9,828 | 9,828 | - | 9,828 |
| Purchase of treasury shares | - | - | - | - | - | (10,009) | (10,009) |
| Disposal of treasury shares | - | - | - | (92) | (92) | 241 | 149 |
| Cancelation of treasury shares | - | - | - | (11,086) | (11,086) | 11,086 | - |
| Net changes of items other than shareholders' equity | - | - | - | - | - | - | - |
| Total changes of items during period | - | - | - | (13,799) | (13,799) | 1,318 | (12,480) |
| Balance at March 31, 2016 | 37,519 | 135,592 | 135,592 | 166,295 | 166,295 | (9,408) | 329,998 |

| | Valuation and translation adjustments | | | | Subscription rights to shares | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | | |
| Balance at April 1, 2015 | 8,963 | 28 | 8,426 | 17,418 | 1,016 | 360,914 |
| Changes of items during period | | | | | | |
| Dividends of surplus | - | - | - | - | - | (12,448) |
| Profit | - | - | - | - | - | 9,828 |
| Purchase of treasury shares | - | - | - | - | - | (10,009) |
| Disposal of treasury shares | - | - | - | - | - | 149 |
| Cancelation of treasury shares | - | - | - | - | - | - |
| Net changes of items other than shareholders' equity | (4,235) | 2,851 | 214 | (1,169) | (6) | (1,176) |
| Total changes of items during period | (4,235) | 2,851 | 214 | (1,169) | (6) | (13,657) |
| Balance at March 31, 2016 | 4,727 | 2,880 | 8,640 | 16,248 | 1,009 | 347,257 |

# Notes to Financial Statements

**<NOTES TO BASIS OF SIGNIFICANT ACCOUNTING POLICIES>**

1. Valuation Standards and Methods for Securities
   (1) Shares of subsidiaries and affiliates
   Shares of subsidiaries and affiliates are recorded at cost using the moving-average method.
   (2) Other securities
   Securities with fair market value are recorded using the mark-to-market method based on the market price as of the balance sheet date. (Valuation difference is directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.)
   Other securities that do not have fair market values are primarily recorded at cost using the moving-average method.

2. Valuation Standards and Methods for Derivatives
   Derivatives are recorded using the mark-to-market method.

3. Valuation Standards and Methods for Inventories
   The value of inventories is determined by using the cost method based on the gross-average method (book values are reduced to reflect declines in profitability).

4. Amortization Method for Non-current Assets
   (1) Property, plant and equipment (excluding lease assets)
   The straight-line method is used.
   (2) Intangible assets (excluding lease assets)
   The straight-line method is used.
   We have adopted the straight-line method based on an estimated in-house working life of five years for the software we use.
   (3) Lease assets
   Lease assets arising from finance lease transactions that do not transfer ownership
   Depreciation is computed using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero. Finance lease transactions not involving transfer of ownership commencing on or before March 31, 2008 are accounted for based on methods applicable to ordinary rental transactions.

5. Standards for allowances
   (1) Allowance for doubtful accounts
   To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectability. For specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.
   (2) Provision for bonuses
   To prepare for the payment of employee bonuses, an amount corresponding to the current portion of estimated bonus payments to employees for the fiscal year is recorded.
   (3) Provision for Directors' bonuses
   To prepare for the payment of Directors' bonuses, an amount corresponding to the current portion of estimated bonus payments to Directors for the fiscal year is recorded.
   (4) Provision for product warranty
   The provisioning of free after-sales service for products is recorded based on past after-sales service expenses as a percentage of net sales.
   (5) Provision for retirement benefits
   In order to provide employee retirement benefits, the amount recorded by the Company is based on projected benefit obligations and pension assets at the end of the fiscal year. In determining retirement benefit obligations, the Group attributes the expected amount of retirement benefit to the period until this fiscal year-end based on the benefit formula.
   Prior service cost is being amortized as incurred by the straight-line method over periods (10 years), which are shorter than the average remaining years of service of the employees.
   Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized, primarily by the straight-line method over periods (10 years) which are shorter than the average remaining years of service of the employees.
   The accounting method for undisposed unrecognized past service expenses and unrecognized actuarial gains and losses is different from the accounting method used for the consolidated financial statements.
6. Accounting methods for hedge transactions

(1) Hedge accounting methods

The deferred hedge method is mainly used. Deferral hedge accounting is used for currency swaps that meet the conditions, and special accounting methods are used for interest rate swaps that meet certain conditions, respectively.

(2) Hedging methods and hedging targets

The hedge methods are forward exchange contracts, currency option transactions, currency swaps and interest rate swaps are used as the hedge method.

The hedge targets are scheduled foreign currency denominated transactions, loans and borrowings.

(3) Hedge policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency option transactions as hedging instruments only, not for trading purpose to make profits, within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates.

In addition, the Company and consolidated subsidiaries enter into currency swaps and interest rate swaps to make interest rates on borrowings stable, to reduce the risk of cost fluctuations for future capital procurement, not for speculation purpose, within the limit of actual financial or operating transactions.

(4) Methods for evaluating the effectiveness of hedges

Verification is made to ascertain a high correlation between value fluctuations of hedged items, cash flows and hedge instruments.

7. Consumption tax

The tax-exclusion method is used to account for consumption taxes and local consumption taxes. In addition, asset-related consumption tax that cannot be excluded is accounted for as deferred consumption taxes, etc., in the long-term prepaid expenses item and amortized over a five-year period by the straight-line method.

8. Consolidated tax payment system

Consolidated tax payment system is adopted.

**<Note concerning changes in accounting policy>**

(Changes in depreciation method for property, plant and equipment)

In the past, the Company's depreciation method for property, plant and equipment involved using the declining-balance method for buildings (excluding ancillary equipment) acquired after April 1, 1998. From the fiscal year under review, the Company has changed to the use of the straight-line method.

The Company made this revision in its method of depreciating property, plant and equipment because it sees this as an opportunity to focus investment on new product development and manufacturing, centering on the Business Technologies Business and the Industrial Business, such as by enhancing buildings and capital expenditure at Konica Minolta Hachioji SKT, an R&D facility, and factories for mass producing OLED lighting panels and manufacturing TAC film.

As demand is steady in its mainstay businesses, the Business Technologies Business and the Industrial Business, through this investment the Company seeks to sustainably level sales and production volumes by ensuring that its production facilities can be used steadily over the long term. The Company judges that employing the straight-line method over the useful life of these facilities more appropriately reflects the Company's operations. Accordingly, from the fiscal year under review the Company has changed its method of depreciation on property, plant and equipment from the declining-balance method to the straight-line method.

Compared to the method previously used, this change resulted in ¥5,948 million higher operating income for the fiscal year under review, as well as increases of ¥5,960 million in ordinary income and income before income taxes.

<**Notes to Balance Sheet**>

1. Accumulated depreciation of tangible non-current assets ¥294,877 million

2. Receivables from affiliated companies and payables to affiliated companies

| | |
|---|---|
| Short-term receivables | ¥129,873 million |
| Long-term receivables | ¥2,076 million |
| Short-term payables | ¥82,888 million |
| Long-term payables | ¥0 million |

3. Iinventories

| | |
|---|---|
| Merchandise and finished goods | ¥22,945 million |
| Work in process | ¥9,533 million |
| Raw materials and supplies | ¥5,759 million |

4. Land revaluation

Land for industrial purposes that had been revaluated based on the Law Concerning Land Revaluation (Law No. 34 promulgated on March 31, 1998) was received from Minolta Co., Ltd. on October 1, 2003, at the time of the merger. The amount corresponding to taxes on the amount of the land revaluation is included under the item deferred tax liabilities for land revaluation. An amount equivalent to the amount of the revaluation less the deferred tax liability has been entered in shareholders' equity as the land revaluation difference.

(1) Method of revaluation

The value of the land has been evaluated according to the value appraisal method for land fronting major roads, as provided for in Article 2−4 of the Enforcement Orders for the Law Concerning Land Revaluation (Enforcement Orders No. 119, promulgated on March 31, 1998) or the method for valuation of non-current assets provided for in Article 2−3 of the Enforcement Orders.

(2) Date of revaluation March 31, 2002

(3) The difference between the market value of the revalued land at the end of the fiscal year under review and the book value following revaluation ¥(7,973) million

5. Loan commitment

The Company has loan agreements with subsidiaries concerning financial matters for group companies and has established credit lines for nine of these subsidiaries. The available loan balance at the end of the fiscal year under review under these agreements is as follows.

| | |
|---|---|
| Total loan limit | ¥92,477 million |
| Disbursed loan balance | ¥61,213 million |
| Available loan balance | ¥31,264 million |

6. Pension assets in retirement benefit trust

The Company operates with two types of retirement benefit plans: a lump-sum payment plan and a defined benefit pension plan.

Provision for retirement benefits and pension assets in retirement benefit trust at year end by retirement benefit plan are as follows.

[Millions of yen]

| | Provision for retirement benefits (before deduction of pension assets in retirement benefit trust) | Pension assets in retirement benefit trust | Provision for retirement benefits (After deduction of pension assets in retirement benefit trust) |
|---|---|---|---|
| Lump-sum payment plan | 9,457 | - | 9,457 |
| Defined benefit pension plan | 23,253 | 7,371 | 15,881 |
| Total | 32,710 | 7,371 | 25,339 |

**<Notes to Statement of Income>**

Transactions with affiliated companies

| | |
|---|---|
| Operating revenue | ¥357,228 million |
| Operating expense | ¥254,524 million |
| Other operating transactions | ¥23,106 million |
| Other non-operating transactions | ¥11,203 million |

**<Notes to Statement of Changes in Equity>**

Type and number of treasury shares at end of period

| | |
|---|---|
| Ordinary shares | 7,188,993 shares |

(Additional information)

On May 13, 2015, the Board of Directors resolved for the acquisition and cancellation of treasury stock, which was executed.

For details, please refer to the Notes to Consolidated Financial Statements.

**<Notes on Tax Effect Accounting>**

1. Breakdown by cause of deferred tax assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Loss on valuation of shares of subsidiaries and associates | ¥15,662 million |
| Provision for retirement benefits | ¥12,913 million |
| Net operating tax loss carried forward | ¥11,919 million |
| Provision for bonuses | ¥2,025 million |
| Excess of depreciation and amortization over deductible limit | ¥1,478 million |
| Loss on valuation | ¥1,299 million |
| Allowance for doubtful accounts | ¥387 million |
| Other | ¥2,378 million |
| Deferred tax assets subtotal | ¥48,065 million |
| Valuation allowance | ¥(21,982) million |
| Total deferred tax assets | ¥26,082 million |
| Deferred tax liabilities | |
| Revaluation difference of marketable securities | ¥(1,853) million |
| Gain on establishment of employee pension trust | ¥(1,606) million |
| Loss (gain) on transfer of business | ¥(1,384) million |
| Total deferred tax liabilities | ¥(4,843) million |
| Net deferred tax assets | ¥21,239 million |

2. Deferred tax liabilities related to revaluation

| | |
|---|---|
| Deferred tax liabilities related to revaluation of land | ¥(3,818) million |

3. Revisions of deferred tax assets and liabilities due to change in corporate income tax rate, etc.

The “Law for Partial Revision of Income Tax Law” (Law No. 15, 2016), and the “Law for Partial Revision of Local Tax Law” (Law No. 13, 2016) were approved by the National Diet on March 29, 2016, resulting in a reduction in the corporate tax rates from fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities will be reduced from 32.34% to 30.86% for temporary differences expected to be realized in the fiscal year beginning on April 1, 2016and April 1, 2017, and to 30.62% for temporary differences expected to be realized in fiscal years beginning on or after April 1, 2018. As a result of these changes, deferred tax assets-net (net of deferred tax liabilities) and deferred tax liabilities ¥2,715 million and ¥214 million, respectively as of the fiscal year-end, and income taxes-deferred, valuation difference on available-for-sale securities, deferred gains or losses on hedges, and revaluation reserve for land recorded for the current fiscal year increased ¥2,877 million, ¥99 million, ¥62 million and ¥214 million, respectively.

**<Notes on Leased Non-current Assets>**

In addition to the non-current assets recorded on the balance sheet, the Company has other significant non-current assets which it uses under lease contracts, notably computer equipment. Finance lease transactions not involving transfer of ownership commencing on or before March 31, 2008 are accounted for based on methods applicable to ordinary rental transactions.

**<Notes on Related-Party Transactions>**

Subsidiaries, etc.

[Millions of yen]

| Attribute | Name of company, etc. | Equity ownership percentage | Relationship with the Company | | Description of transactions | Transaction amount | Account item | Ending balance |
|---|---|---|---|---|---|---|---|---|
| | | | Executive posts concurrently held | Business relationship | | | | |
| Subsidiary | Konica Minolta Holdings U. S. A., Inc. | (Ownership) Direct 100% | Two Executives of the Company | U.S. holding company | Lending of funds (Note 1) | 25,603 | Short-term loans | 19,448 |
| Subsidiary | Konica Minolta Business Solutions, Japan Co., Ltd. (Note 2) | (Ownership) Direct 100% | - | Sale of multi-functional peripherals, digital printing system, printers and related supplies in Japan and providing related solution services | Sales of products (Note 3) | 31,607 | Accounts receivable - trade | 11,712 |
| Subsidiary | Konica Minolta Business Solutions Europe GmbH | (Ownership) Direct 100% | One Executive of the Company | Sale of multi-functional peripherals, digital printing system, printers and related supplies in Europe and others and providing related solution services | Lending of funds (Note 1) | 33,246 | Short-term loans | 38,181 |
| | | | | | Sales of products (Note 3) | 116,821 | Accounts receivable - trade | 13,877 |
| Subsidiary | Konica Minolta Business Solutions U.S.A., Inc. | (Ownership) Indirect 100% | Two Executives of the Company | Sale of multi-functional peripherals, digital printing system, printers and related supplies in U.S.A. and providing related solution services | Sales of products (Note 3) | 95,704 | Accounts receivable - trade | 11,357 |
| Subsidiary | Konica Minolta Business Technologies Manufacturing (HK) Ltd. | (Ownership) Direct 100% | - | Manufacturing and sale of multi-functional peripherals, printers and related supplies | Purchases of products (Note 3) | 70,759 | Accounts payable - trade | 8,699 |
| Subsidiary | Konica Minolta Business Technologies (WUXI) Co., Ltd. | (Ownership) Direct 15% Indirect 85% | - | Manufacturing and sale of multi-functional peripherals, digital printing system, printers and related supplies | Purchases of products (Note 3) | 63,885 | Accounts payable - trade | 15,794 |
| Subsidiary | Konica Minolta Business Technologies (DONGGUAN) Co., Ltd. | (Ownership) Indirect 100% | - | Manufacturing and sale of multi-functional peripherals, digital printing system, printers and related supplies | Purchases of products (Note 3) | 56,187 | Accounts payable - trade | 6,653 |
| Subsidiary | Konica Minolta Glass Tech Malaysia Sdn. Bhd. | (Ownership) Direct 100% | - | None | Debt waiver (Note 4) | 10,119 | - | - |

The transaction amount does not include consumptions tax. The ending-balance of the accounts receivable-trade and accounts payable-trade includes consumption tax.

(Notes) Transaction terms and policy for determining transaction terms

1. Regarding the lending of funds, the Company enters into loan agreements concerning group financing with subsidiaries, setting a limit. The interest rate is determined based on market rates.
   The transaction amount is the average loan balance over the period under review.
2. Effective on April 1, 2016, Konica Minolta Healthcare Co., Ltd. merged Konica Minolta Business Solutions Japan Co., Ltd., and was renamed Konica Minolta Japan, Inc.
3. Terms for purchases and sales of products and other items are determined by price negotiations in each fiscal year that take into account market prices and the cost of sales.
4. The debt waiver is due to the liquidation of Konica Minolta Glass Tech Malaysia Sdn. Bhd.
   The Company appropriated ¥10,062 million in allowance for doubtful accounts for the debt waiver worth ¥10,119 million. As a result, the Company reported ¥56 million in business structure improvement expenses for the fiscal year under review.

**<Notes on Per Share Information>**

| | |
|---|---|
| Net assets per share | ¥698.82 |
| Earnings per share | ¥19.79 |

**<Note concerning significant subsequent event >**

As of May 10, 2016, the Group used cash to acquire 65.5% of shares of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software. Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression, and image data analytics technologies.

For detailed information, please see Notes to the Consolidated Financial Statements.

**<Other Notes>**

1. Business structure improvement expenses are those related to the termination of the digital consensus business in the Business Technologies Business and Healthcare Business.
2. Special extra retirement payment includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.
3. Figures given in the text have been rounded down to the nearest million.

# AUDITOR'S REPORTS

## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### Independent Auditor's Report

May 11, 2016

The Board of Directors
Konica Minolta, Inc.

KPMG AZSA LLC

Yoshihiko Nakamura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroo Iwaide (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shinji Someha (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to consolidated financial statements of Konica Minolta, Inc. ("the Company") as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444 (4) of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements prepared by omitting certain items required to be disclosed by the International Financial Reporting Standards, as approved under the latter part of Article 120-1 of the Ordinance on Company Accounting. Management is also responsible for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 and applied 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 referred to above, which were prepared by omitting certain items required to be disclosed by the International Financial Reporting Standards, as approved under the latter part of Article 120-1 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act

## AUDOTOR'S REPORT ON FINANCIAL STATEMENTS

### Independent Auditor's Report

May 11, 2016

The Board of Directors
Konica Minolta, Inc.

KPMG AZSA LLC

Yoshihiko Nakamura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroo Iwaide (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shinji Someha (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in equity and the notes to financial statements, and the supporting schedules of Konica Minolta, Inc. ("the Company") as at March 31, 2016 and for the 112th business year from April 1, 2015 to March 31, 2016 in accordance with Article 436 (2) (i) of the Companies Act.

**Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supporting schedules in accordance with accounting principles generally accepted in Japan, and for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements and the supporting schedules that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supporting schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supporting schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supporting schedules. The procedures selected and applied depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supporting schedules, 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 financial statements and the supporting schedules 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 financial statements and the supporting schedules.

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 financial statements and the supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and supporting schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**

As described in notes to changes in the accounting method of Notes to the Financial Statements, the Company, which had applied the declining-balance method to buildings acquired on and after April 1, 1998 (excluding attached equipment) in depreciation of property, plant and equipment, changed in the fiscal year under review to the straight-line method.
The matter does not affect the opinion of the Accounting Auditor.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

AUDIT COMMITTEE'S REPORT

# AUDIT REPORT

We, the Audit Committee of Konica Minolta, Inc. ("the Company"), have audited the performance of duties by Directors and Executive Officers during the 112$^{th}$ business year from April 1, 2015 to March 31, 2016. We report the method and results as follows.

1. Method and details of audit

We, the Audit Committee, have received reports from the Executive Officers and employees on a regularly basis on the details of the board resolutions with respect to items prescribed in Article 416, Paragraph 1, Item 1, b) and e) of the Companies Act, and the status of the establishment and operation of the system established based on such board resolutions (internal control system), sought explanations, whenever the necessity arose, and expressed our opinions. Also, in accordance with the audit standards, audit policy, audit plan, assignment of duties, etc. determined by the Audit Committee and in cooperation with the internal audit division and other internal control divisions of the Company and the auditors of subsidiaries, we verified the process and details of the decision-making at the important meetings, etc., the details of the primary decision documents and other important documents, etc. on the performance of business operations, the status of the performance of the duties of Directors, Executive Officers and others, and the status of business operations and assets of the Company.

With respect to subsidiaries, we confirmed the status of their business and management by communicating and exchanging information with Directors and corporate auditors of the subsidiaries, visiting and attending important meetings, and inspecting important decision documents, etc., whenever the necessity arose.

Moreover, in addition to monitoring and examining whether the Accounting Auditor maintained an independent position and performed auditing appropriately, we received reports from the Accounting Auditor on the performance of its duties and requested explanations when necessary. In addition, we received notice from the Accounting Auditor that "The systems for ensuring the proper performance of duties" (set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) are organized in accordance with the "Standards for Quality Control of Audit" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report, financial statements (balance sheet, statement of income, statement of changes in equity, notes to financial statements), supporting schedules, and the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, notes to consolidated financial statements, which were prepared by omitting certain items required to be disclosed by the International Financial Reporting Standards, pursuant to the latter part of Article 120-1 of the Ordinance on Company Accounting) for the fiscal year under review.

2. Results of audit

(1) Results of audit of business report, etc.

i) In our opinion, the business report and accompanying schedules fairly represent the condition of the Company in accordance with the laws, regulations and Articles of Incorporation of the Company.

ii) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws, regulations or the Company's Articles of Incorporation by any Directors or Executive Officers in carrying out their duties.

iii) We believe the details of resolutions of the Board of Directors regarding the internal control system are appropriate. We found no matters of note with respect to the execution of duties of Executive Officers regarding the internal control system.

(2) Results of audit of financial statements and accompanying schedules

In our opinion, the audit method and audit results received from the accounting auditor KPMG AZSA LLC are appropriate.

(3) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the accounting auditor KPMG AZSA LLC are appropriate.

May 12, 2016

Audit Committee of Konica Minolta, Inc.

| | | |
|---|---|---|
| Audit Committee Member | Takashi Enomoto | (Seal) |
| Audit Committee Member | Kazuaki Kama | (Seal) |
| Audit Committee Member | Hiroshi Tomono | (Seal) |
| Audit Committee Member (Full-time) | Yoshiaki Ando | (Seal) |
| Audit Committee Member (Full-time) | Ken Shiomi | (Seal) |

**Notes to the Reader of Audit Report:**

1. The Audit Report herein is the English translation of the Audit Report as required by the Companies Act.
2. Mr. Takashi Enomoto, Mr. Kazuaki Kama and Mr. Hiroshi Tomono are Outside Directors as provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.