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External Evaluation of Konica Minolta's Management, with Its Focus on Achieving Sustainable Growth 91



Masatoshi Matsuzaki Chairman of the Board

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



Kazuaki Kama Outside Director

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

Discussion on Corporate Governance

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

Improving the Effectiveness of the Board of Directors

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

Matsuzaki: Konica Minolta first began assessing the effectiveness of its Board of Directors in fiscal 2004, the year following the Company's integration of its management

structure through the implementation of a "company-with-committees" system. Tomiji Uematsu, Chairman at the time and instrumental in designing the governance system, oversaw its operation for one year. The following year, he initiated self-assessments by board members in questionnaire form to confirm that the governance system was functioning as intended; that is, that the "C" (check) aspect of the PDCA cycle was being carried out.

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

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

Board of Directors annually. Since my appointment to Chairman of the Board in 2014, I have attempted to implement two significant improvements. One was to add open-ended questions to the questionnaire out of a desire to not only gauge the degree of achievement, but to encourage respondents to explain the reasoning behind their evaluations. We have afforded Directors the option of submitting their questionnaires anonymously, but the majority of respondents have provided their names. There are instances where we speak directly with people after having collected the questionnaires to obtain additional information when deemed necessary. The other improvement was to announce a policy for operations for the new fiscal year that reflects these evaluation findings. To honor the time spent by our Directors in completing the questionnaires, I decided that as Chairman of the Board I had to commit myself to applying these opinions to the operations of the Board of Directors in the following year.

Kama: Each year, on the day of the general meeting of shareholders, we hold a Board of Directors meeting at which Mr. Matsuzaki explains the policy for operations for the Board for the new fiscal year. This is a true representation of the “A” (action) aspect of the PDCA model.

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

Kama: Simply stated, I strongly believe that the Company is advanced in terms of its execution of corporate governance. The key goals of corporate governance are achieving sustainable growth and enhancing corporate value. Konica Minolta is always thinking about the kind of governance needed to realize these objectives while making improvements using the PDCA model. There is a good balance among Board members, including Outside Directors, and considerable thought is given to ensuring complementary backgrounds that help achieve good governance. The system is working quite well. One unique aspect is the monthly reports on business

operations presented by the CEO at the end of each Board of Directors meeting. In addition to updates concerning business being undertaken, the reports incorporate a broad range of topics including CSR-related efforts, opinions collected at financial results briefings and other gatherings, and measures taken for the benefit of employees. Even from my perspective as an Outside Director with the responsibility of monitoring the status of the Company's business operations, I can see that these reports are extremely well conceived. All Executive Officers are required by the Companies Act to report at least once every three months on the business operations they oversee, and the success of this method of governance owes to the Company's rapid formation of a strong governance system and faithful adherence to the PDCA model.

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

Matsuzaki: The questionnaires we had conducted by that point were the product of us having created our own questions and adjusting them. However, given our closeness to the situation, we realized there may have been things we were overlooking. This led us to entrust the creation of our questionnaires and the analysis of the results to an outside organization. We also knew that a third party would analyze the results objectively—this includes properly evaluating my performance as Chairman of the Board.

Kama: Questions on the most recent questionnaire were comprehensive, so we gained quite a bit of insight.

Matsuzaki: One of these concerned the selection of agenda items for Board of Directors meetings. Previously, as Chairman, I had been responsible for creating the agenda based on the issues faced by Konica Minolta management. However, my agendas rarely addressed aspects of our operations that were going well.

Kama: One example of this would be ESG (environment, society, and governance). Our ESG efforts have been widely praised, as evidenced by our repeated inclusion in the Dow Jones Sustainability World Index along with numerous other metrics. However, because we as Outside Directors also wanted to offer input on things that were going well, we asked that such issues be made incorporated in the agenda.

Matsuzaki: This was made clear to us through the results of the most recent questionnaire. Another realization concerned training for Directors. Recently, a growing number of corporations have taken action toward training their Outside Directors to ensure they are equipped to perform their duties. While Konica Minolta has recommended attendance at particularly useful seminars and other events, the Company's Outside Directors have all served in top positions or have accumulated equivalent experience. As such, we believed it was more important to provide information that would give people a better understanding of Konica Minolta than to offer training opportunities. Questionnaire results have shown us, though, that more training opportunities are necessary for Inside Directors. As some of the Inside Directors are less experienced than the Outside Directors, the fact that this need exists makes perfect sense.



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

Kama: We recently held the first meeting of the Audit Committee, at which I announced key audit priorities for the fiscal year that were unanimously approved. This meeting touched on three main points. The first is a more thorough validation of the effectiveness and suitability of business management processes. The second is conducting checks of routine business operations. And the third is the careful oversight of the management of Group companies, including those located abroad.

Matsuzaki: These three points you mentioned clearly represent the stance of the Audit Committee. Are there additional areas you personally intend to focus on?

Kama: Yes, although they are elements of the key priorities I have mentioned, my main concern is the proper management of major and potential risks. Stories of accounting fraud being committed by large enterprises have become common in recent years. The companies most at risk of such problems are newly acquired companies, affiliate companies overseas, and companies such as second-tier subsidiaries with tenuous capital ties to the parent company.

Matsuzaki: So your assertion is that more attention should be paid to risk at companies where governance may not be as effective.

Kama: That's right. We need to view problems occurring at other enterprises as object lessons and carefully investigate to ensure that these risks are not lurking within Konica Minolta. Naturally, the Audit Committee will exercise due vigilance in reducing impairment risk through activities such as large-scale M&A and capital investment. Outside Directors, however, are inherently prone to extreme caution given their sensitivity to risk. In situations where we feel that investment is needed to achieve medium- to long-term growth or enhance corporate value, even if significant risk does exist we will offer advice about mitigating that risk, and otherwise support the realization of growth strategies.

Matsuzaki: Risk cannot be avoided if an enterprise intends to achieve growth. However, the potential damage that may result must be carefully evaluated. This is why, even though I continue to remind the Board of Directors that the company should take all necessary risks, I encourage Outside Directors to draw on their experience and speak frankly at Board of Directors meetings concerning areas where we must exercise caution.

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

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

Matsuzaki: Over the three-year span of the previous Medium



Term Business Plan, we conducted M&A activities abroad and undertook new business projects with the aim of transforming our business portfolio to enable us to better respond to increasing globalization, digitalization, and other rapidly changing aspects of the business environment. But because new businesses take time to achieve results, it is our Business Technologies Business and other core businesses that underpin our bottom line. Although efforts have naturally focused on improving profitability through measures such as the strengthening our solutions businesses within these core areas, we need to carefully reflect on having come up short in terms of achieving the management objectives set forth in the Medium Term Business Plan.

Kama: I think it's commendable that we have established a foundation for new growth through proactive M&A and anticipatory investment. It is regrettable, however, that these efforts did not lead to better business results.

Matsuzaki: During the previous Medium Term Business Plan period, we heard at Board of Directors meetings about business performance forecasts and the market trends that served as the bases for those forecasts from our Executive Officers. But the business environment changed more quickly than expected and we were unable to rapidly gauge whether changes were temporary or systemic, rendering us unable to respond in a sufficiently prompt manner. In hindsight, it is clear that every business should have systematically conducted reviews at an earlier stage while preparing to ensure the necessary measures could be taken. This is a lesson we cannot afford not to apply to the new Medium Term Business Plan.

Kama: Even from our perspective as Outside Directors, we recognize that Konica Minolta is an exemplary company when it comes to governance. Our task for the foreseeable future is to raise its financial standing to a commensurate level. I look forward to the opportunity to contribute from the perspective of one of the people charged with oversight of the Company's management.

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

Kama: Over the coming three years, it is important that we further accelerate our efforts to transform our business portfolio while we work to substantially strengthen our earning power. In formulating the new Medium Term Business Plan, we repeatedly listened to and discussing reports on business plans companywide. The new Medium Term Business Plan adopts a three-pronged portfolio management approach, focusing on core businesses, growth businesses, and new businesses. It encapsulates the Company's commitment to strengthening the profitability of core businesses while building new business and earnings structures through the redistribution of operational resources. As an Outside Director and Chairman of the Audit Committee, I will be thoroughly monitoring the progress of the plan's execution.

Matsuzaki: For the new Medium Term Business Plan, I believe we need to steadily expand the growth businesses and cultivate the new businesses for which we planted the seeds during the previous Medium Term Business Plan, and achieve tangible results by the third year. The Board of Directors will be monitoring progress made by each business area toward this objective, and a particular area of focus will be PMI (post-merger integration) as a follow-up to M&A. We aim to closely oversee each major merger or acquisition that has been approved over the past three years.

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

Matsuzaki: Our acquisition of AG is certainly the largest we have ever undertaken. But just as I did when I was president, current president Yamana is conducting M&A while prioritizing the acquisition of pieces necessary to bring our strategy to fruition as opposed to acquisitions that simply serve to increase the scale of the company.

Kama: Since the beginning, we have wanted to establish the Healthcare Business as a pillar for corporate growth and have discussed which direction this growth should take.

Matsuzaki: Yes. We have been particularly passionate about precision medicine, which helps pharmaceutical companies develop effective new drugs and offers optimal dosing and treatment solutions to patients, and Konica Minolta fully exhibiting its inherent strengths in this field. To this end, we have done extensive research on companies that can provide what we lack. Through this research, we determined that AG, with its world-class genetic diagnosis technologies, was the best fit in terms of size and synergy with Konica Minolta.

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

Matsuzaki: When Mr. Kama was the Chairman of the Compensation Committee, discussions over the Executive

Officer compensation system favored providing more incentives in the interest of fostering a commitment to the Medium Term Business Plan. This is what prompted the revisions.

Kama: The Company's previous compensation system for Executive Officers and for Executive Officers also holding the position of Director consisted of a base salary together with performance-based compensation as well as stock-based compensation in the form of stock options. Performance-based compensation is, simply stated, compensation that is tied to short-term business performance. Stock options as stock-based compensation are also affected by medium- to long-term share price fluctuations, but were not directly tied to the achievement of targets outlined in the Medium Term Business Plan.

Matsuzaki: So the idea behind the compensation policy revisions was to increase motivation to reach the goals of the Medium Term Business Plan not by providing short-term incentives but by tying compensation to business performance and corporate value over multiple years?

Kama: Precisely. And with the start of the new Medium Term Business Plan periods in fiscal 2017, I wanted to create a compensation system that would incentivize the achievement of plan targets. Discussions took about two years, and finally led to the new system of "stock bonus linking with medium-term performance". One particularly notable feature of the system is the granting of shares within the 0% to 150% range of the standard number of shares conferred according to corporate position based on the extent to which performance targets in the Medium Term Business Plan were achieved. Shares will be granted using a system known as a BIP (board incentive plan) trust, which establishes that, in principle, executive officers must hold granted shares until one year after retirement. This provides an incentive to achieve Medium Term Business Plan targets while at the same time encouraging executive officers to hold on to Company stock. (see pg.66)

Matsuzaki: As the proportion of performance-based compensation for the short-term and medium-term has increased when compared to the previous system, the hope is that executive officers' motivation to contribute to the achievement of targets and improvement in performance.

Kama: The base salary proportion of executive compensation at Japanese companies is generally significantly higher than at companies in the U.S. and Europe. We feel that the current system, whereby executive officers receive compensation commensurate with their contribution to improved performance is a more suitable method of compensation.

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

Kama: This came from the notion that, in order to improve corporate value over the medium- to long-term, we needed to evaluate not just measures concretely linked to business performance but also assess initiatives such as ESG that are difficult to gauge quantitatively, and to do so consistently. As ESG is a management priority that must be considered from a medium- to long-term perspective, it must be incorporated into policies and initiatives every year. After much

consideration, we opted for an annual performance-based cash bonus rather than a long-term incentive bonus. More specifically, we decided to include initiatives related to non-financial indicators such as ESG in the category of qualitative evaluation, namely "progress concerning strategic matters" within the realm of responsibility of each Executive Officer, and to incorporate more non-financial indicators.

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

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

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

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

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

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



Corporate Governance

Basic Concept for Corporate Governance

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

As part of its institutional design in accordance with the

Companies Act, in 2003 the Company selected the “company with committees” system (now, a “company with three committees” system) and established a system that eliminated dependency on personal characteristics, thereby pursuing governance in a style specific to Konica Minolta.

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

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

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

Basic Policy on Corporate Governance

Basic Approach

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

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

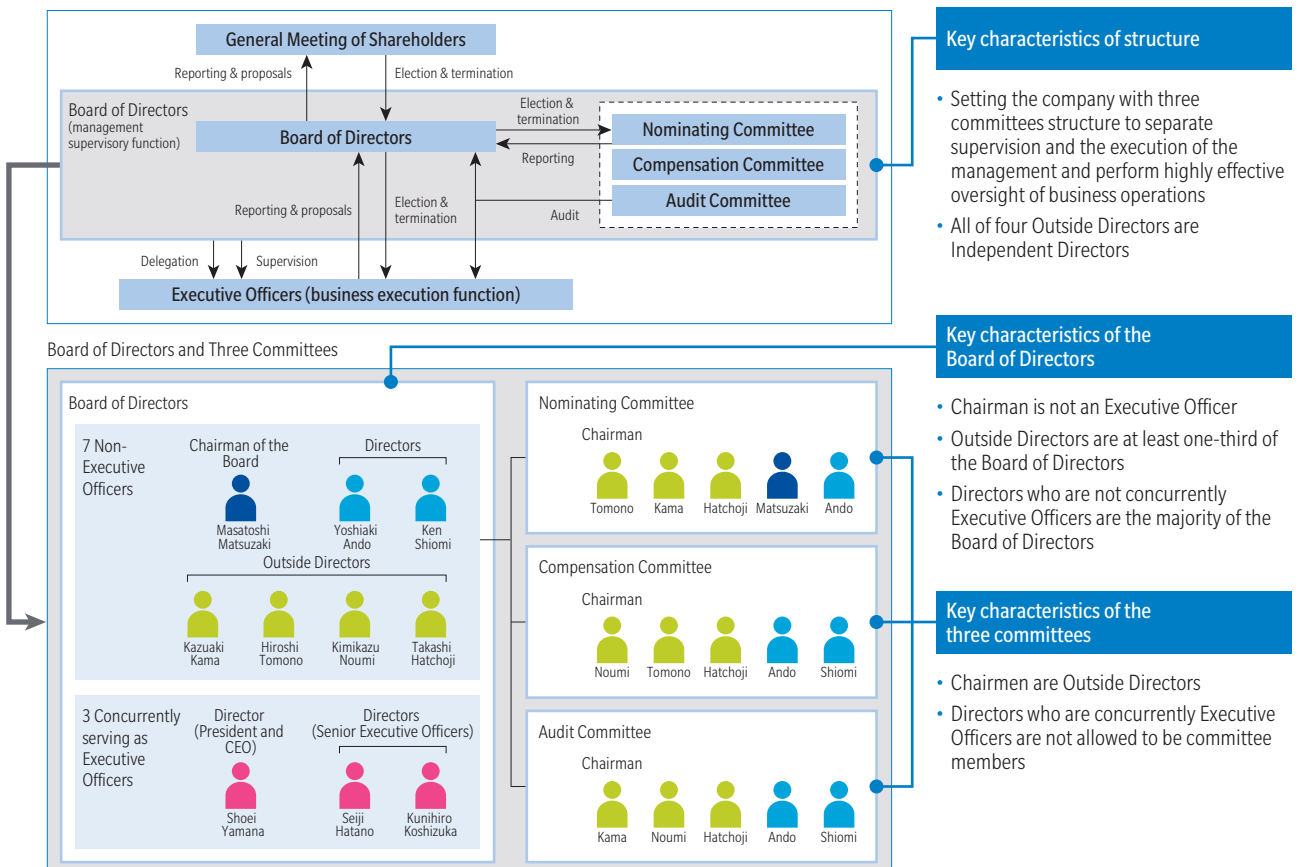
1) Board of Directors

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

2) Nominating, Audit and Compensation committees

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

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



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

| | |
|--------|---|
| FY2000 | <ul style="list-style-type: none"> Started an executive officer system and reduced the number of directors |
| FY2002 | <ul style="list-style-type: none"> Elected two independent outside directors Shortened the term of directors to one year |
| FY2003 | <ul style="list-style-type: none"> Formation of Konica Minolta Holdings, Inc. due to a management integration Became a company with committees (now a company with three committees) Establishment of the Corporate Organization Basic Regulations Number of independent outside directors increased from two to four Establishment of policy for determining compensation |
| FY2004 | <ul style="list-style-type: none"> Started self-assessments (using questionnaires) of the effectiveness of the Board of Directors |
| FY2005 | <ul style="list-style-type: none"> Ended lump-sum retirement payments and started stock compensation-type stock options |
| FY2006 | <ul style="list-style-type: none"> Chairman of the Board of Directors started participating in the Nominations Committee Ended the senior adviser position First overseas field trip by outside directors (two) for a visit to a manufacturing subsidiary in China Established standards for the independence of outside directors |
| FY2009 | <ul style="list-style-type: none"> Revised part of the terms for performance-linked compensation in the compensation determination policy |
| FY2010 | <ul style="list-style-type: none"> Revised part of the Board of Directors rules |
| FY2014 | <ul style="list-style-type: none"> Started establishing a Fiscal Year Policy for the Board of Directors based on results of the Board of Directors effectiveness self-assessments (questionnaires) |
| FY2015 | <ul style="list-style-type: none"> Established the Basic Policy on Corporate Governance The Nominating Committee started overseeing the succession plan of the President and CEO |
| FY2016 | <ul style="list-style-type: none"> Started using an external organization for questionnaires and interviews to assess the effectiveness of the Board of Directors The policy for determining compensation was revised by replacing stock options with stock bonus linking with medium-term performance. |

Compliance with the Corporate Governance Code

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

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

The corporate governance report is available on our website.

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

Governance Structure and Director Nomination and Election

Board of Directors and Directors of the Board

(1) Director Candidate Nomination Policy and Procedures

The Nominating Committee starts each year by performing reviews of the composition of the Board of Directors and committees and of the standards for the election of directors and committee members. By performing examinations from

the standpoints of balance of career and skill, diversity and other factors, this committee aims to upgrade its selections of Director candidates. The following process is used to make selections.

Board of Directors

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

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

Outside Directors

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

Inside Directors

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

Board of Directors

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

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

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

Election standards for Directors

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

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

Outside Directors

Independence Standards for Outside Directors

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

- (1) Person affiliated with Konica Minolta
 - Former employee of the Konica Minolta Group
 - Having a family member (spouse, child, or any blood or marital relative within the second degree) that has served as a Director, Executive Officer, Auditor or senior management in the Konica Minolta Group during the past five years
- (2) Person affiliated with a major supplier/client
 - Currently serving as a Managing Director, Executive Officer, or employee of a major supplier/client company/group that receives 2% or more of its consolidated sales from the Konica Minolta Group or vice versa

- (3) Specialized service provider (lawyer, accountant, consultant, etc.)
- Specialized service provider that received annual compensation of ¥5 million or more from the Konica Minolta Group for the past two years
- (4) Other
- A shareholder holding 10% or more of the voting rights in the Company (Executive Director, Executive Officer, or employee in the case of a corporate body)
 - A Director taking part in a Director exchange
 - A Director, Executive Officer, Kansayaku or equivalent position-holder of a company that competes with the Konica Minolta Group, or a person holding 3% or more of the shares of a competing company
 - Having some other significant conflict of interest with the Konica Minolta Group

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

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

Inside Directors

Stance concerning roles of Inside Directors and selection of Candidates

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

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

(1) Expected roles

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

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

(2) Reasons for election

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

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

(3) Operations of Board of Directors

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

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

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

(1) FY2016 Board of Directors and the Three Committees

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

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

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

- Deliberations, discussions, and exchanges of views concerning the next Medium Term Business Plan (FY2017–2019)
- * Five meetings total. Four Directors' round-table conferences were also held.
- Progress checks and reviews for the current medium-term business plan (FY2014–2016)
- Investment reviews and M&A discussions and reviews conducted by each business unit
- Progress checks for new business launches
- Internal control system reviews
- Outline and baseline budget for the FY2017 business plan
- Policy for administrating FY2017 ordinary general meetings of shareholders

(3) Training for Directors

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

Director Training Policies

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

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

* Two briefings were held in FY2016

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

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

(4) Supporting System for Outside Directors

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

Executive Officer System and Executive Officers

1. Election of Executive Officers

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

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

- (2) To select new Executive Officers, candidates who have completed senior executive candidate training must do the first stage of the election process, which involves submitting documents and completing an interview. Next, an assessment is performed in order to reach a highly objective and appropriate decision. This process includes input from both an external perspective and from the perspective of people at the Group who frequently interact with these candidates as part of their jobs. An evaluation conference, which consists of the President and CEO and the Executive Officer responsible for personnel, is held to examine the results of this process. This results in the selection of candidates to become Executive Officers.
- (3) To determine the new team of Executive Officers, the President and CEO selects from the list of Executive Officer candidates the individuals who are believed to be well suited to serve as Executive Officers. Next, a proposal for the election of Executive Officers for the new fiscal year is prepared and submitted to the Board of Directors with a list of the duties for each Executive Officer.

2. Executive Officers

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

Board of Directors Effectiveness Assessments

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

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

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

Survey schedule

The fiscal 2016 evaluation of effectiveness was performed as follows.

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

Survey target

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

Survey objective

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

Questions

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

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

Results of Effectiveness Assessment of the Board of Directors

The external organization submitted the following report:

(1) Summary

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

(2) Items for further increasing effectiveness

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

Outline of Board of Directors Management Policies for Fiscal 2017

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

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

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

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

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

Compensation for Directors and Executive Officers

Compensation Policy and Directors' Compensation System

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

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

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

- (1) The Company started stock bonus linking with medium-term performance. The intent is to increase motivation to achieve the performance targets of the medium-term plan.
- (2) Stock bonus linking with medium-term performance is Company stock rather than cash. Owning Company stock during their time at the Company is intended to make individuals view the importance of medium- to long-term growth of corporate value from the same standpoint as shareholders.
- (3) The structure of compensation was reexamined. This resulted in a reduction in the percentage of fixed compensation and the replacement of stock compensation-type stock options with stock bonus linking with medium-term performance. In addition, performance-linked compensation increased as a percentage of total compensation. Taking these actions made individuals even more aware of the importance of improving the Company's performance.
- (4) Compensation includes a claw-back provision. By performing the required procedure, the Company can limit compensation or demand the return of compensation. However, this is possible only when performance indicators that are the basis for calculating performance-linked compensation differ significantly from actual performance due to a major error or fraud.

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

New Compensation Policy

- (1) Compensation system
 - Compensation packages for Directors (excluding Directors who concurrently hold Executive Officer posts) exclude a short-term performance-based cash bonus because Directors have a supervisory role, and consist of a "base salary" component in the form of a base salary and "medium-term stock bonus" that links with improvement of the shareholder value for the medium term. Outside Directors receive base salary only.
 - Compensation packages for Executive Officers consist of "base salary," "annual performance-based cash bonus," which reflects the performance of the Group and the performance of the business of which they are in charge in each year, and "stock bonus linking with medium-term performance," which reflects the degree of attainment of the Medium Term Business Plan and improvement of the shareholder value for the medium term.
- (2) The total amount of individual compensation entitlement and "base salary" are set at an appropriate level with each position and its value taken into account, based upon objective data, evaluation data and other data collected at regular intervals, etc.
- (3) The amount of the "annual performance-based cash bonus" is determined based on the level of performance result for the fiscal year (consolidated operating profit) and the degree of attainment of annual performance targets and according to progress of each Executive Officer's key operational measures. The amount based on the degree of attainment of annual performance targets is determined in the 0% to 150% range of the standard amount of compensation. The targets are major consolidated performance indicators (operating profit, operating profit ratio, ROA and others) associated with results of operations. Executive officers' key operational measures include those related to non-financial indicators, such as ESG (environmental, social and governance).
- (4) Details of the stock bonus plan are as follows.
 - In the "medium-term stock bonus" plan to Directors, the Company's shares are distributed to Directors after the end of the Medium Term Business Plan, according to their roles and years they are in office. The plan is aimed to enhance their motivation toward contribution to improvement of the shareholder value and promote holdings of the Company's own shares.
 - In the "medium-term stock bonus" plan to Executive Officers, the Company's shares are distributed to Executive Officers after the end of the Medium Term Business Plan in the 0% to 150% range. The plan is aimed to enhance their incentives toward attainment of the targets in the Medium Term Business Plan and promote holdings of the Company's own shares. The medium-term targets are major consolidated performance indicators (operating profit, ROE and others) associated with the medium term management policy.
 - The standard number of shares is set by the position of each Director or Executive Officer in the first year of the Medium Term Business Plan.
 - Certain portions of shares are distributed in cash on assumption that they are exchanged for cash.
 - Shares of the Company obtained as stock bonus shall be held in principle for one (1) year after the date of retirement from the post of each Director or Executive Officer.
- (5) The standard for compensation to the President and Chief Executive Officer is a 50:25:25 mix of "base salary," "annual performance-based cash bonus" and "medium term performance-based stock bonus." For the other Executive Officers, the "base salary" ratio is set higher than that for the President.
- (6) Compensation for non-Japan residents may be handled in different ways from the treatment said above according to legal and other circumstances.
- (7) When the Board of Directors resolved a correction to financial statements after the announcement due to a material accounting error or fraud, the Compensation Committee considers corrections to performance-based bonuses and limit payment or request return of the bonuses when necessary.
- (8) The Company reviews levels, composition and others of compensation in a timely and proper manner in accordance with changes in the management environment.

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

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

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

The following individual received compensation of at least ¥100 million in fiscal 2016.

Executive Officer, Mr. Richard K. Taylor – ¥177 million (fixed compensation of ¥83 million and performance-based cash bonus of ¥93 million)

* Mr. Taylor received this compensation from consolidated subsidiary Konica Minolta Business Solutions U.S.A., Inc.

Guidelines on Officer Ownership of Konica Minolta Shares

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

Group Auditing System

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

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

Audit Committee System and Roles

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

The Audit Committee members evaluate the legality and validity of the management decisions made by directors and executive officers, monitor and validate internal control systems, and assess the adequacy of the accounting auditors.

In principle, a committee meeting is held before the meeting of the Board of Directors, so that the committee members can present their opinions to the meeting of the Board of Directors, if deemed appropriate.

Corporate Audit Division System and Roles

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

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

Dialogue with Shareholders and Investors

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

Main Opportunities for Dialogue with Shareholders and Investors

| | FY2016 Opportunities |
|--------------------------------------|--|
| General Meeting of Shareholders | <ul style="list-style-type: none"> • Attendants: 419 • Percentage of voting rights exercised: 80.81% |
| Institutional Investor Meetings | <ul style="list-style-type: none"> • Meetings held: 232 • Companies: 121 |
| Analyst Meetings | <ul style="list-style-type: none"> • Meetings held: 75 • Analysts: 19 companies |
| Briefings for Investors and Analysts | <ul style="list-style-type: none"> • Briefings held: 15 • Visitors: 747 |
| Individual Investor Briefings | <ul style="list-style-type: none"> • Briefings held: 9 • Visitors: 550 |

Group Compliance Promotion System

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

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

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

Risk Management System

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

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

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

Directors



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

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

Chairman of the Board of Directors Masatoshi Matsuzaki

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

Director (President and CEO) Shoei Yamana

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

Director (Outside Director) Kazuaki Kama

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

Director (Outside Director) Hiroshi Tomono

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

Director (Outside Director) Kimikazu Noumi

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

Director (Outside Director) Takashi Hatchoji

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

Director Yoshiaki Ando

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

Director Ken Shiomi

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

Director (Senior Executive Officer) Seiji Hatano

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

Director (Senior Executive Officer) Kunihiro Koshizuka

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

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

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

*Indicates the officer also holds a position as Director

CSR Management

Basic Approach

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

Konica Minolta's CSR activities are guided by its management philosophy and vision, which are based on its Charter of Corporate Behavior. The Konica Minolta Group Guidance for the Charter of Corporate Behavior is shared globally and illustrates desirable behavior in each of the categories included in the Charter as a basis for understanding and practicing desired behavior. The Group Guidance articulates Konica



Minolta's respect for international social norms such as the United Nations Global Compact, to which Konica Minolta, Inc. is a signatory, and its commitment to acting in compliance with those ideals.

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

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

CSR-Related Groups in which Konica Minolta Participates

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

Konica Minolta Group Charter of Corporate Behavior

Corporations, in addition to being economic entities engaged in the pursuit of profit through fair competition, should be beneficial to society at large.

For this reason, the Konica Minolta Group shall behave in a socially responsible manner and shall have all of its directors, officers and employees clearly acknowledge the spirit of this Charter of Corporate Behavior.

Senior management shall recognize that the fulfillment of the spirit of this Charter is its own role and responsibility and shall take the initiative to ensure that all directors, officers and employees fully understand the Charter.

In addition, management shall constantly pay attention to the opinions of internal and external parties and shall promote the implementation of effective systems to secure ethical corporate behavior.

1. Beneficial and safe products

We shall strive to earn the confidence of consumers and clients through the development and provision of socially beneficial products and services with the utmost consideration for safety.

2. Fair and transparent corporate activities

We shall, in the pursuit of fair and transparent corporate activities, comply with laws and social regulations and act in accordance with international rules and the articles of incorporation.

3. Communications with society and information disclosure

We shall communicate with society at large and disclose corporate information fairly and adequately.

4. Environmental protection

We shall acknowledge the seriousness of global environmental issues and shall act voluntarily and affirmatively to protect the environment.

5. Contribution to society

We shall, with a global perspective, affirmatively make contributions to society while respecting local customs and cultures.

6. Respect for employees

We shall endeavor to make the lives of employees comfortable and fulfilling, provide a safe work environment, and respect each employee's personality and individuality.

7. Responsible actions

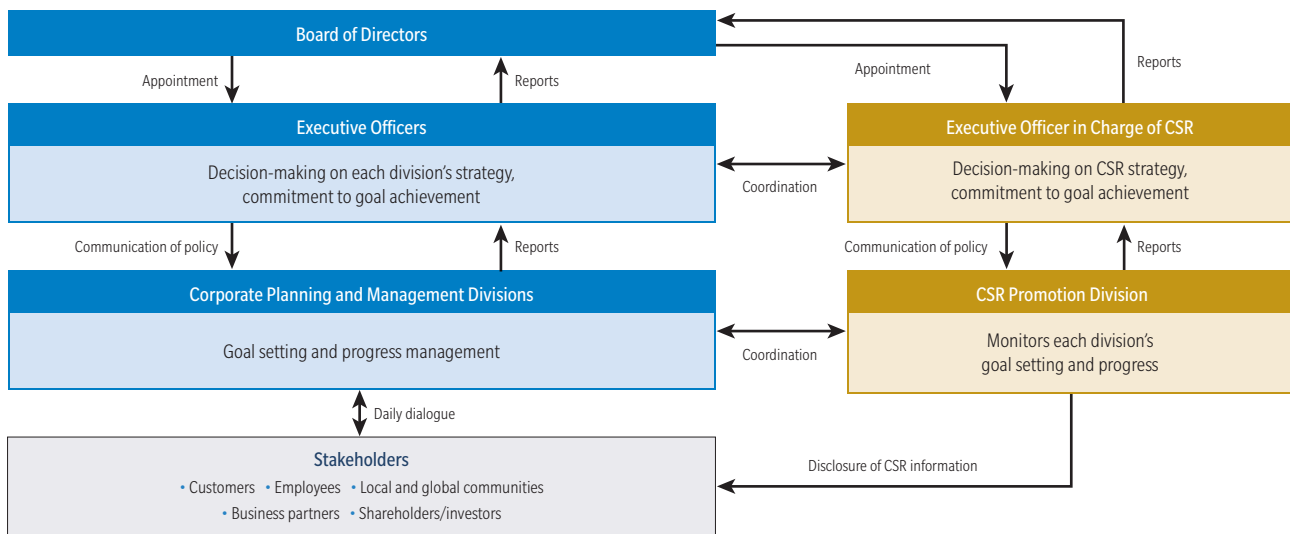
In the event of a violation of the principles of this Charter, in order to solve the problem senior management shall investigate the cause of the violation and develop reforms to prevent its recurrence in accordance with corporate compliance procedures. Prompt public disclosure of precise information and an explanation regarding the violation shall be made and responsibility for the violation shall be clarified. Strict and fair disciplinary action shall be taken including with respect to senior management where necessary.

CSR Management System

At Konica Minolta, Inc., the executive officer responsible for CSR, who is appointed by the Board of Directors, carries the duties and authorities concerning the entire Group's CSR activities. Directly reporting to the officer is the CSR promotion division, which sees to the implementation of CSR management for the entire Group. On a weekly basis, the division reports the progress of CSR activities to the executive

officer in charge, while also reviewing measures and making proposals. Regarding matters of great importance, the executive officers meet in a timely fashion to deliberate, keeping CSR at the forefront of management decisions.

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



| | Characteristics of Stakeholders | Tools and Opportunities for Communication |
|------------------------------|---|---|
| Customers | Konica Minolta does business around the world. The major customers of Konica Minolta's main business operations are corporations, government agencies, and hospitals. | <ul style="list-style-type: none"> • Providing customer service via websites and call centers • Providing product information via websites and newsletters • Conducting customer satisfaction surveys • Exchanging information via visits to customers • Exchanging information at showrooms and trade shows • Holding seminars |
| Employees | Konica Minolta employs 43,979 people worldwide. Of those, 27% are in Japan, 24% are in Europe, 19% are in the U.S., and 30% are in China and elsewhere in Asia, and others. (Figures are based on total regular employees of consolidated companies, as of March 31, 2017.) | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • Shareholders' meetings • Briefings for investors • Visits to investors • Briefings for business analysts and institutional investors • Annual reports • IR website |

Process for Identifying Material Issues

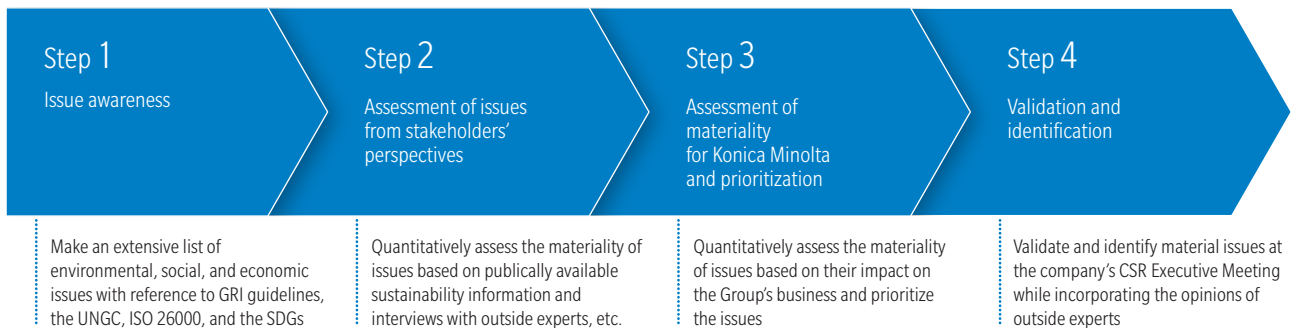
Today's companies must address wide ranging social issues, including human rights, labor ethics, and environmental challenges such as climate change and resource depletion. In light of the changing social landscape and business environment, Konica Minolta identifies material issues that to address with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

To identify material issues, first a comprehensive list of issues was created with reference to international guidelines.

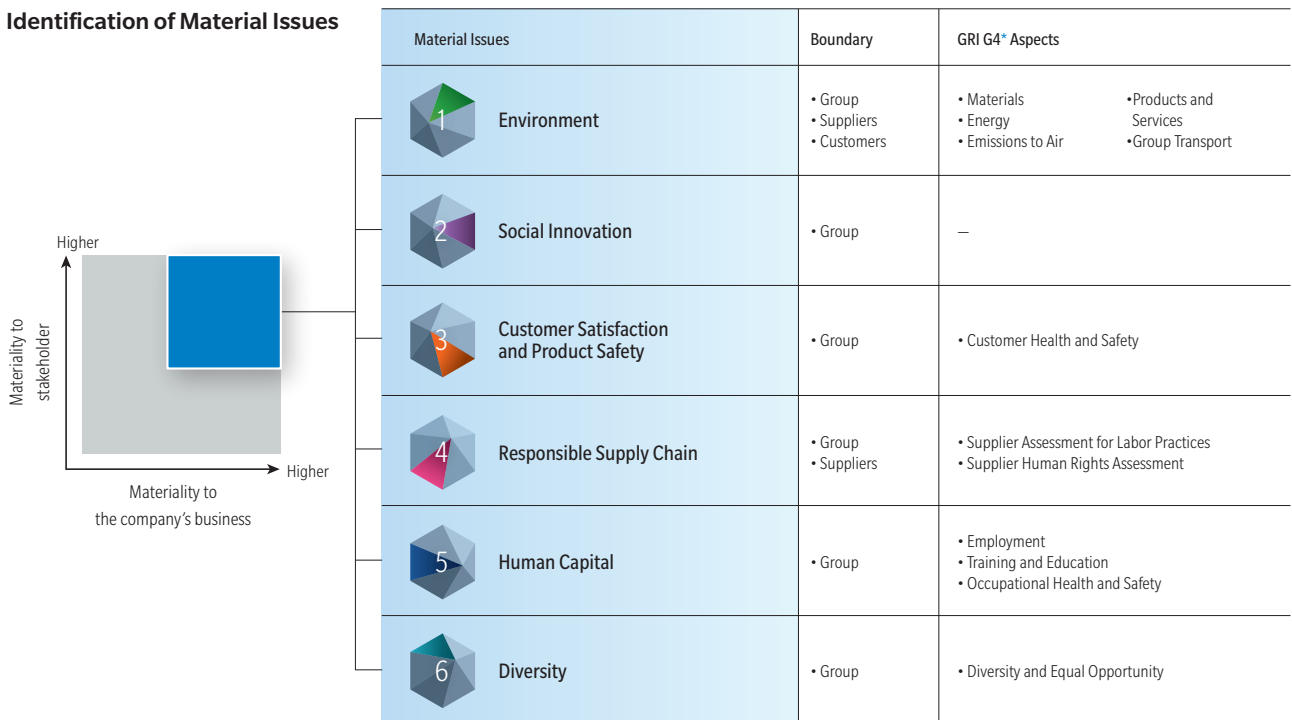
These issues were given a quantitative rating for two aspects, "stakeholder interest" (materiality to stakeholders) and "impact on the Group's business" (materiality to the company's business) to verify their materiality. Outside experts were asked for their opinions in order to incorporate objectivity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

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

Process for Identifying Material Issues



Identification of Material Issues



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

Stakeholder Engagement

When promoting CSR activities, Konica Minolta emphasizes dialogue with diverse stakeholders including customers, employees, the local and global communities, business partners, shareholders and investors. Therefore, the company not only conducts daily dialogue with each division in charge,

but also proactively creates opportunities for communication, including at the executive level, while leveraging communication tools to help people understand Konica Minolta's approach.

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

Focused Topics

ESG Briefing Held for Investors

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

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



ESG briefing held in December 2016

Contributing to achievement of the Sustainable Development Goals (SDGs)

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

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

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

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

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



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

| Material Issue | Key Action | Priority Issue | Goals of the Medium-Term Environment Plan 2016 | |
|----------------|---|--|---|---|
| | | | Business value | Environmental value |
| Environment | Green Products (planning and development) | (1) Creating and promoting the green products demanded by customers and society | Sales <ul style="list-style-type: none"> Sales of Green Products: 640 billion yen (GP sales ratio: 60%) Cost reductions <ul style="list-style-type: none"> Reduce cost of product materials | Preventing global warming <ul style="list-style-type: none"> CO₂ emissions reduction during product use: 59 thousand tons CO₂ emissions reduction during procurement: 105 thousand tons Supporting a recycling-oriented society <ul style="list-style-type: none"> Effective resource utilization: 33 thousand tons Reducing chemical substance risks <ul style="list-style-type: none"> Control emissions |
| | | (2) Complying with government procurement standards and environmental label requirements | Sales <ul style="list-style-type: none"> Eliminate lost sales opportunities | Environment overall <ul style="list-style-type: none"> Reduce environmental impact by complying with standards and label requirements |
| | | (3) Dependably complying with product-related laws and regulations | Risk avoidance <ul style="list-style-type: none"> Eliminate effect on sales | Reducing chemical substance risks <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Reduce costs of energy and materials (reduce loss) | Preventing global warming <ul style="list-style-type: none"> CO₂ emissions reduction during production: 4 thousand tons Supporting a recycling-oriented society <ul style="list-style-type: none"> Effective resource utilization: 0.3 thousand tons Restoring and preserving biodiversity <ul style="list-style-type: none"> Sustainable use of water resources |
| | | | Cost reductions <ul style="list-style-type: none"> Reduce cost of materials | Supporting a recycling-oriented society <ul style="list-style-type: none"> Effective resource utilization: Resource cycle through expanded utilization of reusable materials |
| | | (3) Translating cooperation with suppliers into cost competitiveness | Cost reductions <ul style="list-style-type: none"> Reduce costs of energy and materials (reduce loss) | Preventing global warming <ul style="list-style-type: none"> CO₂ emissions reduction at suppliers (established in agreement with each target supplier) Supporting a recycling-oriented society <ul style="list-style-type: none"> Effective use of resources at suppliers (established in agreement with each target supplier) |
| | | | (4) Dependably complying with production-related laws and regulations | Risk avoidance <ul style="list-style-type: none"> Eliminate effect on production |
| | Green Marketing (distribution, sales and service, and collection and recycling) | (1) Resolving customers' environmental challenges | Sales <ul style="list-style-type: none"> Acquire sales opportunities | Environment overall <ul style="list-style-type: none"> Reduce environmental impact on customer side |
| | | | Cost reductions <ul style="list-style-type: none"> Reduce cost of distribution and packaging | Preventing global warming <ul style="list-style-type: none"> CO₂ emissions reduction during distribution: 0.5 thousand tons Supporting a recycling-oriented society <ul style="list-style-type: none"> Effective resource utilization: 0.47 thousand tons |
| | | (3) Undertaking product 3R initiatives | Risk avoidance <ul style="list-style-type: none"> Reinforce 3R initiatives | Supporting a recycling-oriented society <ul style="list-style-type: none"> 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 CO₂ emissions has not been changed.

Note: "○" indicates the goal was achieved. "△" indicates it was partially achieved.

| Fiscal 2016 results | | | |
|---|---|--|---|
| Business value | | Environmental value | |
| <p>Sales</p> <ul style="list-style-type: none"> Sales of Green Products: 616.8 billion yen (GP sales ratio: 64%) <p>Cost reductions</p> <ul style="list-style-type: none"> Reduce cost of product materials | △ | <p>Preventing global warming</p> <ul style="list-style-type: none"> CO₂ emissions reduction during product use: 58.4 thousand tons CO₂ emissions reduction during procurement stage: 107 thousand tons <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Effective resource utilization: 33.3 thousand tons <p>Reducing chemical substance risks</p> <ul style="list-style-type: none"> Control emissions | △ |
| <p>Sales</p> <ul style="list-style-type: none"> Eliminate lost sales opportunities | ○ | <p>Environment overall</p> <ul style="list-style-type: none"> Reduce environmental impact by complying with standards and label requirements | ○ |
| <p>Risk avoidance</p> <ul style="list-style-type: none"> Eliminate effect on sales | ○ | <p>Reducing chemical substance risks</p> <ul style="list-style-type: none"> Reduce hazardous chemical substance risk by complying with laws and regulations | ○ |
| <p>Cost reductions</p> <ul style="list-style-type: none"> Reduce costs of energy and materials (reduce loss) | ○ | <p>Preventing global warming</p> <ul style="list-style-type: none"> CO₂ emissions reduction during production: 8.5 thousand tons <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Effective resource utilization: 0.4 thousand tons <p>Restoring and preserving biodiversity</p> <ul style="list-style-type: none"> Sustainable use of water resource | ○ |
| <p>Cost reductions</p> <ul style="list-style-type: none"> Reduce cost of materials | ○ | <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Effective resource utilization: Percentage of recycled plastic used by weight reached about 35% | ○ |
| <p>Cost reductions</p> <ul style="list-style-type: none"> Reduce costs of energy and materials (reduce loss) | ○ | <p>Preventing global warming</p> <ul style="list-style-type: none"> CO₂ emissions reductions at suppliers: 1.8 thousand tons <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Effective resource utilization: 0.19 thousand tons | ○ |
| <p>Risk avoidance</p> <ul style="list-style-type: none"> Eliminate effect on production | ○ | <p>Environment overall</p> <ul style="list-style-type: none"> Reduce environmental impact by complying with laws and regulations | ○ |
| <p>Sales</p> <ul style="list-style-type: none"> Acquire sales opportunities | ○ | <p>Environment overall</p> <ul style="list-style-type: none"> Reduce environmental impact on customer side | ○ |
| <p>Cost reductions</p> <ul style="list-style-type: none"> Reduce cost of distribution and packaging | ○ | <p>Preventing global warming</p> <ul style="list-style-type: none"> CO₂ emissions reduction during distribution: 0.62 thousand tons <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Effective resource utilization: 0.54 thousand tons | ○ |
| <p>Risk avoidance</p> <ul style="list-style-type: none"> Reinforce 3R initiatives | ○ | <p>Supporting a recycling-oriented society</p> <ul style="list-style-type: none"> Use resources effectively through product 3R initiatives | ○ |

Targets and Results Regarding Social Impact

| Material Issue | Key Action | Fiscal 2016 Targets |
|--------------------------|--|--|
| Social Innovation | Business development that contributes to solving social issues | |
| | Customer Satisfaction and Product Safety | <ul style="list-style-type: none"> Number of serious product-related accidents*1: 0 Risk assessment practices: 12 times/year Set indicators to measure customer relationship management in each business |
| Responsible Supply Chain | Promoting CSR in the supply chain | <p>CSR procurement</p> <ul style="list-style-type: none"> Request that suppliers carry out CSR activities: 100% implementation CSR assessment: Complete assessments of all 20 Group production sites and about 130 important suppliers by the end of fiscal 2016 CSR audit: Complete audits of three particularly important Group production sites and two particularly important suppliers by the end of fiscal 2016 <p>CSR logistics</p> <ul style="list-style-type: none"> CSR assessment: Assess eight logistics partners and complete improvements by the end of fiscal 2016 <p>Response to conflict mineral issues</p> <ul style="list-style-type: none"> Respond to customers' requests for surveys: 100% response |
| | Human Capital | <p>Ensuring work-life balance</p> <ul style="list-style-type: none"> Promotion of Work-style Reform Project Pursued with the following four task teams <ul style="list-style-type: none"> Improve labor productivity Optimize workplaces Promote information sharing and utilization Set rules for operation improvements <p>Developing human capital</p> <ul style="list-style-type: none"> Develop customer-oriented, innovative personnel to win out in global competition Establish the mindset, actions, capacities and skills required of exemplary employees Accelerate human capital development Systematically develop Group managers Share global success stories (hold global award ceremonies, etc.) <p>Occupational safety and health</p> <ul style="list-style-type: none"> Serious accidents*2: 0 Frequency rate of accidents causing absence from work*3: 0.1 or less <p>Improving employee health</p> <ul style="list-style-type: none"> Curb the number of absences due to illness Reduce the number of employees with health risks |
| Diversity | Supporting women's career building | <ul style="list-style-type: none"> Appoint women to management: 5.0% of all management positions (fiscal 2017 target) Actively hire women among new graduates: 30% of hires are women Encourage women to perform to potential through leadership from top managers |
| | Globalizing human capital | <ul style="list-style-type: none"> Proactively hire and train non-Japanese employees Share global perspective developed by Global Strategy Council (expand membership) Evaluate managerial staff based on globally standardized evaluation criteria (ongoing) Share measures to promote diversity on a global basis |

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





| | Fiscal 2016 Results | Fiscal 2017 Targets and Plans |
|--|---|--|
| | | <ul style="list-style-type: none"> Promoting new business development through core technologies and open innovation Promoting business development at the company's five Business Innovation Centers (BICs) Establishing KPIs in the social outcomes of new businesses |
| | <ul style="list-style-type: none"> Number of serious product-related accidents*¹: 0 Risk assessment practices: 12 times/year | <ul style="list-style-type: none"> Number of serious product-related accidents*¹: 0 Risk assessment practices: 12 times/year |
| | <ul style="list-style-type: none"> To measure customer relationship strength, set indicators for each business and began the satisfaction survey | <ul style="list-style-type: none"> Continue conducting satisfaction surveys, set targets, and make improvements |
| | <p>CSR procurement</p> <ul style="list-style-type: none"> Request that suppliers carry out CSR activities: 100% implementation CSR assessment: Completed assessments of all 19 Group production sites and about 136 important suppliers (cumulative total for fiscal 2015–2016) CSR audit: Completed audits of three particularly important Group production sites and two suppliers | <p>CSR procurement</p> <ul style="list-style-type: none"> Request that suppliers carry out CSR activities: 100% implementation CSR assessment: Complete assessments of all Group production sites and about 120 important suppliers by the end of fiscal 2019 CSR audit: Complete audits of two important Group production sites and two important suppliers by the end of fiscal 2019 |
| | <p>CSR logistics</p> <ul style="list-style-type: none"> Assessed eight logistics partners and completed improvements | |
| | <p>Response to conflict mineral issues</p> <ul style="list-style-type: none"> Respond to customers' requests for surveys: 100% response | <p>Response to conflict mineral issues</p> <ul style="list-style-type: none"> Respond to customers' requests for surveys: 100% response |
| | <ul style="list-style-type: none"> Diverse workstyles: Prepared for introduction of remote working (trial from January 2017, deployment from April) Eliminate long working hours: Reminded employees of the principle of leaving the office before 8:00 pm Information sharing/network: Began rolling out new information sharing tool (SharePoint), and personnel and organization information from Konica Minolta, Inc. and key sales companies Business process reform: Prepared business definitions document in management divisions and implemented Business Process Outsourcing (BPO) for back-office sections | <ul style="list-style-type: none"> Define actions and work methods required for each business portfolio and implement discontinuous workstyle reforms based on business process reforms and use of robotics and AI Improve productivity per unit of time, promote collaboration, and promote diversity |
| | <ul style="list-style-type: none"> Implemented human resource development program (Global E-Juku) for global group managers Defined required skills for digital business personnel Revised general employment evaluation system to accelerate human resource development Held Global Award Event (June), presentation of 10 cases for Global Award 2015 | <ul style="list-style-type: none"> Continue implementing human resource development program (Global E-Juku) for global group managers Define ideal human resources, required abilities and skills to achieve new medium-term business plan Accelerate human capital development for young employees Create business producers who create new businesses from the customer's perspective |
| | <ul style="list-style-type: none"> Serious accidents*²: 0 Frequency rate of accidents causing absence from work*³: 0.13 (in Japan), 0.21 (outside Japan) | <ul style="list-style-type: none"> Serious accidents*²: 0 Frequency rate of accidents causing absence from work*³: 0.1 or less Improve global health and safety management by senior management Implement comprehensive risk management to comprehensively reduce equipment, material, work, and work environment risks Strengthen cultivation of safety culture: Involve top management in safety, manage safety in the workplace, and improve individuals' safety awareness |
| | <ul style="list-style-type: none"> Curbed the number of absences due to illness Number of illnesses resulting in absences: 43 (as of April 1, 2017) Reduced the number of employees with health risks (1) Rate of reduction of people with risk of requiring ongoing hospital treatment for blood pressure, blood sugar, lipids: Down 18.7% from FY2015 (2) Rate of reduction of people with specific health guidance: Down 3.9% from FY2015 | <ul style="list-style-type: none"> Curb the number of absences due to illness Number of absences due to illnesses: 38 (as of April 1, 2018) Reduce the number of employees with health risks (1) Rate of reduction of people with risk of requiring ongoing hospital treatment for blood pressure, blood sugar, lipids: Down 21.3% from FY2016 (2) Rate of reduction of people with specific health guidance: Down 14.9% from FY2016 |
| | <ul style="list-style-type: none"> Formed Women's Committee with the President as the chairperson Conducted workshop for all female employees Conducted company-wide fact-finding survey to assess current situation and identify issues Appointed women to management: Women held 4.4% of all management positions Actively hired women among new graduates: 30% of hires were women | <ul style="list-style-type: none"> Foster awareness and a culture supportive of diversity, with a focus on promoting participation by women Consider ways of supporting life events affecting both men and women, such as childbirth, child-rearing and care-taking, and consider work styles tailored to these life events Appoint female managers: Women hold 5.0% of all management positions Raise the percentage of women among new graduate hires |
| | <ul style="list-style-type: none"> Percentage of non-Japanese employees among new Konica Minolta Inc. employees: 15% (joining April 2017) Increased members of Global Strategy Council from three to six Continued evaluation of managers based on globally standardized evaluation criteria Shared measures to promote diversity on a global basis | <ul style="list-style-type: none"> Proactively hire and train non-Japanese employees in Japan |

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

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

Creating Value through Our Value Chain

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

| Value Chain | <p>R&D P.81</p>  | <p>Procurement P.82</p>  | <p>Production P.82</p>  | <p>Distribution P.82</p>  |
|---|--|--|--|---|
| <p>Quality Improvement Initiatives</p> | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Mitigate procurement quality risk through supplier diversification Work with business partners to conduct quality improvement activities called DOAZ * Defect On Arrival Zero | <ul style="list-style-type: none"> Conduct production capability assessments to gauge the Group's production site quality capabilities, frontline capabilities, and productivity improvement capabilities Pursue global quality assurance through coordination with Konica Minolta production sites and production contractors inside and outside of Japan Gather and analyze quality and other data using ICT in order to improve production quality through quality stabilization and defect prevention | <ul style="list-style-type: none"> Improve and maintain logistics quality (improve lead times and reduce damage and losses) through KPI management in cooperation with logistics (shipping and inventory) partners (contractors) Conduct logistics network design and respond flexibly to reduce logistics risks (freight congestion caused by natural disasters, government policies, conflicts, etc.) |
| Quality Management (P.86) | | | | |
| <p>Environmental Initiatives</p> | <ul style="list-style-type: none"> Create the green products that customers and society need Develop the environmental technologies for creating green products | <ul style="list-style-type: none"> Work with business partners to promote the Procurement Collaboration activities for ongoing mutual improvement of business environments Work with business partners to conduct green supplier activities and reduce environmental impact and costs | <ul style="list-style-type: none"> Conduct green factory operations that simultaneously reduce environmental impact and cut costs Conduct upgrade recycling (using upgraded recycled materials) to solve regional environmental issues | <ul style="list-style-type: none"> Reduce CO₂ emissions through better logistics efficiency Make packaging smaller and lighter |
| Environmental Management (P.87) | | | | |
| <p>Human Resource Initiatives</p> | <ul style="list-style-type: none"> Hold the Challenge Engineers Forum to develop young technicians Develop technology management staff (MOT education) Provide intellectual property education in China, where patent acquisition is heating up | <ul style="list-style-type: none"> Improve skills through cross-border and cross-organizational personnel rotation | <ul style="list-style-type: none"> Conduct diversified human resources development activities to ensure production techniques and expertise are passed on Utilize systems for flexibly accommodating production structure changes and make the most of experienced personnel | <ul style="list-style-type: none"> Strengthen logistics strategy planning ability aimed at overall optimization Strengthen ability to execute when building a distribution network Leverage global SCM personnel |
| Human Resource Management (P.88) | | | | |
| <p>IT Initiatives</p> | <ul style="list-style-type: none"> Research and develop IoT, AI, and other cutting-edge ICT | <ul style="list-style-type: none"> Strengthen relationships with business partners using ICT | <ul style="list-style-type: none"> Conduct high-efficiency production through digital manufacturing based on the IoT concept | <ul style="list-style-type: none"> Improve systems and business processes that span production to sales and optimize product supply and inventory based on customer needs |
| IT Management (P.89) | | | | |
| <p>Cost Initiatives</p> | <ul style="list-style-type: none"> Acquire patents in Japan, the U.S., China, and other countries Invest at least 70 billion yen annually in R&D | <ul style="list-style-type: none"> Work with business partners to control costs, beginning at the development stage 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 | <ul style="list-style-type: none"> Save labor through workflow reform centered on production automation and ICT Reduce the cost of small lot orders by utilizing mixed-flow production and processing technologies for small lots | <ul style="list-style-type: none"> Reduce costs by improving shipping efficiency (improving container/truck loading efficiency) Optimize inventory and improve shipping efficiency through optimal placement of distribution facilities |

Marketing & Sales P.84



- Conduct face-to-face sales to understand the value customers truly need and provide solutions to customers' problems through the best mix of products and services
- Improve value to the customer through OPS and hybrid-type sales which combine equipment sales with provision of IT services
- Improve the quality of proposals for and delivery to customers through sales and project management handled by customer engagement teams

After-Sales Support P.84



- Homogenize support operations through the launching of the Global Support Center
- Implement SLA (Service Level Agreement) to provide customers with high quality services and peace of mind

- Provide support for decreasing customers' environmental impact with OPS
- Provide support for customers' environmental management using environmental technologies and expertise

- Collect and recycle used MFPS and printers
- Carry out the Clean Planet Program for collecting toner cartridges

- Acquire expertise and human resources to strengthen ability to provide services such as OPS, MPM, and MCS

- Invest human resources in service businesses
- Strengthen ability to help customers at the call center

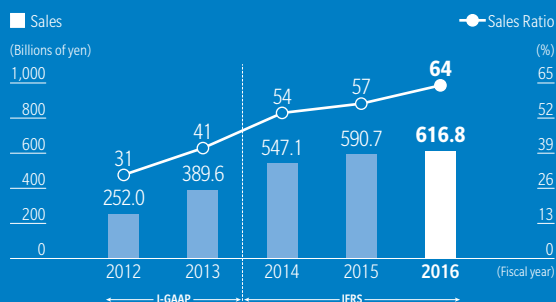
- Promptly resolve problems by utilizing remote support maintenance

- Consolidate sales facilities Make support operations more

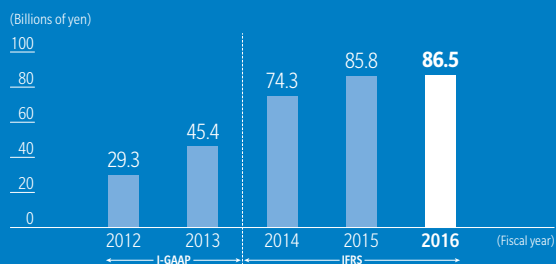
- efficient with the launching of the Global Support Center

Results of Contributing to Customer Value Creation

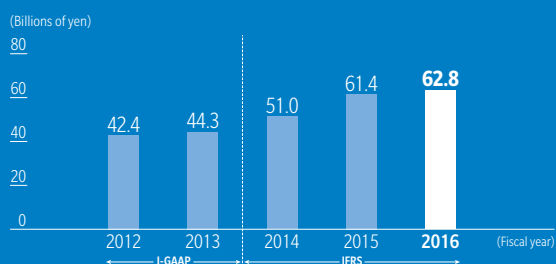
Expanded sales in green products, which reduce customers' environmental impact



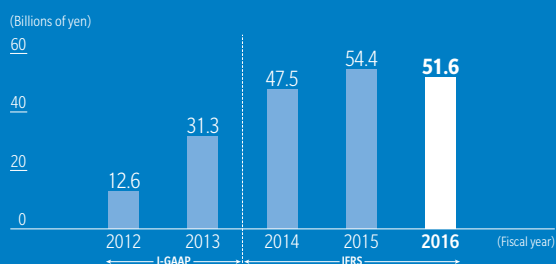
Expanded sales of OPS, which help customers cut costs and enhance efficiency



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



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



Research and Development

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

Intellectual Property Activities

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

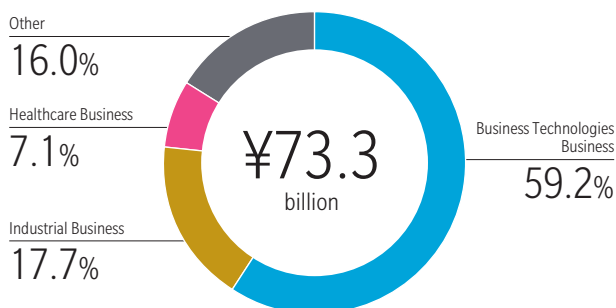
Under these policies, Konica Minolta is committed to R&D aimed at both growing new businesses and strengthening existing businesses, while at the same time maintaining an R&D-to-revenue ratio of 8% or below. We are also carrying out initiatives to strengthen the quality of our technical personnel, including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

Our development framework is a two-pronged system whereby we develop in Japan the technologies that will become a platform used around the world and develop, at development sites physically near customers, technologies which need to be customized to that individual customer.

Under this system, we are quickly addressing customer needs in each region while making large-scale investment decisions throughout the Group and developing common-platform technologies.

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

Percentage of R&D expenses (FY2016)



Primary R&D themes of our businesses

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

Intellectual Property Activities

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

Konica Minolta makes 80% of its revenue overseas and has sales and production sites around the world. To support our business activities with intellectual properties, we submit patent applications and secure intellectual property rights for key markets and countries producing Konica Minolta products around the world. We are proactively submitting patent applications and securing intellectual property rights in sites involved in intellectual property activities in Japan, the U.S., and China.

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

Focused Topic

Launch of the Sustainable Green Products Certification System

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

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

Procurement, Production, and Distribution

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

Procurement Optimization

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

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

We are also working to solve social issues concerning things such as labor (human rights), ethics, the environment, and work safety in the supply chain by conducting CSR procurement by means of CSR assessments and audits, and conflict mineral surveys.

Feedback from a Supplier and CSR Activity Partner

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



Mr. Xu Hao
General Manager
Dongguan Konkamould Plastic Co., Ltd.

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

Focused Topics 1

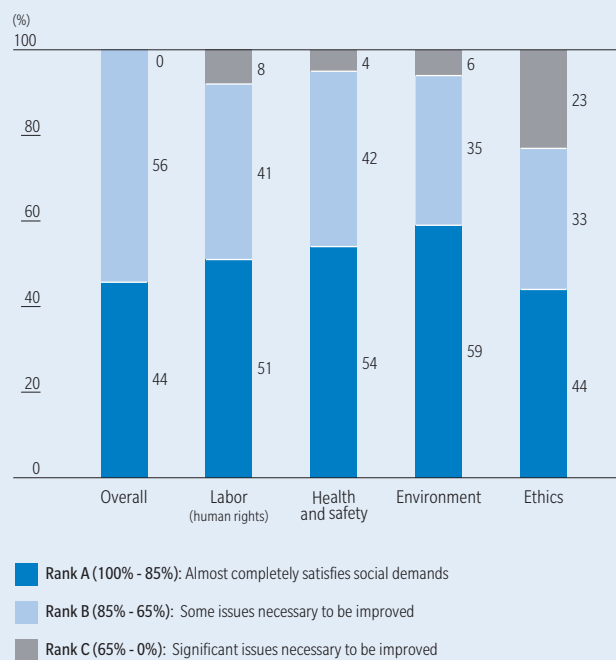
Requesting suppliers to conduct CSR activities and carrying out CSR assessments

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

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

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

Suppliers' CSR Assessment Results (Percentage Ranking)



An Efficient Production System

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

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

Upgrading Our Supply Chain Management

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

We are making an effort to optimize shipping efficiency by establishing the optimal distribution networks in all our business regions and centrally managing transport between countries.

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

Focused Topics 2

Excellent Green Factory Certification System

The Excellent Green Factory Certification System certifies facilities that have met external CO₂ emissions reduction standards through activities conducted in cooperation with business partners, customers, and members of the community, in addition to meeting Konica Minolta's standards for reducing environmental impact. The goal is to satisfy certification standards at all major production facilities worldwide by fiscal 2019. After that, we will be leveraging the environmental technologies and expertise that we have developed over the years to establish Sustainable Green Factories that will reduce its CO₂ emissions externally and thereby offset total emissions from our own facilities.

In FY 2016, efforts to further reduce environmental impact and cut costs at our production facilities led to an 80,000-ton reduction in CO₂ emissions and a 14,000-ton reduction in effluents at the production stage, along with a total of ¥5.2 billion in cost reductions.

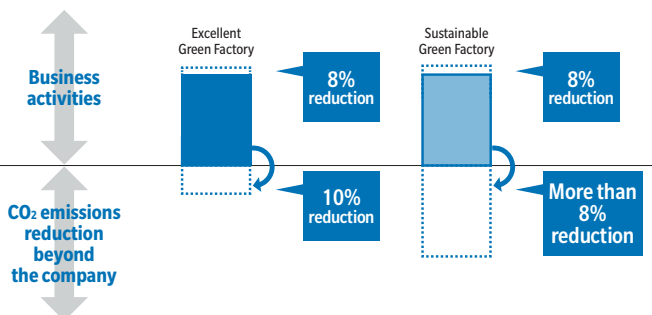
Fiscal 2016 reductions (compared to fiscal 2005)

| | |
|---------------------------|--------------|
| Cost reduction | ¥5.2 billion |
| CO ₂ reduction | 80 ktons |
| Waste reduction | 14 ktons |

Excellent Green Factory Certification Standards

- CO₂ emissions 8% reduction on a performance basis
- External discharge volume 8% reduction on a performance basis
- Water usage 8% reduction on a performance basis

- Reducing the CO₂ emissions of customers, suppliers, and the broader society by an amount equivalent to 10% of the CO₂ emissions of Konica Minolta's own factories



Sales and After-sales Support

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

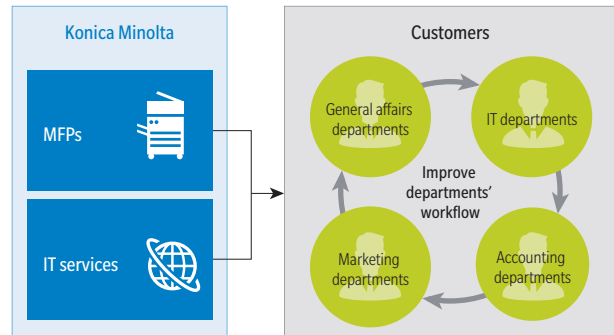
Strengthening Customer-Focused Solutions

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

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

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

Business approaches in the Business Technologies Business



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

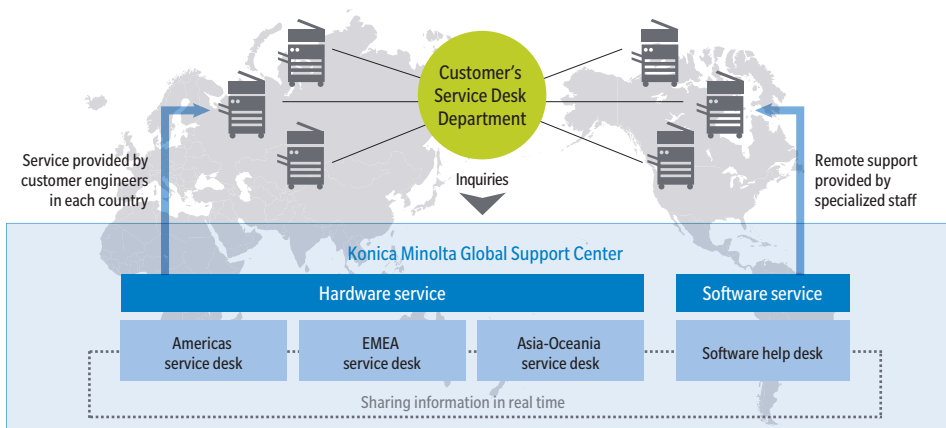
Strengthening After-Sales Support

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

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

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

Global Support Center



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

Focused Topics 1

Green Marketing activities

Through its Green Marketing Activities, Konica Minolta provides products and services that answer the environmental needs of its customers, while at the same time using Konica Minolta environmental technologies and know-how to support customers' environmental activities. Raising the bar for environmental initiatives undertaken with customers creates considerable

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

Voice of a Customer

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

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

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

Kazumasa Takeuchi

General Manager, Environmental Management Department NGK Insulators, Ltd.



In-house seminar

Focused Topics 2

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

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

Quality Management Seminars were held 11 times at seven sites nationwide in fiscal 2016, with about 200 companies

participating. At these seminars, interested customers were provided individually with additional information.

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

Voice of a Customer

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



Quality management seminar



Mr. Satoru Iwata

Executive Officer
Daiwa Lease Co., Ltd.

Quality Management

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

Sharing a Single Global Quality Policy

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

Risk Assessment and Education to Ensure Product Safety

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

Serious product-related accidents over the past three years

| | FY2014 | FY2015 | FY2016 |
|---------------------|--------|--------|--------|
| Number of Accidents | 0 | 0 | 0 |

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

Scope: All Konica Minolta products

Sharing Information about Quality Issues and Cross-Deploying Countermeasures

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

This assessment rated major production sites using the same checklist for all businesses and focused on five areas: 5S, visualization, elimination of inefficiencies, human development and factory management. The assessment results were made

accessible company-wide and success stories from high-scoring sites were shared. The assessment officers' role did not finish with the assessment itself; they also prepared recommendations for improvements and were responsible for supporting efforts to strengthen on-site capabilities.

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



Production capability assessment

Focused Topic

Strengthening customer relationships in the Business Technologies Business

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

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

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

*1 Percentage of customers who responded that they were satisfied

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

Environmental Management

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

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

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

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

In order to further strengthen environmental action in fiscal 2017, the company added a more ambitious goal, to Eco Vision 2050, the “Carbon Minus” concept. With Eco Vision 2050, Konica Minolta aims to reduce the CO₂ emissions from its products throughout their entire life cycle by 80% compared to 2005 levels by 2050. The addition of “Carbon Minus” is a new commitment to achieve CO₂ emission reduction effect that exceeds the CO₂ emissions produced by Konica Minolta’s business activities through cooperation with stakeholders such as business partners, customers and local communities.

If the company can reduce its CO₂ emissions by 80% before 2050, the remaining 20% will be approximately 400,000

tons. By helping stakeholders utilize Konica Minolta’s technologies and expertise to reduce their own CO₂ emissions by 400,000 tons or more, the net outcome will be that society’s overall CO₂ emissions resulting from Konica Minolta’s activities will be negative. This is the “Carbon Minus” status that Konica Minolta is pursuing.

Medium-Term Environmental Plan 2019

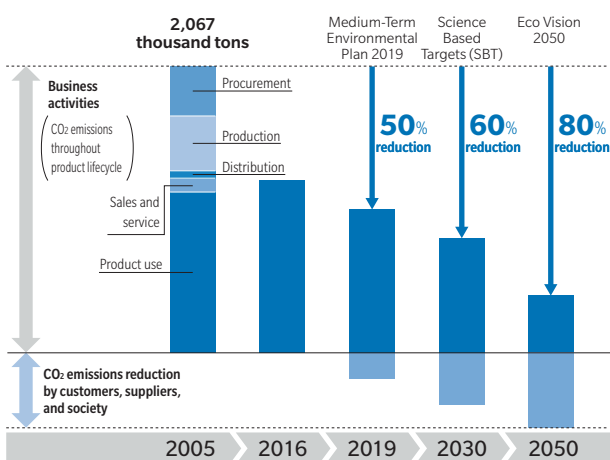
Under its management vision, Konica Minolta aims to be a global company that is vital to society. To realize this vision, it is necessary to identify social challenges as business opportunities and generate innovative solutions, which in turn will drive Konica Minolta’s own sustainable growth.

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

New Eco Vision 2050

1. Reduce CO₂ emissions throughout the product lifecycle by 80% by 2050, compared to fiscal 2005 levels. Also through cooperation with stakeholders, achieve CO₂ emission reductions are greater than product lifecycle emissions, and realize Carbon Minus status.
2. Promote recycling and effective use of Earth’s limited resources.
3. Work to promote restoration and preservation of biodiversity.

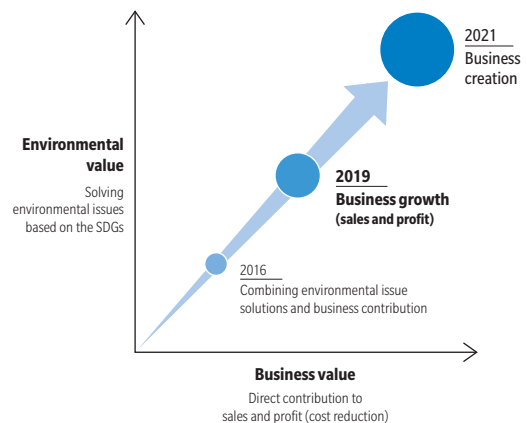
CO₂ Emissions Reduction and Carbon Minus Targets



Medium-Term Environmental Plan 2019 Concept

Solving environmental issues based on the SDGs and expanding business contribution

- Carbon Minus (beyond the company) ... global and digital
- Solving social issues and expanding business contribution at the same time



Human Resource Management

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

Dynamically Deploying Global Human Capital Management

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

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

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



Global Strategy Council

Program to Foster Business Leaders

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



Group session held in Japan in February 2017

Occupational Safety and Health

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

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

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

Introducing Work Style Reforms to Reduce Working Hours

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

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

IT Management

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

Medium-Term IT Plan

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

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

Vision

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

Themes

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

Strengthening Data Management

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

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

rolling the layer out to North America and Japan in stages.

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



Working Style Reform with Security in Mind

Developing a Teleworking Infrastructure and Virtual Desktop Environment

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

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

Ensuring a Secure Environment for Using Smart Devices

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

IT Security Management

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

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

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

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

Optimizing IT Costs

Reducing Routine IT Costs

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

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

IT Investment Management

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

Major Investments of FY2016

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

Focused Topics

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

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



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

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

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

The Company has also been included in the FTSE4 Good Index (since 2003). In addition, the Company has received high marks from a range of SRI research firms, including being awarded Silver Class status, a CSR rating

from RobecoSAM, and being selected for the investment universe of Ethibel Pioneer and Ethibel Excellence operated by the socially responsible investment promotion group Forum ETHIBEL.

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

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

Inclusion in Prominent Japanese/Foreign Indices

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

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

MSCI

2017 Constituent
MSCI ESG
Leaders Indexes



FTSE4Good



FTSE Blossom
Japan

* No information available for the years prior to 2010

Evaluations by International CSR Rating Agencies

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

ROBECOSAM
Sustainability Award
Silver Class 2017



Recognition in Japan

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

