KONICA MINOLTA, INC.

Annual Report 2016

Giving Shape to Ideas

Konica Minolta Philosophy

Our Philosophy

The Creation of New Value

Our Vision

A global company that is vital to society

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

An innovative company that is robust and constantly evolving

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

Brand Proposition

Giving Shape to Ideas

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

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

6 Values

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

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

CONTENTS

Role of Annual Report 2016

Corporate data
IR data | CSR data
Annual Report 2016 (Integrated Report)
CSR Report 2016

Notes on outlook for future results

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

Business Domains

Business Technologies Business

80.7% (¥832.1 billion)

Office Services

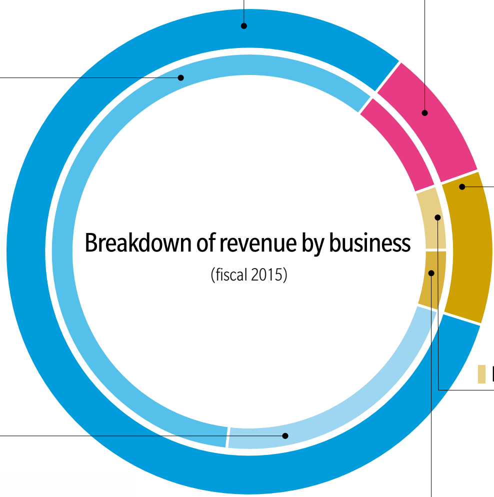
58.9% (¥607.6 billion)

bizhub C554e series

Commercial and Industrial Printing

21.8% (¥224.6 billion)

bizhub PRESS C1100



Healthcare Business

8.7% (¥89.8 billion)

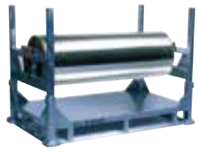
AeroDR PREMIUM

Industrial Business

10.3% (¥105.9 billion)

Performance Materials

5.2% (¥53.5 billion)



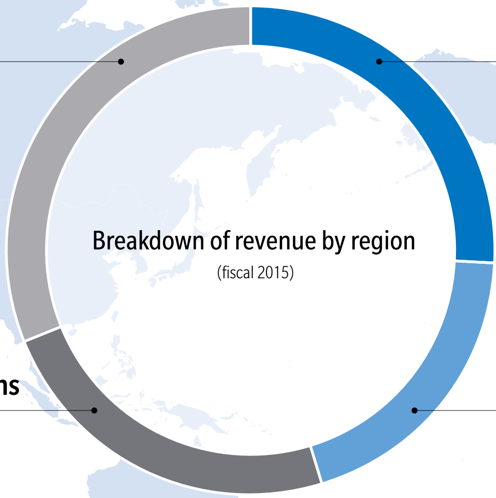
TAC film for LCD polarizers

Optical Systems for Industrial Use

5.1% (¥52.5 billion)

Display color analyzer CA-310

Global Business Framework



Europe

31.0% (¥319.7 billion)

United States

25.9% (¥267.5 billion)

Asia (excluding Japan) and other regions

23.7% (¥244.3 billion)

Japan

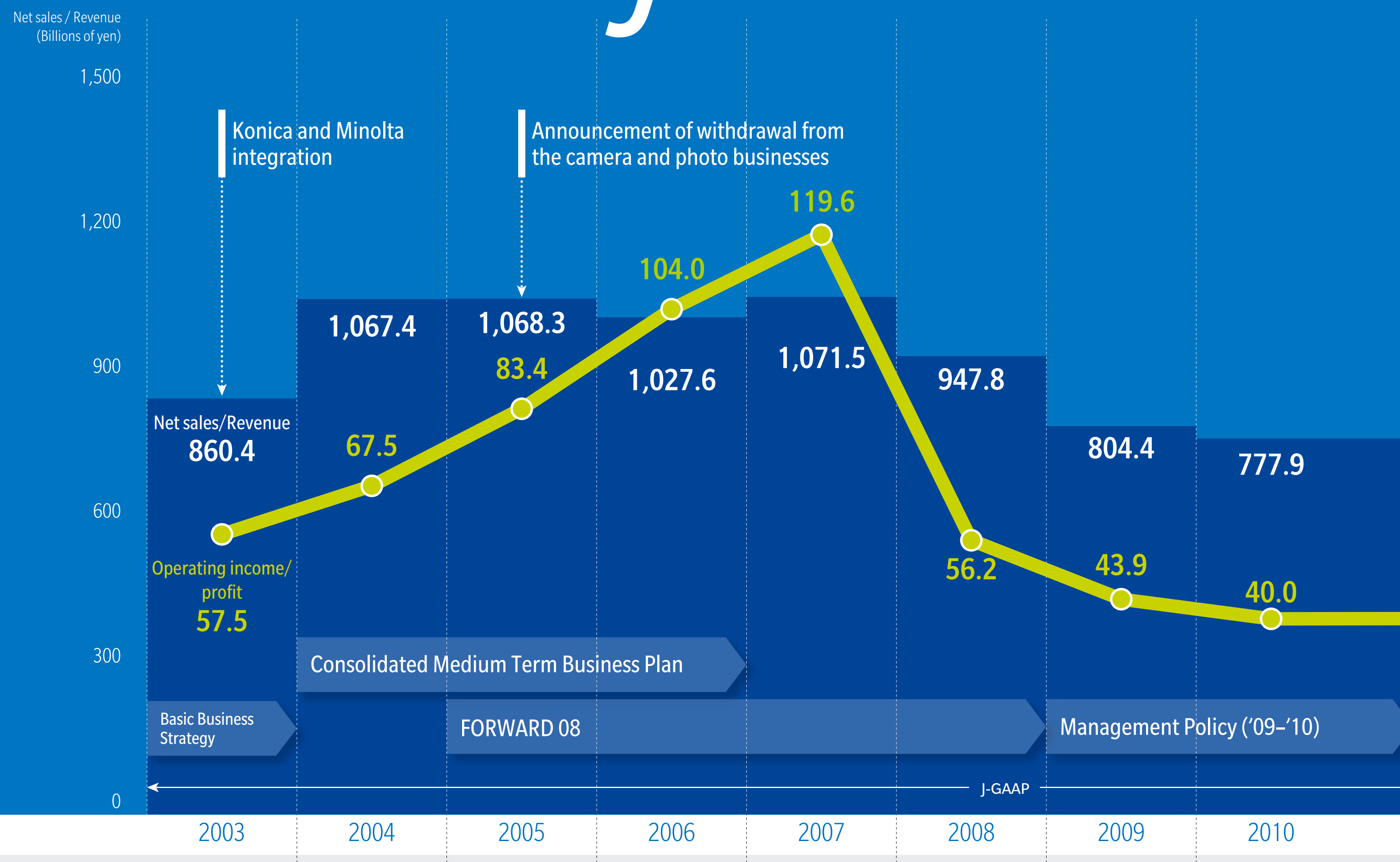
19.4% (¥200.2 billion)

Consolidated Revenue*	Consolidated Subsidiaries*	Global Sites* (countries)	In Sales and Service (countries)	Employees*
¥1,031.7 billion	151	50	over 150	43,332

* Data is compiled on a consolidated basis (as of March 31, 2016)

History

We aim to achieve sustainable profit growth by staying ahead of business environment changes and quickly executing “genre-top” strategies.



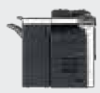
Product improvement and expansion

2004
- Announced bizhub, a new office equipment brand
- Launched bizhub PRO 1050 and bizhub PRO 1050P for the light production market
- Launched Mermaid, the world’s first phase contrast mammography system
- Launched CS-200 luminance colorimeter for optical device measurement, including displays, LEDs, and lamps

2006
- Launched bizhub C550 MFP supporting next-generation networks

- Developed a market-ready, white organic electroluminescence (EL) light-emitting device that boasts a long lifespan and high efficiency

2007



- Launched compact and lightweight CM-700d and 600d wireless mobile spectrophotometers

2008
- Launched bizhub PRO C65hc high-speed MFP that achieves color reproduction near the sRGB color space

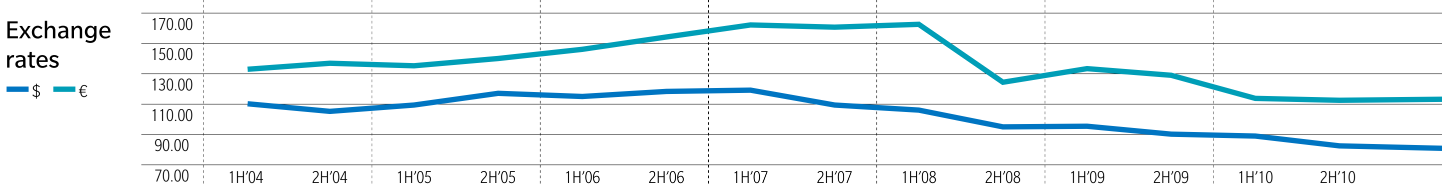
- Launched CS-2000A mobile spectroradiometer capable of mega contrast spectroscopy

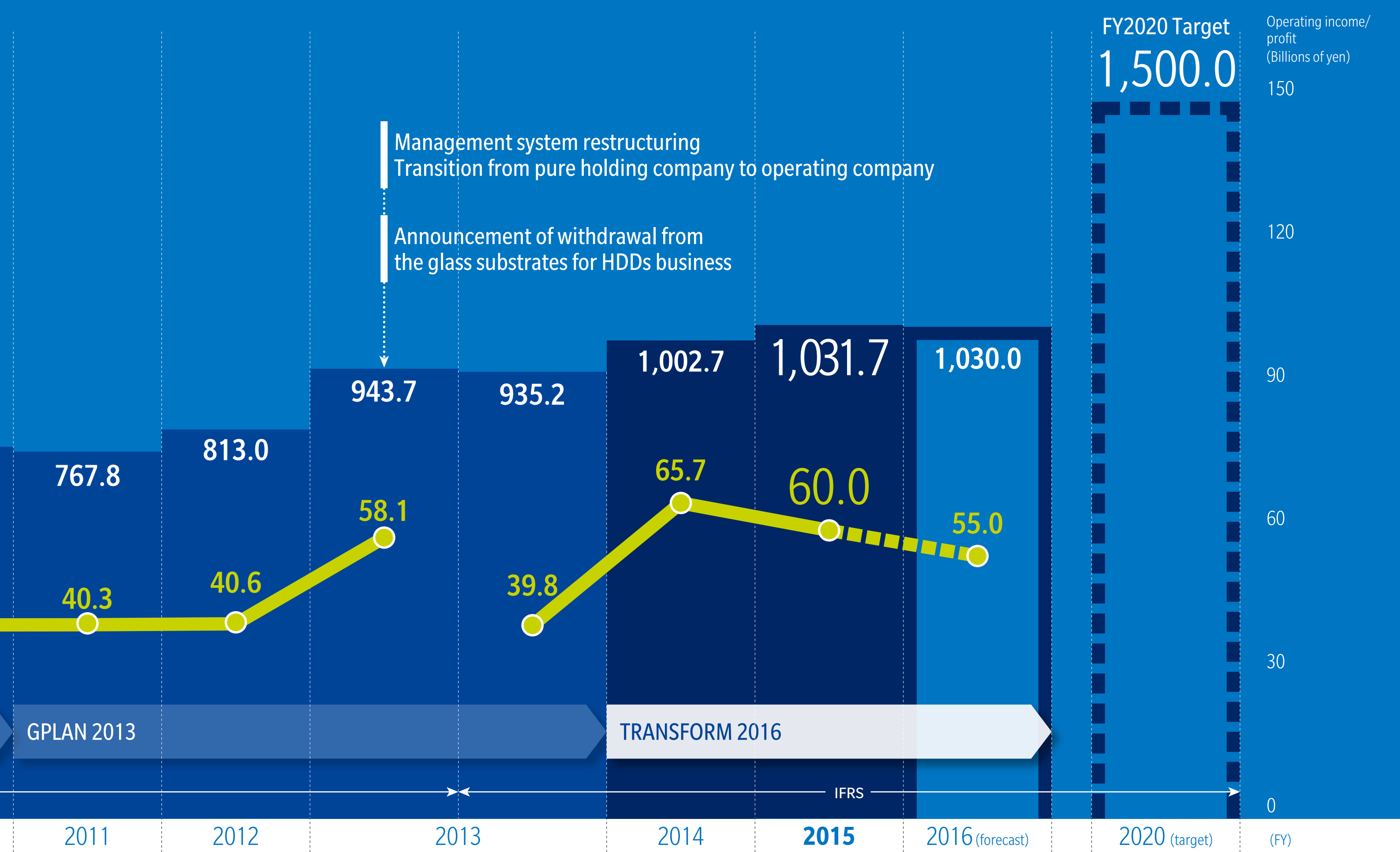
2010
- Launched the bizhub PRESS C8000, a top-of-the-line digital color printing system

Service improvement and expansion

2010
- Began provision of the global OPS program
- Acquired All Covered Inc., a U.S.-based IT services company
- Launched the Data Bank Service and Collaboration Box Service to support collaboration between medical image management facilities

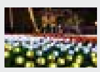
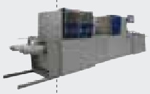
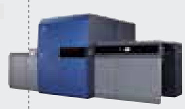
Exchange rates









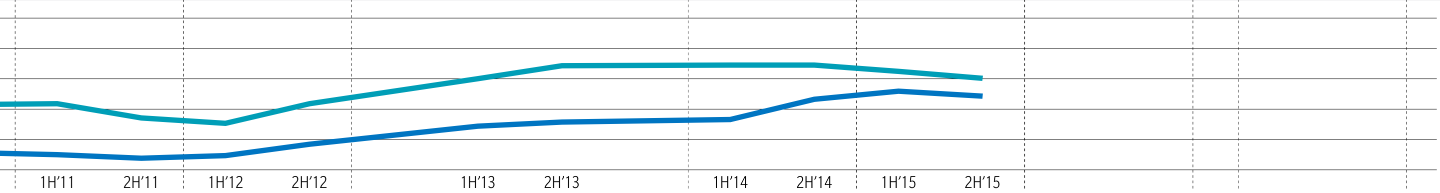




- Launched cassette-type digital X-ray system AeroDR
- Launched the Nassenger PRO60 all-in-one inkjet textile printer
- Launched the world's first OLED lighting panel to use only phosphorescent emitters
- Acquired business from Panasonic Healthcare and began business in diagnostic ultrasound systems
- Acquired Instrument Systems, a major Germany-based measuring instrument manufacturer
- Launched the bizhub PRESS C1100, a top-of-the-line digital color printing system
- Launched diagnostic ultrasound system SONIMAGE HS1
- Acquired US-based Radiant Vision Systems. Began business in manufacturing inspections for measuring instruments
- Began test marketing for the KM-1, a B2 cut-sheet inkjet printer
- Our plastic substrate flexible OLED lighting panel was used to build the world's first* illuminating OLED tulip

* The first time OLED lighting has been used in a flower illumination

- Signed contract to acquire additional stake in France-based MGI Digital Technology
- Acquired majority stake in IP video surveillance camera manufacturer MOBOTIX, a cutting-edge technology company in Germany

- Acquired FedEx Kinko's Japan Co. Launched on-demand printing service
- Acquired UK-based Charterhouse Limited. Launched MPM service
- Acquired Serians, a France-based IT services provider
- Acquired Raber+Märcker GmbH, a major Germany-based IT systems integration firm
- Began provision of MCS worldwide
- Built a system for rolling out MPM services worldwide
- Charterhouse acquired UK-based Indicia. Strengthened our MMS business
- Acquired Australian MPM giant Ergo
- Developed "care support solutions," a revolution in caregiving workflows by using ICT
- Acquired U.S.-based Viztek. Enhancing healthcare IT solution capabilities
- Acquired ProcessFlows Holdings, a U.K.-based IT service company

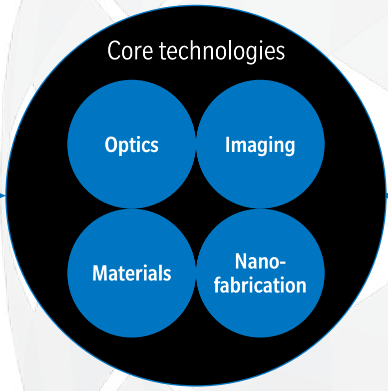


Innovation

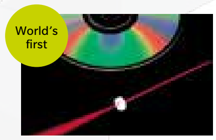
Using photographic film and camera technologies as a base, Konica Minolta is continually creating new value by bringing advanced technologies together with the core technologies we have developed.

Konica
Since 1873

Minolta
Since 1928



Leveraging lens and optical design technologies



1984
Develops aspherical plastic lens for CD drives

1997
Develops special aspherical plastic lens compatible with CD and DVD drives

2003
Develops an autofocus lens unit

Leveraging sensing technologies

1982
Markets the CR-100 colorimeter

1993
Markets the CM-500 series of spectrophotometers

2007
Markets the CS-2000 spectroradiometer, enabling 100,000:1 contrast measurement

Leveraging image processing technologies

1971
Markets the U-Bix480 high-performance dry electronic copier

1977
Markets the Konica C35 AF autofocus camera

1983
Markets the EP450Z copier with stepless zoom magnification/reduction function

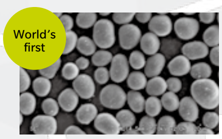
1985
Markets the Maxxum 7000 (known as α-7000 in Japan), a single-lens reflex camera with a professional-quality autofocus

2003
Markets the 8050 high-speed digital color MFP

2005
Markets the Mermaid phase contrast mammography unit

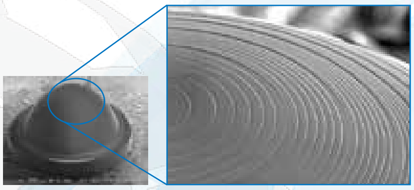
Leveraging film technologies

1987
Markets the Konica Color 3200



2000
Markets the bizhub PRO C500, featuring the world's first toner synthesized through the emulsion polymerization method

2006
Develops VA-TAC film



Three-wavelength-compatible pickup lenses in one plastic lens structure

Optical projector lenses made using superior design and production techniques

3D LiDAR high-accuracy real-time information acquisition system excellent at filtering ambient light

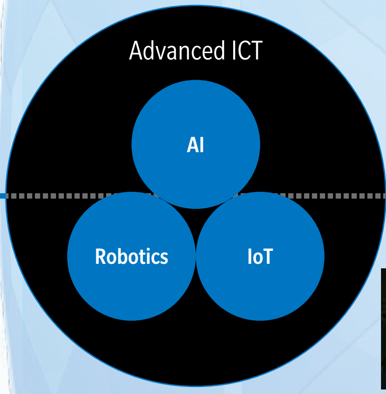
Wearable communicator that improves operational efficiency in production and distribution

Light-source color measuring instruments that stand as the global top standard for evaluating LEDs and other lighting, etc.

bizhub series of A3 color MFPs

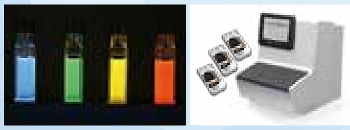
Monitoring system that accurately detects problems with those needing nursing care

Current core businesses



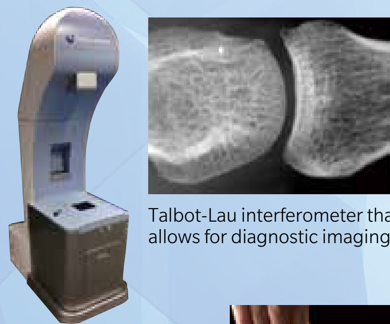
New businesses from the fusion of core technologies and ICT

bizhub PRESS C1100 digital printing system

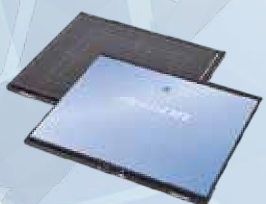


HSTT & SPFS using fluorescent nanoparticle and image analysis for high-sensitivity detection

AccurioJet KM-1 29.5-inch cut-sheet UV inkjet press



Talbot-Lau interferometer that allows for diagnostic imaging of cartilage



AeroDR cassette-type digital X-ray system

SONIMAGE HS1 diagnostic ultrasound system

OLED lighting that is gentler on the eyes and allows for thin, bendable, lightweight screens

September 2015

Announcement of the AccurioJet KM-1, a UV inkjet press to answer the needs of an increasingly digitalized commercial printing market (order taking started June 2016)

At IGAS 2015, the largest comprehensive international trade show on print media in Japan, we presented the AccurioJet KM-1 29.5-inch cut-sheet UV inkjet press. We also had a booth at drupa 2016, the leading international trade fair for print and cross-media solutions, where we began taking orders for the AccurioJet KM-1. The AccurioJet KM-1 is drawing interest from all corners as a next-generation digital printing system that offers high image quality on par with offset printing and that meets commercial printing needs such as high-mix printing, small-lot jobs, printing with short lead times, variable printing, etc.

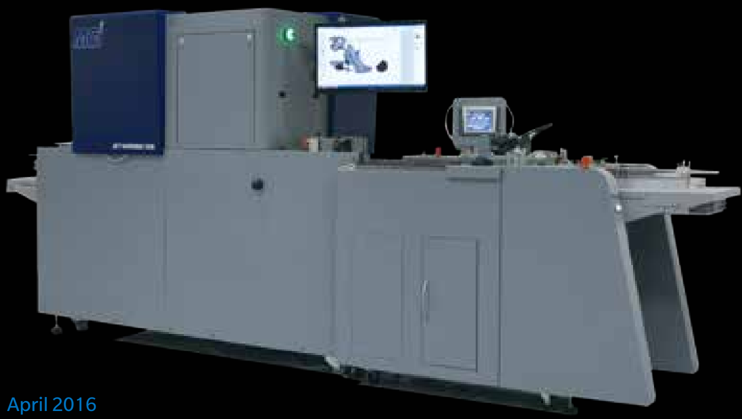
June 2015

Promoting hybrid-type sales, which integrate information devices with IT services

In the Business Technologies Business, we are promoting hybrid-type sales, which integrate input-output devices and IT services. We have secured a substantial number of contracts through which we provide high value added services that include comprehensive service contracting involving everything from proposing workflow improvements to maintaining and operating IT environments for our customers. In June 2015, we expanded and improved our hybrid-type sales framework with the acquisition of U.S.-based dealer SymQuest Group, Inc.

Business Highlights

Efforts to give further high added value to products and services



April 2016

Accelerating the digitalization of label and package printing through added investment in MGI, a manufacturer of high added value printers

Demand is on the rise in the label and package printing industry for digital solutions in foil stamping and other such high added value printing. With an eye to making a powerful entrance into this market, we have made additional investment into industry-leading and France-based MGI Digital Technology to enhance our capital and business partnership with the company while improving and expanding our product lineup.

November 2015

Launch of the Nassenger SP-1 inkjet textile printer for top-of-the-line productivity and image quality

For the textile printer market, for which a shift towards digital products is underway, we launched the Nassenger SP-1 inkjet textile printer. This printer uses single pass system to achieve great production speed and image quality. This further builds on our lineup of mid and heavy production printers, better equipping us to handle customer's needs.

October 2015

Stepping up our ability to propose healthcare solutions in the U.S. market through the acquisition of Viztek

The U.S. market is looking to make healthcare more efficient in response to its medical insurance system reform. In order to propose better healthcare IT solutions in the world's largest market, we acquired Viztek, a healthcare imaging solutions provider that has built a robust sales network in the country.

VIZTEK

Efforts to bring innovation to manufacturing

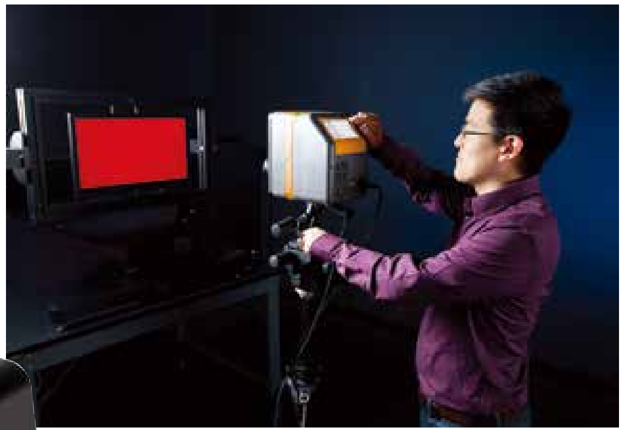
May 2015

Start of full-scale operations at Malaysian production site based on the digital manufacturing concept

Konica Minolta has begun full-scale operations at its Malaysian production site based on the concept of digital manufacturing, which seeks to reform workflows by leveraging ICT and automation technologies and going beyond regional and corporate boundaries. This effort will form the foundation for creating a business centered on providing services to help improve manufacturing productivity and quality.

Manufacturing cockpit

August 2015



Acquisition of U.S.-based inspection system manufacturer Radiant Vision Systems and entry into the manufacturing inspection segment

As manufacturing becomes increasingly sophisticated and complex, customers are increasingly in search of inspection systems to ensure good product quality. By acquiring and exercising synergy with Radiant Vision Systems, a large U.S-based manufacturer of display inspection systems, Konica Minolta will strengthen its technological capabilities in the manufacturing inspection segment.

RADIANT
VISION SYSTEMS

March 2016

Steady achievement of synergy with Instrument Systems, a recent Konica Minolta acquisition and major manufacturer of measuring instruments based in Germany

With an eye to expanding and improving our product lineup in the display measurement field, we completed an acquisition in 2012 of Instrument Systems, a Germany-based major manufacturer of lighting-related measuring devices. Solid progress in the development of products through synergy between the two companies enabled Instrument Systems to achieve record sales for fiscal 2015.

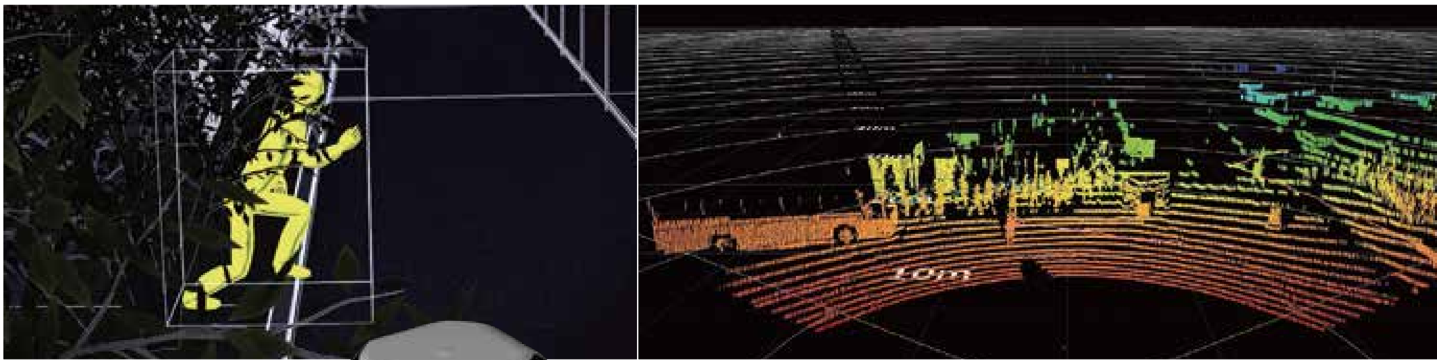
March 2016

Speeding up open innovation aimed at creating new value

Konica Minolta operates five business innovation centers (BICs) worldwide, with one each in North America, Europe, Asia-Pacific, China, and Japan. Through collaboration with research institutes and business startups in each region, these organizations dedicated to creating new businesses are working to develop new solutions. In March 2016, we provided support for Pioneers Asia, an event attended by startup companies from around the world. The event gave BIC Japan a chance to showcase its new services and business activities.

Efforts to build new businesses

Presentation of a service being developed by BIC Japan at Pioneers Asia exhibition in March 2016



January 2015

Developing a 3D laser radar to enable better monitoring system accuracy and efficiency

Konica Minolta has developed a 3D laser radar technology utilizing proprietary optical technologies. This technology can detect objects in a wide range instantaneously and in fine detail, and can be combined with image processing and artificial intelligence technologies to build highly-efficient monitoring systems that send out an alarm only when there is a problem.

March 2016

Enhancing technological expertise in the network camera field through investment in MOBOTIX

The security industry is always looking for more advanced monitoring technologies in order to make society safer and more secure. In an effort to enhance Konica Minolta's technological capabilities in this field, we have acquired a controlling share in MOBOTIX, a Germany-based firm with superior network camera technologies, and will be leveraging the technological synergy between us to achieve next-generation monitoring systems.

MOBOTIX

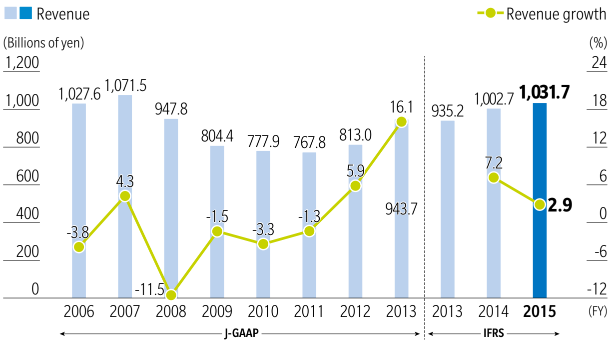
Financial and Non-Financial Highlights

Pgs. 83-84 also show major financial data for the last 10 years.

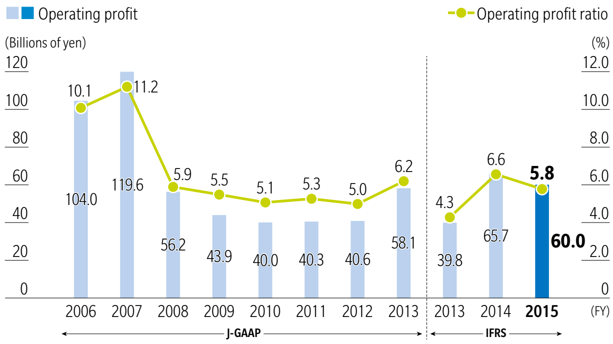
Profitability

Fiscal 2015 revenue increased 2.9% year-on-year to ¥1,031.7 billion. This owed to increased sales of core products, the effects of mergers and acquisitions, and a weakening of the yen against the dollar. Operating profit decreased by 8.7% to ¥60.0 billion. A stronger yen to the euro, increased costs involved in transforming the business, and recognized structural reform expenses towards growth in the coming fiscal year were contributing factors. Profit attributable to owners of the company declined by 21.9% to ¥31.9 billion, due in part to a decreased corporate tax rate on the back of domestic taxation system reforms.

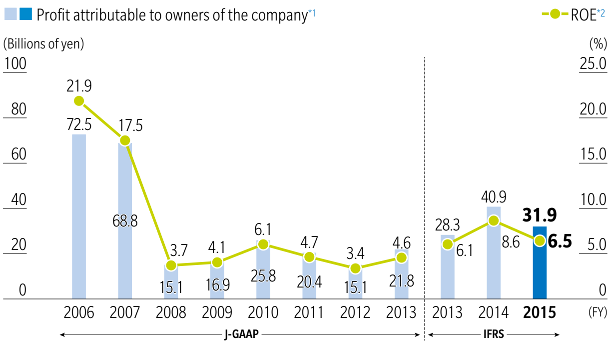
Revenue, Revenue growth



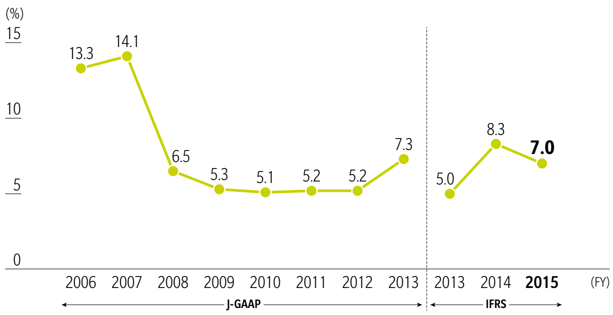
Operating profit, Operating profit ratio



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



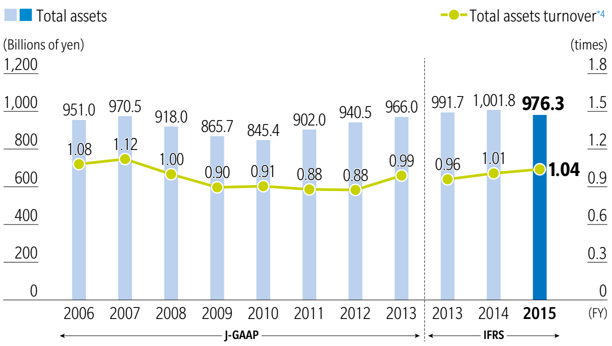
ROIC*3



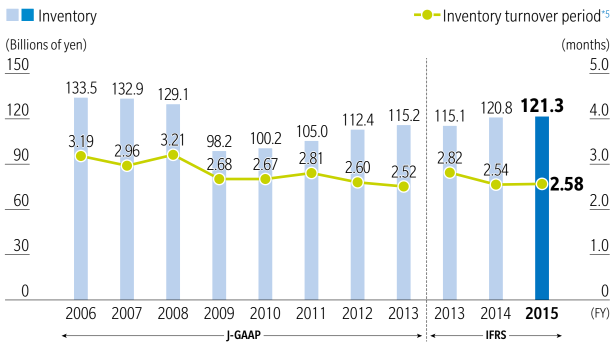
Efficiency

Total assets as of the end of fiscal 2015 were ¥976.3 billion, a ¥25.4 billion year-on-year decrease. In the interest of balance sheet management, the Company continued last year's efforts to sell fixed assets, reduce inventory, and otherwise work to improve asset efficiency. Efforts were also made to optimize inventory standards, one result of which was inventory turnover period of 2.58 months.

Total assets, Total assets turnover*4



Inventory, Inventory turnover period*5



*1 Fiscal 2006–2013 (J-GAAP) = Profit for the year
Fiscal 2013–2015 (IFRS) = Profit attributable to owners of the company

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

*3 ROIC = Operating profit after tax/(Share capital + Share premium + Retained earnings + Treasury shares + Interest-bearing debt - Cash and cash equivalents (yearly average))

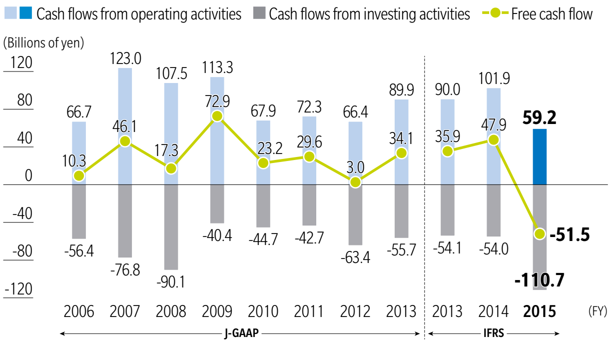
*4 Total assets turnover = Revenue / Average total assets

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

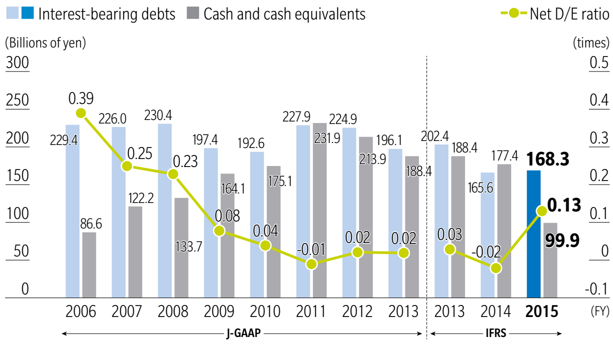
Stability

Concerning fiscal 2015 cash flows, the Company achieved ¥59.2 billion through cash flows from operating activities. However, an outflow of ¥110.7 billion through cash flows from investing activities, mainly attributable to M&A, resulted in a free cash flow decrease of ¥51.5 billion. Interest-bearing debt and cash reserves stood at ¥168.3 billion and ¥99.9 billion, respectively, with a net D/E ratio of 0.13. The Company retained a credit rating of A with R&I and A+ with JCR. The Company will continue to maintain financial soundness.

Cash flows



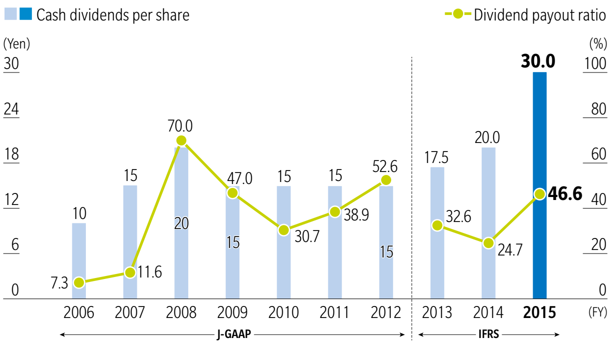
Interest-bearing debts, Cash and cash equivalents, Net D/E ratio



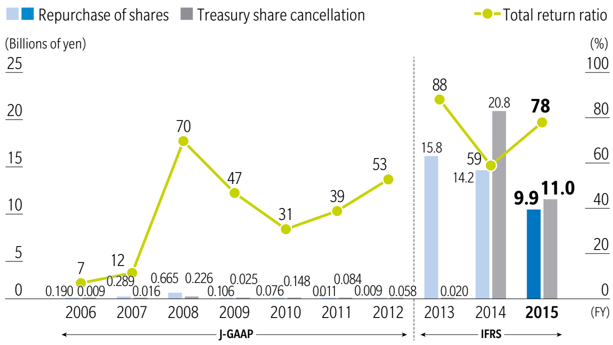
Shareholder Return/Investment Indicators

The Company's basic policy is to proactively distribute earnings to shareholders after comprehensive consideration of factors including consolidated business results and strategic investment in growth areas. In fiscal 2015, the Company paid an annual dividend per share of ¥30, in addition to repurchasing ¥9.9 billion of shares and cancelling ¥11.0 billion in treasury shares.

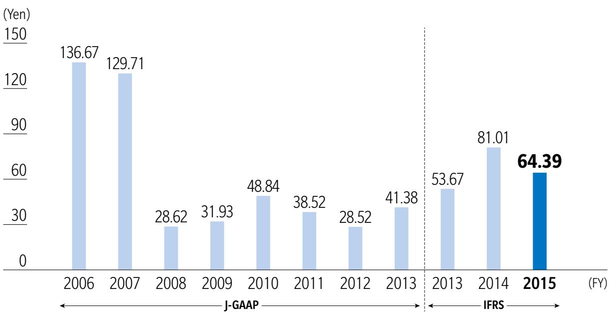
Cash dividends, Dividend payout ratio (%)



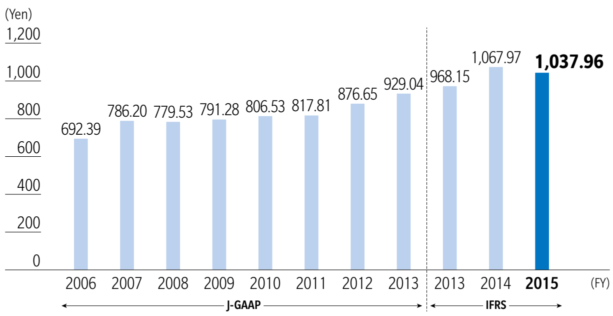
Repurchase of shares and Treasury share cancellation, Total return ratio (%)



EPS*6

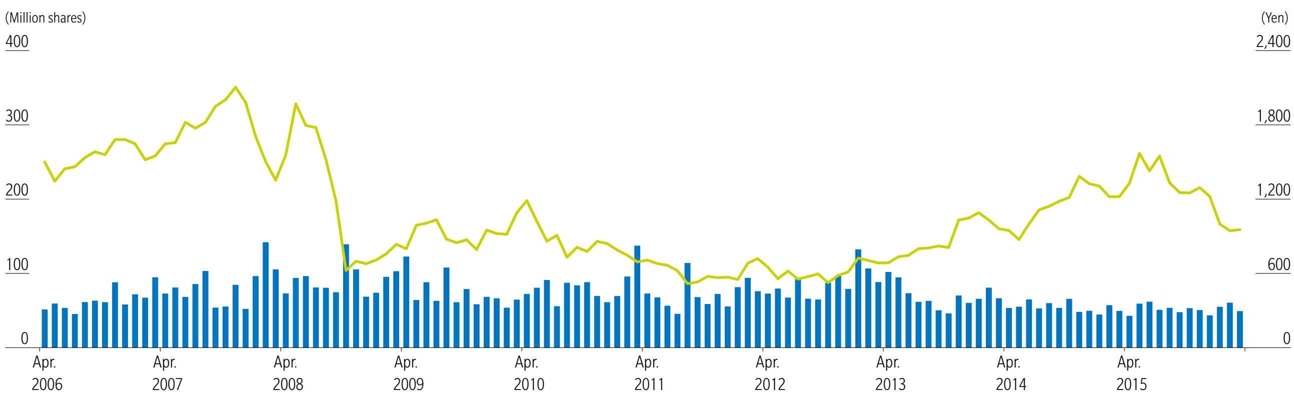


BPS*7



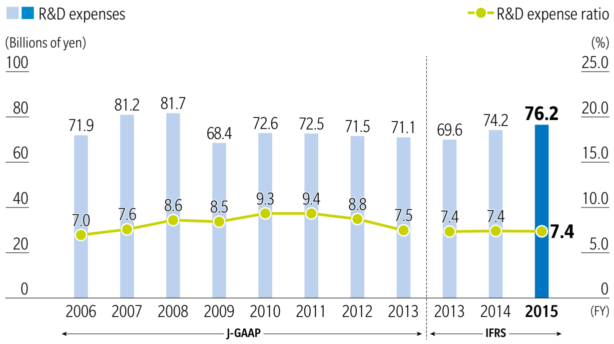
*6 EPS = Profit attributable to owners of the company / Average number of outstanding shares during the period
*7 BPS = Profit attributable to owners of the company / shares at fiscal year end

Stock price chart

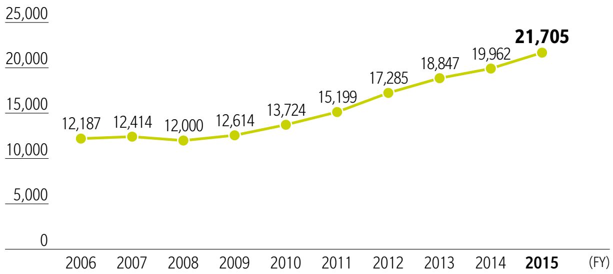


Non-Financial Data

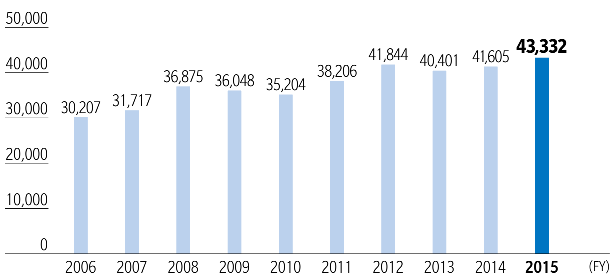
R&D expenses, R&D expense ratio



Number of patent rights held

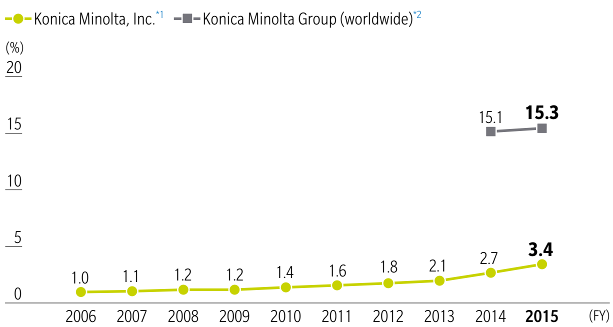


Group employees (consolidated)



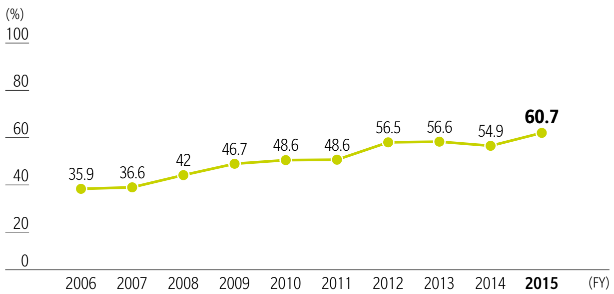
Percentage of management positions held by women

(As of April of the following fiscal year)

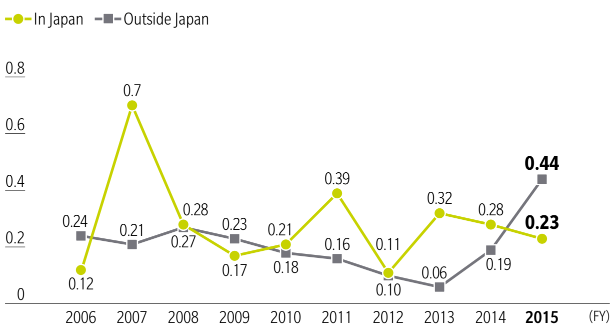


*1 Includes employees seconded to Group companies
*2 Covers at least 89% of the consolidated Group on a number of personnel basis

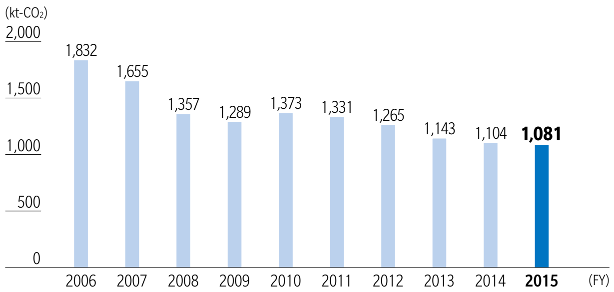
Local/foreign president ratio at foreign subsidiaries



Frequency rate of accidents causing absence from work

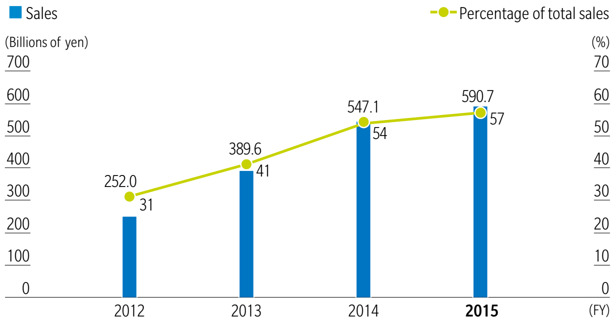


CO_2 emissions throughout product life cycle*

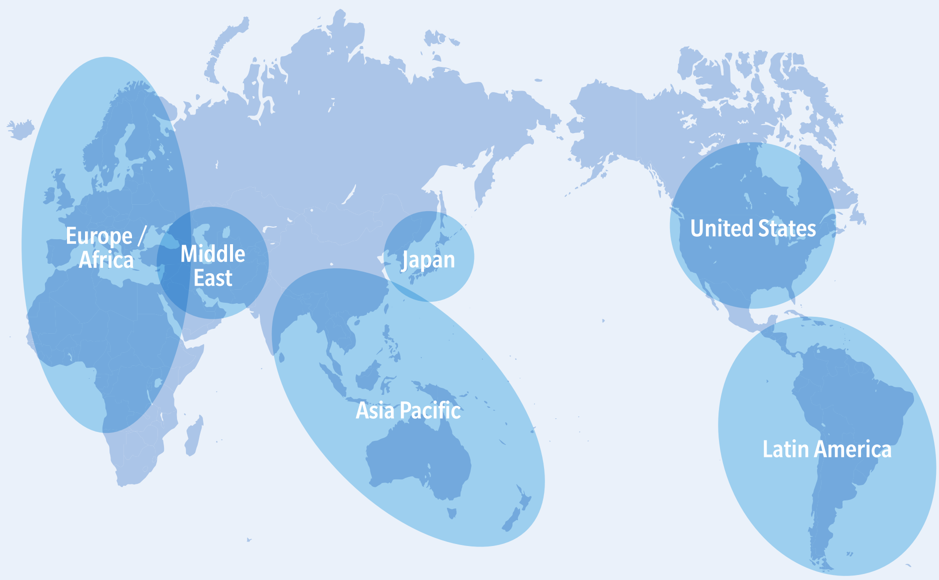


* CO_2 emissions throughout a product's lifecycle, from procurement to production, distribution, sales, service, and product customization.

Green product sales



Regional Overview



Consolidated Subsidiaries*
151

Global Sites* (countries)
50

In Sales and Service (countries)
over 150

Employees*
43,332

* Data is compiled on a consolidated basis (as of March 31, 2016)

		Revenue* (Billions of yen)	Employees	Consolidated subsidiaries	CO_2 emissions (kt-CO_2)	Total energy inputs (TJ)	Water consumption (km³)
Europe	2013	309.6	8,328	55	31	619	75
	2014	328.6	9,048	61	28	545	95
	2015	**319.7**	**9,824**	**62**	**33**	**606**	**104**
United States	2013	205.8	7,663	11	38	635	84
	2014	235.6	8,046	11	36	599	86
	2015	**267.5**	**8,848**	**22**	**35**	**572**	**93**
Japan	2013	204.7	12,177	21	262	5,626	3,034
	2014	194.6	12,154	20	265	5,694	3,188
	2015	**200.2**	**11,964**	**19**	**259**	**5,572**	**3,122**
Others	2013	214.9	12,233	23	91	1,238	1,445
	2014	243.8	12,350	38	70	912	474
	2015	**244.3**	**12,696**	**48**	**71**	**937**	**520**

* Europe revenue include Russia and Turkey.

Shoei Yamana
President and CEO

Message from the CEO

Our aim is to continue growth over the long term by transforming to businesses with high added-value that contribute to solving issues faced by society.

Focusing on expansion of earnings and acceleration of growth strategies under a harsh business environment

In fiscal 2015, the second year of our Medium Term Business Plan TRANSFORM 2016, revenue increased from the previous fiscal year following increased sales of high-end models for commercial printing, the positive effects of revenue from mergers and acquisitions (M&As), and a stronger dollar against the yen. On the other hand, expenses in the areas of sales and general administration rose in the wake of business transformation and structural reform, while the appreciation of the yen against the euro had a negative impact on foreign exchange transactions. These negative effects more than offset the increase in revenue, hence a fall in operating profit.

Konica Minolta's largest business, Business Technologies, is sensitive to the euro/yen rate as revenue in the European market accounts for as much as 40% of total revenue of the segment. The targets set forth in the current Medium Term Business Plan, which was introduced in May 2014, were based on the assumed exchange rate of €1=¥135 at the time of formulating the plan. Since then, the yen has continued to fluctuate, reaching €1=¥120 by the start of fiscal 2016. The difference in exchange rates had a strong effect on operating profit, to the amount of approximately ¥18 billion. This was a major factor behind the discrepancy of the fiscal 2016 targets set forth in the current Medium Term Business Plan and the fiscal 2016 earnings estimates published in May 2016.

The earnings structure was built to protect the Company from the influence of yen-dollar exchange rate fluctuation, it has become evident that ensuring measures for protection against the Euro is an important future management issue.

Three Phases of Medium Term Business Plan TRANSFORM 2016

Phase 0	Phase 1	Phase 2
The existing growth engine itself	Business transformation that will produce definite results by FY2016	Business transformation that will be completed by FY2016 and contribute to business in FY2017-2018

Progress in TRANSFORM 2016

		Fiscal 2015 results	Fiscal 2016 estimates (Published May 2016)	Fiscal 2016 targets (Published May 2014)	Fiscal 2016 estimates (Revised July 2016)
KPIs	Revenue	¥1,031.7 billion	¥1,060.0 billion	¥1,100.0 billion	¥1,030.0 billion
	Operating profit	¥60.0 billion	¥66.0 billion	¥90.0 billion	¥55.0 billion
	Operating margin	5.8%	6.2%	8%	5.3%
	ROE	6.5%	8.7%	10% or more	7.2%
	Assumed forex rates	\$1=¥120.1 €1=¥132.6	\$1=¥105.0 €1=¥120.0	\$1=¥100 €1=¥135	\$1=¥105.0 €1=¥115.0

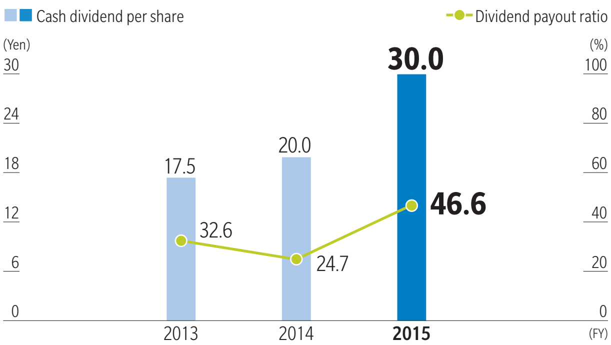
Fiscal 2016 is expected to see the continuation of a harsh business environment. Even so, we are focusing on the “expansion of earnings.” While strengthening “earning power” drastically, we are committed to accelerating our growth strategies towards the next generation.

The most important task to expand earnings is to quickly turn the group of more than 40 companies added through M&As in the last few years into profit contributors. The next issue of importance is cutting the cost of production through manufacturing reform, eliminating costs arising from waste, and substantially reducing lead times. We will ensure that the Business Technologies plant in Malaysia that became operational last year will start contributing to profits as a labor-saving automated factory making the most of state-of-the-art ICT. We will also ensure that expertise gained at the Malaysian plant will be shared with our Chinese plant and other bases. Yet another important point is “expanding gross profit per employee” by improving the productivity of business processes. While reinforcing a workforce that supports business transformation through corporate acquisitions, we will speed up the Company’s ‘metabolism’ as an organization and proceed with the optimal deployment of human resources. Through these initiatives, we are hoping to take control of rising fixed costs and improve productivity per employee; that is, the power to generate gross profit.

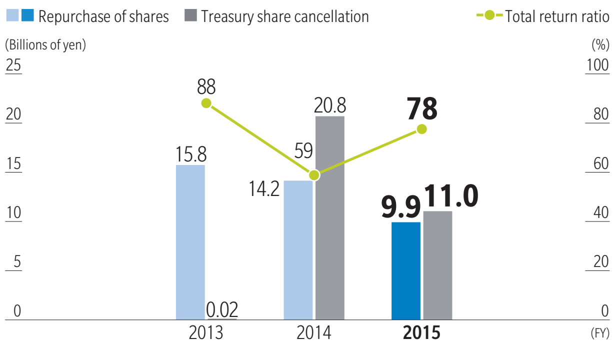
In order to meet shareholders’ and investors’ expectations, sustained corporate growth is paramount. With activities such as the UK’s decision to leave the EU, the global economy has become even more uncertain. Despite the unclear outlook, Konica Minolta will work to faithfully implement the above initiatives to improve its earning power. At the same time, we are planning to continue aggressive strategic investments for future growth.

While using profits and cash generated from business activities for strategic investments, we are also hoping to return as much as possible to shareholders. In fiscal 2015, we increased the total annual dividend by ¥10, to ¥30 per share. Reflecting on profit allocations to shareholders, the Company conducted share buybacks totaling ¥9.9 billion (or 6.57 million shares) from May to July 2015, as well as cancelling a previously acquired 9 million shares in June 2016. Partly due to the difficult business environment, we are expecting the fiscal 2016 annual dividend to remain at ¥30 per share, the same level as the previous term.

Cash dividends, Dividend payout ratio



Repurchase of shares and Treasury share cancellation/ Total return ratio



Medium Term Business Plan TRANSFORM 2016 Phase 1

Increasing added-value for all businesses through business reform to become a customer-centric company

In order to improve business competitiveness, Konica Minolta has been consistently promoting “genre-top” strategies since management integration between Konica and Minolta in 2003. These fundamental strategies remain unchanged, but in addition to them, we are now pressing forward with “business transformation,” an initiative to evolve all of our operations into businesses with high added-value that contribute to resolving customers’ issues.

One major asset of the Konica Minolta Group is its strong direct sales and services network, which has a customer base of two million companies throughout the world. Taking advantage of this huge customer base and engaging in direct dialog with them, we are helping our customers to solve management issues that vary by industry.

We are quickly shifting away from the traditional sales style of building relationships with a specific division, such as the General Affairs Department, towards a “multiple contact-point approach” that encompasses targeting various divisions at customer companies. Some specific examples highlighting how we have transformed our business are shown below for each business area.

First of all, in the office services area of the Business Technologies Business, we consider our customers’ information and content flow as a business process. By automating and optimizing this business process, we resolve a number of operational issues faced by the customer, such as how to improve productivity and enhance security. In this service, digital multi-functional peripherals play a role as a hub on the network and transform customers’ offices into digital workplaces. While the size of the market for offices printing

Road Map to Next-Generation Growth and Creation of Customer Value

	Phase 1	Phase 2
Office Services	•Penetrate hybrid sales •Solutions by each industry and business	•Provide new-generation office services platform
Commercial and Industrial Printing	•Enter major commercial printer business with KM-1 •Additional investments in MGI	•Comprehensively streamline and maximize input/output equipment within printing companies •Digital marketing services
Healthcare	•Diagnostic ultrasound systems •Medical IT services	•Expand to high added-value medical diagnostics imaging •Local comprehensive medical support services
Measuring Instruments	•Enter manufacturing testing field	•Services to resolve issues using monitoring • Advanced security • Sales promotion support • Driving-assist support
Optical Systems	•Expand optical systems for industrial use field	
Performance Materials	•New film for displays	•Enter materials business such as organic light-emitting diodes (OLEDs)

with paper is estimated to be around ¥10 trillion, the 'digital workflow services' market enjoys potential demand that outstrips the paper printing market. We regard this business as a driving force in the office services area.

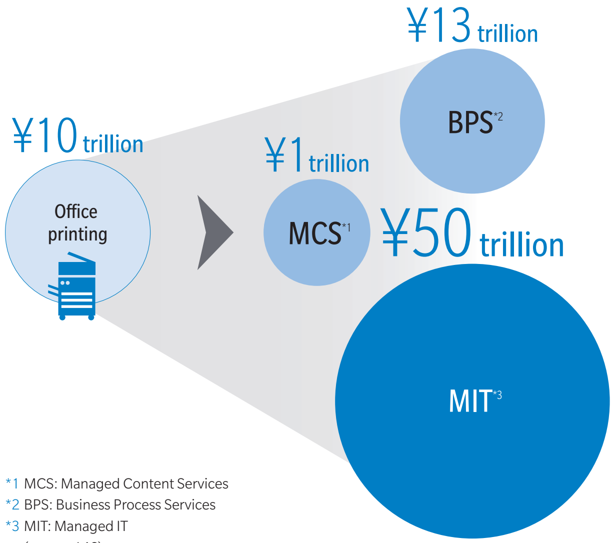
In the area of commercial and industrial printing, we are proposing a shift to 'on-demand digital' for commercial printing using paper as the main medium and industrial printing on packages, labels and textiles. In the commercial printing market, of which the size is estimated to be ¥39 trillion globally, digital printing accounts for a mere 3.5%, and it constitutes a meager 2.7% of the global industrial printing market, worth ¥52 trillion in total. However, digital printing has an advantage for small-lot or quick-delivery printing as it does not require plates. Today, an increasing number of printing companies are still introducing digital printers to be used together with offset printers, which are the major production facilities for commercial printing companies. Moreover, digital printing is suited for "printing when needed, where needed and only as much as needed," and thus helps reduce environmental impact throughout the value chain. From this perspective, latent needs for digitalization are considered extremely high, and I believe that the digitalization of printing will gather momentum worldwide. Through the additional investment in MGI Digital Technology (headquartered in France), which has strengths in digitalization in the label and packaging area, Konica Minolta's aim is to enhance its competitive edge in the digital printing market.

In the Healthcare Business, we are intensifying our efforts to propose innovative changes in hospital workflows, replacing the use of X-ray film with 'digital x-ray image diagnosis.' The "SONIMAGE HS1" ultrasound image diagnosis system Konica Minolta introduced last year has received excellent evaluations from a number of doctors, mainly orthopedic surgeons. We are planning to expand the business, with this system as a strategic product.

In the field of optical systems for industrial use, Konica Minolta provides a system that uses digital technologies to measure the color and light of items such as productions and advertising and sales promotion tools. This enables its customers to conduct unified quality control and brand management beyond regional and national borders, where its digital measurement system ensures the same quality assurance around the globe.

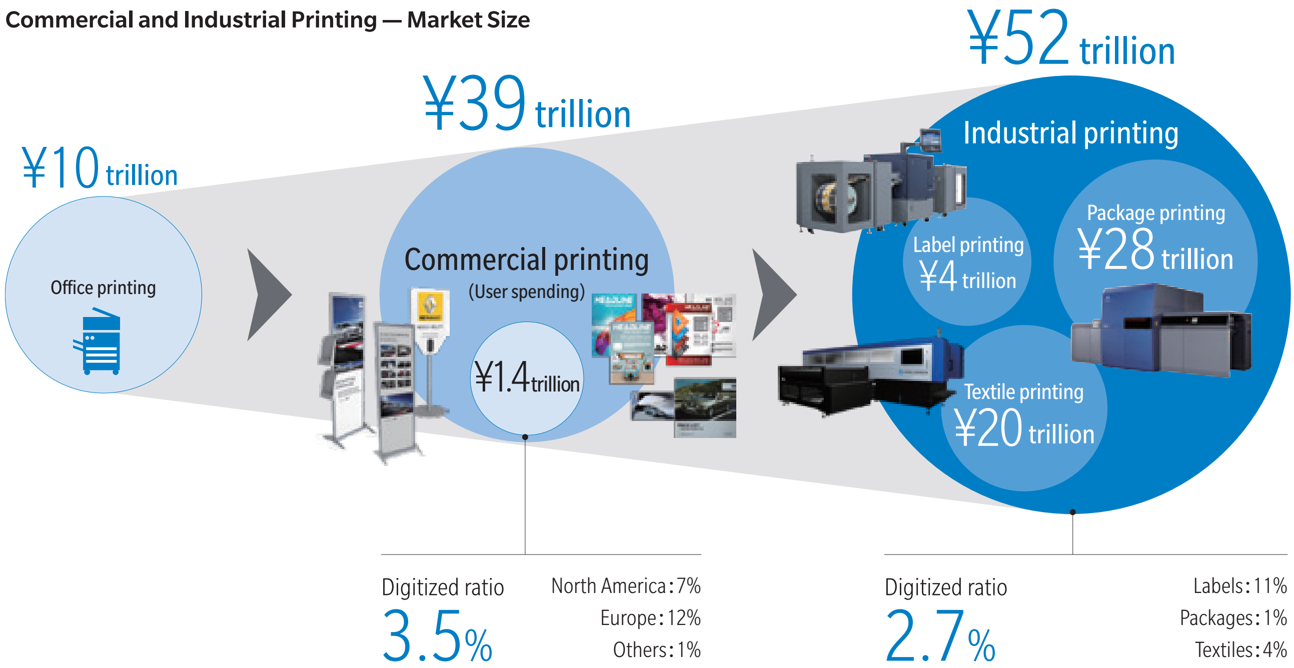
As mentioned above, Konica Minolta will enhance its earning power, by expanding solution proposals in all the business areas that utilize digital workflows tailor-made for different industries and business conditions. In doing so, our aim is to continue improving corporate value indefinitely.

Office Services — Market Size



*1 MCS: Managed Content Services
*2 BPS: Business Process Services
*3 MIT: Managed IT
(see pg.146)

Commercial and Industrial Printing — Market Size



Medium Term Business Plan TRANSFORM 2016 Phase 2

Evolving into a problem-solving digital company

We are also implementing measures for Konica Minolta to achieve sustained growth in the medium- to long-term. One of the most important measures is to utilize ICT—which continues to evolve at a dizzying speed—for management. In particular, I am focusing on three technological areas: namely, "Internet of Things (IoT)," in which everything is connected to the Internet; "artificial intelligence (AI)," centered on deep learning; and "robotics."

Konica Minolta is pressing forward with a shift in its business focus from "product-out" manufacturing to "market-in" high added-value businesses. The three technologies mentioned above hold the key to creating solution services that match customers' needs. Analyzing data and images connected by IoT and adding meaning to the analysis enables the creation of various solutions. Konica Minolta's original "Cyber Physical System" (see pg. 27) is a combination of analytical technologies and input/output devices where the Company excels. I am convinced that this system will lead to business solutions in various areas. In particular, utilizing this system to improve our ability to propose and offer business solutions for departments responsible for marketing and IT budgets, which comprises the bulk of a company's expenses, we hope that it will be able to drive our sustained growth.

One of the areas where we can take advantage of the system is digital marketing. Many companies previously used mass advertising in their marketing plans. However, that is changing today as they switch to new marketing methods that employ the use of "big data" and target individuals. We have been aware of this trend and already have the ability to offer efficient marketing services for each type of diverse media as the result of our aggressive M&A activities in recent years.

The "One-to-One Marketing" service analyzes various user data and supplies feedback regarding planning customized for individual customers, creating a business that offers high added-value. Konica Minolta's unique strength lies in its ability to provide "one-stop services," seamlessly combining digital services and analog sales promotion such as storefront displays and product packaging. By providing these total solutions, our aim is to become a partner who improves our customer's return on investment and subsequently contributes to enhancing their corporate value.

Additionally, 'digital manufacturing' is designed to thoroughly automate manufacturing processes, logistics, warehousing, and administrative and indirect operations, and save labor too. By digitally connecting the entire supply chain from development design to manufacturing, this is initiative aims to prevent loss in all the aspects of operations.

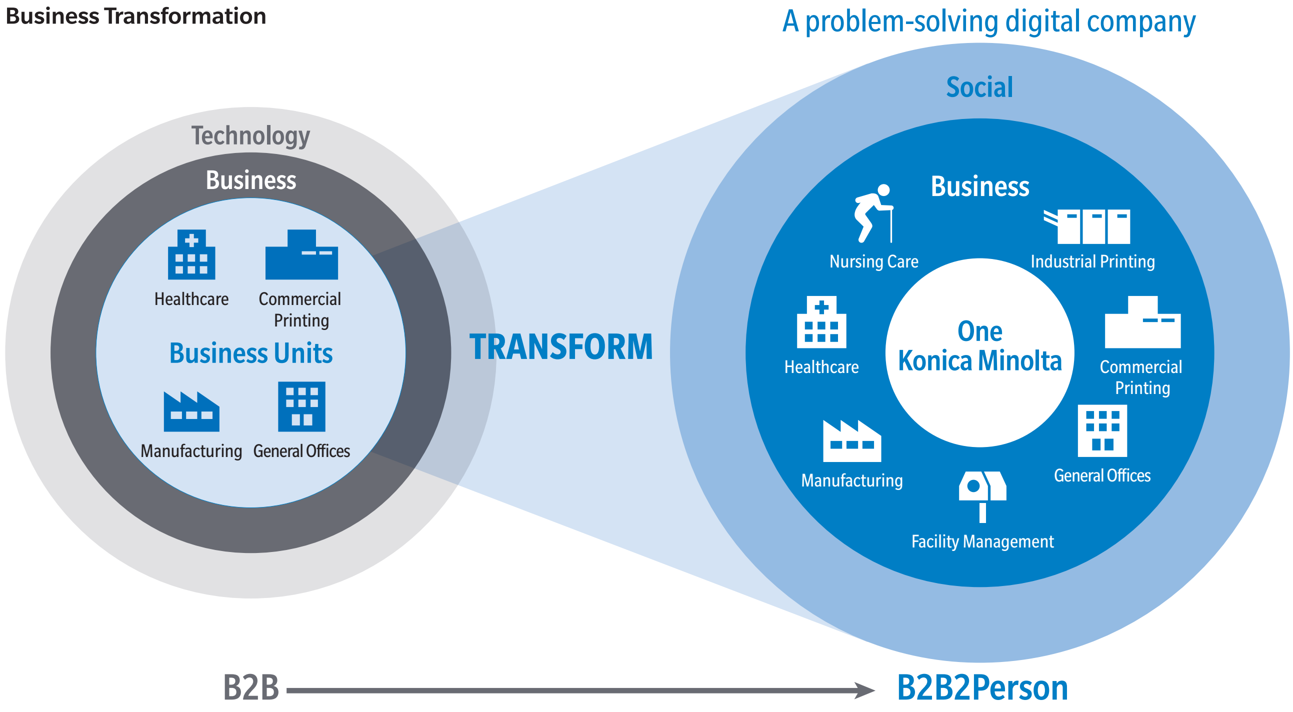
We are also planning to introduce a new service that will automate the appearance testing process, which has heavily relied on human vision until now. By analyzing the data and images captured, the service will be able to help determine the causes of problems, and eventually increase non-defective product rates.

One of the examples of using ICT is the "Care Support Solution" recently launched in Japan. This system uses smartphones as a platform. The combination of multiple technologies, including digital image processing, sensing and voice inputs, on that platform enables the system to watch users at nursing homes. This system is helping to substantially reduce the load on nursing care staff, as overwork is becoming the most serious problem for care providers in Japan.

Our new approaches also include the use of three-dimensional (3D) laser radar. We expect they will be useful in high-security areas, for leak detection at gas plants, the automatic operation of heavy machinery, and behavioral analysis in sports. Not only sold as a new cutting-edge optical sensor component, but also packaged with a video management software (VMS), the products will hopefully help solve issues through the analyses of the data and images captured by the VMS. The main purpose of our acquisition of majority shares in MOBOTIX, a German surveillance camera manufacturer in May 2016, was to obtain the company's high level of technological prowess in this area.

As mentioned above, we are simultaneously improving our existential value in society and moving towards businesses with high added-value. By doing so, we will accelerate our transformation from a "business-to-business (B2B) company" to a 'problem-solving digital company' that reaches the right person, that is to say a "B2B2Person" company.

Business Transformation



Speedy innovation through ecosystem construction

I think that unprecedented innovation is now required for humankind, a type of innovation that inspires one's fundamental creativity and is essential for improving the quality of society.

Konica Minolta has developed a wide range of technologies since the establishment of the respective founding companies. Integrating the two companies in 2003 gave way to the introduction of an enhanced lineup of technological areas, including optics, sensing, image processing, materials technologies and microfabrication techniques. In 2005, the Company withdrew from its camera and photographic film operations, which had been the mainstay businesses of the two companies since their establishment. Nonetheless, the extensive technologies accumulated were inherited as valuable assets of Konica Minolta and still remain with the Company. We will integrate and evolve these technological assets in the development and proposal of innovative hardware. At the same time, we intend to create solutions for various social issues by incorporating image information and data into diverse platforms, and by analyzing them. These are future growth strategies for the Company. I am sure that we can contribute to realizing a more creative society through such efforts.

Meanwhile, competition continues to intensify in the global market and customers' needs are becoming increasingly more diversified at a faster pace every year. In order to cope with such situations, we must leave behind the product-out approach and utilize new business innovation to quickly create businesses in the global market that produce real customer value.

Based on these factors, approximately three years ago Konica Minolta set up "Business Innovation Centers (BICs)" (see pg. 33) in five major regions around the world to promote open business incubation. At the BICs, top professionals in the ICT field have been recruited, and are now displaying their significant empowerment in strategic domains. This has made it possible to speed up the development of new services and solutions. As a result, a business ecosystem comprised of burgeoning alliances with start-up companies, universities and corporate partners has formed.

Aiming to maximize cash flow by improving management efficiency

In addition to expanding sales together with profits and non-continuous improvement in productivity, I believe that maximizing cash flows is a vital management issue to contend with in order to drastically strengthen earning power. In order to achieve more efficient and leaner operations, the Konica Minolta Group is carrying out common balance sheet management at all Group companies around the world.

For example, in the management of current assets and liabilities, the sizes of receivables and inventories, and the collection periods vary greatly from one company to another within the Group. Therefore, we strive to seek the best suited balance sheet management for each business, such as checking cash conversion cycles (CCCs) for each operation. In addition, not only treated as numbers, CCCs must also be incorporated into specific improvement actions in everyday work as part of an important mission of the employees so that all divisions are working on the initiative.

We are aggressively engaging in the advanced investments required for future growth. At the same time, in addition to streamlining facilities by removing as many assets as possible from the balance sheet, we will continue to sell idle assets. We are also proactively working to remove cross-shareholdings that have little meaning or rationality.

Going forward, we will thoroughly conduct evaluations using net present value (NPV) indicators for investment projects, partly because the accounting standards have changed to international financial reporting standards (IFRS). We will also increase post-acquisition NPV through the pursuit of group synergies in order to avoid incurring impairment losses. It is Konica Minolta policy to use financial leverage appropriately with consideration for management stability. It should be no more than double, even when the Company is stepping up its growth investment.

Becoming a company that is vital to society

I believe that business growth and contributing to society are exponentially interrelated in business. To clarify, I mean that multiplying a company's economic activities by its social contribution results in creating new value that serves society in real terms. In order for Konica Minolta to continue growing as a global company, its products and services have to be needed by society and the Company's activities supported by society.

In my fundamental view, I place emphasis on two aspects of a company's raison d'être in society: namely, contributing to solve global environmental issues and contributing to improving the quality of life for all people. These are both essential for achieving a sustainable and affluent society. With these two points at the core, I believe that Konica Minolta will create new innovative values that motivate and vitalize society, and thereby becoming a company that is vital to society.

The products and services I have mentioned are all solutions that contribute to improving people's quality of life: the monitoring system that helps resolve issues in the workplace for care services, the healthcare IT system that contributes to preventive care through shared information, and laser radars that contribute to security and safety. We will endeavor to continue developing and offering solutions that help solve various issues faced by society now and in the future.

Regarding global environmental issues, we have set the medium-term target of reducing CO_2 emissions by half and are promoting activities that aim to realize more green factories, green products and green marketing. For example, we are using recycled PET bottle materials in the outer packaging materials of our core digital multi-functional peripherals. In addition, the construction of an open recycling system is underway, which includes recycling used milk bottles and turning the materials into toner bottles for printers. Various measures towards reducing environmental impact have been implemented in our production lines, too.

I think that activities to reduce environmental impact and spur economic growth can, and should be simultaneously achieved naturally. For example, reducing CO_2 emissions and resource inputs at the time of production can eventually lead to lower total cost and create economic value.

Konica Minolta is also offering environmental impact reduction know-how gained through its own experiences to customers and suppliers. In doing so, and subsequently supporting their environmental management, we are ultimately contributing to environmental preservation; one beyond the scope of our own activities.

One such example is the proposal for digital printing and digital textile printing. On-demand printing anywhere in the world can help to reduce transportation, inventories and wastes, thereby greatly contributing to the global environment.

As the president of a global company, I recognize that my mission is to plan how we wish to be seen by society, and set the direction of business in order to establish ourselves as irreplaceable in the eyes of society. With original technologies at one axis and alliance and cooperation at the other, we will contribute as a corporation and global citizens in order to maintain the global environment, which is vital for all of us from a global and long-term viewpoint, in good health.

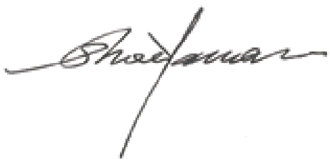
Aiming to become a company that continues sustained profit growth by combining the wisdom of diverse human resources

Today, all corners of the world are connected by the Internet. In such a 'connected' society, creative destruction is occurring in various scenes, with barriers between industries disappearing and new business models emerging. As we shift from a traditional war of scale towards a war of wisdom, companies cannot survive without shedding their familiar coat and aiming to evolve to ever-higher levels.

In order to increase the generation of ideas and connective power required to evolve, a diverse range of human resources is paramount. This includes those who can come up with ideas free from the restrictions of traditional commonsense, and those who are familiar with the cultures and values specific to each region. To this end, the Konica Minolta Group is aggressively recruiting people regardless of nationality or gender, with the ultimate aim of enhancing business competitiveness under our common "6 Values." As part of this initiative, Richard Taylor, the CEO of a US Business Technologies subsidiary, is the first foreign national to be appointed as an executive officer in the Company. He always speaks frankly, doing so looking on from the position of the customer, and is clearly demonstrating leadership towards our transformation into a customer-oriented company.

Up until now, Konica Minolta has grown by integrating IT services with its existing businesses, creating new products and services with high added-value, and employing new technologies and know-how gained through aggressive M&As. We are currently drawing up a new Medium Term Business Plan that will start in fiscal 2017. The direction of the plan was disclosed in April 2016, but we are hoping to be able to unveil a more detailed outline in the fall of 2016, and the entire picture officially in April 2017.

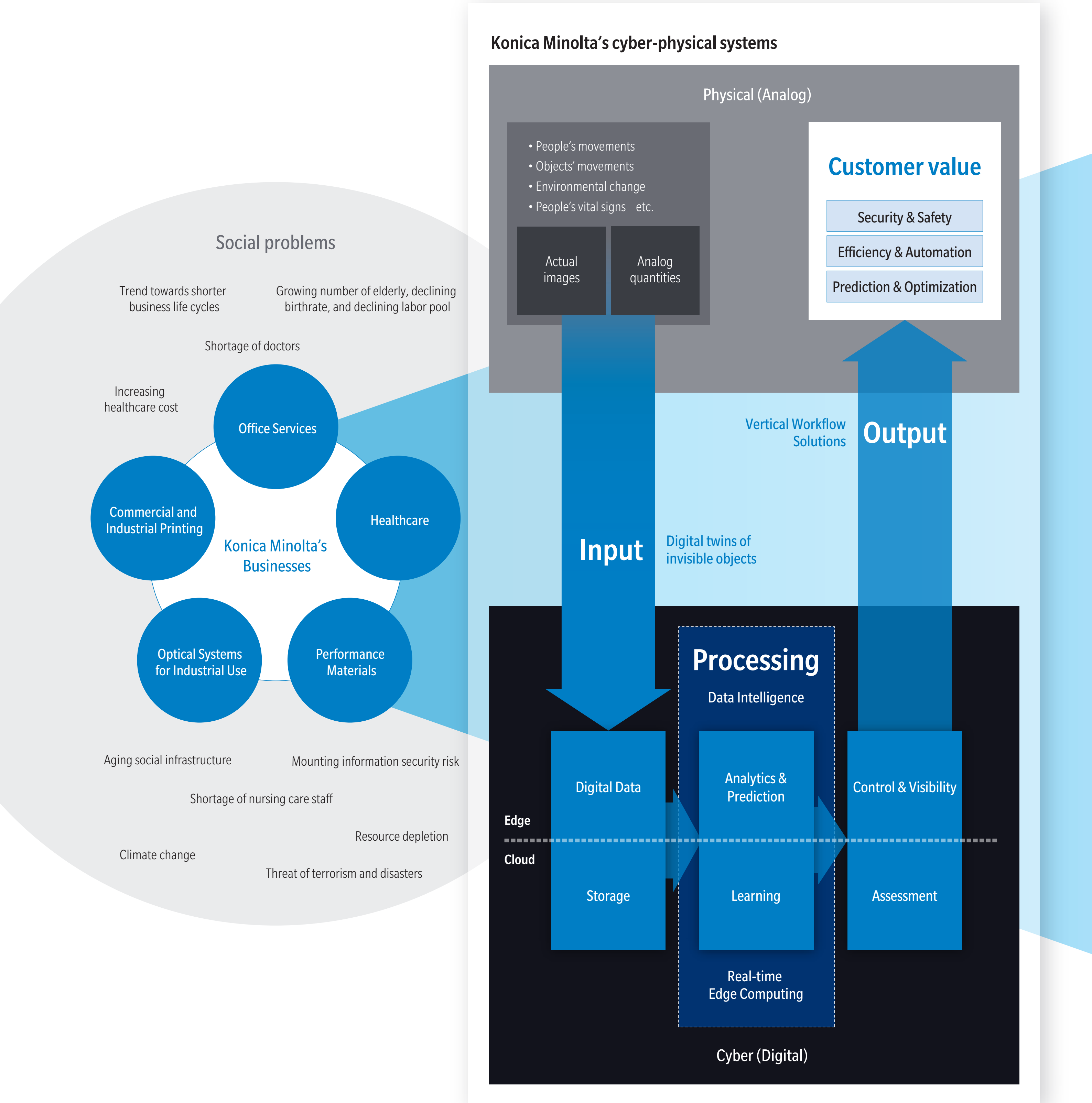
As a part of the 'connected' society, we are committed to continuing our transformation by combining the wisdom and strengths of the Konica Minolta Group in order to grow industries and contribute to the creation of a more affluent world.



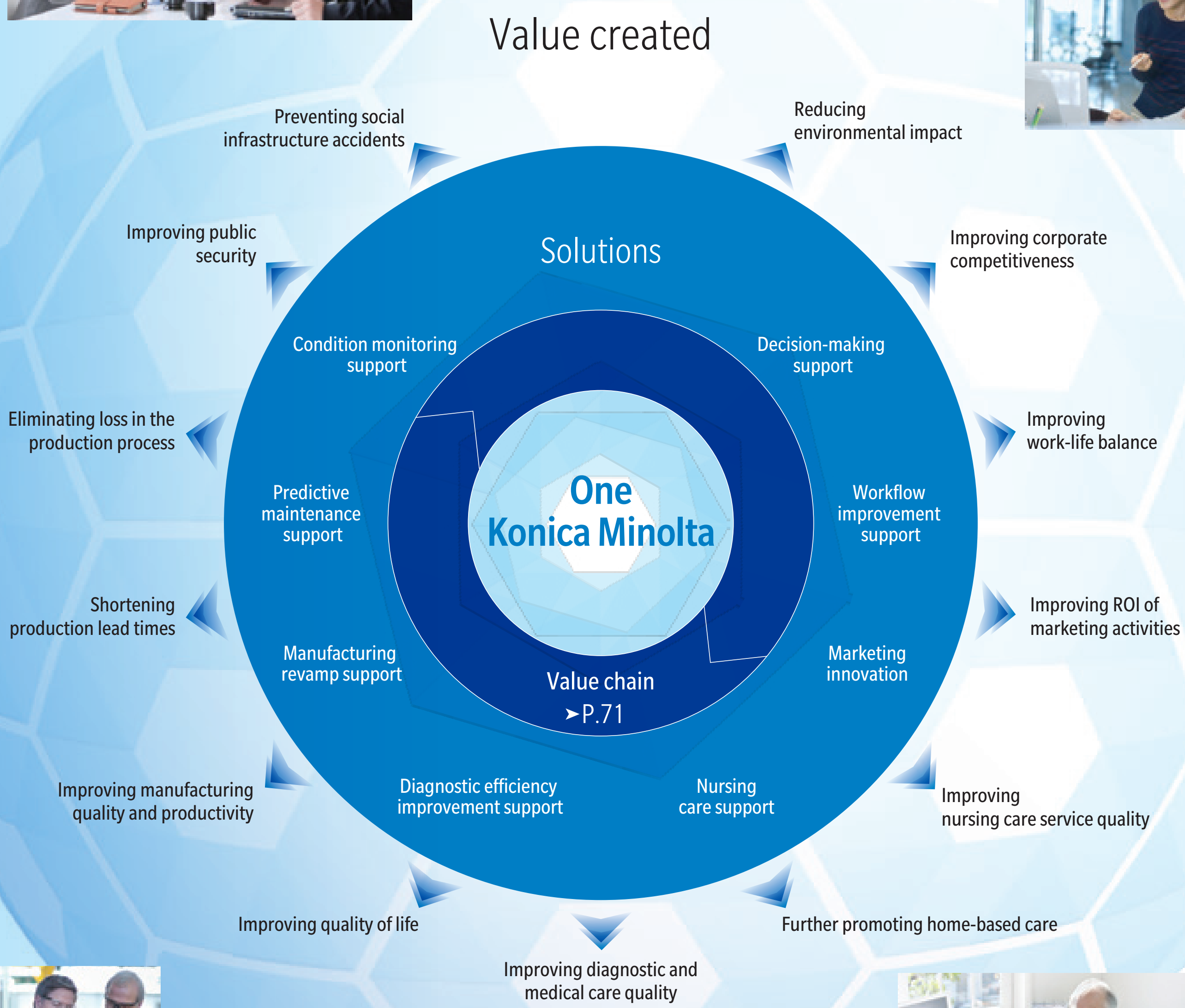
Shoei Yamana
President and CEO
Konica Minolta, Inc.

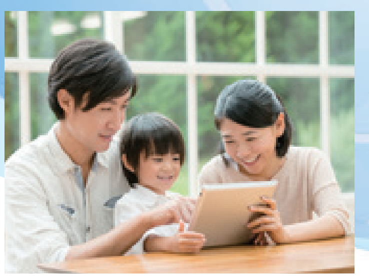
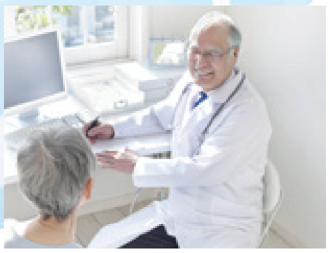
Value Creation Process

Utilizing cyber-physical systems to offer effective means of solving social problems





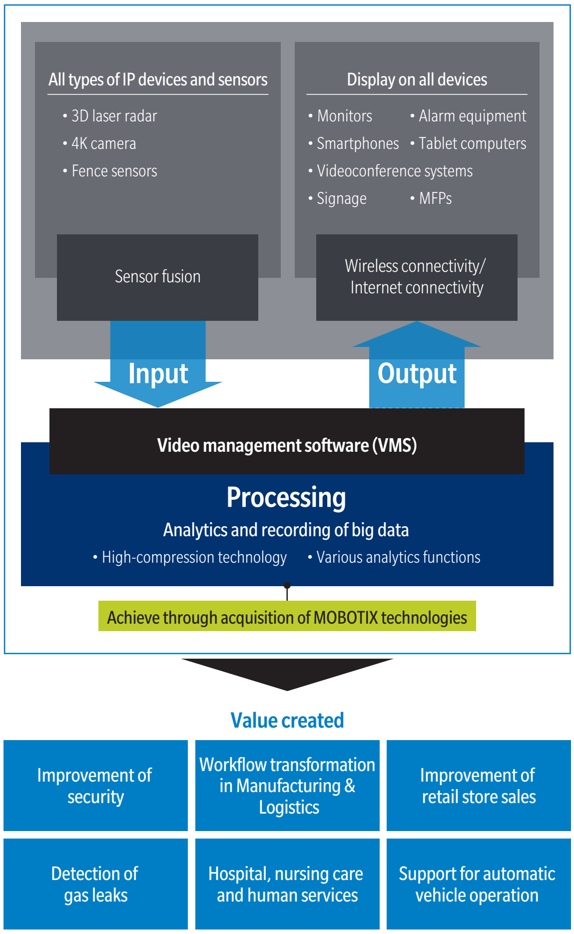


Value created
Preventing social infrastructure accidents
Reducing environmental impact
Improving public security
Improving corporate competitiveness
Eliminating loss in the production process
Improving work-life balance
Shortening production lead times
Improving ROI of marketing activities
Improving manufacturing quality and productivity
Improving nursing care service quality
Improving quality of life
Further promoting home-based care
Improving diagnostic and medical care quality
Solutions
Condition monitoring support
Decision-making support
Predictive maintenance support
Workflow improvement support
Manufacturing revamp support
Marketing innovation
Diagnostic efficiency improvement support
Nursing care support
One Konica Minolta
Value chain
➤P.71

TOPICS

Acquisition of Germany-based MOBOTIX's technologies and speeding up deployment of solutions-based services in the condition monitoring segment

Direction of Konica Minolta business in the condition monitoring segment



The key to solving a wide range of social problems — building safe and secure communities and eliminating labor shortages, for example — is utilizing "condition monitoring" technologies that monitor a variety of things in real time using technologies that include sensing technologies, optical and imaging technologies, and ICT. With its focus on achieving technological innovation in this field, Konica Minolta has developed proprietary optical and sensor components such as its 3D laser radar, which detects objects in a wide field of view with high precision. By further refining these technologies and packaging them with VMS (video management software) that manage and analyze the data and images produced, we hope to be able to provide the solution-based services that address our customers' business problems.

As a part of these efforts, in March 2016 we acquired a 65% stake in Germany-based MOBOTIX, a company with first-rate technologies in the network camera and VMS fields. The cameras in MOBOTIX's monitoring systems are capable of processing images and sending only the necessary image data to the server via a technology known as decentralized processing (edge computing). This allows for smaller server capacities and reduces overall costs. These systems are now being sold in 80 countries around the world, primarily in Europe.

With this stock acquisition, we will be acquiring not only MOBOTIX's decentralized processing network cameras but also advanced technologies including image data compression and analysis technologies. Synergy between these cutting-edge technologies and Konica Minolta's proprietary technologies such as 3D laser radar will allow us to develop next-generation distributed network security solutions. Konica Minolta will continue to propose new value in a range of fields that span not only security, where customers demand strong monitoring performance, but also monitoring of residents at elderly care facilities; detecting anomalies at gas plants, etc.; automated operation of automobiles, heavy machinery, etc.; and human activity analysis at places such as shopping facilities and in sports.

Special Feature

TRANSFORM to Achieve Sustainable Growth

To achieve growth for the medium- to long-term, Konica Minolta is working to transform its businesses and become a customer-centric company as outlined in its Medium Term Business Plan TRANSFORM 2016.
This feature looks at efforts being made in the U.S., which is leading the way in transforming the core Konica Minolta segment that is the Business Technologies Business, as well as by Business Innovation Centers (BICs), specialized organizations in charge of creating new business.
Below are interviews with executives from these organizations.

1 P.31

Innovation Driving Value

Meet New Executive Officer

Keeping ahead of the competition by being first with new ideas and staying innovative

Richard K. Taylor
Executive Officer
CEO, Konica Minolta Business Solutions U.S.A., Inc.

2 P.33

Business Innovation Centers

Meet the Innovators

The BICs are all about changing technology and product-oriented companies into market-oriented companies.

Yuji Ichimura
Executive Officer and General Manager, Business Development Headquarters

Dennis Curry
Director, BIC Europe

Ekta Sahasi
Vice President, BIC United States

Special Feature 1

Innovation Driving Value

Meet New Executive Officer

Keeping ahead of the competition by being first with new ideas and staying innovative

Richard K. Taylor
Executive Officer
CEO, Konica Minolta Business Solutions U.S.A., Inc.

Richard Taylor is the first non-Japanese executive officer appointed at Konica Minolta, Inc. His career began at a well-known brand in the industry, after which he moved on to high-level positions at major competitors before joining Konica Minolta Business Solutions U.S.A., Inc. in 2008, where he recently became president and CEO. His leadership is an integral part of the company's strategies and global growth policy.

President and CEO of Konica Minolta Business Solutions U.S.A., Inc., Richard Taylor, shares his perspective on how to keep the company on track as a key innovator and industry leader by being innovative in all areas of corporate operations, from business strategies and employee education to creating new values that will drive growth and profitability in the future.

Q1 What is driving Konica Minolta's growth in the North America today?

Introducing new services and a motivated vertical sales force.

The key word for us is "services." What services we can provide that really make a difference to the customer and really change the way they look at us. This is done by carefully listening to them, and the market in general, and gathering information vital for developing new products and services, and improving current ones.

Important is to provide services in a way that leaves a lasting impression, one that makes the customer feel good about choosing Konica Minolta as their provider. This is the foundation of building customer loyalty, which is the seed for sustainable corporate growth.

The way people think of Konica Minolta when they see or hear the name is changing. They no longer simply relate it to a manufacturer. We are a full-service provider, providing services to multiple industries.

We often talk about *The Road to Tier One*. I made reference to my perspective of it at a conference three years ago. I spoke following the keynote speech of my good friend Yamana-san, president and CEO of Konica Minolta, Inc. My message to everyone was, *To get to Tier 1*, we must change who we are competing against. We shouldn't be competing with other companies in the multifunctional peripherals business, we should be competing against the best companies in the world, like Apple and Starbucks.

Fast-forward to today, the Forbes 500 List of 500 Best Companies to Work for in the U.S. listed us at No. 132. So we made the top 500 list for the first time, and there is nobody else in our business sector on this list of who's who of U.S. business. This is no small accomplishment, and that achievement started out by having engaged employees. Employees that understand and believe in what the company is doing and reflect it in their work. That is what our customers see too.

Our salespeople have always been exceptional at customer relations on an individual basis. But the transition to selling IT-based services has changed the technical aspect dramatically. We have therefore introduced a team sales

approach where each member apply their special expertise. For example, there is a leader who handles the relationship aspect, a vertical market member who understands the customer's business and speaks the language. Depending on what a customer's needs are, we bring in professional resources with great credibility and expertise, and fully networked with references.

Once talented generalists, we could sell anybody a multifunctional peripheral system. But now our sales representatives are each knowledgeable in a specific industry, and are trained to understand the business environment in that field.

So, a big part of our success has been educating our workforce. In the U.S., if employees need a skill set they don't have to advance in the company or want to learn more for personal development, we offer them the opportunity to do it. We also offer an executive education program through a third party that we partner with. It's a very credible source that does leadership. Probably more than 500 people have been trained through them so far.

Q2 | In what ways are you using these highly skilled employees to transform the company?

They are now capable of communicating with customers on the same level, showing them that we understanding their needs.

Traditionally, the customer purchased a machine and their satisfaction was based on how well the machine performed. However, customers now have diverse needs that need to be met simultaneously. Many times they rely on us for 24/7 support to maintain business operations.

One aspect our sales teams also raise questions to ensure that the customer has fully thought out the request and is not missing anything, such as, "Can we help you in this area of workflow?" This type of special attention is effective in expressing our expertise and showing concern for covering all aspects of the service.

So as we start investing in contacting that customer during the service lifecycle, first of all they become much happier because we didn't cut off communications after the sale and wait until renewal to contact them again. Secondly, we are given the opportunity to propose another one of our products or services, at which time we become increasingly more valuable to them.

As part of the corporate transformation we're undergoing, we now utilize what has come to be called a "hybrid sales strategy." This involves combining the strengths of our multifunctional peripherals with IT services.

The entire customer engagement thing, focusing on the customer, is an ongoing process. It's a proactive approach to the customer, not reactive. In the past, we were a very reactive business. Now we are proactive, seeking ways to help customers, sometimes before they know they have a problem. They don't even know they have the problem, but you're looking around and see some file cabinets, and say, "Can you really find important documents easily..., and are they safe?"

Q3 | How has the acquisition of All Covered served to fuel growth and create competitive advantages?

It opened the door for involvement in the area of ICT infrastructure, complementing our new business growth strategy and keeping us ahead of competitors.

About six years ago we were looking for businesses that would complement our growth strategy and make us invaluable to the customer. One area that we lacked specialization in but felt we could market successfully to customers was IT management.

This required us to bring more specialists into Konica Minolta, so we embarked on a strategic acquisition program, acquiring some 40 companies, including All Covered, one of the largest. Our stance was, if we acquired the best of breed in local areas, expand operations nationally, regionally, and then globally, we would distinguish Konica Minolta from the competition.

Fortunately, the president of All Covered was very interested in our plans when we acquired the company, and he came along as part of the package. In the IT business, people move around between companies a lot. So when we were able to keep senior management in a business completely different from ours—literally a different culture—the blend was both interesting and challenging, but it's really worked for us.

By the way, this year All Covered was named one of the top 10 MSP providers in the U.S., and No. 11 in the world.

Q4 | Has your appointment as Konica Minolta's first non-Japanese corporate executive benefited U.S. operations in any way?

Having direct access to the home office shortens the decision-making time and globalizes our potential.

We receive amazing collaboration from the global headquarters, and our dreams wouldn't become reality without it. We definitely make decisions faster than a majority of our U.S. competitors. And now I have an even closer relationship with Yamana-san, so there's no excuse to not get information to someone quickly, which in my opinion, shortens the decision-making time.

The universal aim of the Konica Minolta Group is to become a truly global organization. With that as our goal, we must get as much accurate input as possible from those who are closest to the customer, and our customers are all over the world. I believe one of my obligations in view of my position is to ensure good information flow, making it as open and honest, and as customer-centric, as possible. Hopefully that's something that we can globalize, and other people across our global organization will use.

All of this requires staying ahead of the game and being the first to know what the next big thing is. This is where the investment in our Business Innovation Centers will pay off and create value. Even so, we believe that our U.S. operations, in view of its size and the complexity of the market, is obligated to provide leadership globally. In relation to this, I believe my appointment as the first non-Japanese executive officer of Konica Minolta, Inc., which is a huge honor for me, comes with the personal obligation to do everything I can to make that happen. Since we have proven that good ideas can come from any of Konica Minolta's worldwide operations, we'll certainly be asking for ideas from everyone and working to globalize them.

Yuji Ichimura
Executive Officer and Executive General Manager, Business Development Headquarters

Dennis Curry
Director, BIC Europe

Ekta Sahasi
Vice President, BIC United States

Special Feature 2

Business Innovation Centers
Meet the Innovators

The BICs are all about changing technology and product-oriented companies into market-oriented companies.

Konica Minolta has established a Business Innovation Center (BIC) in five major regions around the world, including Japan, Singapore, China, Europe and the United States. Each BIC is charged with a mandate to look into the future, combine innovative thinking and high technology, and apply it to new business potential. Yuji Ichimura, who spearheads the project from Japan headquarters, held a Q&A session with Dennis Curry of London-based BIC Europe, and Ekta Sahasi of Silicon Valley-based BIC United States.

Q1 | What is the thinking behind the hiring policy of BIC executive level staffing?

By bringing in top-notch innovators from outside of our industry, we can leverage expertise and knowhow Konica Minolta previously did not have.

Ichimura The aim of the BICs is to create innovative businesses that have never existed. As such, we decided to invite executives who have extensive experience in business incubation across a variety of industries. Also, we needed for each BIC leader to be steeped in the market of his or her region. This is why we recruited them locally.

Silicon Valley is the center of IT technologies and a lot of venture activities, investments and so on, so we wanted to be a part of it. Ekta's background is in consumer-based technologies and business models, so I wanted someone who could bring those perspectives to Konica Minolta. Europe is especially good at standardizations, insight on social issues, and developing platforms to solve those types of challenges, so we needed someone who could provide perspective on those dimensions. Dennis brings us those perspectives from his background in large enterprises and complex organizations.

In Singapore we chose someone who is connected to the government and understands Asia at large, as regulations are frequently changed in order to make Singapore more valuable to other countries in the Asia-Pacific region. In China we needed someone on top of emerging Chinese business standards, in order to best orient Konica Minolta to the impending market potential there. We actually hired three experts to compete with each other, as I thought a competitive environment was the best way to leverage their individual capabilities and bring out the best in all of them.

In Japan I wanted to have someone who has done a lot of incubation and entrepreneurial activities, so we brought in a person who has founded two companies, developed them into successful enterprises and sold them, so he brings that buyout experience to our knowledge base.

So now our global BIC portfolio looks very good, and we expect to adjust it over time based on the activities and things happening within our customers or market. At the same time, each individual BIC may adjust their portfolio as market opportunities dictate. So altogether we can be efficient and effective in our BIC operations.

Sahasi I have been very happy to participate in the global transformation that Konica Minolta is going through. It's inspiring to be able to help the company write the next phase of its heritage. Having come from Silicon Valley, I wanted to bring a lot of the technological advancements that we are seeing there, and seeing how we can apply those to a company like Konica Minolta to help drive this change that they are embarking upon. The ability to have an impact at a global level, too, is what I found intriguing, plus the company's recognition that such a transformation is necessary.

Curry From a personal perspective, I was looking to do something very different, and the thing that impressed me about Konica Minolta was that there was a real clear intent, not just to transform itself, but more importantly, to do bigger and greater things for its customers. And the potential areas we were looking to move into were of great interest to me, so that was the main driving force, that we could make larger impacts for our enterprise customers. Ultimately what I would like to do is transform Konica Minolta in the marketplace, making it a

Yuji Ichimura

Executive Officer and Executive General Manager, Business Development Headquarters

A visionary responsible for developing new businesses for Konica Minolta, streamlining existing subsidiaries and acquiring ICT services partners. Formerly launched transformational start-up businesses for a large global IT service vendor in North America.

company that is highly successful and one that provides the greatest value to its customers.

Sahasi What I bring to the BIC is a combination of key best practices and success factors that are required for Konica Minolta to engage in this kind of a global transformation. I also bring in key insights on where the market is shifting and how companies are leveraging technologies to fuel the next stage of growth for themselves and deliver value to customers.

Curry In my case, based on my experiences in very large companies, I work to bring the perspectives of many to a single point that can result in something that is very innovative and creative and has value. That is, focusing large organizations into smaller points that are going to result in significant value to the marketplace to customers and their shareholders.

Ichimura We see a BIC's business as the customer's business. Many companies have technology innovation centers or even a technical center in Silicon Valley, but our model is that we have to innovate the customer's business, and based on the new value or insights of the customer we develop the new business. And since 80% of our business is outside of Japan, it's very important to have five regional Business Innovation Centers in strategic locations globally.

Q2 | How did you build your BIC team?

We recruited people who are creative by nature, entrepreneurial, innovative, progressive and passionate.

Sahasi When I built my team, passion was a core tenet, so I looked for people who were extremely passionate about having an impact and about making a profound change to a company that was going through this kind of transformation. One of the other things that I have a very strong belief in is creative destruction, so I also wanted people with a wide variety of backgrounds from large corporations to entrepreneurs who have had failed start-ups, and to bring them all together in the right framework for them to work together. To discuss and debate diverging ideas and then through that process distilling them down to something that could be meaningful for the company and then taking that forward aggressively.

Curry We had a pretty open book and were very fortunate that our leadership wanted to create a team that was very diverse so it would give us options where we would go wherever was appropriate, where we found opportunities in terms of our business and customers. The story and the intent of the company is a very attractive one, which appeals to people who are creative by nature, entrepreneurial, innovative, and progressive. And although the main headquarters of BIC Europe is in London, we're a global company so we can distribute our work to various facilities in the region. This distribution is very important as it allows us to leverage multiple perspectives and expertise.

Sahasi BIC US is in Silicon Valley, the de facto innovation hub. So what we have done is taken advantage of everything it has to offer and created ecosystems around venture capitalists and start-ups in areas that we are interested in, and then leveraged a lot of our partnerships to drive our work as well as bring in top-tier talent. So, we are less distributed than Europe is from that perspective. Our business unit is on the east coast and we of course effectively work with them as incubations are taken forward into the market.

Dennis Curry

Director, BIC Europe

A highly experienced executive in launching innovation programs, with a successful track record as CTO at NATO, and Global Director, Account Strategy & Enterprise Innovation for Hewlett-Packard Development Company, L.P.

Q3 | What types of projects are in development now at your BIC?

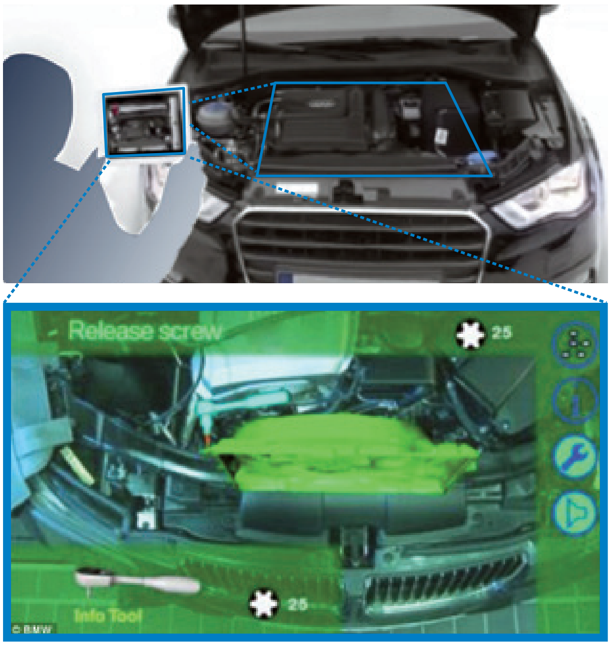
Robotics for the hospitality industry, and practical augmented reality oriented applications.

Sahasi At BIC US one key initiative is with a partner named Savioke, which is specifically within the hospitality robotic space, to bolster operations by augmenting the services staff. It's an offering that serves the hospitality vertical, the big hotel chains. We are resolving issues like, what are some novel services that can be provided that could be engaging for the customer, and in parallel how do we drive efficiency and cost reduction, as well as introduce differentiation among the hotel chains.

As we thought about the technology and why Konica Minolta might consider doing robotics, we realized there were a lot of synergies between what we do in our core business from the servicing side of the core technology perspective, and there was a lot of mutual interest to be in that space. So we look to pair that with what the hospitality sector is looking for and novelty aspect, and the ability to interact with robots to augment the hotel staff. This can drive efficiencies in terms of the services that can be delivered to the customer, which is our key challenge. To date we have got some successful deployments of Savioke robots in hotels in Silicon Valley.

Our goal is to have a firm understanding of how quickly this industry is emerging and how Konica Minolta may participate in robotics, and define for ourselves why the field makes sense for the company, where the company can contribute in the value chain through pilot programs, and in so doing, solidify our strategy and define our road map for the future.

Curry At BIC Europe we initially started looking at areas where we could extend content management and information displayed from static documents, and then started to focus on augmented reality as a sort of a neighbor to make those sorts of



An AR (augmented reality) application being worked on by BIC Europe. The program displays manuals on tablets and smartphones for automotive mechanics to improve the quality of the repairs

Ekta Sahasi
Vice President, BIC United States

An 'innovationist' with extensive experience in driving corporate innovation and new business in emerging area. Ekta has had an impressive career at large corporations like GE, Ebay, Vodafone and has had profound impact on several Silicon Valley startups where she has held leadership roles.

documents much more engaging, intuitive, and interactive, and in a way where one could quickly access information to enable people to make better decisions. But the really important thing is that it is not just the augmented reality as a platform or an application on its own, it's how it connects with other assets and innovations we have within Konica Minolta, plus also within the marketplace. For example, we are collaborating with a partner in the field of automobile maintenance called Wikitude, very sophisticated maintenance, where instead of having numerous manuals, a device can actually visually detect what is being worked on, and output audio instructions.

Ichimura This type of technology can make a non-professional worker perform like a professional worker.

Curry Another thing is that it can also then connect directly to a supply chain. So once you recognized that you know you need it, it can go into the system and then you don't have to take the time to go back and telephone somebody for that particular part. And beyond that, in the future, if additional help is needed a real technician can be accessed to answer questions.

Q4 | What types of future-oriented projects are in development?

Advanced concepts and technologies for healthcare, and for the future workplace.

Curry BIC Europe is focused on creating platforms in various different areas that we think can be of value from one industry to another, and this includes looking into increasing our presence within healthcare. Konica Minolta has a very strong and growing portfolio in healthcare and especially the digitization of healthcare. For example, BIC Europe is seriously looking into inter-operative cancer detection, the enablement of surgeons performing an operation to be able to detect whether their procedures are working or not, or if all the cancer cells have been removed or not.

Often what happens is that there will be an operation and they will remove the element of cancer, but they may not remove enough, because there is always some delicateness about how much is cut away. And often in the case with breast cancer, prostate cancer, and stomach cancer, a sample must be taken, then it takes some time before it's clear if there are additional cancer cells or not.

The new procedure will enable, during the process of operating, the detection in real-time of exactly how much to cut away and whether or not any cancer cells are left behind. This is a great thing to do for the wellbeing of all of us. So it gives us added drive to know that this sort of incubation could have such a big positive impact on humanity.

Sahasi BIC US also focuses on healthcare, but something else that I would like to mention is, we have put a tremendous amount of effort into looking at what the future workplace looks like. Like the smart workplace, because fundamentally as the digital natives come to the workplace, the millennials, their expectations on how work gets accomplished and how they collaborate with their colleagues are different, and what they expect, on-demand anywhere, anytime, is having a profound impact on how workplaces will need to transform in the future.

So we have several incubations and initiatives and are looking to launch several of those in the not-too-distant future that gets at the heart of this issue in strengthening what the future of enterprises would look like with smart technologies to enable the future workforce to work in the fashion that they would like to work in. There's a host of things that can be done with the technological advances that are driving this collaboration and change within an enterprise. And so Richard Taylor, President and CEO, Konica Minolta Business Solutions U.S.A., Inc., and I are collaborating very closely on this smart workplace initiative.

Curry I think you will find that the enablement of a place or office will be a key strategic driver for Konica Minolta in the future. In Europe we're very interested on very similar topics and that is why we have some collaboration with BIC US going on there. But additionally, for us it is about the enablement of making better decisions during the day. That is, the transition through home to work to home, and how one can make better decisions with smart data and sophisticated analytics and even AI. But I think it is augmented intelligence through connected devices and what those connected devices can tell you or how they can help you make better decisions. That is another key area we will be driving forward.

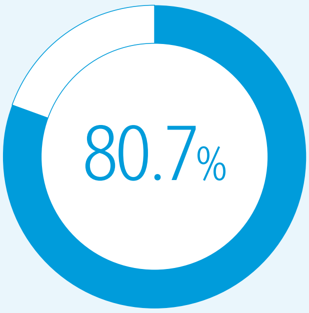
Ichimura The world and society we now live in is very complex, competitive and fast moving, especially in terms of digital platforms and systems. To change technology and product-oriented companies into market-oriented companies requires that we create new businesses based on the customer's values instead of technology itself.

Business Results

Although business performance was down owing to a stronger Japanese yen against the euro and other factors, business transformation made good headway towards achieving sustainable growth.

Genre-top strategy

Business Technologies Business



Office Services

Color MFPs: No. 1 or 2 share in 42 countries

Unit basis, Konica Minolta estimate using external CY2015 data

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Commercial and Industrial Printing

Color digital printing systems: No. 1 or 2 share in 52 countries

Unit basis, Konica Minolta estimate using external CY2015 data

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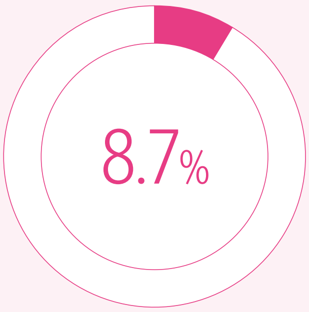
Healthcare Business



Healthcare

Cassette-type digital radiography systems: Large market share in Japan

Konica Minolta estimate using external CY2015 data

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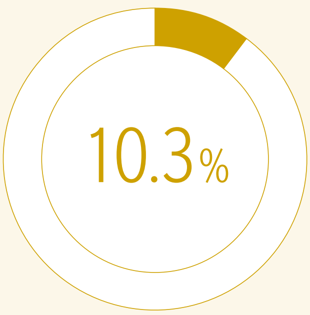
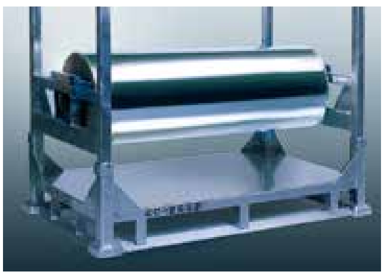
Industrial Business



Optical Systems for Industrial Use

Display analyzers: High market share

Konica Minolta estimate using CY2015 data



Performance Materials

TAC films: Large global market share

Konica Minolta estimate using CY2015 data

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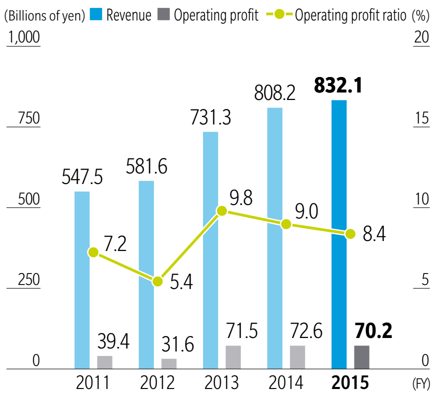
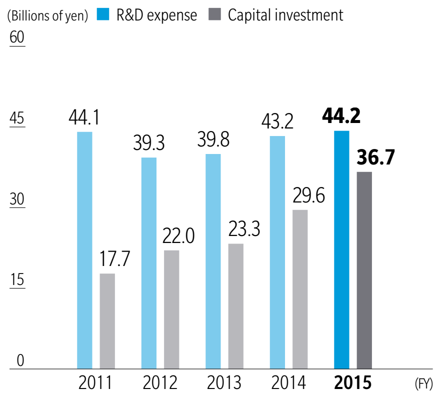
Business Overview

External revenue in this business stood at ¥832.1 billion, up 3.0% year on year, and operating profit was ¥70.2 billion, down 3.4% year on year. Increased expenditures towards business transformation amid intensifying competition and, in the second half of the period, the Japanese yen continued to become stronger against the euro, significantly impacting profit. Additionally, recognized structural reform expense for the following year. Profit dropped, albeit slightly, as a result.

Revenue / Operating profit

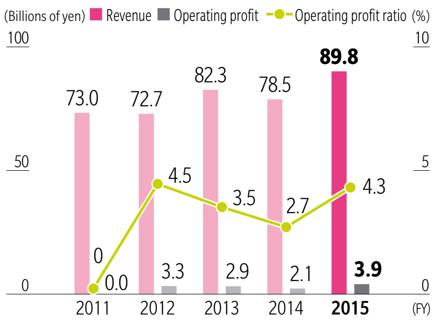


R&D expense / Capital investment

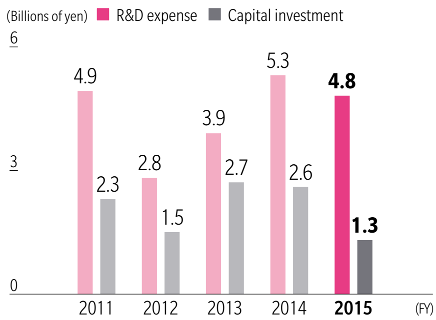


External revenue in this business amounted to ¥89.8 billion, an increase of 14.4% year on year and operating profit was ¥3.9 billion, up 85.0% year on year. Both revenue and operating profit increased owing to the acquisition of a company in the U.S. and increased sales of digital products inside and outside of Japan.

Revenue / Operating profit

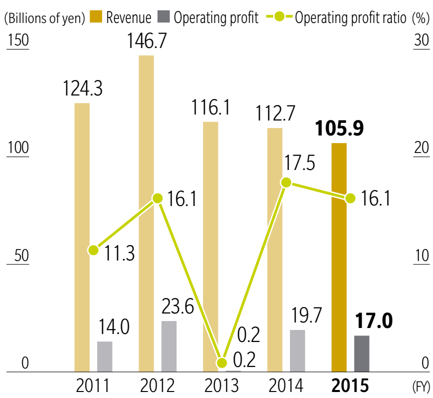


R&D expense / Capital investment

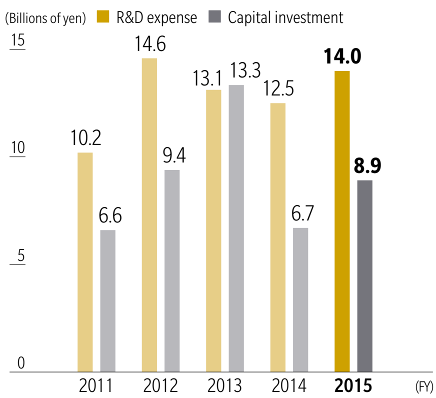


Revenue from external customers in this business fell 6.0% year-over-year to ¥105.9 billion and operating profit dropped 13.7% to ¥17.0 billion. In the optical systems for industrial use segment, although revenues were up owing to the effects of acquiring a company dealing in measuring instruments, the performance materials segment saw sales drop on the back of lessened demand for display products. Operating profit was down due to decreased sales of core products.

Revenue / Operating profit



R&D expense / Capital investment



Business Technologies Business (Office Services)

Market environment (opportunities and challenges)

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

Strengths and strategies

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

Main Achievements in Fiscal 2015

In fiscal 2015, revenue in this business stood at ¥607.6 billion, up 2% year on year.

IT solution services

- With respect to hybrid-type sales that integrate MFPs with IT services, we have seen contracts increase mainly in North America for Business Process Management Services (BPS), and Managed IT (MIT), which we handle business process improvement and all IT environment improvement as a contracted service.

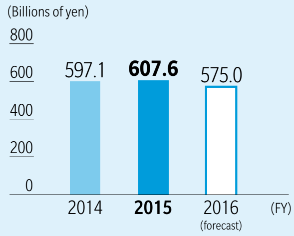
Office products

- Efforts are focused on expanding sales of A3 color MFPs including new products in the U.S. and European markets.
- Two Global Major Accounts (GMA) — the BMW group, a global automobile manufacturer, and Allianz, one of the world's largest insurance companies — has renewed Optimized Print Service (OPS) contracts with us for several years.

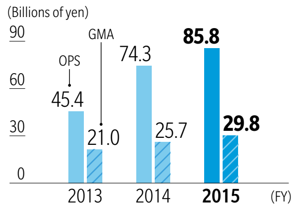
Fiscal 2016 Earnings Forecast

- In overseas markets, we forecast a continued increase in the color/monochrome shipping ratio for MFPs for offices.
- Due to factors that include a sudden strengthening of the yen and more aggressive competition, our forecast for fiscal 2016 puts revenue at ¥575.0 billion, a 5% decrease year-over-year.

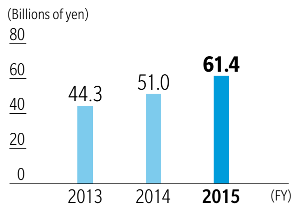
Office Services segment revenue



OPS and GMA revenue



IT service solutions revenue



Growth Strategies

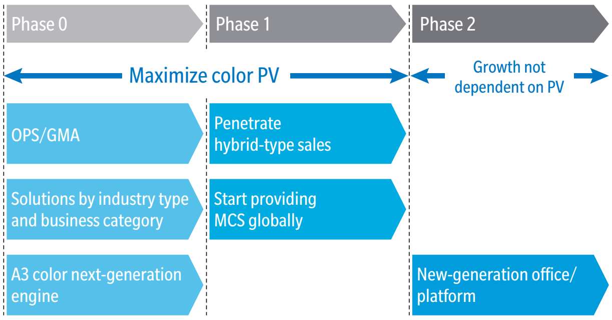
Strengthening hybrid-type sales

- With the goal of further developing the hybrid-type sales that integrates MFPs with IT services, which we have strengthened through M&A in recent years, we are looking to provide even further added value by adding Managed Content Services (MCS) and, marketing services to our service lineup.
- We have already secured a significant volume of contracts overseas in places such as North America, France, and the Czech Republic, and we are now looking to apply this success model to the rest of the world.

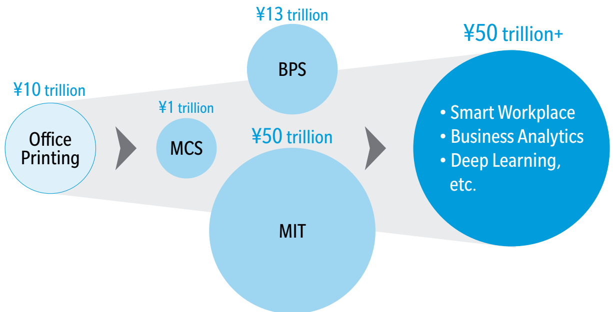
Building a next-generation platform

- Over the long-term, we will be further promoting the fusion of MFPs and IT, shifting the role of MFPs from office automation equipment to being a platform for offices' information network hubs. This move will ensure growth that is independent of print volume.

Roadmap for growth

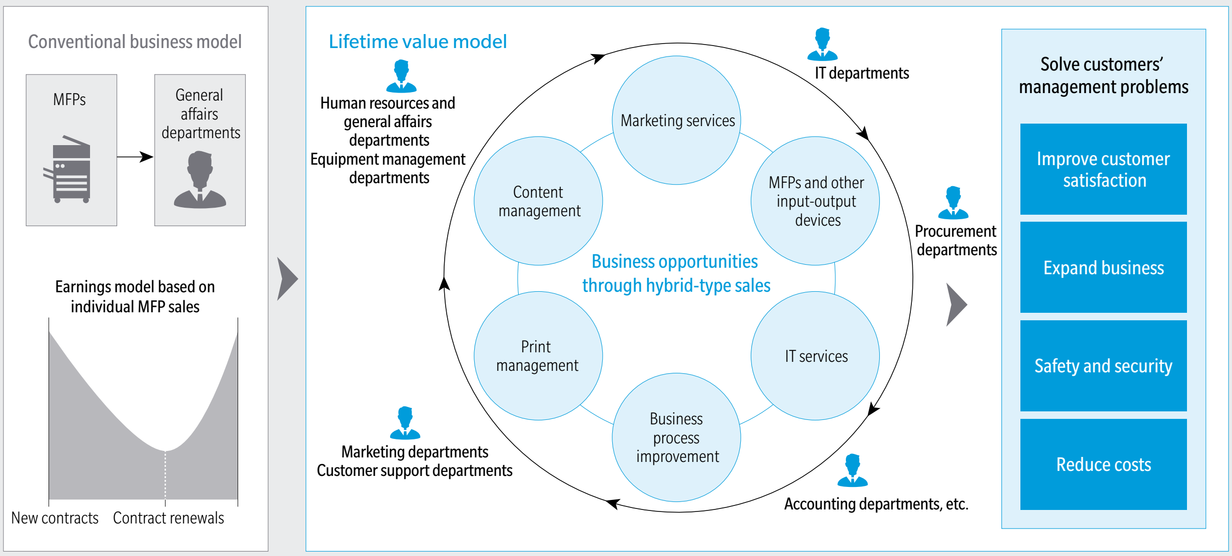


Office Services — Market Size



Focused Topic

Expending revenues from hybrid-type sales, which create value for customers



Amid intensifying competition in the MFP market, Konica Minolta is shifting to an original solutions-based business to solve customers' problems. The Company will be reinforcing its competitiveness by supporting the creation of value for customers and breaking away from price competition.

One means to do this will be focusing on hybrid-sales, which offer a package of MFPs and IT services. This will involve providing fine-tuned solutions: improving business processes tailored to customers' problems, comprehensively managing IT environments, strengthening security, optimizing content management, and more. This will open up new opportunities in all departments and all year around — opportunities previously limited to once every five years as we focused on individual MFP sales.

Compared to sales under the individual MFP sales model, sales under the hybrid-type sales model are more than two times greater on an individual customer basis. And whereas only 60–70% of customers renew contracts under the individual MFP sales model, 80–90% renew under the hybrid-sales model. This allows the Company to build ongoing win-win relationships with customers and make our customer base — Konica Minolta's greatest asset — even more stable.

Business Technologies Business (Commercial and Industrial Printing)

Market environment (opportunities and challenges)

- The percentages of digital product adoption in the commercial printing and industrial printing sectors are low at under 5%, and digital printing is a market set to see significant growth in the future.
- As companies' marketing methods become more individualized and fragmented, demand for digital printing is likely to increase going forward.
- Within marketing departments at large enterprises, which are a major customer category in this segment, there is a desire to curb costs associated with the dominant form of media—printed materials—in order to strengthen marketing centered on new media such as the web and SNS.
- In response to needs at printing companies, another key customer category, they are considering implementing digital printing systems in addition to offset printing products. However, there is concern among these companies that sales might not justify the investment.

Strengths and strategies

- Make additional investments in France-based MGI, with which we formed a capital partnership in January 2014, and expand our product lineup with digital printing solutions in the industrial printing segment.
- Achieve dramatic expansion of digital printing applications with well-received high-end color production printers, as well as the AccurioJet KM-1 digital inkjet press, which provides even higher quality printing on a wider variety of paper.
- Mid production printers (MPPs) maintain the genre-top position in the market while at the same time achieving the largest market share in the segment at Konica Minolta.
- Strengthen our ability to offer Marketing Production Management (MPM) services, which provide printing solutions optimized to companies' marketing departments.
- Konica Minolta Business Solutions Japan Co., Ltd. (became Konica Minolta Japan, Inc. in April 2016) formed a capital partnership with the Netyear Group in February 2016. The Company will focus on providing unique digital marketing solutions born from the expertise of these companies.

Main Achievements in Fiscal 2015

Fiscal 2015 revenue in this segment increased 6% year on year to ¥224.5 billion.

Production printing

- Sales were strong in Japan and in Europe for the top-of-the-line bizhub PRESS C1100 digital color printing system. The focus now is on expanding the customer base among medium and large commercial printing companies, who typically have very high output volume.
- Raise shareholding ratio in France-based MGI, a company with whom we started a capital and business partnership in fiscal 2014, and commit efforts to expending business in the industrial printing market.

MPM services

- Sales are strong owing to having expanded the range of regions to which we provide services as well as the scope of services to existing customers.

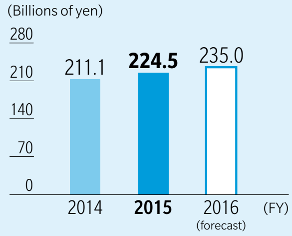
Industrial inkjet business

- Robust revenues are coming from inkjet heads and other component products used in industrial printing devices.
- Begin full-scale sales of the AccurioJet KM-1 digital inkjet press.

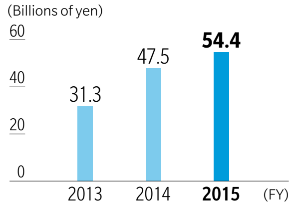
Fiscal 2016 Earnings Forecast

- As companies' marketing methods become more individualized and fragmented, demand for digital printing is likely to increase going forward.
- The fiscal 2016 earnings forecast for this segment puts revenue at ¥235.0 billion, a 5% year-on-year increase.

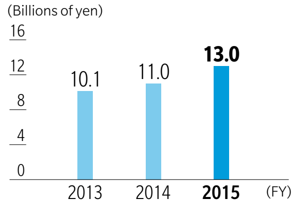
Commercial and Industrial Printing segment revenue
(Billions of yen)



MPM service revenue
(Billions of yen)



Industrial inkjet printer revenue
(Billions of yen)



Growth Strategies

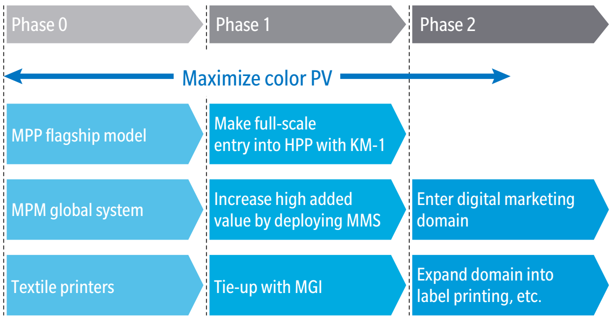
Maximize the customer base

- For mainly the top-of-the-line bizhub PRESS C1100, shift the sales focus from the traditional core customers — small commercial printing companies — to medium-sized as well as large commercial printing companies, which account for roughly 50% of all printing volume in the industry.
- Take advantage of the new AccurioJet KM-1 as well as products from MGI to strengthen our organization to acquire high PV.

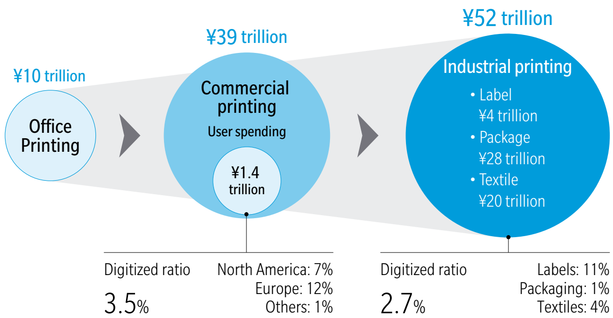
Expend the industrial printing segment

- Make additional investments in France-based MGI, which excels in label and package printing in order to boost our ability to answer growing demand for digital products in this segment.
- Sign more contracts with large commercial printing companies to increase label and package business volume.
- Ramp up sales to medium-sized companies dedicated to label printing.

Roadmap for growth

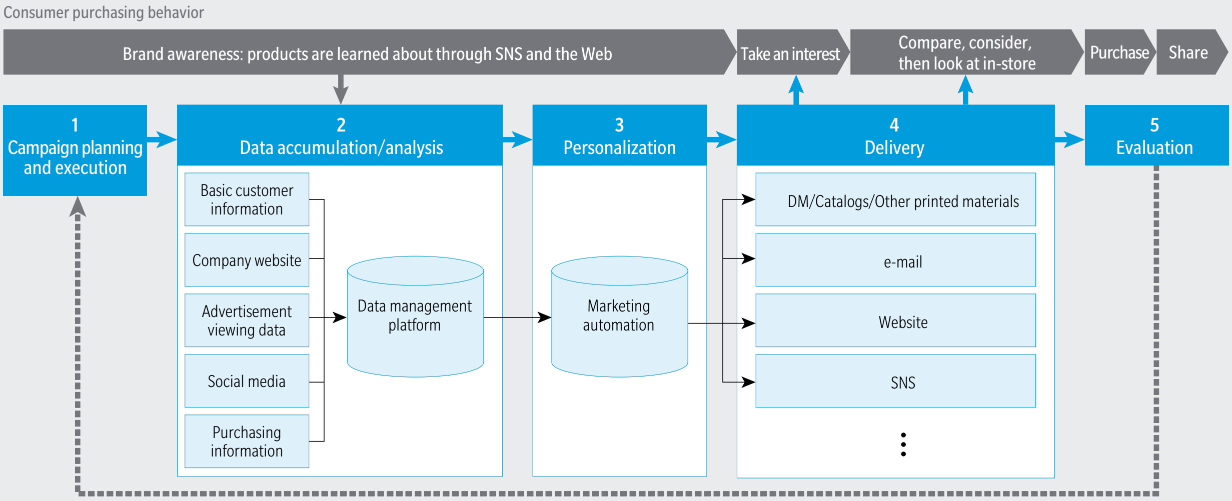


Commercial and Industrial Printing — Market Size



Focused Topic

Maintain and increase sales by having marketing focus on the combination of the digital and physical



A survey of B-to-C companies found marketing department budgets to be between 5% and 10% as a percentage of sales, much higher than for other departments such as office printing (1%) and CIO (2–3%). To provide the solutions these marketing departments need, Konica Minolta is working to add greater value through proactive M&A.

In fiscal 2014, we acquired U.K.-based INDICIA, a company whose strength lies in cross media communication strategies that combine printed and digital media. And in fiscal 2015, we formed a capital alliance with the Netyear Group, which has expertise in digital marketing.

By absorbing the service-related expertise of these companies and combining them with the services we have developed over the years, we aim to create innovative services that help to dramatically raise the level of our customers' marketing activities. We will provide marketing solutions in both physical and digital form that contribute to every step of the marketing process, from analyzing consumer preferences and purchasing behavior to improving customers' product awareness and driving sales. Through these efforts, Konica Minolta will be working to enhance our customers' brand strength and strengthen loyalty among consumers.

Healthcare Business

Market environment (opportunities and challenges)

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

Strengths and strategies

X-ray diagnostic imaging systems

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

Diagnostic ultrasound systems

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

Medical IT services

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

Shared

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

Main Achievements in Fiscal 2015

Fiscal 2015 revenue in the healthcare business increased 14.4% year on year to ¥89.8 billion.

X-ray diagnostic imaging systems

- Expanded sales primarily overseas for Aero DR, a cassette-type DR product. Also increased maintenance contracts for these products.

Diagnostic ultrasound systems

- Greatly increased sales for SONIMAGE HS1, a highly-acclaimed, hand-carried unit with high resolving power. Took the genre-top position for the domestic orthopedic product segment.

Medical IT services

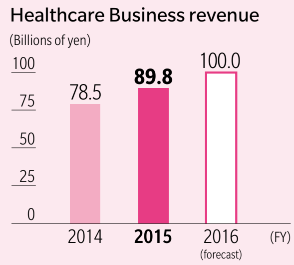
- Maintained strong sales of PACS (picture archiving and communication system) products.
- Sales in the U.S. grew on account of sales from U.S.-based Viztek, acquired in October 2015, being added to consolidated financial results.

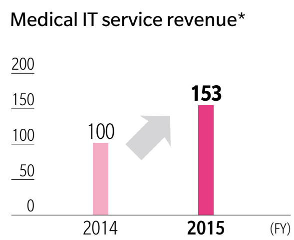
Other

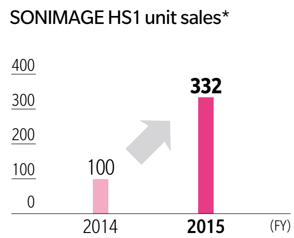
- Robust growth was seen for sales of products purchased from third parties in Japan and for analog product sales in China.

Fiscal 2016 Earnings Forecast

- The primary care market, including primary care doctors, is set for growth.
- The fiscal 2016 earnings forecast for this segment puts revenue at ¥100.0 billion, an 11% year-on-year increase.







* Base index: fiscal 2014 = 100

Growth Strategies

Sales growth for diagnostic equipment and systems

- Add IT services to X-ray diagnostic imaging systems and diagnostic ultrasound systems, among others, thereby giving high added value to products and improving the solutions we offer to medical care providers.
- Expand global sales of cassette-type DR products by improving our lineup and forming strategic business partnerships with X-ray system manufacturers.
- Taking advantage of our customer base and business channels for X-ray diagnostic imaging systems, push marketing into full gear for diagnostic ultrasound systems with potential for significant growth worldwide. Focus in particular on medical examination and treatment, leveraging the ultrasound probe technologies in which Konica Minolta excels.

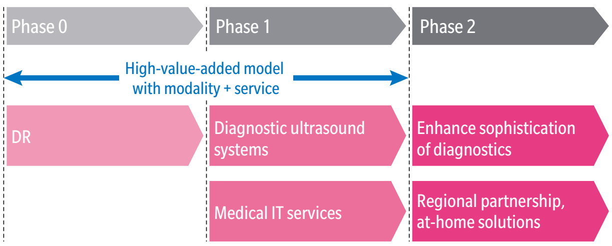
Open up business segments to growth markets

- Capitalize on the Company's synergy with Viztek and promote product development from the customer's viewpoint with an eye to expanding business in the orthopedics segment and the primary care segment, which includes primary care doctors.
- Begin business in the nursing care segment by offering care support solutions with even higher performance.

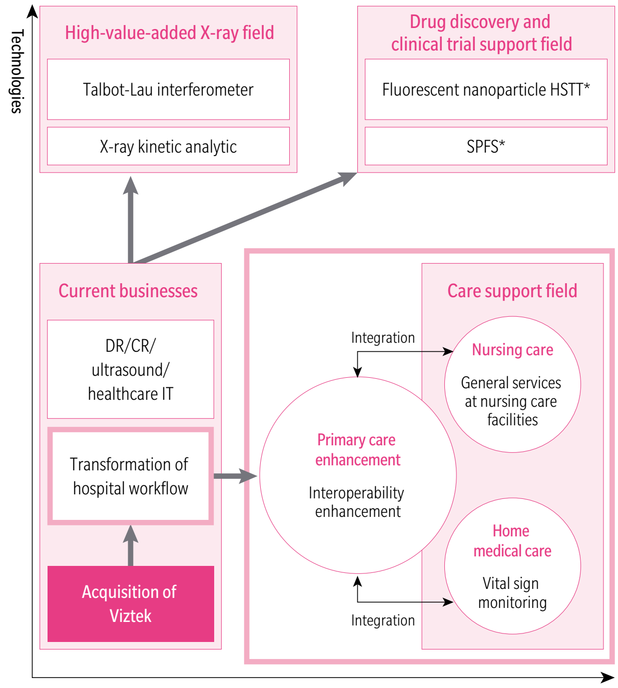
Contribute to sophistication of medical diagnoses

- Ramp up clinical development efforts in the high added-value X-ray system segment and drug discovery/clinical trial support segment.
- Utilize advanced IT solutions to achieve information collaboration and sharing involving regional healthcare and home-based care in order to make medical care more efficient and improve people's health and quality of life.

Roadmap for growth



Healthcare strategy



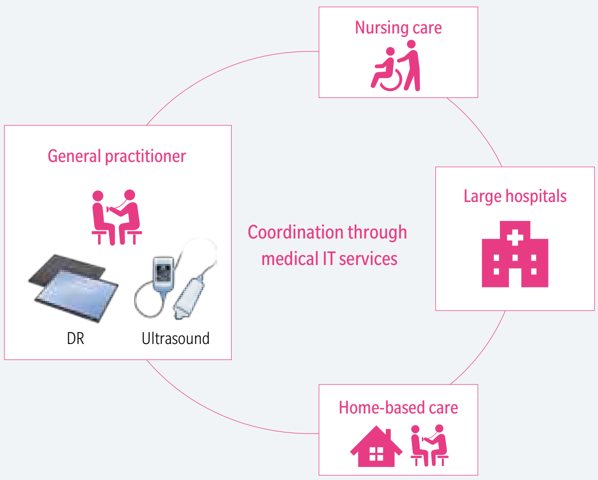
* Please visit our website for more information about HSTT and SPFS.
http://www.konicaminolta.com/about/research/future/index.html

Focused Topic

Exercise synergy with two acquired companies and expand business in the primary care segment, an area of rapid growth in the Americas

In the U.S., the world's largest market, the primary healthcare market is seeing growth in response to medical insurance system reform. Konica Minolta has acquired two companies in order to expand business in this market. The first was in July 2015 when we acquired Brazil-based Sawae, which manufactures and sells cost competitive X-ray systems. The second was in October 2015 when we acquired Viztek, a U.S.-based company providing medical IT solutions.

By adding the expertise and sales networks of these two companies to the many products and services Konica Minolta has developed over the years, a further fusion between diagnostic equipment and IT services has been achieved and we are now able to propose solutions that maximize customer value. Under this structure, we will continue to improve the efficiency and accuracy of diagnoses while advancing the primary care field by providing customers with a comprehensive menu that includes diagnostic imaging solutions that bring together X-ray diagnostic systems and ultrasound diagnostic systems utilizing advanced information technologies.



Industrial Business

Market environment (opportunities and challenges)

Optical systems for industrial use

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

Performance materials

- The trend towards larger LCD TVs will continue in tandem with a shift to higher resolutions such as 4K and 8K. The displays market will continue to see greater breadth.
- China will emerge as core producer of LCD panels. IPS panels are showing a clear rise.
- Opportunities for creating new demand are likely due to increasing diversification of display products and usage situations.

Strengths and strategies

Optical systems for industrial use

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

Performance materials

- We have built a relationship of trust with large customers and amassed assets that consist of technologies, production equipment, and supply chains through developing, producing, and selling TAC film.
- Quickly establish a successful business for new functional films, including QWP films that utilize the abovementioned assets.

Main Achievements in Fiscal 2015

Regarding fiscal 2015 revenue in our Industrial Business, revenue for the optical systems for industrial use segment increased 1% year on year to ¥52.5 billion while revenue for the performance materials segment dropped 12% to ¥53.4 billion.

Optical systems for industrial use

- Strong sales continued this period for light-source color measuring instruments for displays, keeping Konica Minolta in the genre-top position.
- Revenues rose as a result of the August 2015 acquisition of U.S.-based Radiant, which was added to consolidated group revenue figures.
- Instrument Systems, a German company acquired in 2012, experienced record high sales.
- Optical units for projectors at events maintained strong sales.

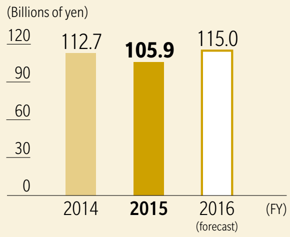
Performance materials

- In July 2015 Konica Minolta announced its development of QWP films for use in making device screens that can be seen more clearly through polarizing sunglasses. A mass production plant was completed in the first quarter of fiscal 2016 as planned.
- Inventory reductions in the supply chain as a result of sluggish demand in emerging markets pulled down sales of TAC film in the latter half of the period.
- For automotive window film, we began marketing high heat insulation products and mid-priced products in the ASEAN region.
- We launched reflective films for smartphone backlights.

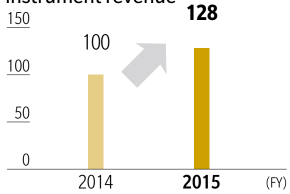
Fiscal 2016 Earnings Forecast

- For the fiscal earnings 2016 Industrial Business revenue forecast, the optical systems for industrial use segment will increase 10% year on year to ¥58.0 billion, with an increase of 7% year on year to ¥57.0 billion for the performance materials segment.
- We expect new demand to emerge due to rising demand for films for IPS panels, which is a growing segment, and an increasing diversification of display products and usage situations.

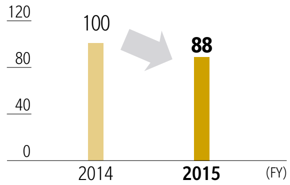
Industrial Business revenue



Light-source color measuring instrument revenue*



Performance materials segment revenue*



* Base index: fiscal 2014 = 100

Growth Strategies

Optical systems for industrial use

- Expand the segment for visual inspection solutions in the production process.
- Begin full-scale marketing of industrial and professional lenses for automotive components and vehicle driving systems.

Roadmap for growth

Phase 0	Phase 1	Phase 2
Light-source color measuring instruments	Expand measuring instruments domain	Digital manufacturing
Lenses for industrial and professional use	Expand optical systems domain • Projector domain • Automotive optical systems	
BD pickup lenses for game consoles		

Performance materials

- Market new advanced films in response to increasingly diversified display products.
- Provide high-performance films as well as integrated OLED and sensor products into the mobile/IoT segment.
- Get into the materials business, including that for OLED materials.

Roadmap for growth

Phase 0	Phase 1	Phase 2
TAC film	New functional film for displays	
	Window film and materials business	New functional film
		OLED lighting

Direction of the measuring instruments business

	Object color	Light-source color
Range covered by our current measuring instruments business	Electrical appliances, plastics Automobiles Foods ¥33 billion market	Displays Lighting Expansion by acquisition of IS ¥23 billion market
New business segment in focus as a result of Radiant acquisition	Manufacturing inspection segment (visual inspection) Automobile exterior ¥7.5 billion Food packaging ¥2.5 billion	Displays ¥13 billion
	Image processing market size of ¥380 billion	

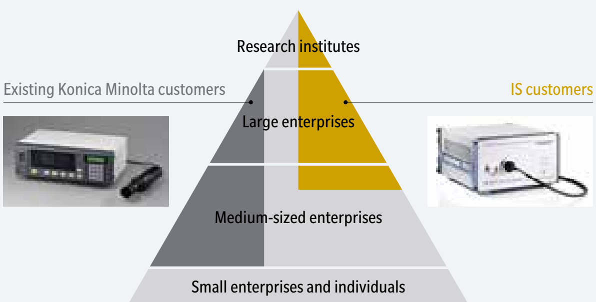
Focused Topic

Carry out genre-top strategies in the light-source color measuring market

Konica Minolta has become a market share leader in the light-source color measuring market and is now a top manufacturer in the industry. The first step on this path was acquiring Germany-based Instrument Systems (IS) in fiscal 2012.

IS has been highly rated around the world for primarily its high-end light measuring instruments and has sold a great volume of product to research institutes and other organizations. Konica Minolta's products enjoy a complementary relationship with IS's product lineup, and this acquisition has given us a strong lineup that spans mid-level and high-end products. This has enabled us to be a one-stop solution for wide-ranging customer needs and given us an undisputed competitive edge in the market. IS achieved record-high profits in fiscal 2015.

In August 2015, we acquired Radiant, a company with which we were partly in competition. This further strengthened our position in the market. The days ahead will see us deploying these genre-top strategies in a variety of markets.



Market Data by Segment

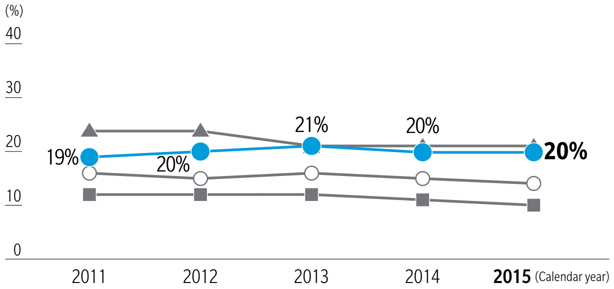
Business Technologies Business (Office Services)

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

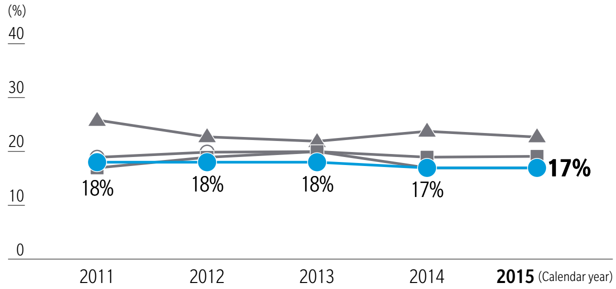
KM | Company A | Company B | Company C | Company D

Maintained or expanded market share in all major markets.

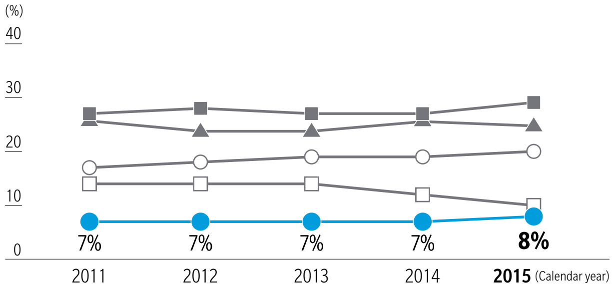
Europe



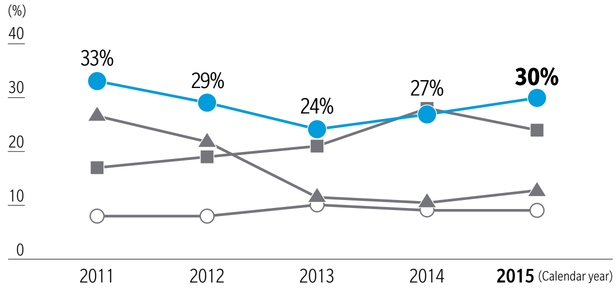
North America



Japan



China

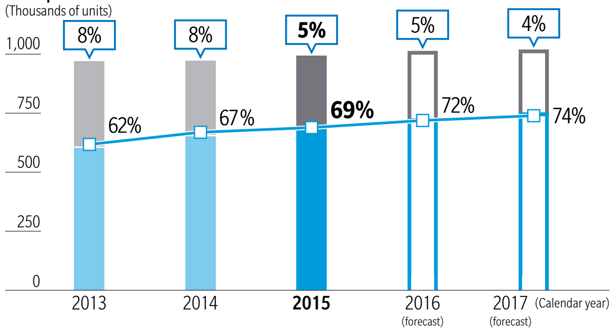


* Konica Minolta estimate

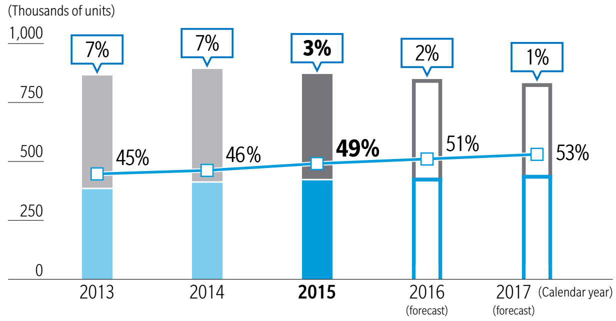
Unit shipment trends and forecasts* in the A3 color MFP market

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

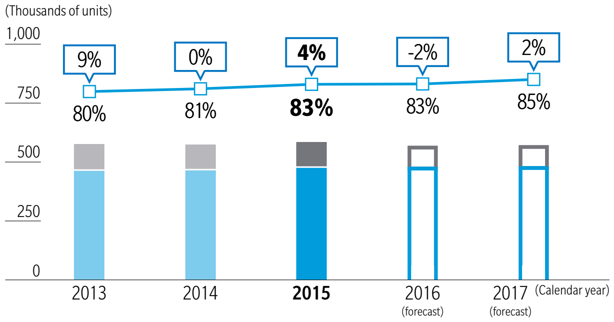
Europe



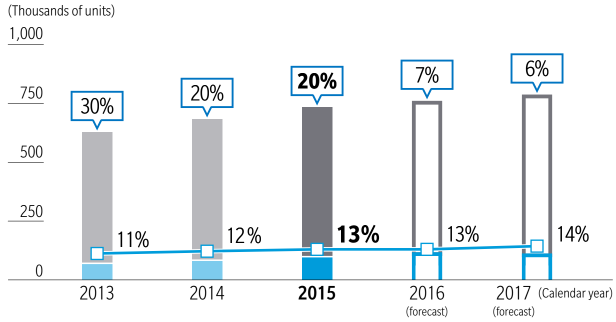
North America



Japan



China



* Konica Minolta estimate

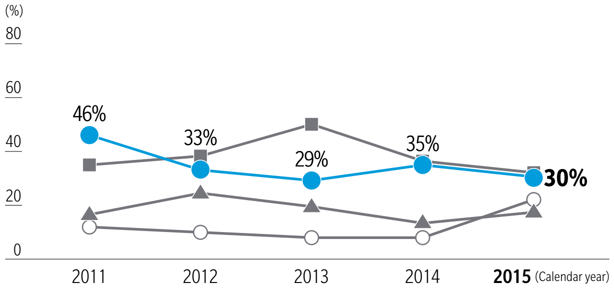
Business Technologies Business (Commercial and Industrial Printing)

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

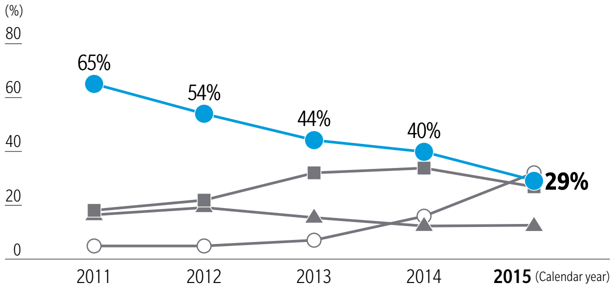
KM Company A Company B Company C

Konica Minolta's market share is in a recent downward trend in the LPP and MPP market due to a greater focus on sales in the higher added value MPP market.

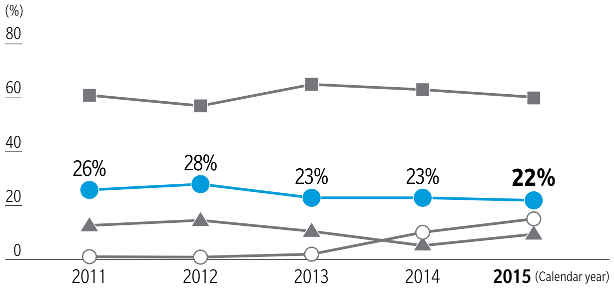
Europe



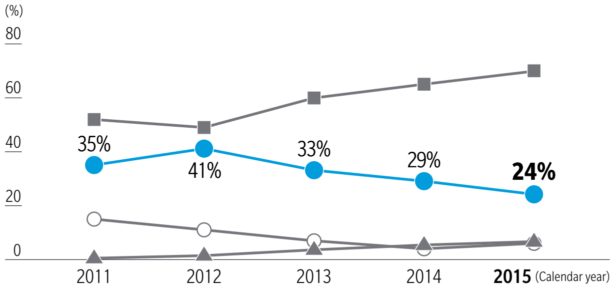
North America



Japan

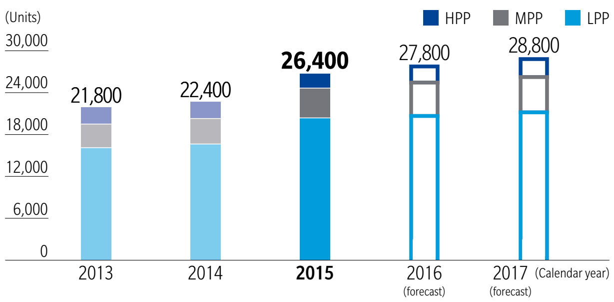


China

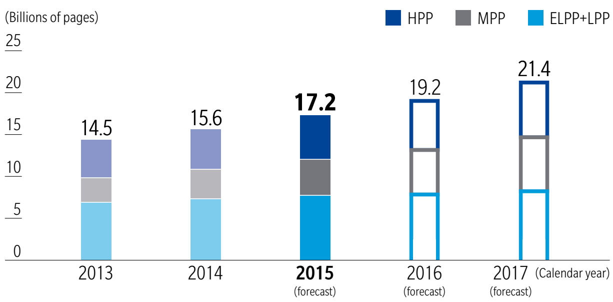


* Konica Minolta estimate (LPP+MPP)

Color production printer units shipped and forecast (worldwide)*



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



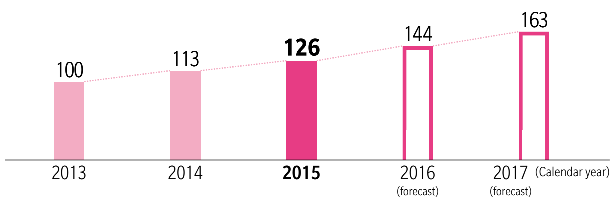
* Konica Minolta estimate

* HPP: Heavy Production Printer MPP: Mid Production Printer

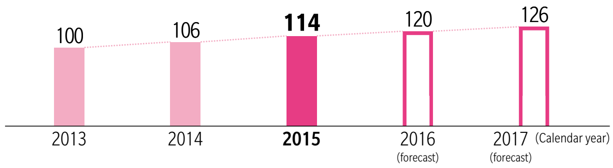
LPP: Light Production Printer ELPP: Entry Light Production Printer

Healthcare Business

DR units shipped and forecast (worldwide)*



Diagnostic ultrasound systems units shipped and forecast (worldwide)*



* Base index: fiscal 2013=100

* Partial estimate by Konica Minolta based on data from *InMedica, The World Market for General Radiography etc. and Ultrasound Imaging, 2013*

TOPICS

Innovating in nursing care workflow to facilitate care support solutions for an aging society

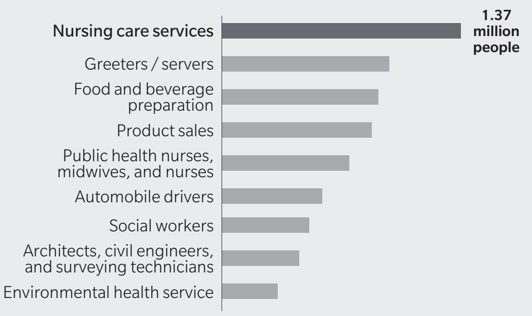
Social Issues

Shortage of nursing care staff in an aging society

Along with the graying of society, more people are in need of nursing care. Meanwhile, the shrinking work-force has worsened the shortage of nursing care staff.

Given this situation, Konica Minolta determined that it could help to reduce the workload of nursing care staff by promoting workflow innovation on the frontlines. The Company visited nursing care facilities to ascertain and analyze operations in detail. Nursing care operations were separated into individual workflows initiated by a nurse call. That made nursing care staff run around the facility. It was clear that this was creating a major burden.

2015 worker shortfall by occupation in Japan*



* Labor shortage figures are calculated by subtracting the number of effective job seekers from the number of effective job openings

Source: Labor Market Indicators by Occupation (Ministry of Health, Labour and Welfare)

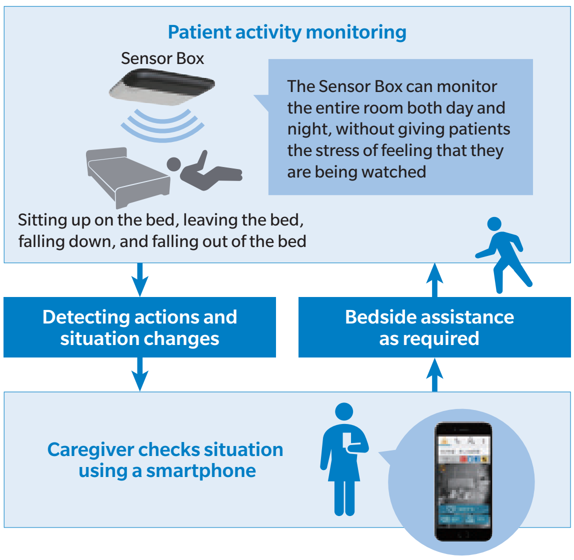
Social Innovation

Workflow innovation for nursing care staff, starting with highly accurate action recognition

In order to tackle the challenges of the nursing care field, Konica Minolta's business development staff gathered information directly at about 70 nursing care facilities. Stationed in the facilities for about three months, they ascertained the nursing care operations in detail. Based on this, the Company developed its Care Support Solution, a monitoring system for nursing care workflow innovation.

The Sensor Box, which is the core of the system, performs 24-hour monitoring using near-infrared and microwave sensors, and operates regardless of the room's brightness or the posture of the room occupants. If a patient sits up on the bed, leaves the bed, falls down, or falls out of the bed, nursing staff are notified via a smartphone with video display. By checking the video of the patient, the staff can decide whether to rush for assistance and can predict patient behavior, which significantly reduces their workload. Since the staff can also use their smartphones to input care records or vital-sign data on the spot and share them instantly, the system substantially reduces record-keeping work and helps to prevent miscommunication. By providing one-stop total innovation that covers both the nursing care frontlines and administrative work such as record keeping, the Care Support Solution offers greater efficiency for the entire nursing care operation.

Konica Minolta's care support solution



Platform Supporting Sustainability

Masatoshi Matsuzaki

Chairman of the Board

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

Discussion on Corporate Governance

Supporting Konica Minolta's Sustained Growth through the Pursuit of More Effective Governance

The roots of Konica Minolta governance can be traced back to the decision to "focus on supervision."

—— What are the characteristics of corporate governance at Konica Minolta?

Matsuzaki: The history of our corporate governance dates back to before the integration of management between Konica and Minolta. In March 2001, Tomiji Uematsu, Representative Director and Chairman at the time after stepping down as the President of Konica, decided to commit himself solely to the supervision of management, giving up his representation rights and role as an executive officer. It was at that point in time that the corporate governance of current-day Konica Minolta took form.

The Commercial Code was about to be revised and the introduction of companies with committees was on the horizon. Taking these changes into consideration, the Company formulated the "Corporate Organization Basic Regulations," forming the constitution for corporate governance with the cooperation of various specialists, including lawyers. Since then, Konica Minolta's governance framework has evolved and been based on the initiatives of supervisors.

Enomoto: When the management checks-and-balances framework is developed based on the initiatives of executive officers, you cannot totally eliminate the possibility of 'leniency.' On the other hand, Konica Minolta's governance was built mainly by people determined to stay on the supervision side. Therefore, executive officers and supervisors are clearly separated in the system. I feel that the level of preparation has been different from that of other companies.

—— The Board of Directors includes Inside Directors who are not involved in actual operations, as well as Outside Directors. What are the roles of the Inside Directors?

Matsuzaki: Konica Minolta's Board of Directors consists of "Outside Directors," "Inside Directors who are not concurrently serving as Executive Officers" and "Directors serving as Executive Officers." It is run so that these three parties keep one another in check in a good way. One of the roles of the Directors not concurrently serving as Executive Officers is my current position, the Chairman of the Board. The Corporate

Takashi Enomoto

Director (Outside Director)

After serving as Representative Director and Vice-President at NTT DATA Corporation, became an outside director at Konica Minolta, Inc. in June 2013. Appointed to the position of Chairman of the Audit Committee in 2014.

Organization Basic Regulations, which I mentioned earlier, also states that the Chairman of the Board must be a person who does not concurrently serve as an Executive Officer.
Enomoto: The fact that one of the conditions for being the Chairman is not serving as an Executive Officer speaks volumes for Konica Minolta's commitment to stronger governance.
Matsuzaki: Furthermore, Inside Directors not concurrently serving as Executive Directors also take part in our Audit Committee. There are many advantages to being a company with a "three committee system," for which we adopted. However, compared to Companies with Board of Company Auditors with full-time auditors, there is a risk of the Audit Committee becoming less functional. It is a very hard work for the Outside Auditors alone to check everything in the limited amount of time they have, so Inside Directors are there to help them.
Enomoto: I have been serving as an Audit Committee member since the first year of my tenure as a Director and as the Chairman of the Audit Committee since the second year. As the Company operates in a wide variety of areas, we have to check a tremendous amount of information. In that regard, we are delighted to have two Inside Directors with practical roles on the Audit Committee. This is very reassuring for us. Additionally, having personnel experienced in the execution of operations as a part of the Audit Committee must give some feeling of tension to the current Executive Officers. Given these points, I think the combination of Inside Directors who do not concurrently serve as Executive Officers, Outside Directors, and Directors serving as Executive Officers works very well.

Exhaustive discussions by all Directors led to the Company complying with all principles of the Governance Codes.

—— How is the Company responding to the Corporate Governance Codes introduced in 2015?

Matsuzaki: As soon as the original proposal of the Corporate Governance Codes had been revealed, we began checking as to how well the Company complied with them. As a result, it was confirmed that 65 of the 73 principles in total had already been met. All the members of the Board continued exhaustive discussions at Directors' round-table conference, and in the end, we decided to make sure the Company complies with all of the principles.
Enomoto: As we had started working to strengthen the governance system early on, the only thing required was to freshly examine how to comply with the remaining eight principles; seven of which related to requiring disclosure.
Matsuzaki: For four of the 11 Governance Codes principles related to disclosure, the Company was already in compliance for disclosing relevant information. Additionally, it was decided that disclosing information for the remaining seven principles would be beneficial for corporate management. Consequently, we formulated the "Basic Policy on Corporate Governance," which was based on the previous "Corporate Organization Basic Regulations."
Enomoto: As a result, the last principle remaining for compliance was Supplementary Principle 4.1.3, which is in

regard to the planning of successors for CEO, etc.
Matsuzaki: Who is going to succeed the position of CEO is a very important issue for a company that desires to attain sustainable growth. I therefore took time in a Directors' round-table conference to introduce a policy in which the Nominations Committee will oversee the appointment of successor to the position of President and CEO. Everybody understood the concept, and we decided to work towards introducing this policy.

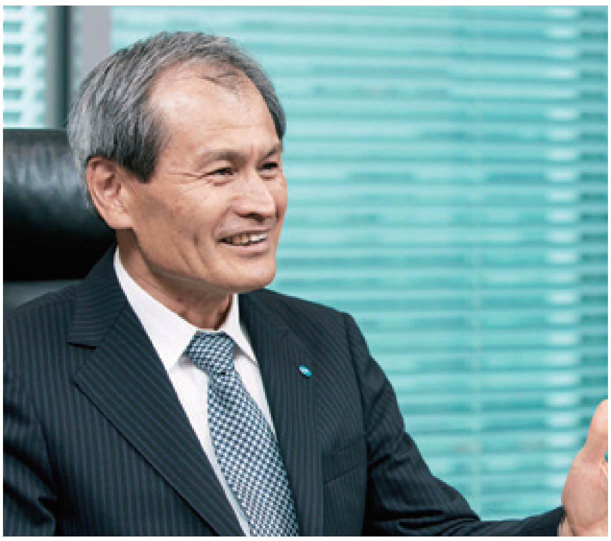
In general, soon after taking the position, the CEO will begin providing information about the candidates believed to be appropriate as a possible successor. The members of the Nominating Committee will express their views based on the information received from CEO and monitor the candidates.

I believe these processes will help in selecting the best successor possible.

Utilizing an open-door attitude to provide easy-to-understand explanations outside the Company too.

—— Mr. Enomoto, you have served as a director in a number of companies. Have you found anything different about Konica Minolta since becoming one of its Outside Directors?

Enomoto: Rarely ever is there a time when the Konica Minolta Board of Directors gives the President a free hand to do something. Serious debate breaks out for virtually every single agenda. As a result, everybody speaks out. We are all under such pressure.
Matsuzaki: If somebody looks quieter than others, the Chairman tries to bring that person into the discussion.
Enomoto: However, it is true that it takes time for an Outside Director to understand the Company's businesses, as the areas covered are diverse. That's why we often end up asking amateurish questions.
Matsuzaki: They may also be simple questions ask from the same perspective of a general shareholder, so executive officers need to answer each question using simple explanations that are easy to understand.
Enomoto: All executive officers are fully aware of this. So they always take the time to give enthusiastic explanations to us, the Outside Directors. I also feel that they have been making more effort to answer basic questions from shareholders using easy-to-understand wording at recent shareholders' meetings.



—— How does Konica Minolta keep Outside Directors informed of its activities?

Enomoto: In addition to prior briefings, we are invited to the launch events for new businesses and R&D. We try to attend such events as often as possible. I also visit regional plants and overseas bases when time allows.
Matsuzaki: Mr. Enomoto has visited our overseas operations more often than any other Outside Director.
Enomoto: It is important to know how employees feel about performing their jobs, and there is no better place to learn that than onsite. I will be visiting a healthcare subsidiary in the US this fall to see how everyone is doing after the recent M&A. When I requested the visit, the Company responded eagerly. I feel I get very open and generous support.

Aiming for 'offensive' governance that proactively supports enhancing performance.

—— What measures are in place to further strengthen the Company's corporate governance?

Enomoto: As a solid governance framework is already in place, I think what is needed in the future is to enhance the effectiveness of the governance system further through improvements in operations.
Matsuzaki: One of our initiatives towards this is the use of an annual questionnaire given in April that allows members on the Board of Directors to do self-assessments of activities. Based on the findings from the questionnaire, I propose a policy for the operations of the Board of Directors for the following fiscal year. A number of productive opinions and proposals have been made in these questionnaires every year. This year, too, we received valuable opinions from Outside Directors, such as requests to improve the quality of reports from executive officers, distribute relevant data earlier, and to provide more opportunities to meet with successor candidates.
Enomoto: For projects such as M&As, we are getting information earlier than before. By the time Executive Officers have made a proposal following investment evaluation meetings, negotiations should be at an advanced stage. Now that we are provided prior information from the examination stage, we can make requests, such as to closely check certain areas in the due diligence process.

—— How do you assess the Company's efforts to transform business through overseas M&As?

Enomoto: In order for Konica Minolta to maintain long-term growth, it must focus on becoming a solutions company that delivers best-fit answers to issues customers face, doing so beyond the category of manufacturer. Accordingly, I believe the corporate initiatives implemented so far, that is, shifting to services and solutions, are actions in the right direction. All of the IT service firms the Company has acquired through M&As have massive potential, and they are real 'gold mines.' These companies include Instrument Systems in Germany, which has already delivered performance substantially outstripping projections, but also other companies that will require time before producing results. I, myself, have been involved in various M&A projects overseas. But for me, there were more cases in which results fell short of initial expectations than instant successes.

Matsuzaki: You often point out the importance of patience during board meetings.

Enomoto: Yes, patience is essential. For example, even if a company has purchased another company that offers services within the eastern United States, it has to standardize technologies and increase investments to expand the acquired company's business nationwide. Therefore, it is imperative that post-merger integration plans, including management initiatives after the merger, are worked out during the investigative stage of an M&A project. If Konica Minolta can enhance their efforts in this area, the business transformation process should accelerate even more.

—— What do you think about ensuring the diversity of board members?

Matsuzaki: We give full consideration to the combination of Outside Directors' capabilities and careers every year. Considering fields of specialization in their backgrounds and the balance of business sectors they have worked in, we try to avoid bias towards a specific area of specialty or industry. In addition, we also take into account areas in which we have management issues and advice or supervision is needed over the next few years. This enables us to select the best person for the job. For instance, we have invested aggressively in overseas IT service companies during the past few years in order to transform our business. For such a trend, Mr. Enomoto is an ideal person as an Outside Director because of his abundant experience in that area.

Enomoto: It is not simply diversity equals hiring women and foreign nationals. Konica Minolta selects board members to fit its management strategies and agendas, while taking into consideration the balance of specialty areas and industries.

Matsuzaki: Exactly. This time a woman was nominated during the selection stage, but after further discussions she was not selected. On the other hand, from this fiscal year, a non-Japanese member, Richard Taylor, joined our lineup of Executive Officers. In view of such considerations, I expect to see women and/or non-Japanese Directors on the Board in the near future.

Enomoto: The most important thing in the selection of Directors is rationality for the supervision of management. As the result of sticking to such basics, if we have come to the conclusion to appoint women or foreign nationals suitable for the position, it's only natural to do so. I think that is a reasonable and steady way to promote diversity.

—— Finally, what are your views on governance for achieving sustained growth at Konica Minolta?

Enomoto: The Audit Committee's activities have a 'defensive' image of keeping an eye on corporate management. But I,

personally, would like to contribute more proactively to business performance. For companies, it is nothing special to comply with laws and regulations and act strictly in accordance with social commonsense. Based on that, I'm wondering if we can perform 'offensive' governance that contributes more proactively to business performance; for example, by pointing out losses in management that go unnoticed by internal personnel, or by deriving originality and ingenuity on the shop floor.

Matsuzaki: I totally agree. We, those who oversee management, are responsible for correcting any misdirection in management by supporting executive officers' decisions and identifying related issues. However, our ultimate goal is to generate profits for the Company; and not just one-off profits, but continuous sustained earnings. We accept dissenting votes against director candidates at the General Stockholders' Meetings as a message from shareholders, urging us to supervise properly. We acknowledge that it is our task to contemplate what we can do as supervisors.

Enomoto: Although Executive Officers and Supervisors are different positions with different roles, their goals are the same.

Matsuzaki: We hope we can improve the effectiveness of the governance system further, with our goal of contributing to sustained growth always in mind.

Corporate Governance

Basic Concept for Corporate Governance

Konica Minolta 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.

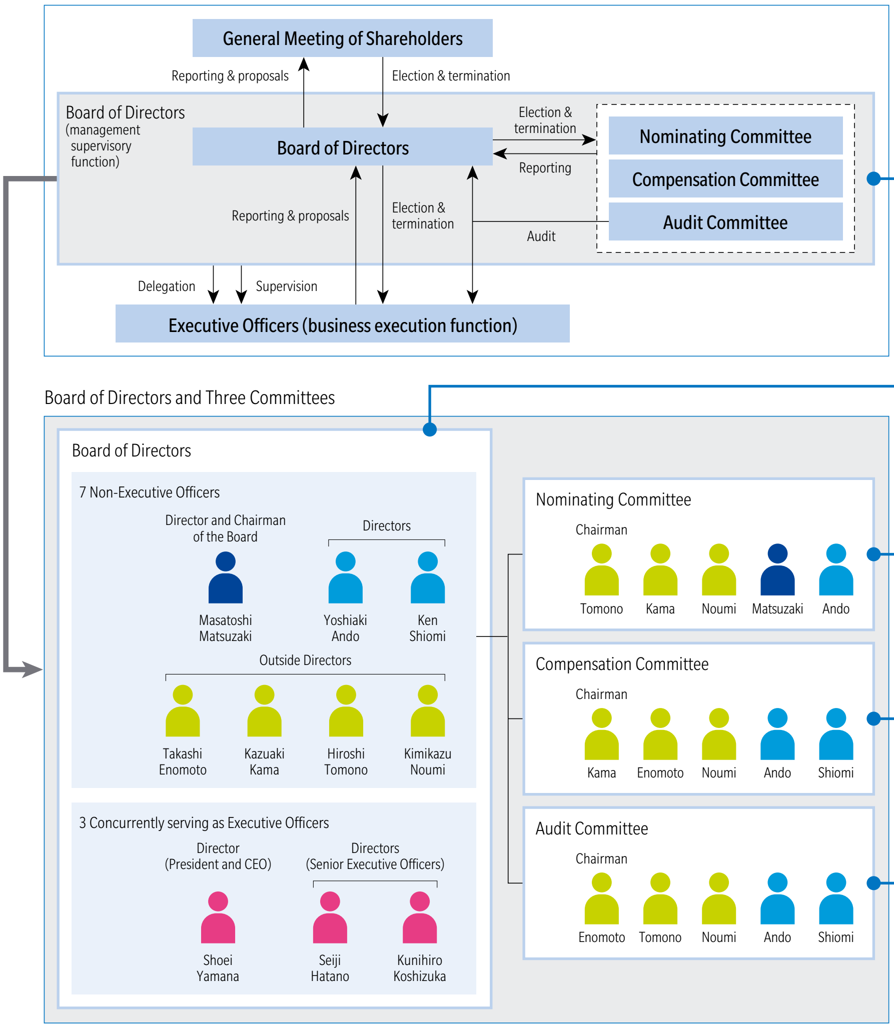
The following is our basic concept for corporate governance:

Basic concept for corporate governance

- 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

We have formulated our basic concept for corporate governance into the *Basic Policy on Corporate Governance* and made it available on our website.
http://www.konicaminolta.com/about/investors/management/governance/index.html

Structure of corporate governance systems (As of June 17, 2016)



Key characteristics of structure

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

Key characteristics of the Board of Directors

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

Key characteristics of the three committees

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

History of efforts aimed at building a corporate governance structure and improving its effectiveness

Fiscal 2000	• Introduced an executive officer system and reduced number of directors
Fiscal 2002	• Appointed 2 independent outside directors • Shortened director term length to 1 year
Fiscal 2003	• Established Konica Minolta Holdings, Inc. by integrating the management of Konica and Minolta • Shifted to a company with three committees • Established the Corporate Organization Basic Regulations • Increased the number of independent outside directors from 2 to 4 • Established compensation policy
Fiscal 2004	• Began Board of Directors self-evaluations using questionnaire format
Fiscal 2005	• Abolished the retirement benefit system and instituted a stock compensation plan
Fiscal 2006	• Chairman of the Board participated in Nominating Committee • First overseas site visit by 2 outside directors at manufacturing subsidiary in China • Established criteria on the independence of outside directors
Fiscal 2009	• Revised sections concerning performance-based cash bonus in the compensation policy
Fiscal 2010	• Revised sections of the Board of Directors rules
Fiscal 2015	• Established the Basic Policy on Corporate Governance • Nominating Committee began overseeing the successor plan made by the Representative Executive Officer

Compliance with the Corporate Governance Code

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

The Company was in compliance with 65 of the 73 principles of the Corporate Governance Code when the code took effect on June 2015. Since then, under the leadership of the Chairman of the Board, we have taken into account the views of the members of the Board and discussed the remaining eight principles. As a result, we decided to pursue compliance with all principles and indicated in the corporate governance report submitted in September 2015 that the Company was in compliance with all principles. Additionally, we disclosed details for all 11 general principles, principles, and supplementary principles for which the Tokyo Stock Exchange requires disclosure.

The corporate governance report is available on our website.
http://www.konicaminolta.com/about/investors/ir_library/governance/

Management and Governance Structure

Company with Three Committees

Konica Minolta has adopted the "company with three committees" framework, and has accordingly established the Nominating, Audit and Compensation Committees. Each of the three committees is composed of three outside directors and two internal directors, and the chairmen of the three committees are selected from among the outside directors. Representative Executive Officer cannot be appointed to an Audit Committee position under the provisions of the Companies Act and will not be selected by the Company for a position on the Nominating or Compensation Committees.

Operations of Board of Directors

The Board of Directors includes four outside directors, who are highly independent and have no significant business relationship with the Konica Minolta Group. The majority of directors do not serve concurrently as executive officers.

In principle, the Board of Directors meets once a month. Outside directors receive briefings on or materials detailing agenda items in order to familiarize them with the agenda and facilitate lively discussions at meetings of the Board of Directors. In particular, explanations of important management decisions are provided by relevant executive officers.

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

The average rate of attendance at meetings of the Board of Directors and of the three committees by Shoji Kondo, Takashi Enomoto, Kazuaki Kama, and Hiroshi Tomono — the four outside directors employed at the Company in fiscal 2015 — exceeded 95%.

The Company also conducts yearly questionnaires that include self-evaluations by Directors on the structure of the Board of Directors and the three committees, Board of Directors meeting agendas and administration, and other subjects, and analyzes and evaluates the overall effectiveness of the Board of Directors. We identify issues through these efforts and the Chairman of the Board proposes Board administration policies for the following fiscal year.

Meetings of the Board of Directors and the three committees in fiscal 2015

	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee	Total
Times held	14	8	13	8	43
Participation by all directors (%)	97	95	95	95	96
Participation by outside directors (%)	94	96	95	95	95

Major Agenda Items Discussed by the Board of Directors in Fiscal 2015

- M&A in each business unit
- Reports on progress with Medium Term Business Plan execution (business units and the management divisions)
- Efforts to comply with the Corporate Governance Code and the establishment of the Basic Policy on Corporate Governance
- The formation of new sales companies in order to strengthen domestic business
- Reviews of internal control systems
- Fiscal 2016 outlines of business plan and baseline budget
- Administration policy for fiscal 2016 ordinary general meeting of shareholders

Outline of the results of analysis and assessment of the effectiveness of the Board of Directors for fiscal 2015

- The composition, number of members and other aspects of the Board of Directors and its three committees are in general appropriate.
- Regarding the diversity of the Directors, the Nominating Committee has been holding thorough discussions every year based on achieving the proper balance of experience and skills, including gender, nationality and other characteristics, needed for the suitable oversight and advice concerning corporate strategies. These activities must be continued.
- The Board of Directors is functioning adequately by holding thorough discussions and performing other activities. This Board's agenda includes important management issues, medium/long-term strategies and other subjects. All Directors aggressively and accurately make statements and ask questions in order to perform oversight and provide advice.
- In fiscal 2015, the Board of Directors improved and upgraded the contents of meeting materials and how explanations are given for the purpose of holding discussions that even more accurately focus on the core issues. But since still more improvements are needed, these actions will continue in fiscal 2016.
- The Directors are considering the use of an external evaluation in order to make the Board of Directors even more effective.

Training for Directors

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

Director Training Policies

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

1. For new Independent Outside Directors, the Company provides information about the Group's structure, business activities and finances as well as information about the Medium Term Business Plan and its progress and other subjects.
   * 2 times in fiscal 2015
2. For Independent Outside Directors, the Company arranges visits to the development, manufacturing, sales, service and other operations of every business unit. The Executive Officer of each business unit provides the Directors with the latest information about that business.
   * 10 times for 4 outside directors in fiscal 2015

Follow-ups with Outside Directors

- Provide outside director training information (organized by corporate governance-related organizations)
- Preliminary material briefing or distribution
- Compiling and distribution of the glossary

Executive Officers

The executive officers perform decision-making and business execution, as entrusted by the Board of Directors. The content of this business execution is subject to the oversight of the Board of Directors and to audits by the Audit Committee, which enhances effectiveness, validity, legality and soundness of the management.

The Board of Directors appoints the Company's executive officers and selects the Representative Executive Officer and the President, as well as other executive officers in positions of responsibility, from among these officers. The division of executive duties is also determined by the Board. The Representative Executive Officer and President and other executive officers perform decision-making on and execute the business entrusted by the Board.

Appointment of Directors

Konica Minolta has established director selection criteria and independence standards for outside directors.

Standards for Nominating and Electing Director Candidates

The Nominating Committee selects inside and outside director candidates to be put before the General Meeting of Shareholders, according to the following selection criteria.

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

For Inside Director candidates, a draft proposal is created in consultation with the Chairman of the Board 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.

Ensuring the Diversity and Independence of Outside 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.

Additionally, 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

Additionally, to address the concern that long-serving outside directors have less independence, Konica Minolta limits their re-nomination to a four-year term of office in principle.

In June 2016, Mr. Kimikazu Noumi was newly appointed as an outside director. All four outside directors have been appointed as independent directors in compliance with regulations established by the Tokyo Stock Exchange.

Outside directors

Name	Reason for electing the outside director
Takashi Enomoto*	Takashi Enomoto has many years of experience in the management of IT solutions businesses at NTT DATA Corporation. He has been elected as our outside director for his extensive experience and a broad range of knowledge as a corporate executive.
Kazuaki Kama*	Kazuaki Kama was involved for many years in the management of the heavy machinery manufacturing business at IHI Corporation, including progress of the focus of resources on strategic business activities. He has been elected as our outside director for his extensive experience and a broad range of knowledge as a corporate executive.
Hiroshi Tomono*	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 been elected as our outside director for his extensive experience and a broad range of knowledge as a corporate executive.
Kimikazu Noumi*	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 been elected as our outside director for his broad range of management experience and knowledge as a corporate executive.

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

Executive Officer Appointment

The Board of Directors uses a fair, timely and appropriate method to select people who have the capabilities to serve as Executive Officers. These individuals must be able to create new value for the Group and earn the support of internal and external stakeholders. Standards for making these judgments about capabilities are defined in "Standards for the Selection of Executive Officers."

These standards include qualification standards. Individuals must have the ability and experience for the internal and external management of the Group's business operations. Qualification standards also take into consideration knowledge about specialized fields and technologies, an individual's age when the time for renewing the appointment comes, and other

Outside director attendance at meetings of the Board of Directors and three committees in Fiscal 2015

Name	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
Shoji Kondo	14 of 14 meetings	8 of 8 meetings	2 of 3 meetings (while serving as committee member until June 2015)	6 of 6 meetings (after becoming committee member in June 2015)
Takashi Enomoto	13 of 14 meetings	8 of 8 meetings (after becoming committee member in June 2015)	13 of 13 meetings	2 of 2 meetings (while serving as committee member until June 2015)
Kazuaki Kama	13 of 14 meetings	—	13 of 13 meetings	8 of 8 meetings
Hiroshi Tomono	10 of 11 meetings (after becoming director in June 2015)	7 of 8 meetings (after becoming committee member in June 2015)	9 of 10 meetings (after becoming committee member in June 2015)	5 of 6 meetings (after becoming committee member in June 2015)

items. In addition, the Board of Directors selects individuals with a strong commitment to ethics, the ability to put customers first, the ability to drive innovation, strong motivation to achieve goals, and other characteristics.

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

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

Prior to the submission of this proposal to the Board of Directors, the Nominating Committee performs oversight of the whole process, including a confirmation that a suitable process was used. Oversight includes receiving the proposal for the new Executive Officer team (including the proposed new Executive Officer selections from the President and CEO) and a report about the proposed duties of each Executive Officer.

Compensation for Directors and Executive Officers

The Compensation Committee determines the salaries and compensation system for directors and executive officers. In June 2005, the Committee abolished the conventional retirement benefit system for directors and executive officers, and revised the compensation policy (see table below) to make it a better fit for their roles in the Company.

Compensation for directors and executive officers

Outside Directors	Base salary only
Internal Directors	Base salary + stock compensation as long-term incentive
Executive Officers	Base salary + performance-based cash bonus as short-term incentive + stock compensation as long-term incentives

Konica Minolta regards it as important to clearly indicate the Company's policy on compensation for directors and executive officers, together with the ratio of incentive compensation for the achieved performance. Consequently, the compensation policy in the business report for the fiscal year ended March 2016 stipulated that the executive officers' compensation shall comprise base salary, a performance-based cash bonus as a short-term incentive, and stock compensation as a long-term incentive, with the ratio of the three being 60:25:15. The performance targets on which the performance-based cash bonus is determined are stipulated as major consolidated performance indicators, including revenue, operating profit, and ROE, associated with results of operations.

Konica Minolta participates in a survey on executive compensation for companies in Japan done by an independent party every year, and the amount of individual compensation for each position is benchmarked based upon objective data obtained from the survey.

The amount of compensation paid to directors and executive officers recorded as an expense for the year ended March 2016 is shown in the table below.

Guidelines on Officer Ownership of Konica Minolta Shares

In order to provide incentives for the boosting of earnings results and the Company's share price from the perspective of shareholders, Konica Minolta has established guidelines on ownership of Konica Minolta shares by internal directors and executive officers, along with stock options, as part of their compensation system.

Amount of compensation paid to directors and executive officers for the year ended March 2016

		Total (million yen)	Total base salary		Performance based cash bonus		Stock Compensation	
			Persons	Amount (million yen)	Persons	Amount (million yen)	Persons	Amount (million yen)
Directors	Outside	47	5	47	-	-	-	-
	Internal	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)

Group Auditing System

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

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

Audit Committee System and Roles

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

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

Corporate Audit Division System and Roles

The Corporate Audit Division of Konica Minolta, Inc., which directly reports to the president and CEO, is responsible for the Group-wide internal audit and performs internal audits of Konica Minolta and its subsidiaries, as well as major overseas affiliated companies. Using the risk approach, the division evaluates these companies in terms of the reliability of their financial statements, efficiency, and validity of their businesses and the level of their legal compliance. The division also conducts follow-up audits in which it examines improvement measures taken by respective companies in response to suggestions provided by internal auditors.

In addition, major subsidiaries have their own internal audit divisions which work closely with the Corporate Audit Division of Konica Minolta, Inc., and enhance the internal audit function of the entire Group.

Group Compliance Promotion System

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

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

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

Risk Management System

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

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

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

Directors

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

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

Director
Chairman of the Board
Masatoshi Matsuzaki

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

Director (President and CEO)
Shoei Yamana

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

Director (Outside Director)
Takashi Enomoto

After serving as Representative Director and Vice President at NTT DATA Corporation became an outside director at Konica Minolta, Inc. in June 2013.

Director (Outside Director)
Kazuaki Kama

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

Director (Outside Director)
Hiroshi Tomono

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

Director (Outside Director)
Kimikazu Noumi

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

Director
Yoshiaki Ando

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

Director
Ken Shiomi

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

Director (Senior Executive Officer)
Seiji Hatano

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

Director (Senior Executive Officer)
Kunihiro Koshizuka

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

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

Title	Name	Current Position and Responsibilities at the Company
President and CEO, Representative Executive Officer	Shoei Yamana*	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 Itoh	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 Deputy General Manager, Business Technologies Business, Business Planning Headquarters
Executive Officer	Toshimitsu Taiko	In charge of Business Technologies Business, Business Planning
Executive Officer	Atsuo Takemoto	In charge of Procurement
Executive Officer	Masafumi Uchida	General Manager, Environment Management and Quality Promotion Division 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

* indicates the officer also holds a position as Director

CSR Management

Basic Approach

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

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

Network Japan
WE SUPPORT

The United Nations Global Compact's Ten Principles

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

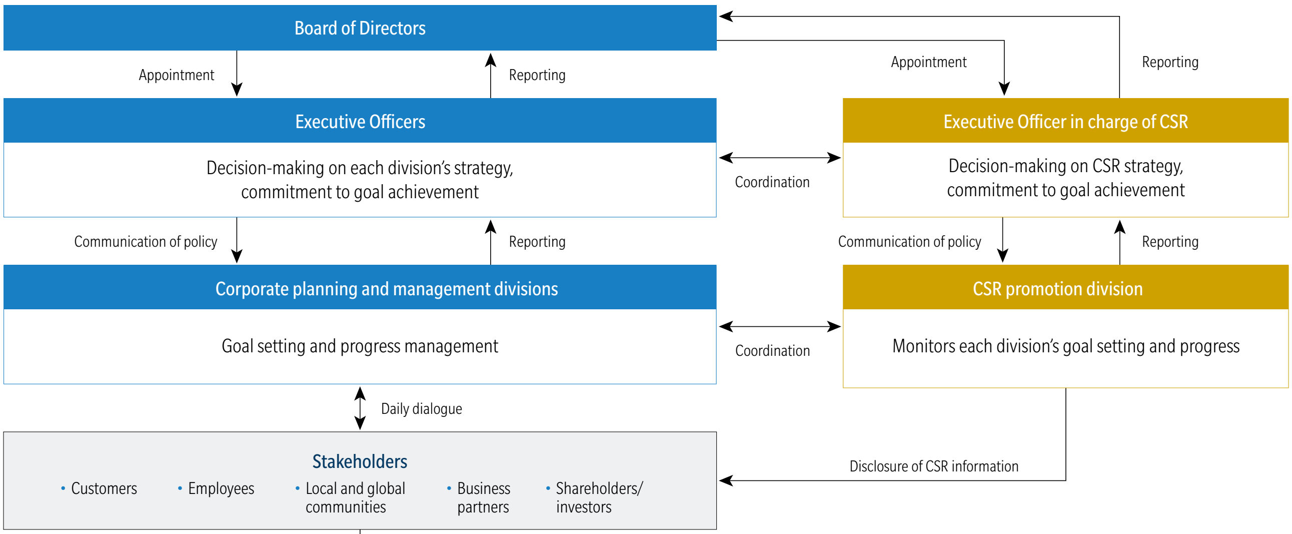
Konica Minolta Group Charter of Corporate Behavior

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

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

CSR Management System

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



	Characteristics of Stakeholders	Tools and Opportunities for Communication
Customers	Konica Minolta does business around the world. The major customers of Konica Minolta's main business operations are corporations, government agencies, and hospitals.	• Providing customer service via websites and call centers • Providing product information via websites and newsletters • Conducting customer satisfaction surveys • Exchanging information via visits to customers • Exchanging information at showrooms and trade shows • Holding seminars
Employees	Konica Minolta employs 43,332 people worldwide. Of those, 28% are in Japan, 23% are in Europe, 20% are in the U.S., and 29% are in China and elsewhere in Asia, and others. (Figures are based on total regular employees of consolidated companies, as of March 31, 2016.)	• Interactive intranet • Group journal • Employee attitude surveys • Dialogue with labor unions • Internal help line systems • Discussion during inspection tours of production sites by senior staff • Town meetings attended by senior staff
Local and Global Communities	Konica Minolta operates in countries across the globe, and acts as a responsible member of every community where it operates.	• Activities that contribute to local communities • Community briefings and invitational events • Sending speakers to lectures and places of education • Industry group activities • Environmental reports and websites • Global public relations activities through international publications and websites
Business Partners	Konica Minolta procures raw materials, parts and components from many suppliers for each of the Group's businesses. The majority of these suppliers are located in Japan, China, and elsewhere in Asia.	• Holding suppliers' meetings • Procurement Collaboration System • Conducting CSR surveys (self-assessment questionnaires)
Shareholders and Investors	Since Konica Minolta, Inc. has relatively high ownership by institutional and foreign shareholders, the Company is expected to take part in IR initiatives proactively on a worldwide basis.	• Shareholders' meetings • Briefings for investors • Visits to investors • Briefings for business analysts and institutional investors • Annual reports • IR website

Reevaluating Materiality

Companies must address a great range of social issues, including human rights issues, labor issues, and environmental challenges such as climate change and resource depletion. In light of the changing social landscape and business environment, Konica Minolta reevaluated materiality to identify issues that it should address on a priority basis, with the aim of ensuring that its initiatives function with greater coordination between social issues and business objectives.

To identify materiality, first a comprehensive list of issues was made with reference to international guidelines. Those issues were given a quantitative rating for two aspects, "stakeholder interest" (materiality to stakeholders) and "impact on the Group's business" (materiality to the Company's business) to verify their materiality. Outside experts were asked for their opinions in order to incorporate objectivity into the decisions on the materiality of each issue, which were then validated by the newly established CSR Executive Meeting, whose main members are executive officers. Six material issues were identified in this process.

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

Overview of the CSR Executive Meeting

Purposes of the CSR Executive Meeting

(1) To hold fundamental discussions on CSR issues, make policies, and decide on future course.

(2) To review the "Planning" phase of PDCA, which until now was done separately by each organization, in a cross-cutting manner from the overall perspective of CSR, thereby increasing the sophistication of each strategy and improving measures.

Members

Mandatory members: Executive officers in charge of areas concerned with the environment and social impact

Process for Identifying Materiality

Step 1 Issue awareness

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

Step 2 Assessment of issues from stakeholders' perspectives

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

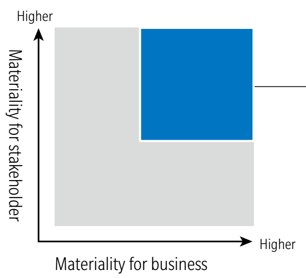
Step 3 Assessment of materiality for Konica Minolta and prioritization

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

Step 4 Validation and identification

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

Identification of Materiality



Material Issues	Boundary	GRI G4* Aspects
1 Environment	•Group •Suppliers •Customers	•Materials •Energy •Emissions to Air •Products and Services •Group Transport
2 Social innovation	•Group	–
3 Customer satisfaction and product safety	•Group	•Customer Health and Safety
4 Responsible supply chain	•Group •Suppliers	•Supplier Assessment for Labor Practices •Supplier Human Rights Assessment
5 Human capital	•Group	•Employment •Training and Education •Occupational Health and Safety
6 Diversity	•Group	•Diversity and Equal Opportunity

*G4: The 4th edition of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines

Konica Minolta's CSR Activity System

Goals of the Medium-Term Environment Plan 2016 and Fiscal 2015 Targets and Results

Materiality	Key Action	Material Issue	Goals of the Medium-Term Environment Plan 2016	
			Business Value	Environmental Value
Environment	Green Products (planning and development)	(1) Creating and promoting the green products demanded by customers and society	**Sales** •Sales of Green Products: 640 billion yen (GP sales ratio: 60%) **Cost reductions** •Reduce cost of product materials	**Preventing global warming** •CO_2 emissions reduction during product use: 59 thousand tons •CO_2 emissions reduction during procurement: 105 thousand tons **Supporting a recycling-oriented society** •Effective resource utilization: 33 thousand tons **Reducing chemical substance risks** •Control emissions
		(2) Complying with government procurement standards and environmental label requirements	**Sales** •Eliminate lost sales opportunities	**Environment overall** •Reduce environmental impact by complying with standards and label requirements
		(3) Dependably complying with product-related laws and regulations	**Risk avoidance** •Eliminate effect on sales	**Reducing chemical substance risks** •Reduce hazardous chemical substance risk by conforming to laws and regulations
	Green Factory (procurement and production)	(1) Translating Green Factory operations into cost competitiveness	**Cost reductions** •Reduce costs of energy and materials (reduce loss)	**Preventing global warming** •CO_2 emissions reduction during production: 4 thousand tons **Supporting a recycling-oriented society** •Effective resource utilization: 3 hundred tons **Restoring and preserving biodiversity** •Sustainable use of water resources
		(2) Upgrading recycling to resolve environmental challenges faced by society	**Cost reductions** •Reduce cost of materials	**Supporting a recycling-oriented society** •Effective resource utilization: Resource cycle through expanded utilization of reusable materials
		(3) Translating cooperation with suppliers into cost competitiveness	**Cost reductions** •Reduce costs of energy and materials (reduce loss)	**Preventing global warming** •CO_2 emissions reduction at suppliers (established in agreement with each target supplier) **Supporting a recycling-oriented society** •Effective use of resources (established in agreement with each target supplier)
		(4) Dependably complying with production-related laws and regulations	**Risk avoidance** •Eliminate effect on production	**Environment overall** •Reduce environmental impact by complying with laws and regulations
	Green Marketing (distribution, sales and service, and collection and recycling)	(1) Resolving customers' environmental challenges	**Sales** •Acquire sales opportunities	**Environment overall** •Reduce environmental impact on customer side
		(2) Optimizing the supply chain and linking environmental initiatives	**Cost reductions** •Reduce cost of distribution and packaging	**Preventing global warming** •CO_2 emissions reduction during distribution: 3 hundred tons **Supporting a recycling-oriented society** •Effective resource utilization: 4.5 hundred tons
		(3) Undertaking product 3R initiatives	**Risk avoidance** •Reinforce 3R initiatives	**Supporting a recycling-oriented society** •Use resources effectively through product 3R initiatives

Note: Some of the fiscal 2016 targets have been changed, but the binding target of a 40% reduction in lifecycle CO_2 emissions has not been changed.

Fiscal 2015 Targets		Fiscal 2015 Results			
Business Value	**Environmental Value**	**Business Value**		**Environmental Value**	
Sales • Sales of Green Products: 590 billion yen (GP sales ratio: 54%) **Cost reductions** • Reduce cost of product materials	**Preventing global warming** • CO_2 emissions reduction during product use: 50 thousand tons • CO_2 emissions reduction during procurement stage: 83 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 27 thousand tons **Reducing chemical substance risks** • Control emissions	**Sales** • Sales of Green Products: 590.7 billion yen (GP sales ratio: 57%) **Cost reductions** • Reduced cost of product materials	○	**Preventing global warming** • CO_2 emissions reduction during product use: 51.5 thousand tons • CO_2 emissions reduction during procurement stage: 93 thousand tons **Supporting a recycling-oriented society** • Resources used effectively: 27.7 thousand tons **Reducing chemical substance risks** • Controlled emissions	○
Sales • Eliminate lost sales opportunities	**Environment overall** • Reduce environmental impact by complying with standards and label requirements	**Sales** • Eliminated lost sales opportunities	○	**Environment overall** • Reduced environmental impact by complying with standards and label requirements	○
Risk avoidance • Eliminate effect on sales	**Reducing chemical substance risks** • Reduce hazardous chemical substance risk by complying with laws and regulations	**Risk avoidance** • Eliminated effect on sales	○	**Reducing chemical substance risks** • Reduced hazardous chemical substance risk by complying with laws and regulations	○
Cost reductions • Reduce costs of energy and materials (reduce loss)	**Preventing global warming** • CO_2 emissions reduction during production: 1.7 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 5.5 hundred tons **Restoring and preserving biodiversity** • Sustainable use of water resource	**Cost reductions** • Reduced costs of energy and materials (reduced loss)	○	**Preventing global warming** • CO_2 emissions reduction during production: 2.85 thousand tons **Supporting a recycling-oriented society** • Effective resource utilization: 7.5 hundred tons **Restoring and preserving biodiversity** • Sustainably used water resources	○
Cost reductions • Reduce cost of materials	**Supporting a recycling-oriented society** • Effective resource utilization: Expanded use of reusable high density polyethylene in toner bottles	**Cost reductions** • Reduced cost of materials	○	**Supporting a recycling-oriented society** • Effective resource utilization: Expanded use of reusable high density polyethylene in toner bottles	○
Cost reductions • Reduce costs of energy and materials (reduce loss)	**Preventing global warming** • CO_2 emissions reductions at suppliers: 4 hundred tons **Supporting a recycling-oriented society** • Effective resource utilization: 1 hundred tons	**Cost reductions** • Reduced costs of energy and materials (reduced loss)	○	**Preventing global warming** • CO_2 emissions reductions at suppliers: 4.7 hundred tons **Supporting a recycling-oriented society** • Effective resource utilization: 1.3 hundred tons	○
Risk avoidance • Eliminate effect on production	**Environment overall** • Reduce environmental impact by complying with laws and regulations	**Risk avoidance** • Eliminated effect on production	○	**Environment overall** • Reduced environmental impact by complying with laws and regulations	○
Sales • Acquire sales opportunities	**Environment overall** • Reduce environmental impact on customer side	**Sales** • Acquired sales opportunities	○	**Environment overall** • Reduced environmental impact on customer side	○
Cost reductions • Reduce cost of distribution and packaging	**Preventing global warming** • CO_2 emissions reduction during distribution: 3 hundred tons **Supporting a recycling-oriented society** • Effective resource utilization: 3 hundred tons	**Cost reductions** • Reduced cost of distribution and packaging	△	**Preventing global warming** • CO_2 emissions reduction during distribution: 2.7 hundred tons **Supporting a recycling-oriented society** • Effective resource utilization: 2.5 hundred tons	△
Risk avoidance • Reinforce 3R initiatives	**Supporting a recycling-oriented society** • Use resources effectively through product 3R initiatives	**Risk avoidance** • Reinforced 3R initiatives	△	**Supporting a recycling-oriented society** • Use resources effectively through product 3R initiatives	△

Targets and Results Regarding Social Impact

Materiality	Key Action	Fiscal 2015 Targets
Customer Satisfaction and Product Safety	Assuring product safety Increasing customer satisfaction	1) Number of serious product-related accidents*1: 0 2) Improve quality throughout the product lifecycle*2
Responsible Supply Chain	Promoting CSR in the supply chain	•Request that suppliers practice CSR •Conduct CSR assessments and audits •Clarify support programs for suppliers •Clarify incentive programs for suppliers
		•Proper information disclosure •Further improve the response rate and response accuracy for conflict mineral surveys
Human Capital	Ensuring work-life balance	•Initiatives to reduce working hours •Support for balancing work and childcare
	Developing human resources	•Conduct a global employee attitude survey •Run programs for systematically developing senior personnel in Asia •Continue implementing the town hall-style meetings between employees and the president
	Managing occupational safety and health	1) Serious accidents*4: 0 2) Frequency rate of accidents causing absence from work: 0.1 or less •Strengthen cultivation of safety culture: Involvement of top management in safety, safety management at workplace, improve individuals' safety awareness •Improve global safety and health management •Ensure basic safety of facilities and provide comprehensive risk assessment in safety sectors
Diversity	Supporting women's career building	1) Continue implementing the Health KM2016 medium-term health plan •Enhance and strengthen support for Group-affiliated companies in Japan •Reduce the number of high-stress workplaces by strengthening workplace improvement measures •Increase the continuous usage rate of KENPOS, a health encouragement website
		•Implement career development programs for female employees
	Globalizing human resources	•Proactive hiring and utilization of global human resources

Note: Targets are not set for social innovation since this material issue has been newly specified.

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

*2 **Product lifecycle:** All processes from product planning, development, and material procurement, to production, sales, service, and disposal.

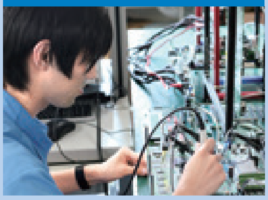
Fiscal 2015 Results	Fiscal 2016 Targets and Plans
1) Number of accidents: 0 2) Improved quality throughout the product lifecycle[*2] • In addition to the original product safety education, a program to improve risk assessment was implemented • In the Business Technologies Business, NPS indicators[*3] were measured globally, and measures integrating development, production and sales were implemented based on customer feedback • The CR Master Program was started in the Business Technologies Business	• Number of serious product-related accidents[*1]: 0 • Risk assessment practice: 12 times/year • Set indicators measuring customer relationship strength for each business
• Requested that suppliers practice CSR • CSR assessments were carried out on 16 Group manufacturing sites and 57 business partners • Improvements were made at one Group manufacturing site based on the results of the Electronic Industry Citizenship Coalition (EICC) third-party audit • A Konica Minolta CSR audit was implemented at one business partner • Education was provided on the background of CSR procurement, codes of behavior and audit standards	**CSR procurement** • Request that business partners carry out CSR activities: 100% implementation • CSR assessment: Complete assessments of all 20 Group production sites and about 130 important business partners by the end of fiscal 2016 • CSR audit: Complete audits of three particularly important Group production bases and two particularly important business partners by the end of fiscal 2016
• Expanded CSR activities to logistics partners	**CSR logistics** • CSR assessment: Assess eight logistics partners and complete improvements by the end of fiscal 2016
• Appropriate disclosure of information in response to customer inquiries • Improved business partners' response rate to 99% in conflict mineral surveys in the Business Technologies Business	**Response to conflict mineral issues** • Response to customers' request for surveys: 100% response
• Prohibited overtime past 8 pm in principle (Konica Minolta, Inc.) • 67 employees took childcare leave with a 100% rate of return from childcare leave	• Promotion of Work-style Reform Project Pursued with the following four task teams -Improve labor productivity -Optimize workplace -Promote sharing and utilization of information -Set rules for improvements to operations
• Reorganized education process for global managerial staff • Implemented global employee survey • Held reginal Global Executive Program (GEP) • Held town meetings hosted by president and executive officers	• Develop customer-oriented, innovative personnel to win out in global competition • Clarify the ideal employee and the desired mindset, actions, capacity and skills • Accelerate the speed of human resource development • Systematically develop Group managers • Share global success stories (hold global award ceremonies, etc.)
1) Serious accidents[*4]: 1 2) Frequency rate of accidents causing absence from work: 0.23 (in Japan), 0.44 (outside Japan)	**Prevention of occupational accidents** • Serious accidents[*4]: 0 • Frequency rate of accidents causing absence from work: 0.1 or less
• Selected for inclusion in Health & Safety Stock Selection of Ministry of Economy, Trade and Industry of Japan for second straight year • Promoted measures to minimize number of employees with health risks • Promoted health movement to establish exercise habits and improve food habits	**Promote health management** • Step in to help employees before they have to take leave of absence for illness • Take steps to reduce the number of employees with health risks
• Provided leadership training for female managerial candidates • Offered mentoring for female employees	• Hire female managers: 5.0% ratio of female employees (fiscal 2017 target) • Active hiring of new female graduates: 30% rate of female hires • Encourage female employees to perform to potential through leadership from top managers
• Percentage of non-Japanese employees among new Konica Minolta, Inc. employees: 8.0% (joining April 2016) • Evaluated managers based on globally standardized evaluation criteria • Shared a global perspective through Global Strategy Council (ongoing implementation)	• Proactive hiring and training of employees of foreign nationality • Evaluation of managerial staff based on globally standardized evaluation criteria (ongoing) • Sharing of global perspective developed by Global Strategy Council (expand membership) • Share measures to promote diversity on a global basis

*3 The NPS (net promoter score) indicator measures the percentage of recommendations of companies, products and services made to other people.

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

Creating Value through Our Value Chain

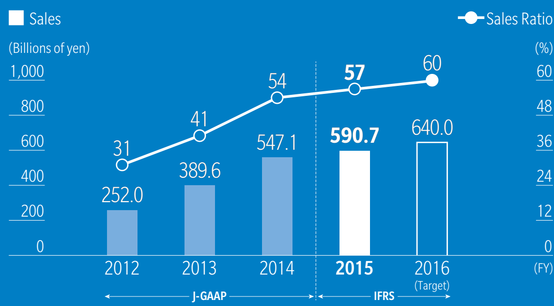
To produce high added-value products and services, Konica Minolta has built a value chain supporting everything from development to procurement, production, distribution, marketing and sales, and after-sales support. Alongside leveraging this value chain to optimize costs, we are also working to improve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

Value Chain	R&D P.73	Procurement P.74	Production P.74	Distribution P.74
				
Quality Improvement Initiatives	▮ Utilize the four core technologies of materials, optics, nanoscale fabrication, and imaging to develop revolutionary products ▮ Develop cyber-physical systems that achieve a sophisticated combination of input technologies, which make the invisible visible; process technologies, which make acquired data intelligent; and output technologies, which allow for the creation of solution-based services	▮ Mitigate procurement quality risk through supplier diversification ▮ Work with business partners to conduct quality improvement activities called DOAZ* * Defect On Arrival Zero	▮ Share quality issues and cross-deploy countermeasures by conducting Production Capability Assessments ▮ Pursue global quality assurance through coordination with Konica Minolta production sites and production contractors inside and outside of Japan ▮ Centrally manage and analyze test data using ICT, improving production quality by speeding up response to and preventing quality problems	▮ Improve and maintain logistics quality (improve lead times and reduce damage and losses) through KPI management in cooperation with logistics (shipping and inventory) partners (contractors) ▮ Conduct logistics network design and respond flexibly to reduce logistics risks (freight congestion caused by natural disasters, government policies, conflicts, etc.)
	Quality Management (P.78)			
Environmental Initiatives	▮ Create the green products that customers and society need ▮ Develop the environmental technologies for creating green products	▮ Work with business partners to promote the Procurement Collaboration activities for ongoing mutual improvement of business environments ▮ Work with business partners to conduct green supplier activities and reduce environmental impact and costs	▮ Conduct green factory operations that simultaneously reduce environmental impact and cut costs ▮ Conduct upgrade recycling (using upgraded recycled materials) to solve regional environmental issues	▮ Reduce CO_2 emissions through better logistics efficiency ▮ Make packaging smaller and lighter
	Environmental Management (P.79)			
Human Resource Initiatives	▮ Hold the Challenge Engineers Forum to develop young technicians ▮ Develop technology management staff (MOT education) ▮ Provide intellectual property education in China, where patent acquisition is heating up	▮ Improve skills through personnel rotation in and outside of Japan, as well as among businesses	▮ Conduct diversified human resources development activities to ensure production techniques and expertise are passed on ▮ Conduct Product Safety Education to improve awareness and technologies aimed at product safety	▮ Strengthen logistics strategy planning ability aimed at overall optimization ▮ Strengthen ability to execute when building a distribution network
	Human Resource Management (P.80)			
Cost Initiatives	▮ Acquire patents in Japan, the U.S., China, and other countries ▮ Invest at least 70 billion yen annually in R&D	▮ Work with business partners to control costs, beginning at the development stage ▮ Promote *Procurement Collaboration Activities* in order to improve business partners' productivity ▮ Conduct efficient global procurement activities that account for logistics, exchange rate volatility and other factors	▮ Achieve highly-efficient production through digital manufacturing (ICT, automation)	▮ Reduce costs by improving shipping efficiency (improving container/truck loading efficiency) ▮ Optimize inventory and improve shipping efficiency through optimal placement of distribution facilities

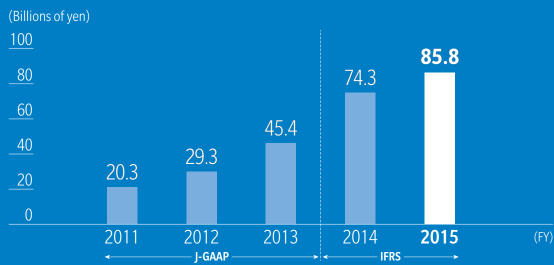
Sales P.76	After-Sales Support P.76
	
▌Conduct face-to-face sales to understand the value customers truly need and provide solutions to customers' problems through the best mix of products and services ▌Improve value to the customer through OPS and hybrid-type sales which combine equipment sales with provision of IT services ▌Improve the quality of proposals for and delivery to customers through sales and project management handled by customer engagement teams	▌Homogenize support operations through the launching of the Global Support Center ▌Implement SLA (Service Level Agreement) to provide customers with high quality services and peace of mind
▌Provide support for decreasing customers' environmental impact with OPS ▌Provide support for customers' environmental management using environmental technologies and expertise	▌Collect and recycle used MFPs and printers ▌Carry out the Clean Planet Program for collecting toner cartridges
▌Acquire expertise and human resources to strengthen ability to provide services such as OPS, MPM, and MCS	▌Invest human resources in service businesses ▌Strengthen ability to help customers at the call center
▌Consolidate sales facilities	▌Make support operations more efficient with the launching of the Global Support Center

Results of Contributing to Customer Value Creation

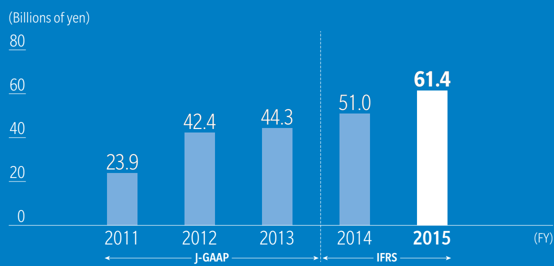
Expanded sales in green products, which reduce customers' environmental impact



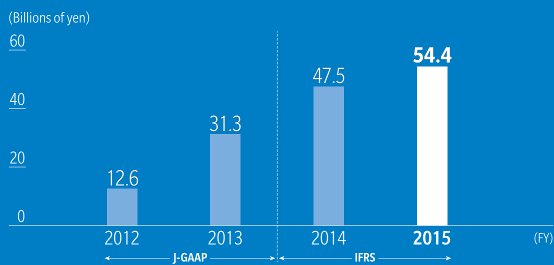
Expanded revenue of OPS, which help customers cut costs and enhance efficiency



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



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



Research and Development

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

Research and Development Activities

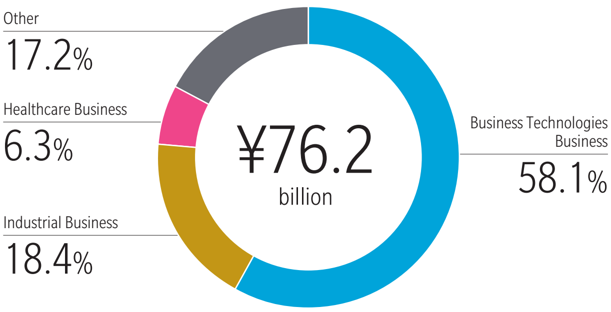
The three basic policies governing Konica Minolta's companywide technology strategies are: accelerating innovation to drive continued growth; differentiating technologies to create customer value; and nurturing first-class technical personnel while strengthening organizational development capabilities.

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

Our development framework is a two-pronged system whereby we develop in Japan the technologies that will become a platform used around the world and develop, at development sites physically near customers, technologies which need to be customized to that individual customer. Under this system, we are quickly addressing customer needs in each region while making large-scale investment decisions throughout the Group and developing common-platform technologies.

Furthermore, in order to keep pace with the speed of recent technological innovation, we are engaged in innovation incubation activities in and outside of Japan based on our Open & Close Strategies. Konica Minolta Hachioji SKT, a R&D center that serves as a core facility for technology development in the Group, is conducting R&D that transcends the boundaries of business units while promoting open innovation inside and outside the Company. Also, our Business Innovation Centers (BICs) are collaborating with local research institutes and startups in Konica Minolta's five key regional markets to advance some 90 projects.

Percentage of R&D expenses (fiscal 2015)



Primary R&D themes of our businesses

Business Technologies Business	• Strengthening system technologies in coordination with the cloud and mobile devices • Developing inkjet printers and ink for industrial use • Developing next-generation office systems
Healthcare Business	• Developing high added-value X-ray systems • Developing in vitro diagnostic technologies (serum protein detection, fluorescent nanoparticle labeling materials)
Industrial Business	• Developing optical systems for industrial use • Developing inline measurement systems

Intellectual Property Activities

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

Konica Minolta makes 81% of its revenue overseas and has sales and production sites around the world. To support our business activities with intellectual properties, we submit patent applications and secure intellectual property rights for key markets and countries producing Konica Minolta products around the world. We are proactively submitting patent applications and securing intellectual property rights in sites involved in intellectual property activities in Japan, the U.S., and China, and are achieving appreciable growth in the number of patents registered and held in these countries.

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

Focused Topic

Green Product development

The Green Products Certification System is Konica Minolta's proprietary system for evaluating and certifying products with superior environmental performance. The criteria that must be met are set for different businesses and product characteristics, and the product is certified at one of three levels based on its degree of achievement. In fiscal 2015 the Group created 35 new certified products, increasing the total number of certified products to 182. Revenue from green products was ¥590.7 billion, which comprises 57% of the Group's revenue.

Procurement, Production, and Distribution

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

Procurement Optimization

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

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

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

An Efficient Production System

At Konica Minolta, key parts and items that use Konica Minolta's proprietary technologies such as toners are primarily manufactured in Japan. Our manufacturing contractors in Asia make the general parts and units, and China and Malaysia handle final assembly. Our production sites in China have made use of expertise developed over 20 years of operations to achieve highly-efficient production. However, to mitigate the risk of concentrating too much of our production capacity in China, we established a production site in Malaysia in May 2014 that began full operation in 2015. This site uses digital manufacturing that combines ICT with automation technologies to achieve dramatic production workflow efficiency and quality improvements.

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

Voice of a Business Partner | **Changhong Technology Co., Ltd.**

Xu Yanping
President, Changhong Technology Co., Ltd.

As part of the Green Supplier activities, Konica Minolta environmental manufacturing experts visited our production site, and we discussed environmental measures for molding machines and utilities use. Preparing for the actual implementation of the suggested measures, we visited a Konica Minolta production site in China, and we were able to address our situation while discussing specific ways to proceed.

The local government places great importance on energy-saving activities, and we received a monetary incentive after reporting the energy-saving initiatives we took through the Green Supplier activities. We were able to reduce our emissions by 800 tons per year, and also contributed to CO_2 emissions reduction in China.

Visiting a Konica Minolta site to see environmental measures

Focused Topic 1

Green Factory operations

Konica Minolta's Green Factory operations aim to both reduce environmental burden and cut costs through environmental conservation activities in line with the production strategies of each business.

In fiscal 2015, all of the Company's production sites were certified with Level 2 status of the Green Factory Certification System. The Company will be launching the Excellent Green Factory Certification System in fiscal 2016. With an eye to fiscal 2018, standards have been set for activities that will further reduce our facilities' environmental impact and costs and that will involve collaboration with various stakeholders including customers, business partners, and local communities. Leveraging the technologies and expertise of our production sites, Konica Minolta will continue to contribute to the environment in a broad-based capacity that extends beyond individual company lines.

Fiscal 2015 reductions (compared to fiscal 2005)

Cost reduction	¥5.4 billion
CO_2 reduction	71 ktons
Waste reduction	14 ktons

Upgrading Our Supply Chain Management

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

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

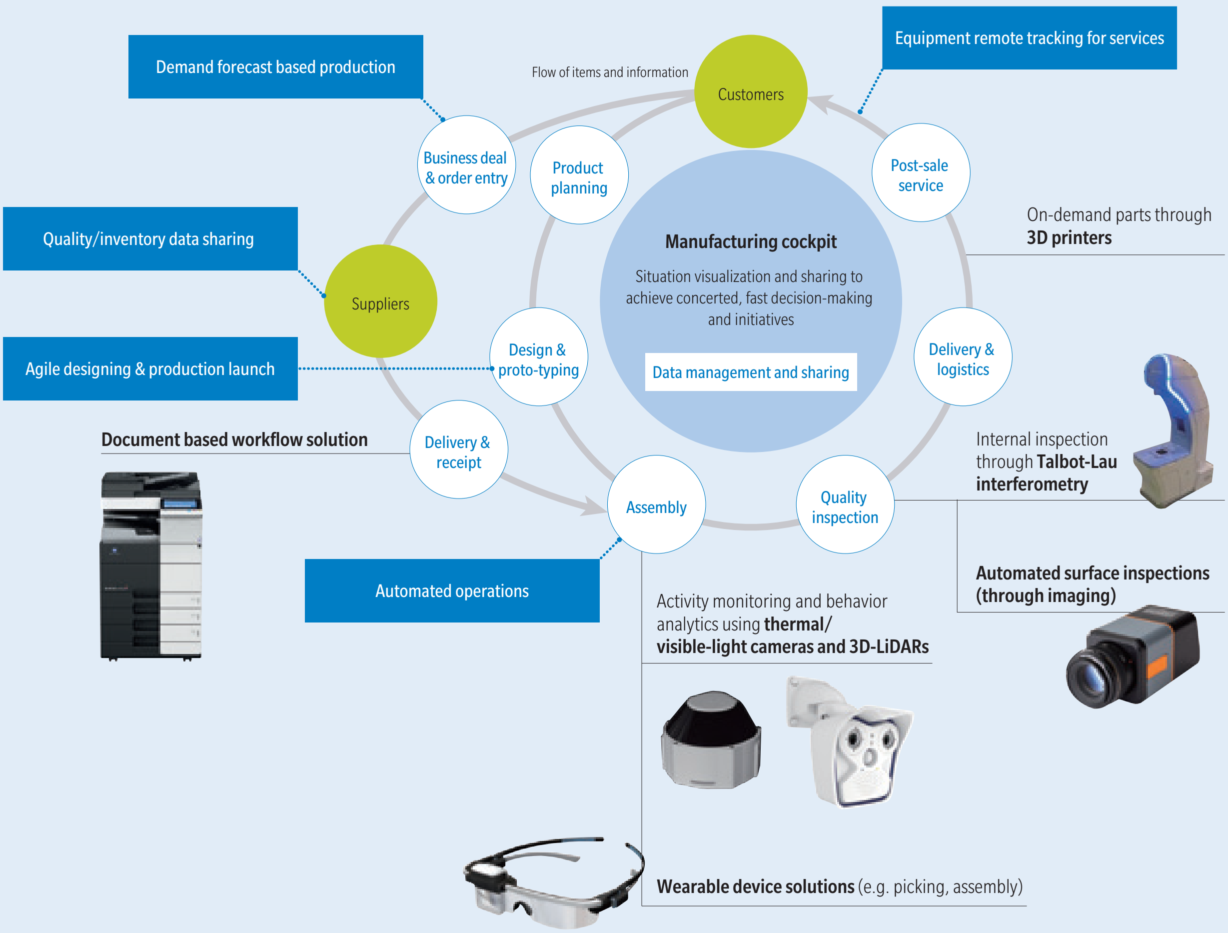
Furthermore, since fiscal 2015 the Company has collaborated with DHL Supply Chain, a company that comprehensively handles domestic distribution for Konica Minolta Group companies, to carry out CSR Logistics, which is a CSR activity promoted together with distribution contractors.

Focused Topic 2

Improving all value chain process efficiency and quality through digital manufacturing

Konica Minolta is engaged in combining ICT and automation technologies to deploy digital manufacturing as a new way of making things that avoids reliance on people, places, countries, and fluctuations. Implementing this system will improve the efficiency of work processes that formally relied on people while improving operational accuracy and quality. This effort will also involve sharing data among distant facilities and strengthening collaboration in order to improve productivity across the board. An additional benefit will be a reduction of inventory achieved by sharing data with suppliers. Digital manufacturing is currently seeing a phased implementation at the production site in Malaysia. Leveraging expertise Konica Minolta has developed over the years for its operations, we will work to create businesses that provide solution-based services to customers.

Direction of digital manufacturing at Konica Minolta



Sales and After-Sales Support

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

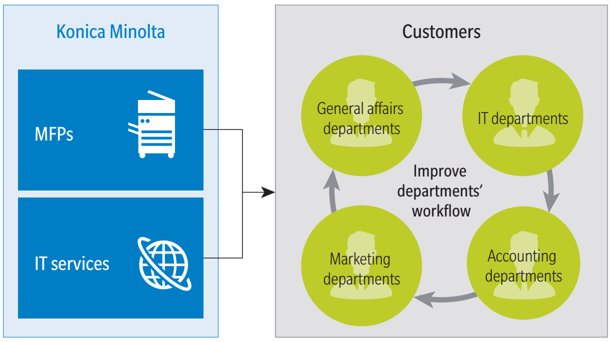
Strengthening Customer-Focused Solutions

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

With the goal of strengthening our ability to offer service solution proposals, Konica Minolta has been engaged in M&A activities for IT service providers in the U.S. and Europe since fiscal 2010. In fiscal 2015 we acquired U.S.-based sales company Symquest, as well as Webcom, an IT services company based in the Czech Republic. By bringing together IT solutions and document solutions, which focused primarily on MFP, we have upgraded and expanded our ability to provide high added-value solutions in the office services field. In the healthcare field, we acquired Viztek, a company providing medical IT solutions in the U.S. market. This move strengthens our ability to provide solutions in the U.S., where demand is growing for better medical efficiency on the back of medical insurance system reform. We also acquired Sawae, an X-ray systems manufacturer with a sales network that spans all of Brazil. This further expands our international sales network into a market primed to see improvements made to diagnosis efficiency and sophistication.

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

Business approaches in the Business Technologies Business



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

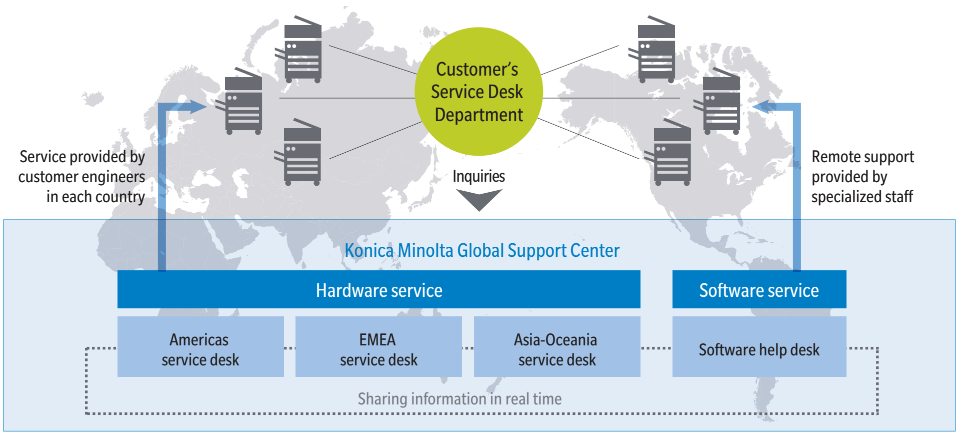
Strengthening After-Sales Support

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

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

In the Healthcare Business, we have implemented a Remote Maintenance system that allows for remotely operating customers' products over the Internet to quickly resolve problems. By cutting down on the number of times our engineers are dispatched, we were able to save approximately ¥70 million when converted into gasoline costs in fiscal 2015.

Global Support Center



With the Global Support Center (GSC), Konica Minolta has consolidated all support personnel at our sales companies around the world into a single point of contact for helping customers. Support requests received by GSC are shared with personnel around the world, allowing local customer engineers to be dispatched to provide hardware support and specialists to solve problems remotely as part of software support. This ensures customers always receive the best possible support when they need it. For information about the GSC, please see pg. 28 of our CSR Report 2016.

http://www.konicaminolta.com/about/csr/csr/download/2016/index.html

Focused Topic

Green Marketing activities

Through its Green Marketing Activities, Konica Minolta provides products and services that answer the environmental needs of its customers, while at the same time using Konica Minolta environmental technologies and know-how to support customers' environmental activities. Raising the bar for environmental initiatives undertaken with customers creates considerable environmental value that cannot be achieved by a single company alone. These activities also contribute to improved earnings, as evidenced by cases of business opportunities arising and sales improving for MFPs as a result of proposing solutions for customers' environmental problems and winning trust in the Company.

Voice of a Business Partner | JTEKT Corporation (auto parts and machine tool equipment manufacturer)

Although JTEKT had set high CO_2 emissions reduction targets for its long-term group vision, our programs stagnated since all the energy-saving measures we thought of had already been done. Top management told us that it might be a good idea to get a third-party assessment, and we turned to Konica Minolta for an energy-saving diagnosis. We received very helpful ideas including visualization measures to monitor costs and CO_2 emissions reduction effects, prioritization starting with investment recovery, and the creation of execution plans. The energy-saving diagnosis became an opportunity to revitalize energy-saving activities at our other plants. Based on joint activities by the management department and frontlines, we realized the importance of sharing a sense of accomplishment in order to achieve further improvements. We believe that companies from different industries can share their technologies and expertise to achieve an even greater environmental contribution. We will continue to value the deep relationship of trust we have built with Konica Minolta through these environmental activities.

Visiting a Konica Minolta site to see environmental measures

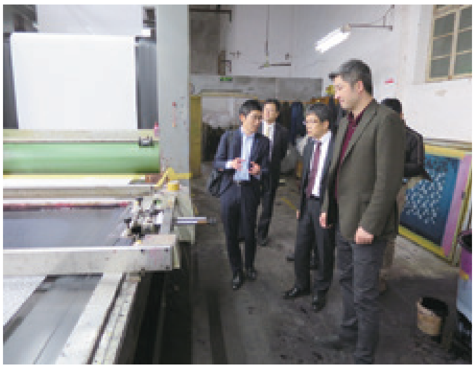
Kiyonori Ito
General Manager, Environmental Management Department, JTEKT Corporation

Voice of a Business Partner | Shanghai Huahui Silk Products Co., Ltd. (textile manufacturer)

Chinese environmental regulations have been getting stricter by the year. Since companies in the dyeing industry use large amounts of energy and water, the government asked us to make special efforts to save energy and water. Since our firm does not have experts in energy and environmental measures, we were wondering how to comply with the government requests.

Then we were contacted by Konica Minolta, a company we knew through its inkjet textile printers. They said members of their environmental team would be visiting China from Japan, and they offered to help us. The team visited us several times and empathetically reviewed our energy and water usage situation before proposing a solution. Several of the measures they suggested, we then implemented. In addition to providing us with inkjet textile printers, Konica Minolta gave us very useful support including related areas, and helped us deal with the environmental issues we faced. Based on the trust created, we intend to maintain a long-term relationship with Konica Minolta.

Chen Yundai
Chairman, Shanghai Huahui Silk Products Co., Ltd.



Studying potential environmental measures at a customer's plant

Quality Management

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

A Quality Assurance System in Line with Our Quality Policy

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

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

Sharing Information about Quality Problems and Cross-Deploying Countermeasures

To raise awareness surrounding quality issues, improve early issue resolution and raise response levels, the Company is promoting Group-wide initiatives to share quality issues and cross-deploy countermeasures.

In fiscal 2015, mutual production capability assessments were conducted by participants at 16 production sites across business areas in and outside of Japan. By assigning scores in categories such as 5S, visualization, elimination of inefficiencies, and factory management, issues at individual sites were identified and proactive improvement was encouraged.

Additionally, outstanding practices are cross-deployed by sharing assessment results and examples of initiatives from each site on the Company intranet.

Production capability assessment

Product Safety Training

Technical employees related to design and development, production technology, procurement and quality assurance across the Konica Minolta Group receive training aimed at enhancing their knowledge and awareness of product safety.

In fiscal 2015, in addition to pre-established product safety training, the Company introduced a hands-on risk assessment program, focusing on identifying and assessing risks working with actual equipment. The goal of the program is to promote the practical use of the knowledge and skills learned through training. Participants provided feedback that was used to evaluate the program and make improvements.

Konica Minolta will continue to raise the level of product safety awareness and skills by providing ongoing training.

Focused Topic

Strengthening customer relationships in the Business Technologies Business

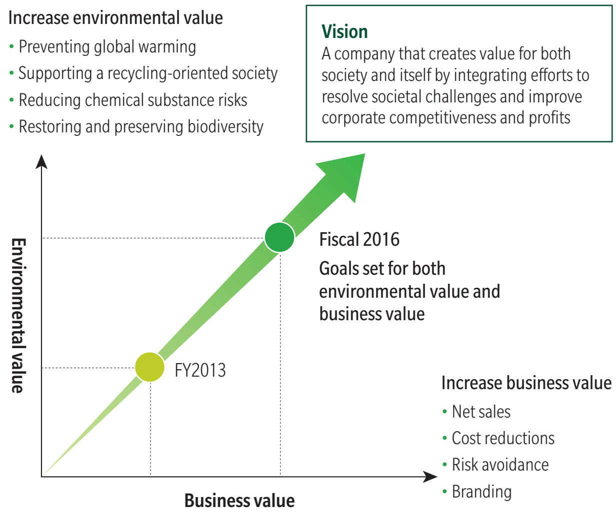
In the Business Technologies Business, the Customer Relations (CR) Division, which is part of the Business Planning Headquarters, deployed a unique scientific approach worldwide, adding NPS* to the customer satisfaction survey. At the annual Global Customer Relations Conference, CR managers from sales companies worldwide met with members of the development, production and marketing departments to discuss ways to improve customer relations and share experience and knowledge. They also discussed the pursuit of best practices. These activities are part of Konica Minolta's continuous efforts to strengthen customer relations.

A CR Master Program was launched in fiscal 2015. The training and certification program aims to improve the skills of CR managers and leaders at sales companies worldwide. Currently, there are approximately 100 employees from the eight principal sales companies participating in the program, and the number will increase as necessary in the future.

* NPS (Net Promoter Score): An indicator that measures the percentage of customers who recommend the company and its products and services to others

Environmental Management

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



Eco Vision 2050

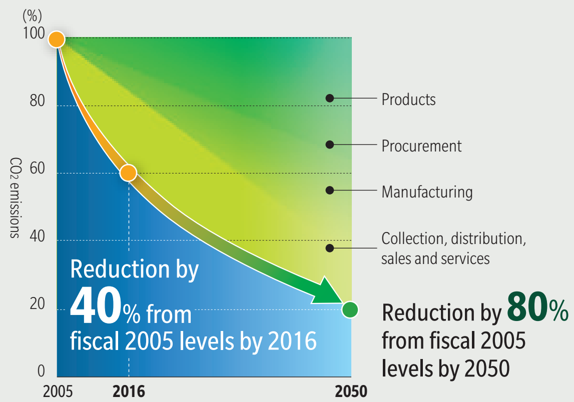
In order to grow sustainably into the future, a company must reduce its environmental impact while achieving corporate growth. Namely, it is essential to practice environmental management that creates new value for society and the economy.

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

Eco Vision 2050

1. Reduce CO_2 emissions throughout the product life cycle by 80% by 2050, compared to fiscal 2005 levels
2. Promote recycling and effective use of Earth's limited resources
3. Work to promote restoration and preservation of biodiversity

CO_2 emission reduction targets



Medium-Term Environmental Plan 2016

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

Environmental Accounting

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

Fiscal 2015 environmental accounting

	Breakdown (%)	
Investment ¥973 million	Pollution prevention	7
	Preventing global warming	38
	Resource circulation	19
	Administration	0
	R&D	34
	Environmental remediation	1
Expenditures ¥14,146 million	Pollution prevention	9
	Preventing global warming	5
	Resource circulation	9
	Upstream/downstream	14
	Administration	9
	R&D	51
	Social activity	1
	Environmental remediation	0
	Other	0
Economic Benefits ¥23,136 million	Preventing global warming	10
	Resource circulation	76
	Upstream/downstream	13

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

Human Resource Management

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

Dynamically Deploying Global Human Resources

Konica Minolta is building a platform consisting of a framework, tools, and concepts to train and make the most of its global human resources. Through this platform, a single human resource management system will be created to include North America, Europe, China and other regions in Asia. Globally standardized evaluation criteria will be used to assess executives and match employees with job opportunities.

Konica Minolta organizes a Global Strategy Council—collegial body composed of top managers from both in and outside of Japan—to ensure that the knowledge and perspectives of executives from Group companies outside of Japan are incorporated in the management of the Group. In fiscal 2015, Konica Minolta, Inc. management held invigorating discussions on medium- and long-term management issues with three executives from Group companies outside of Japan. In fiscal 2016, the number of participants from outside Japan was increased to six in order to encourage even more lively discussions.

Most recently, Konica Minolta, Inc. appointed one non-Japanese corporate executive in fiscal 2016 to accelerate the globalization of management.

Program to Foster Business Leaders

Konica Minolta holds the Global Executive Program (GEP) for executives working for affiliates around the world with the aim of fostering human resources with the potential to become business leaders. In this one-week training session, a global mindset is fostered and leadership is developed via dialogues with top managers and discussions with other participants.

Konica Minolta also holds a regional GEP, expanded to include managers, with the aim of training candidates for executive positions in different regions. In fiscal 2015, the second regional GEP was held in Singapore for Group companies in ASEAN regions in May. Eighteen managers from nine companies in four countries participated.

Second regional GEP held in Singapore for Group companies in the ASEAN region

Occupational Safety and Health

Konica Minolta takes various steps designed to prevent workplace accidents based on the Occupational Safety and Health Management System (OSHMS) and its occupational safety and health committee organization. These measures are practiced worldwide.

In fiscal 2015, despite ongoing efforts to reduce risks, there was one serious accident at a production site outside Japan. In June 2015, a fire caused by explosion occurred at a Group company in China. While there were no fatalities or injuries leaving residual disabilities, nine employees and three outside contractors had to take leave from work. An investigation into the cause of the accident found that it was due to a leak of flammable refrigerant gas from the air-conditioning cooling device. In response, the Company replaced the refrigerant gas with a non-inflammable gas and measures were taken to prevent similar accidents from occurring in the future anywhere in the Group. This accident had minimal impact on the Company's business performance.

The frequency rate of accidents causing absence from work was 0.23 in Japan and 0.44 outside Japan in fiscal 2015.

Managing Employee Health

Under the three-year medium-term health plan, Health KM2016, measures to promote health are actively implemented to achieve the philosophy laid out in the Konica Minolta Statement on Health. In fiscal 2015, the Company pursued a range of measures related to improving physical and mental health, seeking to minimize the number of employees with health risks. Health indicators were set and steps were taken to establish physically active habits and improve eating habits to promote better health.

Focused Topic

Chosen for the Health and Productivity Stock Selection for second straight year

In January 2016, Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange chose Konica Minolta for inclusion in the Health and Productivity Stock Selection for the second straight year on the basis of its health management philosophy and initiatives. The Health and Productivity Stock Selection recognizes companies that focus on employee health from a management perspective and take strategic initiatives accordingly.

External Evaluation of Konica Minolta's Management, with Its Focus on Achieving Sustainable Growth

Konica Minolta, Inc. is included in major international socially responsible investment (SRI) indexes. The Company has been included in the World category (since 2012) and Asia Pacific category (since 2009) of the Dow Jones Sustainability Index (DJSI) issued by U.S.-based S&P Dow Jones Indices and Swiss-based RobecoSAM. The Company has also been included in the FTSE4Good Global Index (since 2003).

Konica Minolta has received high marks from various other SRI research institutes, such as the Silver Class rating from RobecoSAM and the Prime Status in the corporate ratings for CSR from oekom research AG.

Additionally, Konica Minolta was included in the Japan 500 Climate Disclosure Leadership Index (CDLI) 2015 of CDP, an international NGO working to build a sustainable economy.

(As of March 31, 2016)

Inclusion in prominent Japanese/foreign indices

- Maintained inclusion in the Dow Jones Sustainability World Index
- Maintained inclusion in the FTSE4Good Global Index
- Maintained inclusion in the JPX-Nikkei Index 400
- Maintained inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI)

Evaluations by International CSR Rating Agencies

- Ranked Silver Class 2016 by RobecoSAM, an investment specialist group focused on sustainability investing
- Selected for CDP's Japan 500 Climate Disclosure Leadership Index 2015 (CDLI)
- Selected for Prime Status in the corporate ratings for CSR by oekom research AG, one of the leading rating agencies worldwide in the field of sustainable investment

Corporate Evaluation in Japan

- Ranked first place for the second straight year in the overall manufacturing sector in the 19th Environmental Management Survey conducted by Nikkei Inc.
- Chosen for the second straight year for inclusion in the Health and Productivity Stock Selection, a joint project of Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
- Recognized as the company with the best long-term goal at the 2016 Low-Carbon Cup

Konica Minolta Chosen as a 2016 Competitive IT Strategy Company Stock Selection in Recognition of Its IT Strategies

The Competitive IT Strategy Company Stock selection is a joint initiative by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange that selects and publicizes companies that have a strategic approach to IT utilization. In the second year for the initiative, 2016 saw 26 companies selected from among companies listed on the TSE. Konica Minolta is focused on transforming itself into a "problem-solving digital company," making conservative investments in ICT while at the same time making competitive investments aimed at achieving business growth. Digital manufacturing and the Global Support Center (GSC) are a part of how the Company is implementing systems that leverage ICT to provide customers with high added-value service solutions backed up by data.

Financial Report

10-Year Financial Summary

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

	Fiscal 2006	Fiscal 2007	Fiscal 2008
Consolidated Financial Highlights			
Net sales, Revenue (millions of yen)	1,027,630	1,071,568	947,843
Operating income, Operating profit (millions of yen)	104,006	119,606	56,260
Operating income ratio, Operating profit ratio (%) *1	10.1	11.2	5.9
Ordinary income, Ordinary profit (millions of yen)	98,099	104,227	45,403
Ordinary income ratio, Ordinary profit ratio (%) *2	9.5	9.7	4.8
Profit before tax (millions of yen)	-	-	-
Profit before tax ratio (%)	-	-	-
Net income, Profit for the year (millions of yen)	72,542	68,829	15,179
Net income ratio, Profit for the year ratio (%) *3	7.1	6.4	1.6
Profit attributable to owners of the company (millions of yen)	-	-	-
Profit attributable to owners of the company ratio (%)	-	-	-
Earnings per share, Basic earnings per share attributable to owners of the company (EPS) (yen) *4	136.67	129.71	28.62
Equity per share attributable to owners of the company (yen)	692.39	786.20	779.53
Cash dividends per share (yen)	10	15	20
Dividend payout ratio (%) *5	7.3	11.6	70.0
R&D expenses (millions of yen)	71,961	81,272	81,778
R&D expense ratio (%) *6	7.0	7.6	8.6
Net cash flows from operating activities (millions of yen)	66,712	123,014	107,563
Net cash flows from investing activities (millions of yen)	(56,401)	(76,815)	(90,169)
Free cash flows (millions of yen)	10,311	46,198	17,394
Profitability			
ROE (J-GAAP) (%) *7	21.9	17.5	3.7
ROE (IFRS) (%) *8	-	-	-
ROA (%) *9	7.7	7.2	1.6
ROIC (%) *10	13.3	14.1	6.5
Efficiency			
Total assets (millions of yen)	951,052	970,538	918,058
Total assets turnover (times) *11	1.08	1.12	1.00
Property, plant and equipment (millions of yen)	230,094	245,989	227,860
Property, plant and equipment turnover (times) *12	4.61	4.50	4.00
Inventories (millions of yen)	133,550	132,936	129,160
Inventory turnover period (months) *13	3.19	2.96	3.21
Trade and other receivables (millions of yen)	257,380	234,862	171,835
Trade and other receivables turnover (times) *14	2.94	2.76	2.56
Stability			
Equity, Equity attributable to owners of the company (millions of yen)	367,467	417,166	413,380
Equity ratio, Equity ratio attributable to owners of the company (%)	38.6	43.0	45.0
Current assets (millions of yen)	544,237	557,110	504,919
Current ratio (%) *15	144.33	152.39	162.41
D/E ratio (times) *16	0.62	0.54	0.56
Net D/E ratio (times) *17	0.39	0.25	0.23
Investment Indicators			
Price-to-earnings ratio (PER) (times) *18	11.33	10.44	29.28
Price-book value ratio (PBR) (times) *19	0.45	0.58	0.93

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

Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2013 (IFRS)	Fiscal 2014 (IFRS)	Fiscal 2015 (IFRS)
804,465	777,953	767,879	813,073	943,759	935,214	1,002,758	**1,031,740**
43,988	40,022	40,346	40,659	58,144	39,859	65,762	**60,069**
5.5	5.1	5.3	5.0	6.2	4.3	6.6	**5.8**
40,818	33,155	34,758	38,901	54,621	-	-	**-**
5.1	4.3	4.5	4.8	5.8	-	-	**-**
-	-	-	-	-	37,736	65,491	**58,029**
-	-	-	-	-	4.0	6.5	**5.6**
16,931	25,896	20,424	15,124	21,861	28,431	40,969	**32,000**
2.1	3.3	2.7	1.9	2.3	3.0	4.1	**3.1**
-	-	-	-	-	28,354	40,934	**31,973**
-	-	-	-	-	3.0	4.1	**3.1**
31.93	48.84	38.52	28.52	41.38	53.67	81.01	**64.39**
791.28	806.53	817.81	876.65	929.04	968.15	1,067.97	**1,037.96**
15	15	15	15	17.5	17.5	20.0	**30.0**
47.0	30.7	38.9	52.6	42.3	32.6	24.7	**46.6**
68,475	72,617	72,530	71,533	71,184	69,599	74,295	**76,292**
8.5	9.3	9.4	8.8	7.5	7.4	7.4	**7.4**
113,377	67,957	72,367	66,467	89,945	90,058	101,989	**59,244**
(40,457)	(44,738)	(42,757)	(63,442)	(55,776)	(54,143)	(54,014)	**(110,788)**
72,920	23,219	29,610	3,025	34,169	35,914	47,975	**(51,544)**
4.1	6.1	4.7	3.4	4.6	-	-	**-**
-	-	-	-	-	6.1	8.6	**6.5**
1.9	3.0	2.3	1.6	2.3	2.9	4.1	**3.2**
5.3	5.1	5.2	5.2	7.3	5.0	8.3	**7.0**
865,797	845,453	902,052	940,553	966,060	991,700	1,001,800	**976,370**
0.90	0.91	0.88	0.88	0.99	0.96	1.01	**1.04**
205,057	190,701	178,999	179,903	173,362	177,056	181,641	**187,322**
3.72	3.93	4.15	4.53	5.34	5.23	5.59	**5.59**
98,263	100,243	105,080	112,479	115,275	115,175	120,803	**121,361**
2.68	2.67	2.81	2.60	2.52	2.82	2.54	**2.58**
177,720	163,363	174,193	194,038	220,120	240,459	248,827	**245,047**
2.47	2.42	2.52	2.47	2.53	3.09	2.72	**2.73**
419,535	427,647	433,669	464,904	478,404	498,542	535,976	**514,285**
48.5	50.6	48.1	49.4	49.5	50.3	53.5	**52.7**
489,253	501,876	565,923	579,593	589,331	569,552	570,640	**496,216**
183.03	206.98	247.17	205.04	206.62	200.83	202.43	**194.40**
0.47	0.45	0.53	0.48	0.41	0.41	0.31	**0.33**
0.08	0.04	(0.01)	0.02	0.02	0.03	(0.02)	**0.13**
34.17	14.27	18.77	24.12	23.27	17.94	15.07	**14.85**
0.73	1.16	1.13	1.27	0.96	0.99	0.86	**0.90**

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

Management's Discussion and Analysis

Operating Environment

Looking back 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.

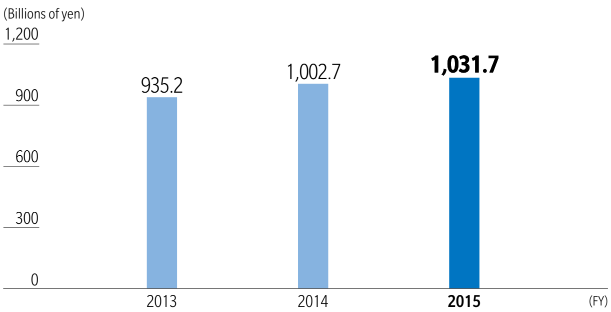
Operating Results

Revenue

Average Japanese yen rates against the U.S. dollar and euro for the period were ¥120.14 and ¥132.58, respectively, constituting a ¥10.21 (9.3%) decrease against the dollar and a ¥6.19 (4.5%) increase against the euro compared to last period.

Revenue for the fiscal year under review increased 2.9% year-over-year to ¥1,031.7 billion as a result of exchange rate gains owing to a weaker Japanese yen against the U.S. dollar, as well as increased sales of core products and the effects of M&A. Revenue rose in the Business Technologies Business on the back of increased sales of high-end color models for commercial printing applications as well as the effects of corporate acquisitions and a weaker Japanese yen against the U.S. dollar.

Revenue



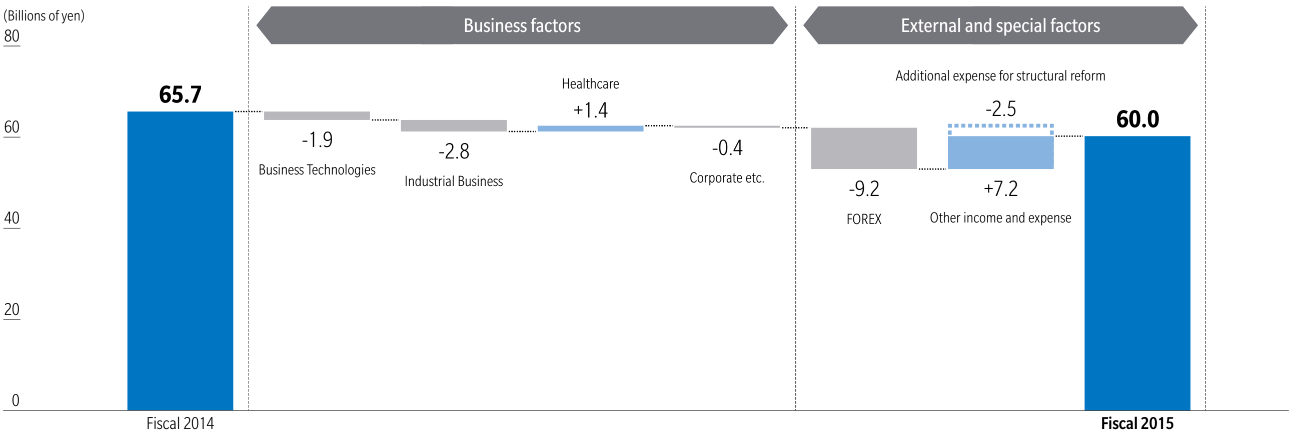
Gross profit

Whereas sales of core products increased, the profit ratio decreased impacted by a stronger yen against the euro. As a result, gross profit for the period was ¥495.5 billion, a 1.2% increase year on year. Gross profit margin dropped 0.8 points year on year to 48.0% (but rose 0.4 points if exchange rate effects are excluded).

Operating profit

Other profit stood at ¥7.7 billion, a ¥0.9 billion year-on-year increase owing to the sale of fixed assets as an effort to further slim down the balance sheet. Selling, general and administrative expenses increased ¥18.7 billion year on year to ¥429.8 billion due to such factors as increased expenses in connection with transforming the Company's businesses amid difficult market conditions. Other expenses decreased ¥6.2 billion year on year to ¥13.3 billion due to a total of ¥3.7 billion for goodwill and other impairment losses and loss on sales of subsidiary shares at European sales companies posted in the previous period, as well as to ¥2.9 billion posted in the fiscal year under review for additional retirement benefits, etc. provided to retirees as a result of implementing a plan to provide incentives for certain employees to take early retirement. As a result, operating profit for the period fell by 8.7% year on year to ¥60.0 billion while the operating profit ratio decreased by 0.7 points year on year to 5.8%.

Fiscal 2015 operating profit analysis



Impact of exchange rates on operating profit

	Fiscal 2014 (Results)	Fiscal 2015 (Results)	Fiscal 2016 (Forecast)
Yen/USD	109.9	120.1	105
Difference in exchange rates over the previous year (yen)	+9.7	+10.2	-15.1
Sensitivity to US dollar (billions of yen)	0.12	0	0
Yen/euro	138.8	132.6	120
Differences in exchange rates over the previous year (yen)	+4.4	-6.2	-12.6
Sensitivity to European currencies (billions of yen)	1.0	1.1	1.2
Monetary impact of exchange rates over previous year (billions of yen)	7.4	-9.2	-19.0

Profit before tax

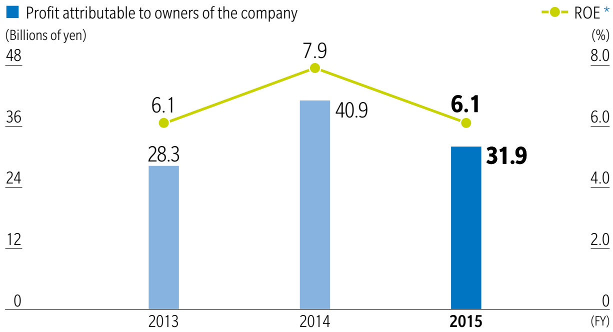
Financial revenue declined to ¥0.3 billion year on year to ¥2.1 billion, financial expenses increased ¥1.3 billion to ¥4.1 billion, and the financial account balance declined by ¥1.7 billion. As a result, profit before tax fell 11.4% year on year to ¥58.0 billion.

Profit attributable to owners of the company

Profit attributable to owners of the company stood at ¥31.9 billion, a 21.9% year-on-year decrease. Tax expenses for the fiscal year climbed to ¥3.8 billion as a result of a reversal of deferred tax assets in connection with taxation system amendments.

Basic earnings per share for the fiscal year under review were ¥64.39, a 20.5% decrease compared to the previous fiscal year. Return on equity (profit ratio attributable to owners of the company) for the period dropped from last period's 7.9% to 6.1%. This was due a drop in profit attributable to owners of the company.

Profit attributable to owners of the company



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

Operating Results by Segment

Business Technologies Business

Office services

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.

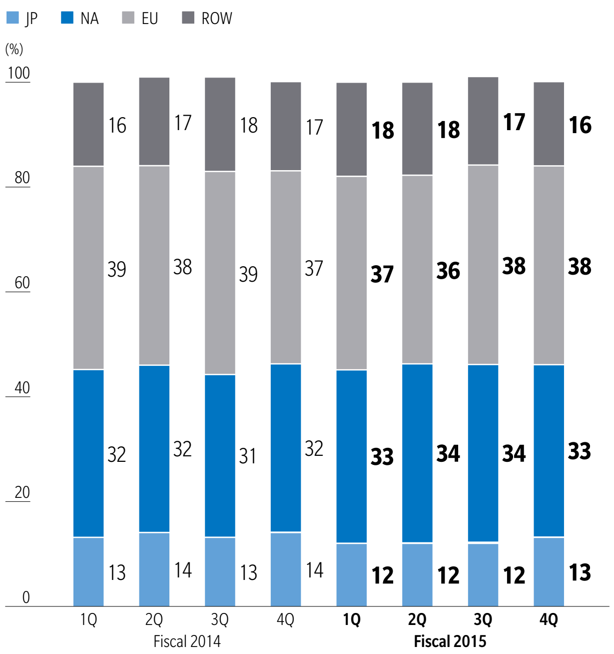
In Marketing Production Management (MPM) services, which help optimize printing costs and improve business processes in a company's marketing department, we pushed initiatives to expand the region of services provided to existing customers.

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.

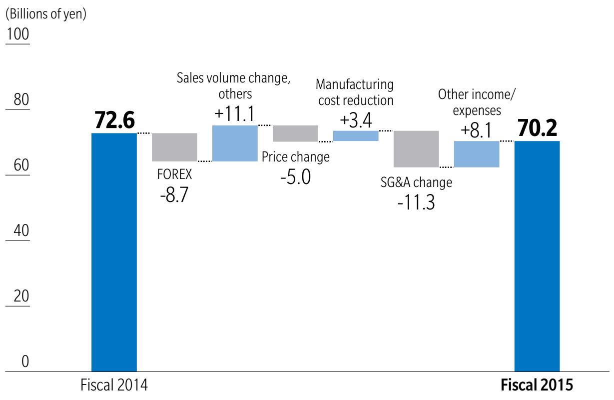
In manufacturing, we are promoting digital manufacturing both in Japan and overseas. In the Malaysian production site that has been in full operation since May 2015, initiatives leveraging cutting-edge ICT to automate and improve manufacturing process efficiency have been successful, and we are reinforcing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

Composition of revenue by region (in yen)



Operating profit analysis



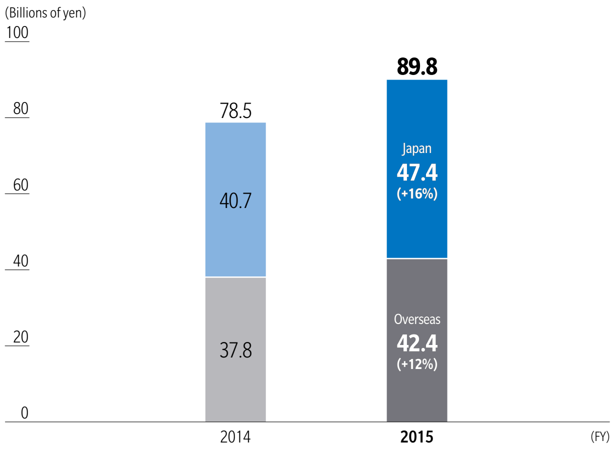
Healthcare Business

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.

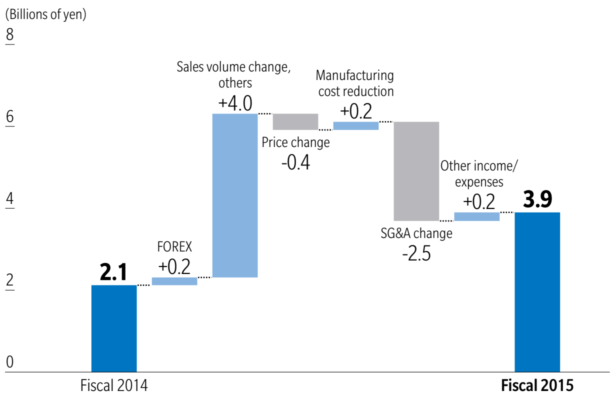
In mainstay products, the medical IT service PACS (picture archiving and communication systems) remained solid, while sales of the "AeroDR" cassette-type digital X-ray diagnostics imaging systems grew primarily in overseas markets.

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.

Revenue



Operating profit analysis



Industrial Business

Performance materials

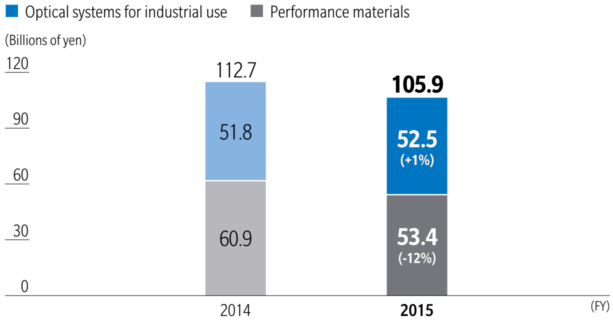
In TAC film, falling demand in emerging markets in the latter half of the fiscal year led to a prolonging of the supply-chain inventory correction, and sales of TAC film for large LCD televisions declined. In products for small and medium-size panels, the thin-film products in which the Group specializes 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

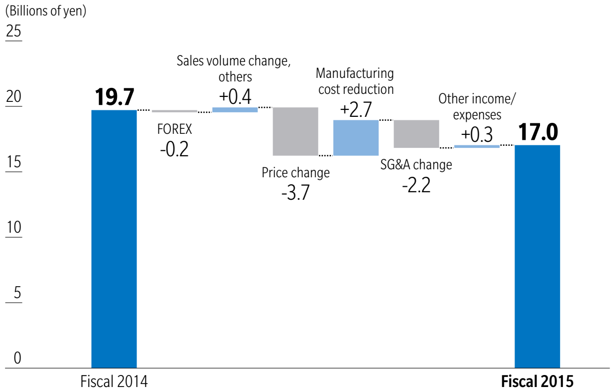
In measuring instruments, the mainstay light-source color measurement equipment grew in the second half of the fiscal year, in addition to which Radiant (headquartered in the US), which was acquired in August 2015, became consolidated and contributed to the growth in revenue. As for lenses for industrial 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).

Revenue



Operating profit analysis

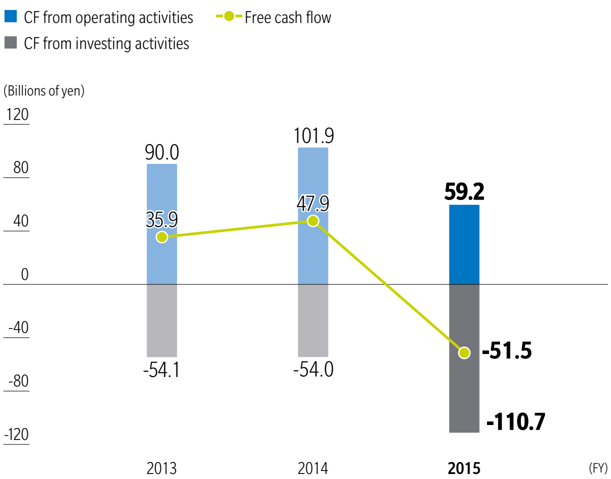


Cash Flows

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year under review was ¥59.2 billion, compared to net cash provided of ¥101.9 billion in the previous fiscal year, as a result of cash inflow due to profit before tax of ¥58.0 billion and depreciation and amortization expenses of ¥51.3 billion, and cash outflow due to income taxes paid of ¥16.9 billion, a decrease in trade and other payables of ¥10.3 billion, an increase in trade and other receivables of ¥6.2 billion, and an increase in inventories of ¥4.7 billion.

Cash flows



Cash flows from investing activities

Purchases of property, plant and equipment and intangible assets amounted to ¥38.3 billion and ¥11.9 billion, respectively, mainly attributable to capital expenditures in the Business Technologies Business. On the other hand, proceeds from sales of property, plant and equipment amounted to ¥9.5 billion, mainly due to sales of assets in North America. As a result of the acquisition of Dactyl Buro du Centre and OMR Impressions in the Business Technologies Business, of Radiant in the Industrial Business, and of Viztek in the Healthcare Business, purchase of investments in subsidiaries of ¥57.5 billion, payments for transfer of business of ¥3.3 billion, and purchase of interests in investments accounted for using the equity method of ¥2.6 billion were recorded. Accordingly, net cash used in investing activities came to ¥110.7 billion for the fiscal year under review compared to net cash used in the previous fiscal year of ¥54.0 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥51.5 billion (an inflow of ¥47.9 billion in the previous fiscal year).

Cash flows from financing activities

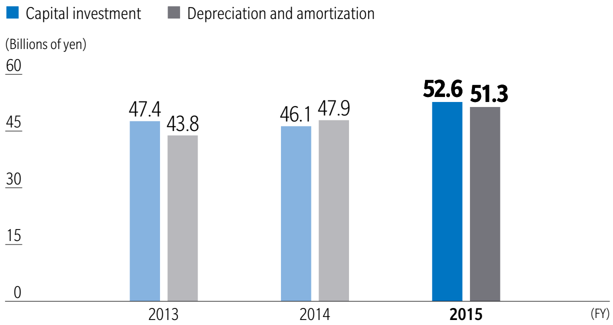
Net cash used in financing activities amounted to ¥20.5 billion for the fiscal year under review, compared to net cash used in the previous fiscal year of ¥62.1 billion, as a result of cash inflow due to proceeds from bonds issuance and long-term loans payable of ¥38.7 billion, and cash outflow due to redemption of bonds and repayments of long-term loans payable of ¥27.7 billion, cash dividends paid of ¥12.4 billion, purchase of treasury shares of ¥10.0 billion, and net decrease in short-term loans payable of ¥9.4 billion.

Capital Expenditure, etc.

Total capital expenditure for the year ended March 31, 2016 came to ¥52.605 billion. Investment focused on the Group's core Business Technologies Business and Industrial Business, aimed mainly at support for new product development and increasing production capacity, as well as rationalization and power saving.

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

Capital investment/Depreciation and amortization



Research and Development Expenses

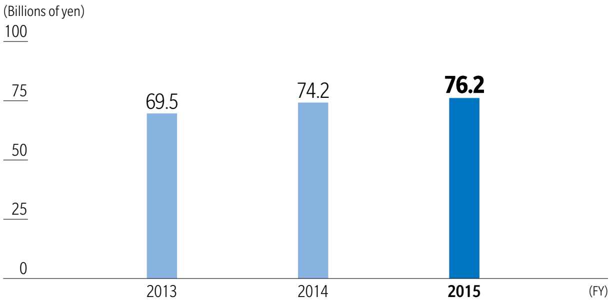
In line with a basic policy for Medium-term Business Strategy—which is focused on realizing sustainable profit growth, transforming into a customer-centric company, and establishing a strong corporate structure—based on its Medium Term Business Plan TRANSFORM 2016, the Group conducts all of its research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

In its existing commercial and industrial printing segment, Konica Minolta is providing its own original services as it expands its business into heavy production printing, which involves large print volumes and requires a high level of productivity and the ability to accommodate a variety of paper types. Additionally, the Company made further investments in MGI Digital Technology, a manufacturer of high added value digital printers and the industry's market share leader, with which we formed a capital and business partnership in January 2014. We will expand and improve our product lineup aimed at accelerating digitalization in the labeling and packaging industry as part of efforts to strengthen our position in the industrial printing field. In the healthcare segment, we acquired Viztek, a U.S.-based provider of healthcare imaging solutions as one move towards building out our medical IT solution service portfolio. Konica Minolta also began a new service producing pathological specimens using fluorescent nanoparticles for the drug discovery field in the Japanese market. We will accelerate the pace of R&D for the field of in vitro diagnostics by leveraging nanotechnology, which forms the core of Konica Minolta's technologies, and we will be working to solve social problems in the life sciences through advanced technologies. The pathological specimen production service marks the start of such efforts.

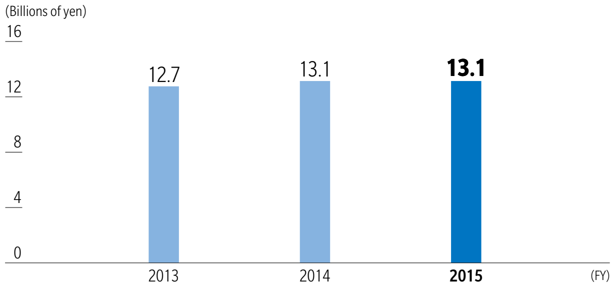
As a new business model, we are providing customers with s solution-based service in the form of Konica Minolta's cyber physical systems, which integrate hardware (input/output) and software (processes) differentiated from competitors' offerings through our core technologies. One example of this is our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

Groupwide R&D expenditure for the fiscal year under review increased ¥1.9 billion, or 2.7%, year on year to ¥76.2 billion. R&D expenditures include amounts not included in figures posted by the businesses, as well as ¥13.1 billion—a 0.5% increase year on year—in basic research expenditure.

Research and development expenses



R&D expenditure for common fundamental technologies and advanced technologies



Financial Position and Liquidity

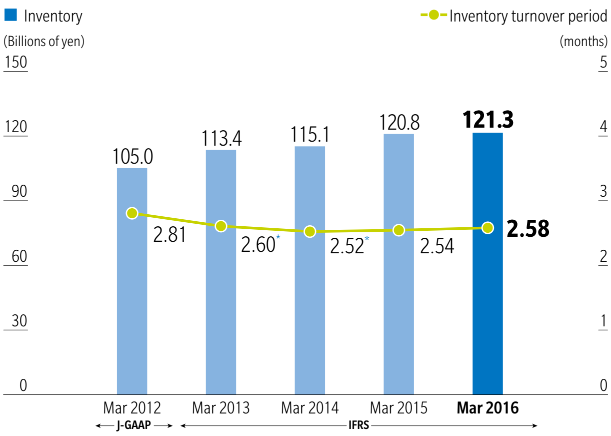
Assets

Total assets at March 31, 2016 were ¥976.3 billion, a decrease of ¥25.4 billion (2.5%) from the previous fiscal yearend. Total current assets decreased ¥74.4 billion (13.0%) to ¥496.2 billion (50.8% to total assets) and total non-current assets increased ¥48.9 billion (11.4%) to ¥480.1 billion (49.2% to total assets).

With respect to current assets, cash and cash equivalents decreased ¥77.5 billion to ¥99.9 billion, and trade and other receivables decreased ¥3.4 billion to ¥249.4 billion, while income tax receivables increased ¥2.6 billion to ¥3.2 billion and inventories increased ¥0.5 billion to ¥121.3 billion.

With respect to non-current assets, property, plant and equipment increased ¥5.6 billion to ¥187.3 billion, due primarily to capital expenditures in the Business Technologies Business. Goodwill and intangible assets increased ¥52.2 billion to ¥178.3 billion, mainly due to acquisition.

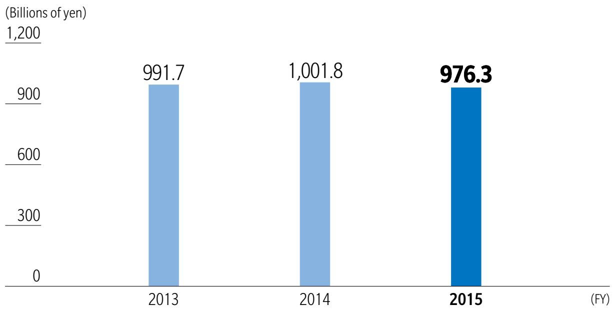
Inventory/Inventory turnover period



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

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

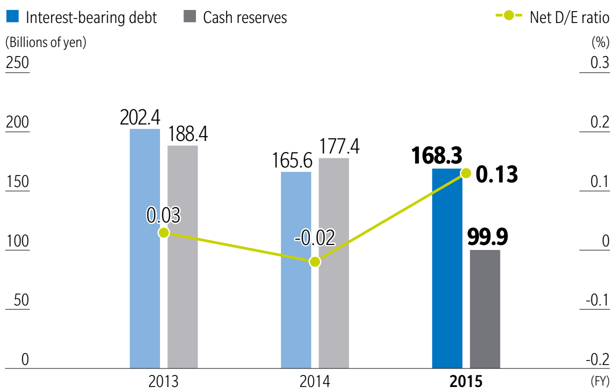
Total assets



Liabilities

Total liabilities at March 31, 2016 were ¥461.3 billion, a decrease of ¥3.3 billion (0.7%) from the previous fiscal year-end. Trade and other payables decreased ¥14.6 billion to ¥162.9 billion, while income tax payables decreased ¥4.2 billion to ¥3.3 billion. Conversely, bonds and borrowings (the sum of amounts posted as current liabilities and noncurrent liabilities) amounted to ¥168.2 billion, an increase of ¥2.6 billion in total despite redemption of bonds of ¥20.0 billion. Retirement benefit liabilities increased ¥5.8 billion to ¥67.9 billion.

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



Equity

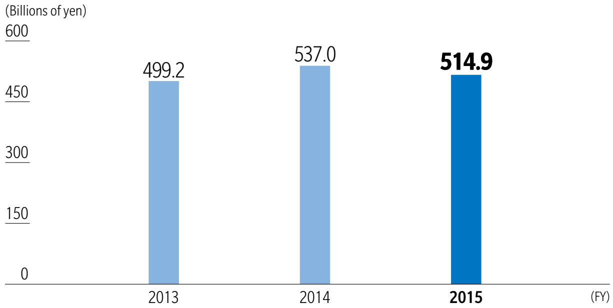
Total equity at March 31, 2016 amounted to ¥514.9 billion, a decrease of ¥22.0 billion from the previous fiscal year-end. Retained earnings increased ¥1.3 billion to ¥258.5 billion. This was mainly the result of an increase due to profit attributable to owners of the company of ¥31.9 billion, and decreases due to cash dividends of ¥12.4 billion, cancellation of treasury shares of ¥11.0 billion, and recognition of actuarial losses on defined benefit pension plans of ¥6.9 billion.

Treasury shares decreased ¥1.3 billion to ¥9.4 billion, as a result of acquisition of the Company's own shares of ¥9.9 billion and cancellation of the treasury shares of ¥11.0 billion based on the resolutions at the Board of Directors meeting.

Other components of equity at March 31, 2016 totaled ¥23.2 billion, a decrease of ¥24.3 billion, due to a loss on exchange differences on translation of foreign operations of ¥19.7 billion and a net loss on revaluation of financial assets measured at fair value of ¥3.8 billion.

Equity attributable to owners of the company totaled ¥514.2 billion at March 31, 2016, a decrease of ¥21.6 billion from the previous fiscal year-end, and the equity ratio attributable to owners of the company decreased 0.8 points to 52.7%.

Equity



Dividend Policy

Basic dividend policy

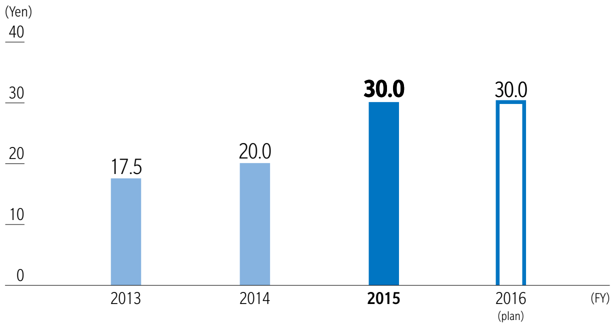
The policy regarding the payment of dividends from retained earnings, etc. calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements to promote strategic investments in growth fields while seeking to implement proactive shareholder returns.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

Dividends for the fiscal year ended March 31, 2016 and projected dividends for the fiscal year ending March 31, 2017

With respect to dividends from retained earnings for the fiscal year, the Company distributed a year-end dividend of 15 yen per share, an increase of 5 yen from the previous year-end dividend. Combined with the dividend of 15 yen per share already paid at the end of the second quarter, the total annual dividend will be 30 yen per share.

Regarding ordinary dividends for the fiscal year ending March 31, 2017, the Company plans to distribute a total annual dividend of 30 yen per share, assuming we achieve the results forecasts outlined below.

Dividend per share



Outlook for the Fiscal Year Ending March 31, 2017

Regarding the global economic climate surrounding the Group, job numbers are on the rise in the U.S., and Europe is experiencing a gradual recovery driven by domestic demand on the back of financial easing. In the Japanese economy, support is likely to be provided by rising real wages and increased capital investment. On the other hand, Chinese economic growth is slowing due to efforts made to address excessive production capacity and emerging nations are struggling to make economic gains. Furthermore, concerns over the impact of Britain's withdrawal from the EU are likely to keep the yen strong against other currencies. Due to these factors, this period should be a year of low growth for the overall global economy.

With respect to demand forecasts for major markets connected to Konica Minolta's business, for the Business Technologies Business we predict a continued upward trend for sales of color MFPs for offices in overseas markets. In the commercial and industrial printing field, demand for digital printing solutions will rise in response to an increasingly individualized and fragmented marketing environment. All regions will see continued growth in the Healthcare Business for cassette-type digital X-ray systems and diagnostic ultrasound systems as the market for medical diagnostics becomes increasingly digitalized. In the Industrial Business, sluggish economic growth in emerging nations will adversely impact smartphone growth and put downward pressure on TV market sales. New demand will meanwhile be seen as display products and the applications they are used for become increasingly diversified.

In view of these circumstances, the below revisions have been made to initial forecasts for business performance for fiscal 2016 based on the first quarter performance. Regarding exchange rates for the period, we have depreciated the euro by 5 yen compared to initial forecasts and as a result, our projections are 105 yen to the U.S. dollar and 115 yen to the euro. (This represents yen appreciation of 15.1 yen to the U.S. dollar and 17.6 yen to the euro compared to the previous period.) For the Business Technologies Business, our focus is on dramatically increasing sales of new A3 color MFP products in the office services field while strengthening our approach to medium-sized and large commercial printing companies in the commercial and industrial printing field. Efforts in the Healthcare Business will be concentrated on growing sales of diagnostic imaging devices and increasing sales volume for solutions involving regional healthcare coordination as well as for PACS and other medical IT services. For the Industrial Business, we will be working to expand sales of new products in the performance materials segment and maximizing the results of synergy with two recently-acquired measuring instrument companies in the U.S. and Germany in the field of optical systems for industrial use. We will also be focused on new fields, including automotive components.

Forecast for the fiscal year ending March 31, 2017

Published July 28, 2016

	Fiscal 2016 forecast (IFRS)		Fiscal 2015 results (IFRS)
	Published May 12, 2016	Published July 28, 2016	
Revenue (Billions of yen)	1,060.0	**1,030.0**	1,031.7
Operating profit (Billions of yen)	66.0	**55.0**	60.1
Operating profit ratio	6.2%	**5.3%**	5.8%
Net profit attributable to owners of the company (Billions of yen)	44.0	**36.0**	32.0
Capital investment (Billions of yen)	50.0	**50.0**	52.6
Depreciation and amortization (Billions of yen)	50.0	**50.0**	51.3
Free cash flow* (Billions of yen)	50.0	**50.0**	-51.5
Investment and financing (Billions of yen)	50.0	**50.0**	68.2
U.S. dollar (yen)	105	**105**	120.14
Euro (yen)	120	**115**	132.58

* Fiscal 2016 forecasts do not include investment and loan figures

Consolidated Statement of Financial Position

Konica Minolta, Inc. and Subsidiaries
As of March 31, 2016, 2015 and April 1, 2014

		Millions of yen			Thousands of U.S. dollars
Assets	Note	**2016**	2015 Restated (Note)	2014 Restated (Note)	**2016**
Current assets					
Cash and cash equivalents	32	**¥ 99,937**	¥ 177,496	¥188,489	**$ 886,910**
Trade and other receivables	7, 15, 32	**249,498**	252,962	247,067	**2,214,217**
Inventories	8	**121,361**	120,803	115,175	**1,077,041**
Income tax receivables		**3,210**	559	2,727	**28,488**
Other financial assets	9, 32	**3,327**	1,715	1,537	**29,526**
Other current assets		**18,249**	16,431	13,961	**161,954**
Subtotal		**495,585**	569,968	568,958	**4,398,163**
Assets held for sale	10	**630**	672	594	**5,591**
Total current assets		**496,216**	570,640	569,552	**4,403,763**
Non-current assets					
Property, plant and equipment	11, 13	**187,322**	181,641	177,056	**1,662,425**
Goodwill and intangible assets	12, 13	**178,390**	126,132	119,563	**1,583,156**
Investments accounted for using the equity method	14	**3,614**	524	486	**32,073**
Other financial assets	9, 32	**38,646**	41,420	38,151	**342,971**
Deferred tax assets	16	**59,052**	71,835	80,809	**524,068**
Other non-current assets		**13,128**	9,605	6,080	**116,507**
Total non-current assets	5	**480,154**	431,160	422,148	**4,261,218**
Total assets	5	**¥976,370**	¥1,001,800	¥991,700	**$8,664,980**

		Millions of yen			Thousands of U.S. dollars
Liabilities	Note	**2016**	2015 Restated (Note)	2014 Restated (Note)	**2016**
Current liabilities					
Trade and other payables	17, 32	**¥162,907**	¥ 177,564	¥171,309	**$1,445,749**
Bonds and borrowings	15, 18, 32	**42,624**	53,349	66,054	**378,275**
Income tax payables		**3,317**	7,522	6,238	**29,437**
Provisions	19	**6,821**	5,542	6,787	**60,534**
Other financial liabilities	20, 32	**200**	1,020	1,026	**1,775**
Other current liabilities		**39,379**	36,889	32,178	**349,476**
Total current liabilities		**255,251**	281,889	283,595	**2,265,273**
Non-current liabilities					
Bonds and borrowings	15, 18, 32	**125,653**	112,236	136,384	**1,115,131**
Retirement benefit liabilities	21	**67,913**	62,039	64,928	**602,707**
Provisions	19	**1,227**	1,135	1,161	**10,889**
Other financial liabilities	20, 32	**3,611**	539	226	**32,047**
Deferred tax liabilities	16	**3,443**	2,944	2,794	**30,556**
Other non-current liabilities		**4,286**	3,967	3,327	**38,037**
Total non-current liabilities		**206,137**	182,863	208,821	**1,829,402**
Total liabilities	5	**461,389**	464,752	492,417	**4,094,684**
Equity					
Share capital	22	**37,519**	37,519	37,519	**332,969**
Share premium	22	**203,397**	203,395	203,421	**1,805,085**
Retained earnings	22	**258,562**	257,227	245,357	**2,294,657**
Treasury shares	22	**(9,408)**	(10,727)	(17,322)	**(83,493)**
Subscription rights to shares	31	**1,009**	1,016	910	**8,955**
Other components of equity	22	**23,204**	47,545	28,656	**205,928**
Equity attributable to owners of the Company		**514,285**	535,976	498,542	**4,564,120**
Non-controlling interests		**696**	1,071	740	**6,177**
Total equity		**514,981**	537,048	499,283	**4,570,296**
Total liabilities and equity		**¥976,370**	¥1,001,800	¥991,700	**$8,664,980**

(Note) Please refer to note 38 "Correction of errors".

Consolidated Statement of Profit or Loss

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Note	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Revenue	5, 24	¥1,031,740	¥1,002,758	$9,156,372
Cost of sales	27	536,226	513,084	4,758,839
Gross profit		495,514	489,673	4,397,533
Other income	25	7,786	6,817	69,098
Selling, general and administrative expenses	27	429,891	411,132	3,815,149
Other expenses	26, 27	13,339	19,595	118,379
Operating profit	5	60,069	65,762	533,094
Finance income	28	2,155	2,541	19,125
Finance costs	28	4,179	2,848	37,087
Share of profit or loss of investments accounted for using the equity method	14	(16)	35	(142)
Profit before tax		58,029	65,491	514,989
Income tax expense	16	26,029	24,521	230,999
Profit for the year		32,000	40,969	283,990
Profit for the year attributable to:				
Owners of the Company		¥ 31,973	¥ 40,934	$ 283,750
Non-controlling interests		26	35	231

	Note	Yen 2016	Yen 2015	U.S. dollars 2016
Earnings per share	29			
Basic		¥64.39	¥81.01	$0.57
Diluted		64.21	80.79	0.57

Consolidated Statement of Comprehensive Income

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Note	Millions of yen 2016	Millions of yen 2015 Restated (Note)	Thousands of U.S. dollars 2016
Profit for the year		¥32,000	¥40,969	$283,990
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans (net of tax)	30	(6,974)	(222)	(61,892)
Net gain (loss) on revaluation of financial assets measured at fair value (net of tax)	30	(3,851)	3,840	(34,176)
Share of other comprehensive income of investments accounted for using the equity method (net of tax)	14, 30	6	5	53
Total items that will not be reclassified to profit or loss		(10,819)	3,623	(96,015)
Items that may be subsequently reclassified to profit or loss				
Net gain (loss) on derivatives designated as cash flow hedges (net of tax)	30	(742)	(348)	(6,585)
Exchange differences on translation of foreign operations (net of tax)	30	(20,086)	16,112	(178,257)
Total items that may be subsequently reclassified to profit or loss		(20,828)	15,763	(184,842)
Total other comprehensive income		(31,648)	19,387	(280,866)
Total comprehensive income for the year		¥ 351	¥60,357	$ 3,115
Total comprehensive income for the year attributable to:				
Owners of the Company		¥ 622	¥60,315	$ 5,520
Non-controlling interests		(270)	42	(2,396)

(Note) Please refer to note 38 "Correction of errors".

Consolidated Statement of Changes in Equity

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

		Millions of yen								
	Note	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Previous balance reported at April 1, 2014		¥37,519	¥203,421	¥239,453	(¥17,322)	¥ 910	¥28,100	¥492,081	¥ 740	¥492,822
Amount of correction	38	–	–	5,904	–	–	556	6,461	–	6,461
Restated balance at April 1, 2014		37,519	203,421	245,357	(17,322)	910	28,656	498,542	740	499,283
Profit for the year		–	–	40,934	–	–	–	40,934	35	40,969
Other comprehensive income (loss)	30	–	–	–	–	–	19,380	19,380	6	19,387
Total comprehensive income for the year (After restatements)		–	–	40,934	–	–	19,380	60,315	42	60,357
Dividends	23	–	–	(8,902)	–	–	–	(8,902)	–	(8,902)
Acquisition and disposal of treasury shares	22	–	–	(13)	(14,169)	–	–	(14,183)	–	(14,183)
Cancellation of the treasury shares	22	–	–	(20,765)	20,765	–	–	–	–	–
Share-based payments (Subscription rights to shares)	31	–	–	–	–	106	–	106	–	106
Changes in the consolidation scope		–	–	124	–	–	–	124	–	124
Changes in the ownership interest in subsidiaries		–	(26)	–	–	–	–	(26)	288	262
Transfer from other components of equity to retained earnings	22	–	–	492	–	–	(492)	–	–	–
Total transactions with owners		–	(26)	(29,064)	6,595	106	(492)	(22,881)	288	(22,592)
Restated balance at March 31, 2015		37,519	203,395	257,227	(10,727)	1,016	47,545	535,976	1,071	537,048
Profit for the year		**–**	**–**	**31,973**	**–**	**–**	**–**	**31,973**	**26**	**32,000**
Other comprehensive income (loss)	30	**–**	**–**	**–**	**–**	**–**	**(31,351)**	**(31,351)**	**(297)**	**(31,648)**
Total comprehensive income for the year				**31,973**			**(31,351)**	**622**	**(270)**	**351**
Dividends	23	**–**	**–**	**(12,448)**	**–**	**–**	**–**	**(12,448)**	**–**	**(12,448)**
Acquisition and disposal of treasury shares	22	**–**	**–**	**(92)**	**(9,767)**	**–**	**–**	**(9,860)**	**–**	**(9,860)**
Cancellation of the treasury shares	22	**–**	**–**	**(11,086)**	**11,086**	**–**	**–**	**–**	**–**	**–**
Share-based payments (Subscription rights to shares)	31	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**	**–**	**(6)**
Changes in the ownership interest in subsidiaries		**–**	**2**	**–**	**–**	**–**	**–**	**2**	**(104)**	**(102)**
Transfer from other components of equity to retained earnings	22	**–**	**–**	**(7,010)**	**–**	**–**	**7,010**	**–**	**–**	**–**
Total transactions with owners		**–**	**2**	**(30,638)**	**1,318**	**(6)**	**7,010**	**(22,313)**	**(104)**	**(22,418)**
Balance at March 31, 2016		**¥37,519**	**¥203,397**	**¥258,562**	**(¥ 9,408)**	**¥1,009**	**¥23,204**	**¥514,285**	**¥ 696**	**¥514,981**

	Thousands of U.S. dollars								
	Share capital	Share premium	Retained earnings	Treasury shares	Subscription rights to shares	Other components of equity	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Restated balance at March 31, 2015	$332,969	$1,805,067	$2,282,810	($95,199)	$9,017	$421,947	$4,756,621	$9,505	$4,766,134
Profit for the year	–	–	283,750	–	–	–	283,750	231	283,990
Other comprehensive income (loss)	–	–	–	–	–	(278,230)	(278,230)	(2,636)	(280,866)
Total comprehensive income for the year	–	–	283,750	–	–	(278,230)	5,520	(2,396)	3,115
Dividends	–	–	(110,472)	–	–	–	(110,472)	–	(110,472)
Acquisition and disposal of treasury shares	–	–	(816)	(86,679)	–	–	(87,504)	–	(87,504)
Cancellation of the treasury shares	–	–	(98,385)	98,385	–	–	–	–	–
Share-based payments (Subscription rights to shares)	–	–	–	–	(53)	–	(53)	–	(53)
Changes in the ownership interest in subsidiaries	–	18	–	–	–	–	18	(923)	(905)
Transfer from other components of equity to retained earnings	–	–	(62,212)	–	–	62,212	–	–	–
Total transactions with owners	–	18	(271,903)	11,697	(53)	62,212	(198,021)	(923)	(198,953)
Balance at March 31, 2016	**$332,969**	**$1,805,085**	**$2,294,657**	**($83,493)**	**$8,955**	**$205,928**	**$4,564,120**	**$6,177**	**$4,570,296**

Consolidated Statement of Cash Flows

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Note	Millions of yen		Thousands of U.S. dollars
		2016	2015	2016
Cash flows from operating activities				
Profit before tax		¥ 58,029	¥ 65,491	$ 514,989
Depreciation and amortization expenses		51,333	47,905	455,564
Impairment losses		51	5,185	453
Share of profit or loss in investments accounted for using the equity method		16	(35)	142
Interest and dividend income		(1,919)	(2,533)	(17,031)
Interest expenses		2,243	2,398	19,906
(Gain) loss on sales and disposals of property, plant and equipment and intangible assets		(2,329)	(1,152)	(20,669)
Loss (gain) on sales of investments in subsidiaries		–	949	–
(Increase) decrease in trade and other receivables		(6,212)	10,622	(55,130)
(Increase) decrease in inventories		(4,780)	685	(42,421)
Increase (decrease) in trade and other payables		(10,300)	(5,586)	(91,409)
Decrease on transfer of lease assets		(7,529)	(6,785)	(66,818)
Increase (decrease) in retirement benefit liabilities		(3,646)	(2,960)	(32,357)
Others		1,460	(595)	12,957
Subtotal		76,415	113,588	678,159
Dividends received		546	853	4,846
Interest received		1,416	1,682	12,567
Interest paid		(2,191)	(2,386)	(19,444)
Income taxes paid		(16,942)	(11,748)	(150,355)
Net cash flows from operating activities		59,244	101,989	525,772
Cash flows from investing activities				
Purchase of property, plant and equipment		(38,313)	(39,063)	(340,016)
Proceeds from sales of property, plant and equipment		9,541	8,630	84,673
Purchase of intangible assets		(11,952)	(8,676)	(106,070)
Purchase of investments in subsidiaries		(57,543)	(4,360)	(510,676)
Purchase of investments accounted for using the equity method		(2,644)	–	(23,465)
Purchase of investment securities		(148)	(729)	(1,313)
Proceeds from sales of investment securities		287	3,266	2,547
Payments for loans receivable		(184)	(97)	(1,633)
Collection of loans receivable		131	83	1,163
Payments for transfer of business		(3,324)	(6,709)	(29,499)
Others		(6,639)	(6,358)	(58,919)
Net cash flows from investing activities		(110,788)	(54,014)	(983,209)
Cash flows from financing activities				
Increase (decrease) in short-term loans payable		(9,414)	(11,411)	(83,546)
Proceeds from bonds issuance and long-term loans payable		38,704	–	343,486
Redemption of bonds and repayments of long-term loans payable		(27,772)	(30,493)	(246,468)
Purchase of treasury shares		(10,014)	(13,509)	(88,871)
Cash dividends paid	23	(12,447)	(8,908)	(110,463)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(102)	(293)	(905)
Others		475	2,486	4,215
Net cash flows from financing activities		(20,571)	(62,128)	(182,561)
Effect of exchange rate changes on cash and cash equivalents		(5,442)	3,160	(48,296)
Net increase (decrease) in cash and cash equivalents		(77,559)	(10,993)	(688,312)
Cash and cash equivalents at the beginning of the year		177,496	188,489	1,575,222
Cash and cash equivalents at the end of the year		¥ 99,937	¥177,496	$ 886,910

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

1. Reporting company

Konica Minolta, Inc. (the "Company") is a company incorporated and located in Japan and listed on the First Section of the Tokyo Stock Exchange. The consolidated financial statements of the Konica Minolta Group (the "Group") as of and for the fiscal year ended March 31, 2016 comprise the Company and its subsidiaries and the Group's interest in associates. The principal businesses of the Group are those related to Business Technologies, Healthcare and Industrial Business.

Shoei Yamana, Director, President and CEO, and Representative Executive Officer of the Company authorized the consolidated financial statements for the fiscal year ended March 31, 2016 for issue on August 10, 2016.

2. Basis of preparation

(1) Statement of compliance

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

(2) Basis of measurement

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

(3) Functional and presentation currency

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

Financial information in United States (U.S.) dollars is included solely for the convenience of the reader, and are translated from the corresponding Japanese yen amounts using the exchange rate on March 31, 2016, which is ¥112.68 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

(4) Changes in accounting policies

The Group has adopted the following standard since the fiscal year ended March 31, 2016. The adoption of this standard has no material impact on the Group's consolidated financial statements.

Standard		Summary
IAS 19	Employee Benefits	Revisions to accounting related to contributions from employees or third parties

(5) Standards and interpretations announced but not adopted

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

As of the fiscal year end, the Group had not adopted these standards, etc. None of these are expected to have a significant effect on the consolidated financial statements of the Group for the fiscal year ending March 31, 2017. The Group is considering the impact of these standards, etc. on the consolidated financial statements in or after the fiscal year ending March 31, 2018.

Standards and interpretations	Title	Mandatory adoption (From fiscal years beginning on or after)	Fiscal year in which Company will adopt standard	Summary
IAS 16 IAS 38	Property, Plant and Equipment Intangible Assets	January 1, 2016	Fiscal year ending March 31, 2017	Clarification of permissible depreciation and amortization methods
IFRS 11	Joint Arrangements	January 1, 2016	Fiscal year ending March 31, 2017	Accounting for the acquisition of interest in joint operations
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of accounting for deferred tax assets for unrealized losses
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to accounting for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Revisions to impairment and hedge accounting
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revisions to accounting for leases

3. Significant accounting policies

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

(1) Basis of consolidation

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

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

1) Subsidiaries

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

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

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

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

2) Associates

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

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

(2) Business combinations

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

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

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

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

(3) Foreign currency translation

1) Functional currency and presentation currency

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

2) Foreign currency transactions

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

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

3) Foreign operations

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

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

4) Hedge of a net investment in a foreign operation

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

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

(4) Cash and cash equivalents

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

(5) Financial instruments

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

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

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

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

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

1) Non-derivative financial assets

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

(b) Financial assets measured at FVTPL

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

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

(c) Financial assets measured at FVTOCI

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

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

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

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

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

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

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

Changes in fair value are recognized in profit or loss.

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

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

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

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

(6) Inventories

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

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

(7) Property, plant and equipment

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

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

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

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

The estimated useful lives of major assets are as follows:

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

(8) Goodwill

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

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

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

(9) Intangible assets

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

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.

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

1) Intangible assets with finite useful lives

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

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

The estimated useful lives of major assets are as follows:

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

2) Intangible assets with infinite useful lives

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

(10) Research and development expense

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

(11) Leases

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

1) Lessees

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

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

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

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

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

In an impairment test, the recoverable amount is estimated, and the carrying amount and recoverable amount are compared. The recoverable amount of an asset, CGU or group of CGUs is determined at the higher of its fair value less costs of disposal or its value in use. In determining the value in use, estimated future cash flows are discounted to the present value, using 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.

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

(14) Employee benefits
1) Post-retirement benefits
The Group employs defined benefit plans and defined contribution plans as post-retirement benefit plans for employees.

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

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

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

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

(b) Defined contribution plans
The cost for defined-contribution post-retirement benefit plans is recognized as an expense at the time of contribution.

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

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

(15) Share-based payments
The Group has in place for directors (excluding outside directors) and officers of the Company a share option plan as an equity- settled share-based payment plan. Share options are estimated at fair value at grant date and are recognized as an expense over the vesting

period after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity.

(16) Provisions

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

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

(17) Revenue

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

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

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

(18) Government grants

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

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

(19) Income taxes

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

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

1) Current taxes

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

2) Deferred taxes

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

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

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

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

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

4. Critical accounting estimates and determining estimates

(1) Estimation and determination

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

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

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

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

1) Impairment of non-financial assets

The Group conducts impairment tests whenever there is any indication that the recoverable amount of a non-financial asset (excluding inventories, deferred tax assets and post-retirement benefit plan assets) may fall below its carrying amount.

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

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

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

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

2) Provisions

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

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

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

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

3) Employee benefits

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

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

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

4) Recoverability of deferred tax assets

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

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

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

5. Operating segments

(1) Reportable segments

Reportable segments of the Group are the constituent business units of the Group for which separate financial data are available and that are examined on a regular basis for the purpose of enabling the Group's management to decide on the allocation of resources and evaluate results of operations. The Group establishes business segments by product and service category and formulates comprehensive strategies and conducts business activities in Japan and overseas for the products and services of each business category. Consequently, the operations of the Group are divided into business segments based on products and services. This results in three reportable business segments: Business Technologies, Healthcare and Industrial Business. The "Others" segment includes the planetarium business and other businesses that are not included in the three reportable segments mentioned previously.

The business activities of each reportable segment is as follows:

Business activities		
Business Technologies	<Office services> Development, manufacture and sale of multi-functional peripherals and IT services, and the provision of related consumables, solutions and services	<Commercial/industrial printing> Development, manufacture and sale of digital printing equipment, various printing services and industrial inkjet printers, and the provision of related consumables, solutions and services
Healthcare	Development, manufacture, sale and provision of services for diagnostic imaging systems, e.g. digital X-ray diagnostic imaging systems and diagnostic ultrasound systems, etc.	
Industrial Business	<Industrial optical systems> Development, manufacture and sale of sensing equipment, lenses for industrial and professional use, etc.	<Performance materials> Development, manufacture and sale of TAC films used in liquid crystal displays, Organic Light Emitting Diode (OLED) lighting, functional films, etc.

(2) Financial information on reportable segments

Methods of accounting for reportable statements are described in note 3 "Significant accounting policies" and are consistent with the accounting policies of the Group.

Financial information on reportable segments is provided below. Segment profit refers to operating profit.

Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

	Millions of yen					
	2015					
	Business Technologies	Healthcare	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥808,241	¥78,568	¥112,780	¥ 999,591	¥ 3,167	¥1,002,758
Inter-segment (Note 1)	1,895	316	2,425	4,636	23,103	27,740
Total	810,137	78,884	115,206	1,004,228	26,270	1,030,498
Segment profit	72,688	2,111	19,748	94,548	969	95,517
Segment assets						
Restated (Note 2)	648,816	65,376	119,723	833,916	24,937	858,854
Segment liabilities	326,801	43,708	53,422	423,932	8,390	432,323
Other items						
Depreciation and amortization expenses	32,253	3,377	7,013	42,644	373	43,017
Impairment losses on non-financial assets	3,127	74	1,026	4,228	–	4,228
Investments accounted for using the equity method	–	524	–	524	–	524
Capital expenditures on property, plant and equipment and intangible assets	¥ 29,591	¥ 2,605	¥ 6,720	¥ 38,917	¥ 415	¥ 39,333

(Note 1) Inter-segment revenue is based on market prices, etc.
(Note 2) Please refer to note 38 "Correction of errors".

Current consolidated fiscal year (From April 1, 2015 to March 31, 2016)

	Millions of yen					
	2016					
	Business Technologies	Healthcare	Industrial Business	Subtotal	Others	Total
Revenue						
External	¥832,187	¥89,855	¥105,975	¥1,028,018	¥ 3,721	¥1,031,740
Inter-segment (Note)	2,260	725	4,552	7,537	23,033	30,571
Total	834,447	90,581	110,527	1,035,556	26,755	1,062,311
Segment profit	70,210	3,907	17,050	91,167	1,648	92,815
Segment assets	636,716	80,806	190,204	907,726	31,988	939,715
Segment liabilities	309,507	59,714	116,926	486,148	11,133	497,281
Other items						
Depreciation and amortization expenses	32,847	3,920	7,127	43,896	412	44,308
Impairment losses on non-financial assets	50	–	–	50	–	50
Investments accounted for using the equity method	2,321	517	774	3,614	–	3,614
Capital expenditures on property, plant and equipment and intangible assets	¥ 36,754	¥ 1,325	¥ 8,924	¥ 47,004	¥ 597	¥ 47,601

(Note) Inter-segment revenue is based on market prices, etc.

	Thousands of U.S. dollars					
	2016					
	Business Technologies	Healthcare	Industrial Business	Subtotal	Others	Total
Revenue						
External	$7,385,401	$797,435	$ 940,495	$9,123,340	$ 33,023	$9,156,372
Inter-segment	20,057	6,434	40,398	66,889	204,411	271,308
Total	7,405,458	803,878	980,893	9,190,238	237,442	9,427,680
Segment profit	623,092	34,673	151,313	809,079	14,625	823,704
Segment assets	5,650,657	717,128	1,688,001	8,055,786	283,884	8,339,679
Segment liabilities	2,746,778	529,943	1,037,682	4,314,412	98,802	4,413,214
Other items						
Depreciation and amortization expenses	291,507	34,789	63,250	389,563	3,656	393,220
Impairment losses on non-financial assets	444	–	–	444	–	444
Investments accounted for using the equity method	20,598	4,588	6,869	32,073	–	32,073
Capital expenditures on property, plant and equipment and intangible assets	$ 326,180	$ 11,759	$ 79,198	$ 417,146	$ 5,298	$ 422,444

Differences between totals for reportable segments and the financial information in the consolidated financial statements are itemized and presented as below.

	Millions of yen		Thousands of U.S. dollars
Revenue	2016	2015	2016
Total revenue of reportable segments	¥1,035,556	¥1,004,228	$9,190,238
Revenue categorized in "Others"	26,755	26,270	237,442
Total of reportable and Others segments	1,062,311	1,030,498	9,427,680
Adjustments (Note)	(30,571)	(27,740)	(271,308)
Revenue reported in consolidated statement of profit or loss	¥1,031,740	¥1,002,758	$9,156,372

(Note) Adjustments are due to inter-segment eliminations.

Profit	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Total profit of reportable segments	¥91,167	¥94,548	$809,079
Segment profit categorized in "Others"	1,648	969	14,625
Total of reportable and Others segments	92,815	95,517	823,704
Adjustments (Note)	(32,745)	(29,755)	(290,602)
Operating profit reported in consolidated statement of profit or loss	¥60,069	¥65,762	$533,094

(Note) Adjustments include eliminations for inter-segment transactions and corporate expenses, which are mainly general administration expenses and basic research expenses not attributed to any reportable segment.

Assets	Millions of yen 2016	2015 Restated (Note 2)	Thousands of U.S. dollars 2016
Total assets of reportable segments	¥907,726	¥ 833,916	$8,055,786
Assets categorized in "Others"	31,988	24,937	283,884
Total of reportable and Others segments	939,715	858,854	8,339,679
Adjustments (Note 1)	36,655	142,946	325,302
Assets reported in consolidated statement of financial position	¥976,370	¥1,001,800	$8,664,980

(Note 1) Adjustments include eliminations for inter-segment transactions and corporate assets that are not attributable to any reportable segment.
These corporate assets comprise operating funds (cash and deposits and securities), long-term investment funds (investment securities), property, plant and equipment and intangible assets, etc.
(Note 2) Please refer to note 38 "Correction of errors".

Liabilities	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Total liabilities of reportable segments	¥486,148	¥423,932	$4,314,412
Liabilities categorized in "Others"	11,133	8,390	98,802
Total of reportable and Others segments	497,281	432,323	4,413,214
Adjustments (Note)	(35,892)	32,429	(318,530)
Liabilities reported in consolidated statement of financial position	¥461,389	¥464,752	$4,094,684

(Note) Adjustments include eliminations for inter-segment transactions and corporate liabilities, which are mainly interest-bearing debts (bonds and borrowings, etc.) not attributed to any reportable segment.

	Millions of yen							
	Total of reportable segments		Others		Adjustments (Note)		Reported in consolidated financial statements	
Other items	2016	2015	2016	2015	2016	2015	2016	2015
Depreciation and amortization expenses	¥43,896	¥42,644	¥412	¥373	¥7,024	¥4,887	¥51,333	¥47,905
Impairment losses on non-financial assets	50	4,228	–	–	1	957	51	5,185
Investments accounted for using the equity method	3,614	524	–	–	–	–	3,614	524
Capital expenditures on property, plant and equipment and intangible assets	¥47,004	¥38,917	¥597	¥415	¥5,003	¥6,766	¥52,605	¥46,100

(Note) Adjustments for depreciation and amortization expenses and impairment losses are mainly for buildings that are not attributed to any reportable segment.
In relation to other items, adjustments to capital expenditures are mainly for capital expenditures for buildings that are not attributed to any reportable segment.

	Thousands of U.S. dollars			
	Total of reportable segments	Others	Adjustments	Reported in consolidated financial statements
Other items	2016			
Depreciation and amortization expenses	$389,563	$3,656	$62,336	$455,564
Impairment losses on non-financial assets	444	–	9	453
Investments accounted for using the equity method	32,073	–	–	32,073
Capital expenditures on property, plant and equipment and intangible assets	$417,146	$5,298	$44,400	$466,853

(3) Financial information by geographical region

External revenue by geographical area is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥ 200,172	¥ 194,645	$1,776,464
United States	267,503	235,628	2,374,006
European countries	319,731	328,663	2,837,513
China	76,363	68,055	677,698
Asia, excluding Japan and China	81,288	88,578	721,406
Others	86,680	87,187	769,258
Total	¥1,031,740	¥1,002,758	$9,156,372

(Note) Revenue classifications are based on customers' geographical regions. There are no key countries presented separately other than the ones in the above table.

Summary by geographical region of the carrying amounts of non-current assets (excluding financial assets, deferred tax assets and post-retirement benefit assets) is set out as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015 Restated (Note)	2016
Japan	¥210,244	¥189,225	$1,865,850
United States	73,048	37,858	648,278
European countries	61,548	55,444	546,219
China	19,312	20,816	171,388
Asia, excluding Japan and China	13,064	9,568	115,939
Others	5,042	4,786	44,746
Total	¥382,261	¥317,699	$3,392,448

(Note) The figures were restated to correct errors in the aggregation in Japan, United States and European countries.

(4) Information on principal customers

No single external customer contributed to 10% of revenue or more.

6. Business Combinations

There was no significant business combination in the fiscal year ended March 31, 2015.

The major business combination in the fiscal year ended March 31, 2016 was as follows:

(Acquisition of shareholding of Radiant Vision Systems, LLC)

(1) Description of the business combination

As of August 3, 2015, the Group acquired, in cash, 100% of shareholding of Radiant Vision Systems, LLC (hereafter, "Radiant"), a US-based leading provider of testing and measurement systems for flat panel displays. Radiant develops and offers fully integrated testing and measurement systems precisely engineered to meet specific customer requirements in the global display testing and measurement industry.

Through the acquisition of Radiant, the Group will solidify the foundation of its business of optical systems for industrial use within the Industrial Business by integrating Radiant's products and solutions with the existing business of light - source color measurement.

Furthermore, to pursue its future growth, the Group will gain the technological strength necessary to enter the field of manufacturing inspection systems, including visual surface inspections, where automation and integration will improve productivity.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥29,056	$257,863
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	921	8,174
Trade and other receivables	1,199	10,641
Inventories	678	6,017
Property, plant and equipment	351	3,115
Intangible assets	8,622	76,518
Other assets	58	515
Liabilities	(722)	(6,408)
Goodwill (Note 2)	17,948	159,283
Total	¥29,056	$257,863

(Note 1) There was no contingent consideration.
(Note 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 consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

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

(Acquisition of shareholding of 20/20 Healthcare LLC)
(1) Description of the business combination
As of October 1, 2015, the Group acquired, in cash, 100% of shareholding of 20/20 Healthcare LLC, a US-based company, which led to the acquisition of its subsidiaries, Viztek LLC (hereafter, "Viztek") and 20/20 Imaging LLC. Viztek is a provider of healthcare products and IT solutions.

Through this acquisition, the Group will strengthen its capabilities to provide value in the primary care market with a high growth potential in the U.S., the world's largest healthcare market. The synergy with Viztek will enhance the Group's healthcare IT solutions services centered on digital X-ray diagnostic imaging, low-invasive diagnostic ultrasound imaging, and picture archiving and communication systems (PACS).

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥9,124	$80,973
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	15	133
Trade and other receivables	1,042	9,247
Inventories	1,060	9,407
Property, plant and equipment	78	692
Intangible assets	2,478	21,991
Other current assets	8	71
Liabilities	(2,236)	(19,844)
Goodwill (Note 2)	6,676	59,247
Total	¥9,124	$80,973

(Note 1) There was no contingent consideration.
(Note 2) Goodwill largely represents an excess earnings power of the acquired companies, 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 consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information
Because pro forma information based on the assumption that the business combination of 20/20 Healthcare LLC took place at the beginning of the fiscal year under review, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

(Acquisition of shares of Dactyl Buro du Centre and OMR Impressions)
(1) Description of the business combination
On February 15, 2016, the Group acquired, in cash, 100% shares of two major French MFP sales companies, French Dactyl Buro du Centre and OMR Impressions.

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

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥10,856	$96,344
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	966	8,573
Trade and other receivables	2,112	18,743
Inventories	452	4,011
Property, plant and equipment	2,117	18,788
Intangible assets	3,945	35,011
Other assets	680	6,035
Bonds and borrowings	(3,061)	(27,165)
Deferred tax liabilities	(621)	(5,511)
Other liabilities	(2,566)	(22,772)
Goodwill (Note 3)	6,831	60,623
Total	¥10,856	$96,344

(Note 1) There was no contingent consideration.
(Note 2) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.
(Note 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 French Dactyl Buro du Centre and OMR Impressions has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016.

(4) Pro-forma information
Because pro forma information based on the assumption that the business combination of French Dactyl Buro du Centre and OMR Impressions took place at the beginning of the fiscal year under review, on April 1, 2015, has no material effect on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2016, it is not disclosed here.

7. Trade and other receivables

The components of trade and other receivables as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Notes and accounts receivable–trade	¥221,716	¥225,816	$1,967,661
Finance lease receivables	23,330	23,010	207,047
Others	10,713	10,193	95,075
Allowance for doubtful accounts	(6,261)	(6,057)	(55,564)
Total	¥249,498	¥252,962	$2,214,217

8. Inventories

The components of inventories as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished goods	¥ 93,269	¥ 92,335	$ 827,733
Work in progress	9,766	10,316	86,670
Materials and supplies (Note 1)	18,325	18,151	162,629
Total	¥121,361	¥120,803	$1,077,041

(Note 1) Materials include spare parts for maintenance purpose to be used after 12 months from each fiscal year-end. They are included as inventories as they are held within the ordinary course of business.
(Note 2) The acquisition costs of inventories recognized as expenses during the current fiscal year is primarily included in "cost of sales."
(Note 3) The amount of inventories written down to their net realizable value in the current fiscal year is ¥2,902 million (previous fiscal year: ¥1,546 million), which is included in "cost of sales."

9. Other financial assets

The components of other financial assets as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans receivable	¥ 219	¥ 198	$ 1,944
Investment securities	24,163	30,534	214,439
Lease and guarantee deposits	6,899	7,163	61,226
Derivative financial assets	5,946	1,235	52,769
Others	5,587	4,858	49,583
Allowance for doubtful accounts	(841)	(853)	(7,464)
Total	41,974	43,135	372,506
Current	3,327	1,715	29,526
Non-current	¥38,646	¥41,420	$342,971

10. Non-current assets held-for-sale and disposal groups

For fiscal year ended March 31, 2015, in line with the mid-term management plan to improve asset efficiency, the Group resolved to sell land, buildings, and other items in North America and Japan that are not attributable to reportable segments.

For fiscal year ended March 31, 2016, in line with the mid-term management plan to improve asset efficiency, the Group resolved to sell land, buildings, and other items in North America that are not attributable to reportable segments.

11. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for fiscal years ended March 31, 2016 and 2015, are as follows:

(Cost)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2014	¥185,124	¥227,644	¥153,278	¥42,810	¥35,725	¥13,891	¥658,475
Acquisitions	674	1,732	8,582	8,627	472	25,110	45,200
Acquisitions through business combinations	11	58	46	–	–	–	115
Transfer from construction in progress to other account	13,310	15,206	5,557	–	–	(34,074)	–
Disposals	(9,611)	(7,882)	(11,165)	(4,504)	(2,538)	(120)	(35,824)
Others	197	(14)	(512)	(3,931)	(689)	(718)	(5,669)
Effect of foreign currency exchange differences	2,722	2,530	5,063	954	326	148	11,746
Balance at March 31, 2015	192,428	239,275	160,849	43,957	33,296	4,236	674,043
Acquisitions	**1,440**	**1,763**	**16,228**	**8,073**	**–**	**22,604**	**50,110**
Acquisitions through business combinations	**264**	**78**	**1,753**	**2,087**	**2**	**–**	**4,186**
Transfer from construction in progress to other account	**5,775**	**7,736**	**5,955**	**–**	**–**	**(19,467)**	**–**
Disposals	**(9,460)**	**(35,179)**	**(12,648)**	**(3,622)**	**(1,852)**	**(20)**	**(62,784)**
Others	**(82)**	**(36)**	**(857)**	**(3,525)**	**240**	**1,151**	**(3,109)**
Effect of foreign currency exchange differences	**(2,511)**	**(2,220)**	**(4,787)**	**(1,971)**	**(114)**	**(96)**	**(11,702)**
Balance at March 31, 2016	**¥187,854**	**¥211,416**	**¥166,492**	**¥44,997**	**¥31,572**	**¥ 8,408**	**¥650,743**

(Note) Others is transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2015	$1,707,739	$2,123,491	$1,427,485	$390,105	$295,492	$ 37,593	$5,981,922
Acquisitions	**12,780**	**15,646**	**144,018**	**71,645**	**–**	**200,603**	**444,711**
Acquisitions through business combinations	**2,343**	**692**	**15,557**	**18,521**	**18**	**–**	**37,149**
Transfer from construction in progress to other account	**51,251**	**68,655**	**52,849**	**–**	**–**	**(172,764)**	**–**
Disposals	**(83,955)**	**(312,203)**	**(112,247)**	**(32,144)**	**(16,436)**	**(177)**	**(557,188)**
Others	**(728)**	**(319)**	**(7,606)**	**(31,283)**	**2,130**	**10,215**	**(27,591)**
Effect of foreign currency exchange differences	**(22,284)**	**(19,702)**	**(42,483)**	**(17,492)**	**(1,012)**	**(852)**	**(103,852)**
Balance at March 31, 2016	**$1,667,146**	**$1,876,251**	**$1,477,565**	**$399,334**	**$280,192**	**$ 74,618**	**$5,775,142**

(Accumulated depreciation and impairment losses)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at April 1, 2014	(¥123,307)	(¥202,226)	(¥124,255)	(¥30,142)	(¥1,415)	(¥72)	(¥481,418)
Depreciation expenses	(5,513)	(8,747)	(12,423)	(7,180)	(3)	–	(33,868)
Impairment losses	(826)	(1,188)	(128)	(15)	(275)	(10)	(2,444)
Disposals	7,531	7,423	9,631	4,346	386	–	29,319
Others	(82)	(244)	344	2,819	–	–	2,837
Effect of foreign currency exchange differences	(1,425)	(1,572)	(3,288)	(545)	3	–	(6,828)
Balance at March 31, 2015	(123,623)	(206,554)	(130,120)	(30,717)	(1,304)	(82)	(492,402)
Depreciation expenses	**(5,765)**	**(8,638)**	**(14,692)**	**(7,026)**	**(11)**	**–**	**(36,135)**
Impairment losses	**(1)**	**(38)**	**(2)**	**(9)**	**–**	**–**	**(51)**
Disposals	**8,084**	**34,913**	**9,683**	**3,237**	**100**	**–**	**56,018**
Others	**(182)**	**131**	**(535)**	**2,820**	**(221)**	**–**	**2,011**
Effect of foreign currency exchange differences	**1,089**	**1,456**	**3,326**	**1,260**	**3**	**–**	**7,136**
Balance at March 31, 2016	**(¥120,399)**	**(¥178,730)**	**(¥132,340)**	**(¥30,433)**	**(¥1,434)**	**(¥82)**	**(¥463,421)**

(Note) Others is transfer to other account.

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2015	($1,097,116)	($1,833,103)	($1,154,775)	($272,604)	($11,573)	($728)	($4,369,915)
Depreciation expenses	**(51,163)**	**(76,660)**	**(130,387)**	**(62,354)**	**(98)**	**–**	**(320,687)**
Impairment losses	**(9)**	**(337)**	**(18)**	**(80)**	**–**	**–**	**(453)**
Disposals	**71,743**	**309,842**	**85,934**	**28,727**	**887**	**–**	**497,142**
Others	**(1,615)**	**1,163**	**(4,748)**	**25,027**	**(1,961)**	**–**	**17,847**
Effect of foreign currency exchange differences	**9,665**	**12,922**	**29,517**	**11,182**	**27**	**–**	**63,330**
Balance at March 31, 2016	**($1,068,504)**	**($1,586,173)**	**($1,174,476)**	**($270,083)**	**($12,726)**	**($728)**	**($4,112,717)**

(Carrying amount)

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2015	¥68,805	¥32,720	¥30,729	¥13,240	¥31,992	¥4,153	¥181,641
Balance at March 31, 2016	**¥67,455**	**¥32,686**	**¥34,151**	**¥14,564**	**¥30,138**	**¥8,325**	**¥187,322**

	Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land	Construction in progress	Total
Balance at March 31, 2016	**$598,642**	**$290,078**	**$303,080**	**$129,251**	**$267,465**	**$73,882**	**$1,662,425**

The carrying amount of property, plant and equipment as of March 31, 2016 and 2015 includes the carrying amount of the following leased assets:

(Carrying amount of lease assets)

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2015	¥1,188	¥264	¥694	¥2,055	¥966
Balance at March 31, 2016	**¥ 384**	**¥195**	**¥639**	**¥3,437**	**¥895**

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools and equipment	Rental assets	Land
Balance at March 31, 2016	**$3,408**	**$1,731**	**$5,671**	**$30,502**	**$7,943**

12. Goodwill and intangible assets

The changes in goodwill and intangible assets for fiscal years ended March 31, 2016 and 2015 are set out as follows:

(Cost)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at April 1, 2014	¥ 73,935	¥28,291	¥58,028	¥16,780	¥177,036
Acquisitions	–	–	2,366	6,310	8,676
Acquisitions through business combinations	5,819	4,471	26	842	11,160
Disposal	(2,626)	–	(7,127)	(116)	(9,870)
Others	–	(215)	7,221	(5,171)	1,834
Effect of foreign currency exchange differences	715	3,744	1,005	(279)	5,186
Balance at March 31, 2015	77,843	36,292	61,521	18,366	194,023
Acquisitions	**–**	**–**	**2,024**	**10,029**	**12,054**
Acquisitions through business combinations	**41,487**	**14,426**	**504**	**4,994**	**61,413**
Disposal	**–**	**–**	**(10,650)**	**(321)**	**(10,971)**
Others	**–**	**367**	**5,455**	**(5,725)**	**96**
Effect of foreign currency exchange differences	**(4,232)**	**(3,081)**	**(1,300)**	**(767)**	**(9,381)**
Balance at March 31, 2016	**¥115,098**	**¥48,005**	**¥57,554**	**¥26,577**	**¥247,235**

(Note 1) Software in progress is included in "others" within intangible assets.
(Note 2) There is no significant internally generated intangible asset as of March 31, 2016 and 2015.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2015	$ 690,832	$322,080	$545,980	$162,993	$1,721,894
Acquisitions	**–**	**–**	**17,962**	**89,004**	**106,976**
Acquisitions through business combinations	**368,184**	**128,026**	**4,473**	**44,320**	**545,021**
Disposal	**–**	**–**	**(94,515)**	**(2,849)**	**(97,364)**
Others	**–**	**3,257**	**48,411**	**(50,808)**	**852**
Effect of foreign currency exchange differences	**(37,558)**	**(27,343)**	**(11,537)**	**(6,807)**	**(83,253)**
Balance at March 31, 2016	**$1,021,459**	**$426,029**	**$510,774**	**$235,863**	**$2,194,134**

(Accumulated amortization and accumulated impairment losses)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at April 1, 2014	¥ –	(¥13,136)	(¥38,838)	(¥5,499)	(¥57,473)
Amortization expenses (Note 2)	–	(4,016)	(8,628)	(1,392)	(14,037)
Impairment losses	(2,551)	–	(188)	(0)	(2,740)
Disposals	2,626	–	7,040	86	9,753
Others	–	1	(343)	112	(229)
Effect of foreign currency exchange differences	(75)	(2,265)	(869)	45	(3,164)
Balance at March 31, 2015	–	(19,416)	(41,828)	(6,646)	(67,891)
Amortization expenses (Note 2)	**–**	**(4,486)**	**(8,726)**	**(1,984)**	**(15,197)**
Disposals	**–**	**–**	**10,586**	**259**	**10,846**
Others	**–**	**(605)**	**1,275**	**(29)**	**639**
Effect of foreign currency exchange differences	**–**	**1,474**	**994**	**288**	**2,757**
Balance at March 31, 2016	**¥ –**	**(¥23,034)**	**(¥37,697)**	**(¥8,112)**	**(¥68,844)**

(Note 1) Software in progress is included in "others" within intangible assets.
(Note 2) Amortization expenses on intangible assets are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statements of profit or loss.
(Note 3) There is no significant internally generated intangible asset as of March 31, 2016 and 2015.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2015	$ –	($172,311)	($371,211)	($58,981)	($602,512)
Amortization expenses	**–**	**(39,812)**	**(77,441)**	**(17,607)**	**(134,869)**
Disposals	**–**	**–**	**93,947**	**2,299**	**96,255**
Others	**–**	**(5,369)**	**11,315**	**(257)**	**5,671**
Effect of foreign currency exchange differences	**–**	**13,081**	**8,821**	**2,556**	**24,468**
Balance at March 31, 2016	**$ –**	**($204,420)**	**($334,549)**	**($71,991)**	**($610,969)**

(Carrying amount)

	Millions of yen				
	Goodwill	Customer relationships	Software	Others (Note 1)	Total
Balance at March 31, 2015	¥ 77,843	¥16,876	¥19,693	¥11,719	¥126,132
Balance at March 31, 2016	**¥115,098**	**¥24,971**	**¥19,856**	**¥18,464**	**¥178,390**

(Note 1) Software in progress is included in "others" within intangible assets.
(Note 2) There is no significant internally generated intangible asset as of March 31, 2016 and 2015.

	Thousands of U.S. dollars				
	Goodwill	Customer relationships	Software	Others	Total
Balance at March 31, 2016	**$1,021,459**	**$221,610**	**$176,216**	**$163,862**	**$1,583,156**

13. Impairment losses on non-financial assets

The Group recognizes impairment losses when the recoverable amount of assets falls below their carrying amount. Impairment losses are included in other expenses in the consolidated statements of profit or loss.

Impairment losses on property, plant and equipment and goodwill and intangible assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Property, plant and equipment	**¥51**	¥2,444	**$453**
Goodwill	**–**	2,551	**–**
Intangible assets	**–**	188	**–**
Total	**¥51**	¥5,185	**$453**

Goodwill impairment tests

Among the goodwill allocated to each CGU, goodwill of ¥46,208 million was generated during management integration with Minolta Co., Ltd. For the previous fiscal year and current fiscal year, ¥41,613 million is allocated to the Business Technologies Business and ¥4,595 million to the Industrial Business. No impairment losses were recognized.

Calculation of the recoverable amount for each CGU is based on value in use. Value in use is calculated as estimated future cash flows discounted to the present value, based on business plans for three years approved by the Board of Directors and a growth rate. The growth rate used to estimate future cash flows for periods subsequent to approved business plans is determined based on the long-term average rate of growth for markets to which the CGU belongs. The growth rate and the pre-tax discount rate used during the fiscal year under review were 1.0% and 6.9%, respectively.

In the event of changes in principal assumptions used in the impairment tests within the scope of rational forecasting possibility, management judges that the likelihood that significant impairment losses will be generated for these CGUs is low.

14. Investments accounted for using the equity method

Information related to associates is below. The Company has no material associates.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Carrying amount of investments accounted for using the equity method	¥3,614	¥524	$32,073

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Share of profit in investments accounted for using the equity method	(¥16)	¥35	($142)
Share of other comprehensive income of investments accounted for using the equity method	6	5	53
Total share of comprehensive income for the year	(¥10)	¥41	($ 89)

15. Leases

(1) As lessee

1) Finance leases

The Group leases a variety of property, plant and equipment under finance lease agreements. Some of these lease agreements include a renewal-or-purchase option. The Group does not engage in sublease agreements, escalation clauses or restrictions imposed by lease agreement (such as limitations on dividend, additional borrowing or additional leases).

Future minimum lease payments and their present values based on finance lease agreements are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Minimum lease payments			Present value of minimum lease payments		
	2016	2015	2016	2016	2015	2016
1 year or less	¥2,967	¥2,948	$26,331	¥2,726	¥2,704	$24,192
More than 1 year, 5 years or less	4,780	3,679	42,421	4,451	3,428	39,501
More than 5 years	95	115	843	89	111	790
Total	7,843	6,743	69,604	¥7,266	¥6,244	$64,483
Less: Future finance cost	577	498	5,121			
Present value of minimum lease payments	¥7,266	¥6,244	$64,483			

2) Operating leases

The Group uses a variety of property, plant and equipment under non-cancellable operating lease agreements.

Lease expenses presented in the consolidated statements of profit or loss for the current fiscal year is ¥9,738 million (previous fiscal year: ¥8,913 million).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
1 year or less	¥ 8,373	¥ 7,546	$ 74,308
More than 1 year, 5 years or less	15,548	11,804	137,984
More than 5 years	2,295	1,379	20,367
Total	¥26,217	¥20,729	$232,668

(2) As lessor

1) Finance leases

The Group primarily leases business technologies equipment based on finance lease agreements. Gross investment in leases under finance lease agreements and the present value of minimum lease receivables are as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Gross investment in the lease			Present value of minimum lease receivables		
	2016	2015	2016	2016	2015	2016
1 year or less	¥ 9,281	¥ 9,382	$ 82,366	¥ 8,651	¥ 8,514	$ 76,775
More than 1 year, 5 years or less	15,553	15,415	138,028	14,577	14,395	129,366
More than 5 years	107	103	950	102	100	905
Total	24,941	24,901	221,344	¥23,330	¥23,010	$207,047
Less: Unearned finance income	1,610	1,891	14,288			
Present value of minimum lease receivables	¥23,330	¥23,010	$207,047			

(Note 1) No material unguaranteed residual values are set for the lease transactions stated above.
(Note 2) No material allowance for doubtful accounts is recorded for finance lease receivables.

2) Operating leases

The Group principally leases business information equipment under non-cancellable operating lease agreements.
Future minimum lease receivables under non-cancellable operating leases are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
1 year or less	¥ 5,144	¥4,157	$ 45,651
More than 1 year, 5 years or less	6,452	5,163	57,259
More than 5 years	3	14	27
Total	¥11,601	¥9,334	$102,955

16. Income taxes

(1) Deferred tax assets and deferred tax liabilities

1) Recognized deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are attributable to the following factors:

	Millions of yen		Thousands of U.S. dollars
	2016	2015 Restated (Note)	2016
Retirement benefits	¥28,470	¥27,565	$252,662
Property, plant and equipment	4,286	2,851	38,037
Goodwill and intangible assets	2,007	4,617	17,812
Inventories	10,373	13,145	92,057
Others	3,061	7,122	27,165
Net losses carried forward	22,773	19,501	202,103
Valuation allowance	(15,363)	(5,912)	(136,342)
Total	55,609	68,891	493,513
Deferred tax assets	59,052	71,835	524,068
Deferred tax liabilities	¥ 3,443	¥ 2,944	$ 30,556

(Note) Please refer to note 38 "Correction of errors".

	Millions of yen		Thousands of U.S. dollars
	2016	2015 Restated (Note)	2016
Balance, beginning of the year	¥68,891	¥78,014	$611,386
Recognized in profit or loss	(15,073)	(10,056)	(133,768)
Recognized in other comprehensive income	3,817	(1,651)	33,875
Business combinations	(1,141)	19	(10,126)
Others	(884)	2,564	(7,845)
Balance, end of the year	¥55,609	¥68,891	$493,513

(Note) Please refer to note 38 "Correction of errors".

2) Temporary differences not recognized as deferred tax assets

The Group recognizes deferred tax assets after taking into consideration deductible temporary differences, the forecasted future taxable profits and tax planning. Deductible temporary differences and net losses carried forward that are not recognized for deferred tax assets on this basis are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deductible temporary differences	¥ 6,711	¥ 1,463	$ 59,558
Net losses carried forward	¥41,506	¥15,625	$368,353

Presentation by carried forward accounting term of net losses carried forward that are not expected to recognized for deferred tax assets, as of the end of the current fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
5 years or less	¥24,148	¥ 636	$214,306
More than 5 years	17,357	14,988	154,038
Total	¥41,506	¥15,625	$368,353

(2) Income tax expense

1) Income tax expense recognized in profit or loss

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current income tax expense	¥10,955	¥14,465	$ 97,222
Deferred income tax expense			
(Increase) Decrease in temporary differences	8,893	5,834	78,923
(Increase) Decrease in net losses carried forward	(3,271)	15,690	(29,029)
Increase (Decrease) in valuation allowance	9,451	(11,469)	83,875
Subtotal	15,073	10,056	133,768
Total	¥26,029	¥24,521	$230,999

2) Income tax expense recognized in OCI

Income tax expense recognized in OCI is indicated in note 30 "Other Comprehensive Income".

3) Reconciliation of the effective tax rate

The Company and its domestic subsidiaries are subject to mainly corporate tax and inhabitant tax as well as business tax, which is deductible. The statutory income tax rate calculated based on such taxes 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 has resulted in a decrease of ¥3,820 million in deferred tax assets (net of deferred tax liabilities) as of March 31, 2016, and increases of ¥3,848 million and ¥27 million in income tax expense and OCI, for the fiscal year ended March 31, 2016, respectively.

Income taxes for foreign operations are based on the tax laws of the respective jurisdictions.

Differences in the statutory income tax rate and average effective tax rate are attributable to the following.

	%	
	2016	2015
Statutory income tax rate	**33.1**	35.6
Valuation allowance	**2.1**	(10.3)
Non-taxable revenue	**(0.5)**	(2.6)
Non-deductible expenses	**2.2**	4.3
Difference in statutory tax rate of foreign subsidiaries	**(2.7)**	(2.9)
Tax credits for research and development cost and others	**(0.3)**	(4.7)
Year-end adjustment to deferred tax assets due to tax rate revisions	**6.6**	11.6
Others	**4.5**	6.5
Average effective tax rate after application of tax effect accounting	**44.9**	37.4

17. Trade and other payables

The components of trade and other payables as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Notes and accounts payable-trade	**¥ 92,686**	¥ 98,152	**$ 822,559**
Accounts payable-capital expenditure	**7,467**	5,128	**66,267**
Accounts payable-others	**62,297**	73,868	**552,867**
Others	**456**	414	**4,047**
Total	**¥162,907**	¥177,564	**$1,445,749**

18. Bonds and borrowings

Summary of bonds and borrowings is as follows:

	Millions of yen				Millions of U.S. dollars
	2016	2015	Interest rate (%) (Note 1)	Repayment date	**2016**
Short-term loans payable	**¥ 15,896**	¥ 25,644	1.489	–	**$ 141,072**
Current portion of bonds (Note 4)	**20,000**	20,000	0.610	–	**177,494**
Current portion of long-term loans payable	**4,001**	5,001	1.241	–	**35,508**
Current portion of lease obligations (Note 2)	**2,726**	2,704	–	–	**24,192**
Non-current portion of bonds (Note 3)(Note 4)	**30,000**	50,000	0.920	–	**266,241**
Non-current portion of long-term loans payable (Note 3)	**91,113**	58,696	0.676	April 2017 to January 2023	**808,600**
Non-current portion of lease obligations (Note 2)(Note 3)	**4,540**	3,540	–	April 2017 to September 2026	**40,291**
Total	**168,277**	165,586			**1,493,406**
Current	**42,624**	53,349			**378,275**
Non-current	**¥125,653**	¥112,236			**$1,115,131**

(Note 1) Interest rates indicated are weighted average interest rates at the end of the fiscal year.
(Note 2) Interest rates on lease obligations are not indicated, as lease obligations stated in the consolidated statement of financial position are inclusive of the interests.
(Note 3) Expected repayments for bonds, long-term borrowings and lease obligations for each year in the period within five years after the fiscal year-end date are listed in note 32 "Financial instruments".
(Note 4) The carrying amounts of bonds by issuance name are as follows:

			Millions of yen				Millions of U.S. dollars
Company	Name	Issue date	**2016**	2015	Interest rate (%)	Redemption date	**2016**
Konica Minolta	No. 1 Unsecured Bonds	December 2,2010	**¥ –**	¥20,000	0.609	December 2,2015	**$ –**
Konica Minolta	No. 2 Unsecured Bonds	December 2,2010	**10,000**	10,000	0.956	December 1,2017	**88,747**
Konica Minolta	No. 3 Unsecured Bonds	December 2,2011	**20,000**	20,000	0.610	December 2,2016	**177,494**
Konica Minolta	No. 4 Unsecured Bonds	December 2,2011	**20,000**	20,000	0.902	November 30,2018	**177,494**
Total	–	–	**¥50,000**	¥70,000	–	–	**$443,734**

19. Provisions

Summary of provisions and the changes are as follows:

	Millions of yen				
	Provision for product warranties (Note 1)	Provision for restructuring (Note 2)	Asset retirement obligations (Note 3)	Other provisions (Note 4)	Total
Balance at March 31,2015	¥1,770	¥1,095	¥1,141	¥2,671	¥6,678
Provisions made	743	3,053	766	1,607	6,171
Provisions utilized	(866)	(1,189)	(233)	(1,133)	(3,423)
Provisions reversed	(114)	(242)	(563)	(171)	(1,092)
Effects of changes in foreign exchange rates	(63)	(107)	(5)	(108)	(285)
Balance at March 31,2016	**1,469**	**2,608**	**1,105**	**2,865**	**8,049**
Current	1,469	2,608	163	2,579	6,821
Non-current	¥ –	¥ –	¥ 941	¥ 286	¥1,227

(Note 1) The provision for product warranties is the amount set by the Group to guarantee the reliability and functionality of its products. This provision is calculated based on the historical customer claim. Future occurrence of such claims may differ from past experience. However, the company is of the opinion that the provision amounts will not be significantly different should the assumptions and estimates change.
(Note 2) The provision for restructuring is an expense recognized for rationalization or business restructuring to improve the profitability of the Group's businesses. Payment periods are affected by future business plans and other factors.
(Note 3) Asset retirement obligations are provided for the Group's obligation to restore leased offices, buildings and other facilities to their original condition. Recognized amounts are future payment estimated based on past experience with restoring properties to their original condition. In principle, these obligations are paid more than one year after incurred. However, they may be affected by future business plans and other factors.
(Note 4) Other provisions include a provision for loss on litigation.

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for restructuring	Asset retirement obligations	Other provisions	Total
Balance at March 31,2015	$15,708	$ 9,718	$10,126	$23,704	$59,265
Provisions made	6,594	27,094	6,798	14,262	54,766
Provisions utilized	(7,685)	(10,552)	(2,068)	(10,055)	(30,378)
Provisions reversed	(1,012)	(2,148)	(4,996)	(1,518)	(9,691)
Effects of changes in foreign exchange rates	(559)	(950)	(44)	(958)	(2,529)
Balance at March 31,2016	**13,037**	**23,145**	**9,807**	**25,426**	**71,432**
Current	13,037	23,145	1,447	22,888	60,534
Non-current	$ –	$ –	$ 8,351	$ 2,538	$10,889

20. Other financial liabilities

The components of other financial liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Derivative financial liabilities	**¥3,754**	¥1,559	**$33,316**
Contingent consideration	**34**	–	**302**
Others	**24**	–	**213**
Total	**3,812**	1,559	**33,830**
Current	**200**	1,020	**1,775**
Non-current	**¥3,611**	¥ 539	**$32,047**

21. Employee benefits

The Group has in place a corporate pension plan and a lump-sum payments on retirement plan as defined benefit pension plans, and a defined contribution-type corporate pension plan as a defined contribution pension plan.

In some cases, the Group pays additional severance benefits to retiring employees.

An employee pension trust has been established for the Company's plan assets.

Funding standards, fiduciary responsibility, disclosure and other matters are consistent for domestic corporate pension plans, and the officer in charge and responsible departments hold a meeting on the investment policy and results in a timely manner, based on the basic policy regarding investment of plan assets. An actuarial review is conducted every three years based on the Company's financial condition and asset investment forecast. If funding standards are not satisfied, premiums are increased.

Plan assets are legally separate from the Group. Asset investment beneficiaries are responsible for plan assets and have a duty of loyalty to pension plan enrollees, such management responsibilities as a dispersed investment obligation, and a duty to prevent conflicts of interest.

Plan assets are invested on the basis of soundness. However financial instruments have inherent investment risks. Discount rates and other aspects of defined benefit obligations are based on pension actuarial assumptions. Accordingly, there exists a risk that these assumptions may change.

A defined contribution plan is a post-retirement benefit plan under which an employer contributes a fixed amount to an independent company and has no legal or constructive obligation to pay an amount in excess of the contributed amount.

(1) Defined benefit plan

Amounts of defined benefit plan in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Present value of the defined benefit obligation	**¥189,343**	¥197,483	**$1,680,360**
Fair value of the plan assets	**121,623**	135,649	**1,079,366**
Net liability in the consolidated statement of financial position	**67,719**	61,833	**600,985**
Defined benefit assets	**193**	205	**1,713**
Defined benefit liabilities	**¥ 67,913**	¥ 62,039	**$ 602,707**

Changes in the present value of the defined benefit obligation are as follows:

From April 1, 2015, some of consolidated overseas subsidiaries have abolished defined benefit pension plans and transferred to defined contribution pension plans. In line with this transfer, the Company recognized gain or loss on settlement in the current fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance, beginning of the year	**¥197,483**	¥183,425	**$1,752,600**
Current service cost	**5,799**	5,689	**51,464**
Past service cost	**25**	(81)	**222**
Gain or loss on settlement	**(3,431)**	–	**(30,449)**
Interest cost	**2,486**	3,121	**22,062**
Remeasurement:			
Actuarial gains and losses arising from changes in demographic assumptions	**124**	1,566	**1,100**
Actuarial gains and losses arising from changes in financial assumptions	**2,563**	11,565	**22,746**
Benefits paid	**(12,521)**	(9,298)	**(111,120)**
Benefits paid on settlement	**(23)**	–	**(204)**
Impact of business combinations and disposal	**115**	–	**1,021**
Effect of changes in foreign exchange rates and others	**(3,278)**	1,495	**(29,091)**
Balance, end of the year	**¥189,343**	¥197,483	**$1,680,360**

(Note) As of the end of the current fiscal year, the weighted average payment period for defined benefit obligations was 12.0 years.

Changes in the fair value of the plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance, beginning of the year	**¥135,649**	¥118,718	**$1,203,843**
Interest income	**1,830**	2,407	**16,241**
Gain or loss on settlement	**(2,672)**	–	**(23,713)**
Remeasurement:			
Return on plan assets (net)	**(6,846)**	13,109	**(60,756)**
Contributions by the employer	**7,340**	7,246	**65,140**
Benefits paid	**(10,568)**	(7,328)	**(93,788)**
Effect of changes in foreign exchange rates and others	**(3,109)**	1,496	**(27,591)**
Balance, end of the year	**¥121,623**	¥135,649	**$1,079,366**

Summary of the fair value of the plan assets is as follows:

	Millions of yen					
	2016			2015		
	Quoted market price in an active market			Quoted market price in an active market		
	Yes	No	Total	Yes	No	Total
Equity securities (Domestic)	¥21,190	¥ –	¥ 21,190	¥19,552	¥ –	¥ 19,552
Equity securities (Foreign)	10,827	–	10,827	7,151	–	7,151
Debt securities (Domestic)	1,378	–	1,378	3,870	–	3,870
Debt securities (Foreign)	18,328	–	18,328	27,010	–	27,010
Employee pension trust (Domestic equity securities)	7,753	–	7,753	10,801	–	10,801
Employee pension trust (Foreign equity securities)	15,060	–	15,060	18,931	–	18,931
Life insurance company general accounts	–	10,830	10,830	–	11,920	11,920
Others	¥27,588	¥ 8,664	36,252	¥28,317	¥ 8,091	36,409
Total			¥121,623			¥135,649

(Note 1) Plan assets are invested in shares, securities and derivatives.
(Note 2) In accordance with the requirements of defined-benefit pension plans, a regular contribution must be made at least annually. To ensure a financial balance between forecasted benefit requirement and expected investment income, this amount is calculated based on the assumptions of interest rates, rates of mortality, withdrawal rates and forecast amounts for other required benefit expenses. Furthermore, this contribution amount is subject to actuarial review every three years. If the reserve amount is below that provided by minimum funding standards, a fixed amount must be contributed.
The calculation method used for the Company's defined benefit plans takes into consideration deductible amounts under tax law, the status of plan assets reserves and various actuarial calculations.
(Note 3) Expected contributions to plan assets in the next fiscal year are ¥6,842 million.

	Thousands of U.S. dollars		
	2016		
	Quoted market price in an active market		
	Yes	No	Total
Equity securities (Domestic)	$188,055	$ –	$ 188,055
Equity securities (Foreign)	96,086	–	96,086
Debt securities (Domestic)	12,229	–	12,229
Debt securities (Foreign)	162,655	–	162,655
Employee pension trust (Domestic equity securities)	68,805	–	68,805
Employee pension trust (Foreign equity securities)	133,653	–	133,653
Life insurance company general accounts	–	96,113	96,113
Others	$244,835	$76,890	321,725
Total			$1,079,366

Principal actuarial assumptions used to measure defined benefit obligations are as follows:

	%	
	2016	2015
Discount rate	0.31	0.71

The table below indicates the effect of a 0.5% increase or decrease in major actuarial assumptions, while other variables are kept constant. In reality, individual assumptions may be simultaneous affected by fluctuations in economic indicators and conditions. Accordingly, because fluctuations may occur independently or mutually, the actual impact of these fluctuations on defined benefit obligations may differ from these assumptions.

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		2016	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Effect of change of discount rate	(¥6,720)	¥7,288	(¥6,522)	¥6,698	($59,638)	$64,679

(2) Defined contribution plan

The amount recorded as expenses in relation to defined contribution plans are the amounts contributed to these plans during the year. This amount was ¥3,148 million for the current fiscal year (previous fiscal year: ¥4,560 million).

(3) Other employee benefits

Certain U.S. subsidiaries employ a Supplemental Executive Retirement Plan (SERP). Obligations incurred under this plan amounted to ¥2,482 million for the current fiscal year (previous fiscal year: ¥2,362 million). These amounts are recognized as other non-current liabilities.

22. Equity and other equity items

(1) Share capital and Treasury shares

	Number of authorized shares	Number of issued shares (Note 1) (Note 2)	Number of treasury shares
At 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**

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

(2) Share premium

Under the Companies Act of Japan ("Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to share capital. The remainder of the proceeds shall be credited to additional paid-in capital, which is included in share premium. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to share capital.

(3) Retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of share capital. The legal reserve may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Other Components of Equity

	Millions of yen					
	Remeasurements of defined benefit pension plans (Note 1)	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income (Note 2)	Net gain (loss) on derivatives designated as cash flow hedges (Note 3)	Exchange differences on translation of foreign operations (Note 4)	Share of other comprehensive income of investments accounted for using the equity method (Note 5)	Total
Balance at March 31, 2015 Restated (Note 6)	¥ –	¥8,207	(¥ 324)	¥39,661	¥0	¥47,545
Increase (decrease)	(6,974)	(3,851)	(742)	(19,789)	6	(31,351)
Transfer to retained earnings	6,974	35	–	–	–	7,010
Balance at March 31, 2016	**¥ –**	**¥4,391**	**(¥1,067)**	**¥19,872**	**¥7**	**¥23,204**

(Note 1) Remeasurements of defined benefit pension plans are differences in return on plan assets and interest income on plan assets due to differences between actuarial assumptions at the start of the year and actual results.
(Note 2) Net gain (loss) on revaluation of financial assets measured at fair value through OCI is cumulative in nature.
(Note 3) Net gain (loss) on derivatives designated as cash flow hedges is that the effective portion of the cumulative differences in fair value of derivative transactions designated as cash flow hedges.
(Note 4) Exchange differences on translation of foreign operations are exchange differences resulting from the translation of financial statements of foreign operations and exchange differences on the net investment hedge on foreign operations.
(Note 5) Share of other comprehensive income of investments accounted for using the equity method includes the cumulative net gain (loss) on revaluation of financial assets measured at fair value and exchange differences resulting from the translation of financial statements of foreign operations.
(Note 6) Please refer to note 38 "Correction of errors".

	Thousands of U.S. dollars					
	Remeasurements of defined benefit pension plans	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Net gain (loss) on derivatives designated as cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using the equity method	Total
Balance at March 31, 2015 Restated	$ –	$72,835	($2,875)	$351,979	$ 0	$421,947
Increase (decrease)	**(61,892)**	**(34,176)**	**(6,585)**	**(175,621)**	**53**	**(278,230)**
Transfer to retained earnings	**61,892**	**311**	**–**	**–**	**–**	**62,212**
Balance at March 31, 2016	**$ –**	**$38,969**	**($9,469)**	**$176,358**	**$62**	**$205,928**

23. Dividends

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

Previous fiscal year (From April 1, 2014 to March 31, 2015)

Resolution	Class of shares	Millions of yen Amount of dividends	Yen Dividends per share	Record date	Effective date
Board of Directors' meeting held on May 9, 2014	Ordinary shares	¥3,862	¥ 7.50	March 31, 2014	May 27, 2014
Board of Directors' meeting held on October 31, 2014	Ordinary shares	¥5,039	¥10.00	September 30, 2014	November 27, 2014

Current fiscal year (From April 1, 2015 to March 31, 2016)

Resolution	Class of shares	Millions of yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Thousands of U.S. dollars Amount of dividends	U.S. dollars Dividends per share
Board of Directors' meeting held on May 13, 2015	Ordinary shares	**¥5,018**	**¥10.00**	March 31, 2015	May 28, 2015	**$44,533**	**$0.09**
Board of Directors' meeting held on October 29, 2015	Ordinary shares	**¥7,430**	**¥15.00**	September 30, 2015	November 27, 2015	**$65,939**	**$0.13**

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

Resolution	Class of shares	Millions of yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Thousands of U.S. dollars Amount of dividends	U.S. dollars Dividends per share
Board of Directors' meeting held on May 12, 2016	Ordinary shares	**¥7,432**	**¥15.00**	March 31, 2016	May 27, 2016	**$65,957**	**$0.13**

24. Revenue

The components of revenue for fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Sales of goods	**¥ 611,337**	¥ 591,891	**$5,425,426**
Rendering of services	**420,403**	410,866	**3,730,946**
Total	**¥1,031,740**	¥1,002,758	**$9,156,372**

25. Other income

The components of other income for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Gain on sale of property, plant and equipment and intangible assets (Note)	¥4,151	¥3,486	$36,839
Others	3,635	3,331	32,259
Total	¥7,786	¥6,817	$69,098

(Note) The gain on sale of property, plant and equipment and intangible assets in the current fiscal year was primarily attributable to the sale of assets in North America.
The gain on sale of property, plant and equipment and intangible assets in the previous fiscal year was primarily attributable to the sale of idle assets in Japan.

26. Other expenses

The components of other expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Business restructuring improvement expenses (Note 1)	¥ 3,817	¥ 3,857	$ 33,875
Special extra retirement payment (Note 2)	2,912	–	25,843
Loss on sales and disposals of property, plant and equipment and intangible assets	1,822	2,333	16,170
Loss on disposal of mass-produced trial products (Note 3)	1,551	1,096	13,765
Environmental expenditures (Note 4)	719	1,169	6,381
Impairment losses (Note 5)	51	5,185	453
Loss on sales of investments in subsidiaries (Note 6)	–	1,016	–
Others	2,464	4,936	21,867
Total	¥13,339	¥19,595	$118,379

(Note 1) Business restructuring improvement expenses for the current fiscal year are mainly related to structural reform of sales sites in Europe, North America, and other areas in the Business Technologies Business.
Business restructuring improvement expenses for the previous fiscal year include expenses related to structural reform of sales sites in Europe in the Business Technologies Business, discontinuation of in-house silver nitrate manufacturing for the Healthcare Business, and improvement of the production system of optical products for the Industrial Business.
(Note 2) Special extra retirement payment for the current fiscal year includes extra retirement payment paid to retired employees related to an implementation of a special early retirement program.
(Note 3) Loss on disposal of mass-produced trial products is the loss on disposal of mass-produced trial products generated by the Industrial Business in the process of launching new products.
(Note 4) Environmental expenditures for the previous fiscal year primarily comprise expenses related to soil remediation on idle land in North America and Japan.
(Note 5) For the previous fiscal year, impairment losses were recognized on goodwill at sales sites in Europe due to ongoing losses stemming from worsening of market environment, on manufacturing equipment of optical products and film manufacturing equipment located in Japan in the Industrial Business due to reduced utilization rates, and on company-wide idle assets, etc., as a result of review of asset values.
(Note 6) Loss on sales of investments in subsidiaries for the previous fiscal year is a loss on the transfer of shares in subsidiaries and associates in relation to the structural reform of sales sites of Europe for the Business Technologies Business.

27. Operating expenses by nature

Principal components within operating expenses (total of cost of sales, selling, general and administrative expenses and other expenses) by nature are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Personnel expenses	¥341,300	¥321,111	$3,028,931
Depreciation and amortization expenses	¥ 51,333	¥ 47,905	$ 455,564

The total amount of research and development expenses included in operating expenses for the current fiscal year is ¥76,292 million (previous fiscal year: ¥74,295 million).

28. Finance income and costs

The components of finance income and costs, for fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finance income			
Interest income			
Financial assets measured at amortized cost	¥1,374	¥1,689	$12,194
Dividends received			
Financial assets measured at FVTOCI	545	844	4,837
Gain on valuation of investment securities			
Financial assets measured at FVTPL	–	7	–
Others			
Financial assets measured at FVTPL	235	–	2,086
Total	2,155	2,541	19,125
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	1,945	2,276	17,261
Financial assets and liabilities measured at FVTPL	298	121	2,645
Loss on valuation of investment securities			
Financial assets measured at FVTPL	6	–	53
Foreign exchange loss (Note)	1,661	449	14,741
Others			
Financial liabilities measured at amortized cost	235	–	2,086
Financial assets and liabilities measured at FVTPL	32	–	284
Total	¥4,179	¥2,848	$37,087

(Note) Valuation gains or losses on currency derivatives are included in foreign exchange differences.

29. Earnings per share

A calculation of basic and diluted earnings per share attributable to owners of the Company for fiscal years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Basis of calculating basic earnings per share			
Profit for the year attributable to owners of the Company	¥31,973	¥40,934	$283,750
Profit for the year not attributable to owners of the Company	–	–	–
Profit for the year to calculate basic earnings per share	31,973	40,934	283,750
Adjustments of profit for the year	–	–	–
Profit for the year to calculate diluted earnings per share	¥31,973	¥40,934	$283,750

	Thousands of shares	
	2016	2015
Weighted average number of ordinary shares outstanding during the period	496,536	505,282
Increase in the number of ordinary shares under subscription rights to shares	1,438	1,412
Weighted average number of diluted ordinary shares outstanding during the period	497,975	506,695

	Yen		U.S. dollars
	2016	2015	2016
Basic earnings per share attributable to owners of the Company	¥64.39	¥81.01	$0.57
Diluted earnings per share attributable to owners of the Company	¥64.21	¥80.79	$0.57

30. Other comprehensive income

Changes in other comprehensive income during the year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015 Restated (Note)	2016
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans			
Amount arising during the year	(¥ 9,534)	(¥ 21)	($ 84,611)
Income tax expense	2,559	(201)	22,710
Net of tax effects	(6,974)	(222)	(61,892)
Net gain (loss) on revaluation of financial assets measured at fair value			
Amount arising during the year	(6,070)	5,468	(53,869)
Income tax expense	2,219	(1,627)	19,693
Net of tax effects	(3,851)	3,840	(34,176)
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	6	5	53
Subtotal	(10,819)	3,623	(96,015)
Items that may be subsequently reclassified to profit or loss			
Net gain (loss) on derivatives designated as cash flow hedges			
Amount arising during the year	1,112	327	9,869
Reclassification adjustments	(1,995)	(848)	(17,705)
Income tax expense	140	171	1,242
Net of tax effects	(742)	(348)	(6,585)
Exchange differences on translation of foreign operations			
Amount arising during the year	(18,983)	15,861	(168,468)
Reclassification adjustments	–	245	–
Income tax expense	(1,102)	5	(9,780)
Net of tax effects	(20,086)	16,112	(178,257)
Subtotal	(20,828)	15,763	(184,842)
Total	(¥31,648)	¥19,387	($280,866)

(Note) Please refer to note 38 "Correction of errors".

Among the above, amounts attributable to non-controlling interests are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Exchange differences on translation of foreign operations	(¥297)	¥6	($2,636)
Total	(¥297)	¥6	($2,636)

31. Share-based payments

The Group's share-based payments arise from the share options to the Company's directors (excluding outside directors) and executive officers.

No vesting conditions are attached, but in the event that an executive officer retires prior to the completion of his target service period, he may retain a number of subscription rights to shares corresponding to that number granted multiplied by the number of months in appointment (from the month prior to the month in which the target service period started until the month in which the executive retired) and divided by 12. The remaining subscription rights to shares are to be returned free of charge.

The exercise period is defined in an allocation agreement, and the options are forfeited if not exercised during that period. Options are also forfeited if the executive retires between the grant date and the date of rights allotment. Rights exercise conditions stipulate that the date that the rights become exercisable is the day following the day on which one year has elapsed from the date when the executive steps down from his position.

The Group accounts for share-based payments as equity-settled share-based payments. Expenses related to equity-settled share-based payment transactions are recognized as selling, general and administrative expenses in the consolidated statements of profit or loss. This amount for the current fiscal year is ¥141 million (previous fiscal year: ¥159 million).

	Number of share options granted	Grant date	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st	194,500	August 23, 2005	June 30, 2025	¥1	¥1,071
2nd	105,500	September 1, 2006	June 30, 2026	1	1,454
3rd	113,000	August 22, 2007	June 30, 2027	1	1,635
4th	128,000	August 18, 2008	June 30, 2028	1	1,419
5th	199,500	August 19, 2009	June 30, 2029	1	776
6th	188,000	August 27, 2010	June 30, 2030	1	664
7th	239,500	August 23, 2011	June 30, 2031	1	428
8th	285,500	August 22, 2012	June 30, 2032	1	518
9th	257,500	August 22, 2013	June 30, 2043	1	678
10th	159,600	September 11, 2014	June 30, 2044	1	1,068
11th	110,100	August 18, 2015	June 30, 2045	¥1	¥1,148

	2016		2015	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding, beginning of the year	1,460,100	¥1	1,373,000	¥1
Granted	110,100	1	159,600	1
Exercised	190,500	1	63,000	1
Forfeited	1,300	1	9,500	1
Outstanding, end of the year	1,378,400	1	1,460,100	1
Exercisable, end of the year	1,378,400	¥1	1,460,100	¥1

(Note 1) The number of share options outstanding for each fiscal year is converted to the number of shares.
(Note 2) The weighted average share price for share options exercised during the year was ¥1,206 (previous fiscal year: ¥1,013).
(Note 3) The weighted average remaining number of years for unexercised share options in the current fiscal year was 19 years (previous fiscal year: 18 years).

The Group uses valuation technique, i.e. Black-Scholes model, to estimate the fair value of the share options, and the primary underlying data and estimation methods are as follows:

	2016	2015
	11th	10th
Share price at the date of grant (Yen)	¥1,416	¥1,228
Exercise price (Yen)	¥ 1	¥ 1
Expected volatility (Note 1)	40.012%	39.743%
Expected option life (Note 2)	10 yrs	9 yrs 10 mos.
Expected dividends (Per share) (Note 3)	¥ 30.00	¥ 17.50
Risk-free interest rate (Note 4)	0.395%	0.530%

(Note 1) Calculations are based on share price performance up to the grant date, according to expected option life.
(Note 2) Estimates are based on the weighted average appointment period of grantees and the subsequent exercisable period for rights.
(Note 3) Estimates are based on past dividend performance and the Company's dividend policy.
(Note 4) This is the average of the compound interest yield on long-term interest-bearing government bonds within three months of the redemption date from the expected option life.

32. Financial instruments

(1) Capital management

The Group actively monitors and manages its capital and debt structure in relation to economic conditions and current company circumstances, and raises necessary funds for working capital, capital expenditure, investment and loans and other items. This short-term working capital is primarily funded through bank loans. In addition, the Group maintains commitment-type credit lines with financial institutions. These credit lines are limited to 100 billion Japanese yen and will expire at the end of September 2020. Temporary surpluses are invested in extremely safe financial assets. The Group is not subject to any material capital restrictions.

The principal indicators the Company uses for capital management are as follows:

	2016	2015 Restated (Note 1)
ROE (Note 2)	**6.1%**	7.9%
Equity ratio attributable to owners of the Company (Note 3)	**52.7%**	53.5%
D/E ratio (Note 4)	**0.33 times**	0.31 times
Net D/E ratio (Note 5)	**0.13 times**	- 0.02 times

(Note 1) Please refer to note 38 "Correction of errors".
(Note 2) Profit for the year attributable to owners of the Company / equity attributable to owners of the Company (average for the period)
(Note 3) Equity attributable to owners of the Company / total equity
(Note 4) Interest-bearing debt / equity attributable to owners of the Company
(Note 5) (Interest-bearing debt - cash and cash equivalents) / equity attributable to owners of the Company

(2) Categories of financial instruments

1) The Group classifies financial instruments as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Financial assets			
Cash and cash equivalents	**¥ 99,937**	¥177,496	**$ 886,910**
Financial assets measured at amortized cost			
Trade and other receivables (net)	**249,498**	252,962	**2,214,217**
Other financial assets	**7,483**	7,690	**66,409**
Financial assets measured at FVTOCI			
Other financial assets	**24,063**	30,428	**213,552**
Financial assets measured at FVTPL			
Other financial assets	**10,428**	5,017	**92,545**
Total	**391,411**	473,594	**3,473,651**
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	**162,907**	177,564	**1,445,749**
Bonds and borrowings	**168,277**	165,586	**1,493,406**
Other financial liabilities	**24**	–	**213**
Financial liabilities measured at FVTPL			
Other financial liabilities	**3,788**	1,559	**33,617**
Total	**¥334,998**	¥344,710	**$2,973,003**

2) Financial assets designated as FVTOCI

Shares and other equity financial instruments are held primarily for the purpose of participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations. These are financial assets designated as FVTOCI.

The names and fair value of principal equity financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Marubeni Corporation	**¥2,139**	¥2,593	**$18,983**
MGI Digital Graphic Technology S.A.	**2,021**	1,829	**17,936**
OMRON Corporation	**1,779**	2,900	**15,788**
Mitsubishi Logistics Corporation	**1,320**	1,642	**11,715**
ROHM Co., Ltd.	**¥1,085**	¥1,813	**$ 9,629**

To increase the efficiency of held assets and use them effectively, regular monitoring is performed in relation to the fair value of equity financial instruments and the financial condition of the issuers, and the ongoing holding status of these instruments is reviewed.

The fair value at the time of sale of shares during the year, cumulative gains or losses recognized in other components of equity (net of tax effects), and total dividends received are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Fair value at time of sale	**¥287**	¥3,266	**$2,547**
Cumulative gains (net of tax effects)	**145**	1,065	**1,287**
Dividends received	**¥ 2**	¥ 112	**$ 18**

(3) Financial risk management

1) Credit risk (risk that counterparties will fail to fulfill their contractual obligations)

Customer credit risk is an inherent part of trade and other receivables. For that reason, with regard to its trade receivables the Group regularly monitors the condition of its key business partners to determine potential unrecoverability due to worsening financial conditions at an early stage and to reduce this risk. The Group also has a policy of managing receivables for each of its transaction partners by date and balance. For new customers, the Group employs third-party credit ratings, bank references and other available information to analyze individual credit conditions. The Group's policy is to set credit limits for each customer and monitor these on an ongoing basis.

The Group uses derivative transactions to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. The financial institutions that are counterparties to such transactions present credit risks. However, the Group believes its credit risk related to counterparties failing to fulfill their obligations is low, as the Group only conducts such transactions with financial institutions of high credit ratings. Any major exposure to credit risk in financial assets is stated in the carrying amounts presented in the consolidated statement of financial position.

(a) Past-due receivables

The allowance for doubtful accounts on past-due trade and other receivables is as follows:

As of March 31, 2015

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	¥26,958	¥3,938	¥3,022	¥4,406
Allowance for doubtful accounts	(458)	(453)	(1,401)	(2,758)
Trade and other receivables (Net)	¥26,500	¥3,484	¥1,621	¥1,647

As of March 31, 2016

	Millions of yen			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**¥27,686**	**¥4,226**	**¥2,242**	**¥3,808**
Allowance for doubtful accounts	**(545)**	**(310)**	**(1,309)**	**(3,156)**
Trade and other receivables (Net)	**¥27,140**	**¥3,915**	**¥ 933**	**¥ 651**

As of March 31, 2016

	Thousands of U.S. dollars			
	Amount past due			
	3 months or less	More than 3 months, 6 months or less	More than 6 months, 12 months or less	More than 12 months
Trade and other receivables (Gross)	**$245,705**	**$37,504**	**$19,897**	**$33,795**
Allowance for doubtful accounts	**(4,837)**	**(2,751)**	**(11,617)**	**(28,009)**
Trade and other receivables (Net)	**$240,859**	**$34,744**	**$ 8,280**	**$ 5,777**

(b) Allowance for doubtful accounts

The Group uses an allowance for doubtful accounts to record impairment losses on individually significant financial assets for their non-recoverable amounts and on financial assets that are not individually significant for the non-recoverable amounts estimated based on such factors as past performance of such financial assets.

The allowance for doubtful accounts for these financial assets is included in "trade and other receivables" and "other financial assets" in the consolidated statement of financial position. Changes in allowances for doubtful accounts for trade receivables and other financial assets in the respective fiscal years are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance, beginning of the year	¥6,911	¥6,527	$61,333
Provisions made	2,408	2,210	21,370
Provisions utilized	(905)	(1,061)	(8,032)
Provisions reversed	(1,013)	(768)	(8,990)
Effects of changes in foreign exchange rates	(297)	3	(2,636)
Balance, end of the year	¥7,103	¥6,911	$63,037

Taking into account such factors as customers' financial conditions and past-due status, impairment losses recognized on trade and other receivables were ¥1,281 million in the current fiscal year (previous fiscal year: ¥10,002 million). Allowances for doubtful accounts on these receivables were ¥715 million (previous fiscal year: ¥1,407 million).

2) Liquidity risk (Risk of not being able to pay on the payment due date)

The Group raises funds through borrowings and other means. With these liabilities, the Group assumes liquidity risk arising from the possibility that it may become unable to meet its payment obligations on their due date, owing to deterioration in the fund-raising environment.

To control liquidity risk, the Company's finance department creates and updates cash plans as necessary, based on information obtained from its consolidated subsidiaries and various departments. At the same time, the Company constantly monitors the operating environment to maintain and ensure appropriate on-hand liquidity in response to changing conditions.

Balances of long-term financial liabilities by due date are shown below. Contractual cash flows are undiscounted cash flows that do not include interest payment amounts.

As of March 31, 2015

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	¥ 63,697	¥ 63,697	¥ 5,001	¥ 4,001	¥ 9,000	¥ 3,000	¥5,500	¥37,193
Bonds	70,000	70,000	20,000	20,000	10,000	20,000	–	–
Lease obligations	6,244	6,244	2,704	1,818	1,012	487	109	111
Others	1,559	1,559	1,020	–	–	–	–	539
Total	¥141,501	¥141,501	¥28,725	¥25,820	¥20,013	¥23,488	¥5,610	¥37,844

As of March 31, 2016

	Millions of yen							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	¥ 95,114	¥ 95,114	¥ 4,001	¥ 9,034	¥ 3,002	¥14,271	¥26,620	¥38,185
Bonds	50,000	50,000	20,000	10,000	20,000	–	–	–
Lease obligations	7,266	7,266	2,726	1,817	1,234	838	561	89
Others	3,812	3,812	200	–	–	371	882	2,357
Total	¥156,194	¥156,194	¥26,929	¥20,852	¥24,236	¥15,480	¥28,064	¥40,632

As of March 31, 2016

	Thousands of U.S. dollars							
	Carrying amounts	Contractual cash flows	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years
Long-term loans payable	$ 844,107	$ 844,107	$ 35,508	$ 80,174	$ 26,642	$126,651	$236,244	$338,880
Bonds	443,734	443,734	177,494	88,747	177,494	–	–	–
Lease obligations	64,483	64,483	24,192	16,125	10,951	7,437	4,979	790
Others	33,830	33,830	1,775	–	–	3,293	7,827	20,918
Total	$1,386,173	$1,386,173	$238,987	$185,055	$215,087	$137,380	$249,059	$360,596

3) Market risks (foreign exchange, share price and interest rate fluctuation risks)

(a) Foreign exchange fluctuation risk

As part of developing its global business, the Group has foreign currency receivables and payables, which are subject to foreign exchange fluctuation risk. To manage this risk, the Group determines its foreign exchange fluctuation risk in each currency every month and, in principle, hedges this risk by using forward exchange transactions and currency option transactions. Depending on foreign exchange market conditions, the Group may also enter into forward exchange contracts and currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

Foreign exchange sensitivity analysis

The table below shows the impact on profit before tax in the consolidated statement of profit or loss of a 1% change in value of the U.S. dollar, the euro and the pound sterling against the yen due to its holdings of foreign currency receivables and payables at the end of each fiscal year. In making these calculations, the Group has assumed no changes in currencies other than those used.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
U.S. dollar	**¥170**	¥246	**$1,509**
Euro	**10**	(9)	**89**
Pound sterling	**¥ 16**	¥ 17	**$ 142**

(b) Share price fluctuation risk

The Group holds shares in other listed companies in the interest of cultivating business relationships, and these equity financial instruments are subject to share price fluctuation risk. Equity financial instruments are held to ensure the smooth operation of business strategies by participating in the management of the investees, encouraging an alliance of enterprises or reinforcing sales foundations, and not for earning investment returns through sales. With regard to equity financial instruments, the Group regularly monitors share prices and checks the issuing entity's financial condition.

Share price fluctuation sensitivity analysis

In the sensitivity analysis below, the Group calculates sensitivity based on the price risk on equity financial instruments at the end of the fiscal year. A 1% increase or decrease in share prices had a ¥222 million impact on other components of equity (net of taxes) as of the end of the current fiscal year (previous fiscal year: ¥283 million).

(c) Interest rate fluctuation risk

For debt instrument bearing variable interest rates, the Company enters into interest-rate swap contracts to hedge the potential risk to cash flows of interest rate fluctuations. The Company uses these derivative transactions according to defined policies for the purpose of reducing risk. No interest rate sensitivity analysis is conducted, as interest rate payments have only a slight impact on profits and losses on the Group's performance.

(4) Fair value of financial instruments

Fair value calculation method

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

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 rates of long-term borrowings with variable interest rates are revised upon each repricing period, their fair value is assumed to be equivalent to the carrying amounts.

4) Bonds

Fair value is calculated on the basis of market value.

5) Financial instruments other than those indicated above

Financial instruments other than those indicated above are mainly settled in the short term, so fair value is assumed to be equivalent to their carrying amounts.

The carrying amounts and fair values of principal financial instruments not measured at fair value but for which fair value is disclosed are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2016		2015		**2016**	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Long-term loans payable	**¥ 95,114**	**¥ 94,055**	¥ 63,697	¥ 63,317	**$ 844,107**	**$ 834,709**
Bonds	**50,000**	**50,648**	70,000	70,887	**443,734**	**449,485**
Total	**¥145,114**	**¥144,703**	¥133,697	¥134,204	**$1,287,842**	**$1,284,194**

(Note) Long-term borrowings and bonds include balances redeemable within one year.

(5) Fair value hierarchy

Financial instruments which are measured at fair value are classified according to fair value hierarchy. The fair value hierarchy comprises levels 1 through 3, defined as follows:

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable market inputs other than quoted price directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data
Transfers between fair value hierarchy levels are recognized on the date the event or condition prompting the transfer occurred.

Financial assets and financial liabilities measured at fair value in the previous fiscal year and the current fiscal year, by fair value hierarchy are as follows:

	Millions of yen			
	2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	¥28,305	¥ –	¥2,228	¥30,534
Derivative financial assets	–	1,235	–	1,235
Others	3,111	–	564	3,676
Total	31,416	1,235	2,793	35,445
Financial liabilities				
Derivative financial liabilities	–	1,559	–	1,559
Total	¥ –	¥1,559	¥ –	¥ 1,559

	Millions of yen			
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	**¥22,214**	**¥ –**	**¥1,949**	**¥24,163**
Derivative financial assets	**–**	**5,946**	**–**	**5,946**
Others	**3,402**	**–**	**978**	**4,381**
Total	**25,617**	**5,946**	**2,927**	**34,491**
Financial liabilities				
Derivative financial liabilities	**–**	**3,754**	**–**	**3,754**
Others	**–**	**–**	**34**	**34**
Total	**¥ –**	**¥3,754**	**¥ 34**	**¥ 3,788**

(Note) No transfers between levels 1, 2 and 3 occurred during these fiscal years.

	Thousands of U.S. dollars			
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	$197,142	$ –	$17,297	$214,439
Derivative financial assets	–	52,769	–	52,769
Others	30,192	–	8,679	38,880
Total	227,343	52,769	25,976	306,097
Financial liabilities				
Derivative financial liabilities	–	33,316	–	33,316
Others	–	–	302	302
Total	$ –	$33,316	$ 302	$ 33,617

Increases or decreases in financial instruments classified as Level 3

Increases or decreases in financial instruments classified as Level 3 in each fiscal year are as follows:

	Millions of yen	
	Financial assets	Financial liabilities
Balance at April 1, 2014	¥1,821	¥494
Gains (losses) (Note 1)		
Profit for the year	7	–
Other comprehensive income	6	–
Acquisitions	977	–
Disposals and settlements	(0)	(499)
Effects of changes in foreign exchange rates	(19)	4
Balance at March 31, 2015	2,793	–
Gains (losses) (Note 1)		
Profit for the year	278	–
Other comprehensive income	7	–
Acquisitions	273	–
Disposals and settlements	(13)	(8)
Business combinations	–	47
Others (Note 2)	(408)	–
Effects of changes in foreign exchange rates	(2)	(5)
Balance at March 31, 2016	¥2,927	¥ 34

(Note 1) Gains or losses recognized in profit for the year are presented in the consolidated statements of profit or loss as "finance income" or "finance costs." Gains or losses recognized in other comprehensive income are presented in the consolidated statement of comprehensive income as "net gain (loss) on revaluation of financial assets measured at fair value."

(Note 2) In the current fiscal year, certain shares were transferred from other financial assets to investments accounted for using the equity method due to acquisition of additional interests.

	Thousands of U.S. dollars	
	Financial assets	Financial liabilities
Balance at March 31, 2015	$24,787	$ –
Gains (losses)		
Profit for the year	2,467	–
Other comprehensive income	62	–
Acquisitions	2,423	–
Disposals and settlements	(115)	(71)
Business combinations	–	417
Others	(3,621)	–
Effects of changes in foreign exchange rates	(18)	(44)
Balance at March 31, 2016	$25,976	$302

(6) Derivatives and hedge accounting

The Group enters into derivative contracts with financial institutions, hedging fluctuations in cash flows on its financial assets and financial liabilities, and not for speculation purposes. In principle, the Group uses forward exchange contracts and currency options to hedge foreign exchange fluctuation risk categorized by currency and by month. Depending on foreign exchange market conditions, the Group may enter into forward exchange contracts and conduct currency option transactions for limited time periods on foreign currency receivables and payables for expected transactions it deems certain to occur.

The Group uses currency swap and interest-rate swap transactions to reduce interest rate fluctuation risk for borrowings with variable interest rates, as well as to mitigate fluctuation risk on expected future funding costs, and makes use of cash flow hedges.

The contract amounts and fair value of derivatives are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			2016		
	Contract amounts	Contract amounts (of which maturing in more than one year)	Fair value	Contract amounts	Contract amounts (of which maturing in more than one year)	Fair value	Contract amounts	Contract amounts (of which maturing in more than one year)	Fair value
Derivatives employing hedge accounting									
Currency derivatives	¥ 93,350	¥63,739	¥1,804	¥ 7,536	¥ –	¥238	$ 828,452	$565,664	$16,010
Interest rate derivatives	35,524	35,524	(1,164)	23,570	23,570	(539)	315,264	315,264	(10,330)
Derivatives not employing hedge accounting									
Currency derivatives	40,957	–	1,551	34,121	–	(23)	363,481	–	13,765
Total	¥169,832	¥99,264	¥2,192	¥65,227	¥23,570	(¥323)	$1,507,206	$880,937	$19,453

(Note) In addition to the above items, hedging instruments are designated to hedge foreign-currency borrowings of ¥5,239 million (previous fiscal year: ¥5,587 million) as part of the net investments in foreign operations, and a net investment hedge is used.

33. Related parties

(1) Principal subsidiaries

The Company's subsidiaries as of March 31, 2016 are as follows:

Name	Location	Ownership interest (%)
Konica Minolta Business Solutions Japan Co., Ltd.	Minato-ku, Tokyo	100
Kinko's Japan Co., Ltd.	Minato-ku, Tokyo	100
Konica Minolta Supplies Manufacturing Co., Ltd.	Kofu, Yamanashi	100
Konica Minolta Opto Products Co., Ltd.	Fuefuki, Yamanashi	100
Konica Minolta Health Care Co., Ltd.	Minato-ku, Tokyo	100
Konica Minolta Technoproducts Co., Ltd.	Sayama, Saitama	100
Konica Minolta Planetarium Co., Ltd.	Toshima-ku, Tokyo	100
Konica Minolta Business Associates Co., Ltd.	Hino, Tokyo	100
Konica Minolta Engineering Co., Ltd.	Hino, Tokyo	100
Konica Minolta Information System Co., Ltd.	Tachikawa, Tokyo	100
Konica Minolta Business Solutions U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta Business Solutions Europe GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions Deutschland GmbH	Langenhagen, Germany	100
Konica Minolta Business Solutions France S.A.S.	Carrieres-sur-Seine, France	100
Konica Minolta Business Solutions (UK) Ltd.	Essex, United Kingdom	100
Charterhouse PM Ltd.	Hertfordshire, United Kingdom	100
Konica Minolta Business Solutions (CHINA) Co., Ltd.	Shanghai, China	100
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	Hong Kong, China	100
Konica Minolta Business Technologies (WUXI) Co., Ltd.	Wuxi, China	100
Konica Minolta Business Technologies (DONGGUAN) Ltd.	Dongguan, China	100
Konica Minolta Business Technologies (Malaysia) Sdn. Bhd.	Melaka, Malaysia	100
Konica Minolta Business Solutions Australia Pty. Ltd.	New South Wales, Australia	100
Ergo Asia Pty Limited	Sydney, Australia	100
Konica Minolta Medical Imaging U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta Medical & Graphic Imaging Europe B.V.	Amsterdam, The Netherlands	100
Konica Minolta Medical & Graphic (Shanghai) Co., Ltd.	Shanghai, China	100
Radiant Vision Systems, LLC	Washington, U.S.A.	100
Konica Minolta Sensing Americas, Inc.	New Jersey, U.S.A.	100
Instrument Systems GmbH	Munich, Germany	100
Konica Minolta Sensing Europe B.V.	Nieuwegein, The Netherlands	100
Konica Minolta Sensing Korea Co., Ltd.	Goyang, Korea	100
Konica Minolta Opto (Dalian) Co., Ltd.	Dalian, China	100
Konica Minolta Glass Tech Malaysia Sdn. Bhd.	Melaka, Malaysia	100
Konica Minolta Holdings U.S.A., Inc.	New Jersey, U.S.A.	100
Konica Minolta (China) Investment Ltd.	Shanghai, China	100
116 other companies		

(2) Remuneration for directors and audit and supervisory board members

Remuneration for directors and audit and supervisory board members for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Fixed remuneration	¥ 676	¥ 636	$5,999
Performance-linked remuneration	205	233	1,819
Share-based remuneration	141	159	1,251
Total	¥1,024	¥1,029	$9,088

34. Commitments

The amount of contractual commitments to acquire assets is negligible.

35. Contingencies

The Group guarantees borrowings and lease obligations, etc., to financial institutions for companies outside the Group. As of the end of the current fiscal year, guarantee obligations totaled to ¥386 million (previous fiscal year: ¥277 million). As the likelihood of performance of these guarantee obligations is low, they are not recognized as financial liabilities.

36. Events after the reporting period

(Acquisition of shares of MOBOTIX AG)

(1) Description of the business combination

As of May 10, 2016, the Group acquired 65.5% of shares (65.5% of voting rights) of MOBOTIX AG (hereafter, "MOBOTIX"), a German manufacturer of IP video surveillance cameras and video management software in an all-cash transaction.

Through the acquisition of MOBOTIX, the Group intends to acquire MOBOTIX's technologies including decentralized processing (edge computing) IP cameras, image data compression, and image data analytics technologies.

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

	Millions of yen	Thousands of U.S. dollars
Fair value of the consideration for acquisition	¥21,568	$191,409
Non-controlling interests (Note 3)	3,136	27,831
Recognized value of assets acquired and liabilities assumed		
Cash and cash equivalents	219	1,944
Trade and other receivables	2,123	18,841
Inventories	1,847	16,392
Property, plant and equipment	2,451	21,752
Intangible assets	7,122	63,206
Other assets	526	4,668
Trade and other payables	(1,150)	(10,206)
Bonds and borrowings	(1,449)	(12,859)
Deferred tax liabilities	(2,104)	(18,672)
Other liabilities	(495)	(4,393)
Goodwill (Note 4)	15,614	138,569
Total	¥24,705	$219,249

(Note 1) There was no contingent consideration.
(Note 2) The amounts were computed provisionally as an allocation of acquisition costs has not yet been completed.
(Note 3) Non-controlling interests are measured using the ratio of equity attributable to non-controlling interest shareholders to the fair value of the identifiable net assets of the acquired company.
(Note 4) Goodwill largely represents an excess earnings power of the acquired company and will not be deductible for tax purposes.

Acquisition-related costs of ¥521 million incurred in the business combination (of which ¥79 million was incurred in the current fiscal year) were recognized in "Selling, general and administrative expenses."

(Borrowing of funds)

The Company, with the intention of procuring funds for part of the acquisition of MOBOTIX, used the "Overseas Business Deployment Funding Assistance Facility" credit line provided by the Japan Bank for International Cooperation to borrow funds as follows.

(1) Lenders	Loan syndicate with Sumitomo Mitsui Banking Corporation as lead manager
(2) Amount borrowed	Foreign currency borrowings: US$114,750 thousand Yen borrowings: ¥8,628 million
(3) Interest rate on borrowings	Foreign currency borrowings: Base rate + spread Yen borrowings: Fixed interest rate
(4) Date borrowings executed	July 28, 2016
(5) Repayment date	July 28, 2021
(6) Collateral provided	None

37. Disclosure of interests in other entities

The Group has no material non-controlling interests in subsidiaries.

No significant legal or contractual limitations exist with regard to the transfer or use of assets or liability settlement capabilities within the Group.

38. Correction of errors

Because an error in the accounting treatment of tax effect of goodwill of overseas subsidiaries in prior years was discovered, the Group has made error corrections. The overview of the impact on the Group's consolidated financial statements is as follows:

Consolidated Statement of Financial Position

As of April 1, 2014

	Millions of yen		
	Previous amount reported	Amount of correction	After correction
Assets			
Deferred tax assets	¥ 74,348	¥6,461	¥ 80,809
Others	910,891	–	910,891
Total assets	985,239	6,461	991,700
Total liabilities	492,417	–	492,417
Equity			
Retained earnings	239,453	5,904	245,357
Other components of equity	28,100	556	28,656
Others	225,269	–	225,269
Equity attributable to owners of the Company	492,081	6,461	498,542
Non-controlling interests	740	–	740
Total equity	492,822	6,461	499,283
Total liabilities and equity	¥985,239	¥6,461	¥991,700

As of March 31, 2015

	Millions of yen		
	Previous amount reported	Amount of correction	After correction
Assets			
Deferred tax assets	¥ 64,291	¥7,544	¥ 71,835
Others	929,965	–	929,965
Total assets	994,256	7,544	1,001,800
Total liabilities	464,752	–	464,752
Equity			
Retained earnings	251,323	5,904	257,227
Other components of equity	45,905	1,639	47,545
Others	232,275	–	232,275
Equity attributable to owners of the Company	528,432	7,544	535,976
Non-controlling interests	1,071	–	1,071
Total equity	529,504	7,544	537,048
Total liabilities and equity	¥994,256	¥7,544	¥1,001,800

Consolidated Statement of Comprehensive Income

Fiscal year ended March 31, 2015

	Millions of yen		
	Previous amount reported	Amount of correction	After correction
Exchange differences on translation of foreign operations (net of tax)	¥15,029	¥1,082	¥16,112
Others	44,244	–	44,244
Total comprehensive income for the year	59,274	1,082	60,357
Total comprehensive income for the year attributable to:			
Owners of the Company	59,232	1,082	60,315
Non-controlling interests	¥ 42	¥ –	¥ 42

There is no impact on basic earnings per share and diluted earnings per share in the previous fiscal year.

KPMG

Independent Auditor's Report

To the Shareholders and Board of Directors of Konica Minolta, Inc.:

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta, Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

August 10, 2016
Tokyo, Japan

Company Overview/Stock Information

Company Overview (as of March 31, 2016)

Company name	KONICA MINOLTA, INC.
Stock code	4902 Included in the "JPX-Nikkei Index 400"
Date established	1873
Establishment as joint-stock company	1936
Capital	37,519 million yen
Number of employees	Consolidated: 43,332
Head office	JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7015, Japan
Kansai office	Nishi-honmachi Intes, 2-3-10, Nishi-honmachi, Nishi-ku, Osaka-shi, Osaka 550-0005, Japan

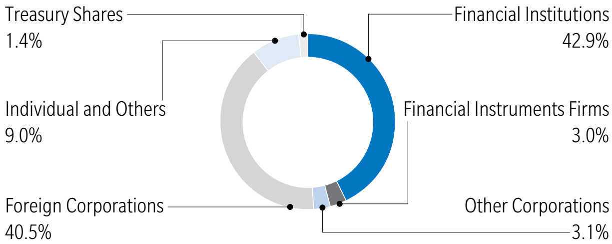
Stock Information (as of March 31, 2016)

Stock Information

Total number of shares authorized to be issued	1,200,000,000 shares
Total number of shares issued	502,664,337 shares
Number of shareholders	32,482
Minimum trading units	100 Shares

(In conformance with revisions to our Articles of Incorporation effective April 1, 2014, the number of shares constituting one unit of shares was reduced from 500 shares to 100 shares.)

Shareholder Composition



Major Shareholders (the top ten shareholders)

Name of shareholder	Number of shares held (thousand shares)	Ratio of shares held (%)*
Japan Trustee Services Bank, Ltd. (Trust account)	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
JP Morgan 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
JP Morgan 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

* The list of major shareholders does not include the 7,188,993 shares of treasury stock held by the Company.

Glossary

Business Technologies Business

- **MFP (Multi-Functional Peripherals)**
  Units that support a variety of functions otherwise handled by separate equipment, such as copiers, printers, scanners, and facsimiles. We manufacture and sell color and monochrome MFPs under the "bizhub" brand.
- **MIF (Machines In the Field)**
  In the market for MFPs (multi-functional peripherals), production print machines, etc., it refers to the total installed base (number of working units).
- **PV (Print Volume)**
  The print output quantity. (Also called Copy Volume.)
- **OPS (Optimized Print Services)**
  OPS is the name of our Managed Print Services (MPS) offering. OPS provides services to boost efficiency and reduce costs through optimization of the customer's print environment (output and document management environment).
- **GMA (Global Major Account)**
  Refers to our major enterprise customers (businesses) that operate on a global scale.
- **MIT (Managed IT)**
  Services that support all operations in a company's IT department. These wide-ranging services include support for a product's lifecycle, including the creation of plans for deploying things such as PCs and servers, operating systems, software, and networks, as well as the actual deployment, contracted operation and support, management, maintenance, and contracted collection. MIT may also include corporate data management, subcontracting done by IT departments, and staffing.
- **MCS (Managed Content Services)**
  The collective term given to services for centrally managing paper or digital documents, e-mails, forms, diagrams, and other such business content, and for building systems to properly use, store, and dispose of this content.
- **BPS (Business Process Management Service)**
  This service utilizes software tools such as OpenText and HP-Autonomy to quickly and affordably manage business processes.
- **Commercial and industrial printing**
  One of the business units of our Business Technologies Business. In addition to its existing business areas, such as Centralized Reprographic, as well as convenience stores that perform copy and data output services, it is expanding its manufacturing and sale of digital printing systems and its services business in the commercial printing area, where substantial high-mix low-volume market growth is expected in the future.
- **MPM (Marketing Production Management)**
  MPM provides services optimizing the production cost of marketing materials for customers using our own supplier network.
- **MMS (Marketing Management Services)**
  A comprehensive package of services that spans planning to media creation to marketing activities in accordance with communication strategies that leverage a combination of printed and digital media and that are informed by customer preferences and purchasing behavior analyses. Along with maximizing return on investment, MMS help strengthen a customer company's brand strength and improve customer loyalty.
- **Inkjet textile printing method**
  Method for printing directly to cloth fabric (textile printing) with an inkjet. Because it does not require the plate-making and color paste preparation required by traditional screen textile printing, and the ink can be applied only where needed, it has attracted attention as an innovative dyeing method that makes multi-product, small-lot production quick, easy, and inexpensive, and makes textile printing more environment-friendly.

Healthcare Business

- **DR (Digital Radiography)**
  Also referred to as digital X-rays. A technique that detects the intensity distribution of the X-rays that pass through the body when an X-ray is taken, and then converts the data to a digital signal, which is processed by computer. Also refers to systems that do this. In March 2011 Konica Minolta launched the AeroDR series of world-class lightweight cassette-type DR products domestically and globally.
- **PACS (Picture Archiving and Communication System)**
  An image storage and communication system for medical image processing. More generally, any system for managing a large number of images, such as CT, MRI, and X-ray images from DR or CR.
- **Diagnostic ultrasound systems**
  Because diagnostic ultrasound systems have such advantages as enabling real-time diagnostic imaging and putting less physical burden on patients under repeated examinations due to their low-intrusion nature, they are used in a wide range of clinical fields. Further growth is expected in the market in the future. In July 2014, we launched the first product jointly developed with the ultrasound business unit of Panasonic Healthcare Co., Ltd., which was transferred to Konica Minolta.
- **Informity**
  Our ICT service platform for helping hospitals and clinics deliver care in a variety of ways. Offerings include our Collaboration Box Service, which allows multiple institutions to share medical data such as examination images and reports, and remote diagnostic support services that facilitate requests for image interpretation.

Industrial Business

- **Light source color measuring instruments**
  Instruments for high-accuracy measurement of chromaticity, brightness, and color balance of various displays and light-emitting devices. These instruments can measure illuminance/chromaticity with a high accuracy that does not depend on the emission characteristics of the light source. Our products have been adopted as standard equipment by many companies in fields such as quality control and product color management.
- **TAC (Triacetylcellulose) film**
  Primarily composed of cellulose acetate, it is mainly used as a protective film for polarizers, a component of LCDs. TAC film was originally developed as a substrate for photographic film, but because of its superior flame resistance, transparency, surface appearance, and electric insulation characteristics, we are pursuing development of applications outside of photographic film.
- **QWP (Quarter Wavelength Plate) film**
  This film for displays utilizes Konica Minolta proprietary optical design technologies and the optical properties of specially-developed cellulose material to achieve near natural light and allow colors to appear as normal even when viewing through polarized sunglasses. And because it performs the functions of both polarizer protective films and eye-friendly films for polarized sunglasses, QWP film allows for thinner displays and fewer parts.
- **OLED (Organic Light Emitting Diode)**
  Organic matter comes in an infinite array of molecular structures, each with a different color and durability. We are presently strengthening and growing our lighting business in this area as a future pillar of the business, building on our strengths in materials and coating technologies developed in photosensitive materials.

Other businesses

- **VMS (Video Management Software)**
  An application that connects input devices such as cameras and data recording media over a network and controls them.

KONICA MINOLTA

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