

# Corporate Governance Report

Last Update: July 10, 2017

**Konica Minolta, Inc.**

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The corporate governance of Konica Minolta, Inc. (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

The “Basic Policy on Corporate Governance” that was formulated in September 2015 defines the basic views regarding 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 the Company.

The Company’s basic views with regard to its governance system is as follows.

- 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.

### **[The reason for non-compliance with Japan's Corporate Governance Code]**

The Company complies with every principle of Japan's Corporate Governance Code based on the above Basic Views.

### **[Disclosure Based on the Principles of the Japan's Corporate Governance Code]**

#### **【Principle 1-4 Cross-shareholdings】**

The Company has prepared a policy for cross-shareholdings and standards for voting cross-shareholdings. The policy and standards have been disclosed. In addition, the Company examines the economic justification for its major cross-shareholdings from a medium to long-term perspective every year.

- Policy for cross-shareholdings
- The basis for cross-shareholdings is expectations for collaboration with these issuers and business synergies. The goal is to increase the Company's corporate value by maintaining and strengthening the business relationship and smoothing transactions with each issuer. Stock where there is little significance or justification for ownership will be sold while taking into account the proper stock price, market conditions and other factors.
- At the Management Executive Meeting in June 2017, the medium to long-term economic justification for major cross-shareholdings and the outlook were examined based on risk vs. return and other parameters. For all companies involved with the major cross-shareholdings, the Company has business relationships or is working jointly with these companies or anticipates collaboration involving business activities in the future. As a result, the Company believes that the ownership of these cross-shareholdings can be adequately justified. In June 2017, based on the results of this examination of cross-shareholdings, the Board of Directors received an explanation of the future objectives, policies and other items concerning cross-shareholdings.
- The goals of individual major cross-shareholdings are listed in the Securities Report.

#### (2) Standard for voting cross-shareholdings

- In principle, the Company approves resolutions submitted to shareholders. However, proposals that are believed to be contrary to the policy for cross-shareholdings are properly evaluated and decided by exercising voting rights.

【Principle 1-7 Related Party Transactions】

If the Company, by any chance, engages in transactions with conflicting interests as prescribed in the Companies Act with Directors and Executive Officers (“executives”), the Board of Director rules require a resolution of approval by the Board of Directors. In addition, to identify conflict-of-interest transactions by executives, every year on a regular basis there are confirmations with these executives to determine if there were any transactions (except compensation) between the Konica Minolta Group (the “Group”) and an executive or close relative (relatives within the second degree) . Furthermore, with regard to transactions between the Company and its related parties, including major shareholders, subsidiaries and related companies, the Company has created internal approval procedures based on its authority rules equivalent to those governing transactions with third parties to ensure such transactions do not harm the interests of the Company or the common interests of its shareholders.

【Principle 3-1 Full Disclosure】

The Company discloses information properly in accordance with laws and regulations. In addition, to ensure that decisions are made with transparency and fairness, the following information is disclosed from the standpoint of maintaining an effective corporate governance system. The Company discloses information proactively. Specifically, the Company uses its website, CSR report, corporate governance report, annual report, business report and other reports, and reference materials at general shareholder meeting to disclose information. In addition, there are proactive measures to supply information by using Management Policy Briefings, Investor Briefings for Individual Investors and other activities.

(1) Management Philosophy and Business Plan

The Company’s management philosophy and business plan are disclosed in the annual report. In addition, a link to the Corporate Governance Report is also provided to give detailed information. Furthermore, explanation is also actively provided through Management Policy Briefings and Investor Briefings for Individual Investors and other activities.

Management Philosophy

Please refer to the “Konica Minolta Philosophy” on the Company’s website.

<http://www.konicaminolta.com/about/corporate/vision.html>

Business Plan

Please refer to the Medium-Term Business Plan on the Company’s website.

[http://www.konicaminolta.com/about/investors/management/midterm\\_plan\\_presentations/index.html](http://www.konicaminolta.com/about/investors/management/midterm_plan_presentations/index.html)

(2) Basic views on corporate governance

Please refer to the “Basic Policy on Corporate Governance” on the Company’s website.

<http://www.konicaminolta.com/about/investors/management/governance/index.html>

(3) Policy and procedure for determining compensation for Executive Officers and Directors

Please refer to the Supplementary Explanation of “Incentives” and the Policy on Determining Compensation Amounts and Calculation Methods of “Compensation for Directors and Executive Officers” in section II.1 of this report.

(4) Policy and procedure for selections of Executive Officers and nominations of Director Candidates

(a) Selections of Executive Officers

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

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

To determine the new team of Executive Officers, the President and CEO selects from the list of Executive Officer candidates the individuals who are believed to be well suited to serve as Executive Officers. Next, a proposal for the selection of Executive Officers for the new fiscal year is prepared and submitted to the Board of Directors with a list of the duties for each Executive Officer. Prior to the submission of this proposal to the Board of Directors, the Nominating Committee performs oversight of the whole process, including a confirmation that a suitable process was used. Oversight includes receiving the proposal for the new Executive Officer team (including the proposed new Executive Officer selections from the President and CEO) and a report about the proposed duties of each Executive Officer.

(b) Nomination of Director Candidates

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 selection 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.

<Outside Directors>

3) To select Outside Director candidates, after the Nominating Committee confirms the selection 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.

- Selection 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.

- Selection 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.

<Director election standards >

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.

< Independence standards for Outside Directors >

Concerning Independence Standards for Outside Directors, please refer to the “Matters relating to Independent Directors” of “Independent Directors” in section II.1 of this report.

[Balance of career and skill required for Outside Director candidates and diversity]

1) For the diversity of Directors, the Nominating Committee Rules for selection 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 113<sup>th</sup> 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.

[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.

(5) Reasons for selections and nominations of Executive Officers and Directors responsible for major duties

(a) Executive Officers overseeing the major duties

The reasons for selecting Executive Officers in charge of the Company's major responsibilities are the followings.

Mr. Shoei Yamana (President and CEO, Representative Executive Officer)

As the executive for the Company's core Business Technologies Business, the Group's management strategies and other activities, Mr. Yamana has experience and accomplishments. In addition, he is the most suitable individual for serving as the chief executive officer for achieving ongoing profit growth by steadily implementing the new medium-term management plan that began in fiscal 2017.

Mr. Seiji Hatano (Senior Executive Officer in charge of Management Planning, Administration and Risk Management)

He has extensive experience and accomplishment as preparation for the Company's midterm business plan and the handle of growing business and the M&A after he performed various kinds of financial businesses at the mega bank in Japan, America and Asia.

Mr. Kunihiro Koshizuka (Senior Executive Officer in charge of Engineering)

He has extensive experience and accomplishment as the responsible person in charge of R&D and the strategy of technologies. In addition, he has knowledge about the development of new business and the trend of technologies outside the Company.

(b) Director candidates

The reasons for selecting Director candidates by the Nominating Committee are the following. See “II 1 Information concerning Outside Directors” for the reasons for selecting Outside Director candidates.

< Reasons for selecting the candidate for Inside Director > (The 113th Ordinary General Meeting Of Shareholders)

Mr. Masatoshi Matsuzaki (Chairman of the Board of the Company)

Mr. Masatoshi Matsuzaki has extensive experience and expertise. At the Company and its Group companies, under the company split and holding company structure, Mr. Matsuzaki has been in charge of research for the Business Technologies Business, served as president of a subsidiary handling basic research and development of elemental technologies and served as Executive Officer in charge of technology strategy at the Company. In addition, Mr. Matsuzaki led the management of the Group, serving as President and CEO from April 2009 through March 2014. Since April 2014, as Chairman of the Board of Directors, he has worked to further enhance corporate governance.

In its Basic Policy on Corporate Governance, the Company states that “The Chairman of the Board is selected from among Directors not concurrently serving as Executive Officers.” The Company is to select an appropriate person, who may be either an Inside Director or an Outside Director, as the Chairman of the Board of Directors.

The Company believes that having an Inside Director who does not concurrently serve as Executive Officer with this level of familiarity of the Company’s management as the Chairman of the Board of Directors will contribute to helping the Company’s governance system function effectively, thereby leading to enhanced corporate value. Therefore, the Company requests that shareholders elect for him to continue. Mr. Matsuzaki will be in charge of supervision of management, securing sufficient time to fulfill his duties as full-time Inside Director.

Mr. Shoei Yamana (President and CEO, Representative Executive Officer)

Mr. Shoei Yamana has extensive experience and expertise. At the Company and its Group companies, Mr. Yamana has been an Executive Officer in charge of management strategy and IR, served as General Manager of the Sales Division of Image Information Products and been in charge of operations, among other positions. Mr. Yamana has led the management of the Group, serving as President and CEO since April 2014, and has worked to enhance corporate value by promoting “TRANSFORM 2016,” the Company’s Medium-Term Business Plan.

As the Chief Executive Officer for the Group, Mr. Yamana has led the Company to ongoing profit growth by steadily implementing the new medium-term business plan that began in fiscal 2017. In addition to demonstrating accountability as Representative Executive Officer for supervising management on the Board



of Directors, Mr. Yamana has contributed to the enhancement of the function of making important decisions from a management standpoint. Therefore, the Company requests that shareholders elect for him to continue.

Mr. Yoshiaki Ando

The Company believes that it is important for the Audit Committee to include a full-time Inside Director who has extensive business management experience and expertise involving the collection of information. Mr. Yoshiaki Ando attends management meetings of Executive Officers as a Member of the Audit Committee. He grasps validity of the determination process about operations, which are commissioned to the Executive Officers by the Board of Directors, and the operational status of the internal control system. By providing the Audit Committee with feedback on such various kinds of information gathered by using the internal network, Mr. Ando works to enhance the quality and quantity of information for the audit by the Committee.

Mr. Ando has extensive experience and considerable expertise related to finance and accounting, having served as General Manager of the Corporate Finance Division of the Company and, as Senior Executive Officer, taking charge of accounting, finance and management strategy. Since 2014, as an Inside Director at the Company not concurrently serving as Executive Officer Mr. Ando engages in supervising management and works to enhance activities of the Company's Nominating, Audit and Compensation Committees.

Therefore, the Company believes that Mr. Ando can enhance corporate value by maintaining and upgrading the corporate governance, and requests that shareholders elect for him to continue.

Mr. Ken Shiomi

The Company believes that it is important for the Audit Committee to include a full-time Inside Director who has extensive business management experience and expertise involving the collection of information. Mr. Ken Shiomi attends management meetings of Executive Officers as a Member of the Audit Committee. He grasps validity of the determination process about operations, which are commissioned to the Executive Officers by the Board of Directors, and the operational status of the internal control system. By providing the Audit Committee with feedback on such various kinds of information gathered by using the internal network, Mr. Shiomi works to enhance the quality and quantity of information for the audit by the Committee.

Mr. Shiomi has extensive experience and considerable expertise related to business administration from serving as Executive Officer in the Company's sensing and optics businesses.

Since 2015, as an Inside Director at the Company not concurrently serving as Executive Officer Mr. Shiomi engages in supervising management and works to enhance activities of the Company's Audit and Compensation Committees. Therefore, the Company believes that Mr. Shiomi can enhance corporate value by maintaining and upgrading the corporate governance, and requests that shareholders elect for him to continue.

Mr. Seiji Hatano

As a Senior Executive Officer of the Company, Mr. Seiji Hatano is the executive for management planning, other administrative operations including finance and accounting, and risk management. Mr. Hatano is involved with promoting the medium-term business plan, seeking to enhance the corporate value of the Group. As Senior Executive Officer in charge of supervising management planning and business management and promoting M&A activities, the Company believes Mr. Hatano will demonstrate accountability to the Board

of Directors and participate in important management decisions. Therefore, the Company requests that shareholders elect for him to continue.

Mr. Kunihiro Koshizuka

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

Supplementary rule 4-1-1

Since the Company is a company with three committees, the Board of Directors delegates to Executive Officers as much authority as allowed by laws and regulations for making operational decisions. This contributes to the speed and flexibility of managing business operations. The Board of Directors makes decisions solely about items, such as fundamental management policies, that can be determined only by the Directors, according to laws and regulations. In addition, the Board of Directors makes decisions about investments larger than a certain amount and such other items that will have a significant impact on the Konica Minolta Group.

**【Principle 4-8 Effective Use of Independent Outside Directors】**

Four Directors of the Company, which are at least one-third of the total number of Directors, are Independent Outside Directors. These Directors strengthen the management oversight function and can perform supervision from the standpoint of ordinary shareholders.

Independent Outside Directors are expected to perform the following roles.

- (1) To participate in important decisions made by the Board of Directors and supervise the decision-making process
- (2) To submit advice about the establishment of management policies and plans and about reports concerning business operations by using their experience and knowledge
- (3) To oversee conflicts of interest among the Company, its shareholders, senior executives and others
- (4) 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
- (5) 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.

**【Principle 4-9 Independence Standards and Qualifications for Independent Outside Director】**

The standards for determining independence are explained in II. 1. [Independent Directors] Matters relating to Independent Directors. For information about the required qualifications, see I. 1. [Disclosure Based on the Principles of the Japan's Corporate Governance Code] [Balance of career and skill required for Outside Director candidates and diversity].

Supplementary rule 4-11-1

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 I. 1. [3-1 Full Disclosure] [Balance of career and skill required for Outside Director candidates and diversity].

Supplementary rule 4-11-2

For the selection standards for Outside Directors, individuals must “be able to spend sufficient time to perform their duties” and candidates are selected after thoroughly examining their other jobs and duties. The other jobs and duties of the Directors who were elected at the 113<sup>th</sup> Ordinary General Shareholder Meeting on June 2017 are as follows;

Name	Main position concurrently held (as of June 30 <sup>th</sup> )	Position
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Masatoshi Matsuzaki (Chairman of the Board of the Company)	Ichigo Inc. Nomura Research Institute, Ltd. Nippon Sheet Glass Co. Ltd.	Outside Director Outside Director Outside Director
Kazuaki Kama (Outside Director)	IHI Corporation Kyokuto Boeki Kaisha, Ltd. SUMITOMO LIFE INSURANCE COMPANY NSK Ltd.	Senior Corporate Advisor Outside Director Outside Director Outside Director
Hiroshi Tomono (Outside Director)	Nippon Steel & Sumitomo Metal Corporation Japan Nuclear Fuel Limited Sumitomo Chemical Company, Limited	Senior Advisor Outside Director Outside Director
Kimikazu Noumi (Outside Director)	J-WILL CORPORATION SPARX Group Co., Ltd.	Executive Advisor Outside Director
Takashi Hatchoji (Outside Director)	Nitto Denko Corporation Marubeni Corporation	Outside Director Outside auditor

#### Supplementary rule 4-11-3

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.

#### (1) 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)

(2) Survey target

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

(3) 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. In particular, the evaluation focused on identifying issues in order to help accomplish growth of corporate value, which is the primary objective of corporate governance.

Outsourcing to an external organization enables to introduce a perspective to identify corporate governance issues that could not be recognized by the self-evaluation process used in prior years and confirm those issues.

(4) 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

(5) Results of Effectiveness Assessment of the Board of Directors

The external organization submitted the following report:

(a) 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.

(b) 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.

(6) 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.

(a) 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

(b) 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.

Supplementary rule 4-14-2

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

- (1) For new Independent Outside Directors, the Company provides information about the group's structure, business activities and finances as well as information about the Medium-Term Business Plan and its progress and other subjects.
- (2) 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

**【Principle 5-1 Policy for Constructive Dialogue with Shareholders】**

The Company encourages constructive dialogues with shareholders and other investors with the goal of using these dialogues to contribute to sustained growth and the medium and long-term growth of corporate value.

The Company will conduct extensive investor relations activities. Based on this commitment, the following actions are taken.

(1) Designation of a senior management in charge of shareholder dialogues

Activities for a constructive dialogue with shareholders and other investors are centered on the President and CEO. The Executive Officer for investor relations and the department responsible for investor relations assist the President and CEO.

(2) Measures for seamless cooperation among departments

The Management Planning Division, which is responsible for investor relations, plays the primary role in encouraging dialogues with shareholders and other investors. The accounting, finance and legal affairs departments and all business units work together to support this division. In addition, the Corporate Business Management Division works seamlessly with the management council meetings and other major councils as well as the Corporate Information Disclosure Committee for the purpose of ensuring that dialogues are timely and appropriate.

(3) Measures used for dialogues other than individual meetings

The Company positions general shareholder meeting as an important opportunity for a dialogue with shareholders. The goal is to operate these meetings in a manner that can earn the trust of shareholders. This includes the disclosure of information about business operations so that information is supplied in a sufficient volume and in a format that is easy to understand. In addition, there are quarterly Financial Results Briefing Session, Management Policy Briefings from the President and CEO, and Investor Briefings for Individual Investors. All these activities are aimed at maintaining strong lines of communication with shareholders and other investors.

(4) Reporting system for shareholders' opinions and concerns

The President and CEO submits reports on investor relations activities to the Board of Directors, management council meetings and other major councils in order to maintain the proper framework. These reports include opinions and concerns about the Company that were received through dialogues with shareholders and other investors.

(5) Management of insider information

The Company has a Corporate Information Disclosure Committee for the purpose of ensuring that the disclosure of important corporate information is timely, appropriate and fair. This Committee establishes a procedure for the disclosure of information. In addition, as stated in Rules for the Prevention of Group

Insider Trading, the managers of departments that have information about significant facts are responsible for managing this information. Disclosure must be timely, appropriate and fair. Information must be managed to prevent the provision of information only to some shareholders and investors.

(6) Other activities

The Company performs investigations and other activities in order to identify effective shareholders. The purpose is to know all shareholders, both registered and effective shareholders, who make investment decisions and stock voting decisions. Dialogue with these effective shareholders is one of the Company's priorities.

For shareholders and other investors, the Company plans to further upgrade the provision of financial information, the President and CEO's medium and long-term stance about management, information about the environment, society and governance, and other non-financial information. Another goal is to increase the amount of information provided by Independent Outside Directors.

## 2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	36,128,900	7.18
The Master Trust Bank of Japan, Ltd. (Trust account)	34,932,500	6.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,945,007	2.77
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited ReTrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875,000	2.36
Nippon Life Insurance Company	10,809,234	2.15
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for the Bank of Tokyo- Mitsubishi UFJ, Ltd.)	10,801,500	2.14
Daido Life Insurance Company	9,040,518	1.79
JPMorgan Chase Bank 385632	8,884,754	1.76
Japan Trustee Services Bank, Ltd. (Trust account 5)	8,600,600	1.71
THE BANK OF NEW YORK MELLON 140044	7,785,158	1.54

Controlling Shareholder (except for Parent Company)	—
Parent Company	None



Supplementary Explanation
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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with three committees (Nominating, Audit and Compensation)
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Other Director

Number of Directors	10
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**[Outside Directors]**

Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Kazuaki Kama	From another company									△			
Hiroshi Tomono	From another company									△			
Kimikazu Noumi	From another company												
Takashi Hatchoji	From another company									△			

\* Categories for "Relationship with the Company"

- \* "○" when the Director presently falls or has recently fallen under the category;
- "△" when the Director fell under the category in the past
- \* "●" when a close relative of the Director presently falls or has recently fallen under the category;
- "▲" when a close relative of the Director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or Executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an Executive thereof
- e. Major client or supplier of the listed company or an Executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company Outside director/*kansayaku* are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Selection
	Nominating	Remuneration	Audit			

Kazuaki Kama	○	○	○	○	<p>Senior Corporate Advisor of IHI Corporation</p> <p>The sales between IHI Corporation and the Company accounted for less than 1% of the consolidated net sales of each company.</p>	<p>Reasons for selection as an Outside Director: 1) His experience and knowledge in the field of his business career; 2) His high degree of independence due to the absence of significant business relationship; and 3) His ability to spend a sufficient amount of time on his duties as a director and a member of committees.</p> <p>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.</p> <p>The Company believes that Mr. Kama can continue contributing to the maintenance and upgrading of corporate governance.</p> <p>Reasons for selection as an Independent Director: meets the standards for independence specified by the Nominating Committee. Also, as explained in the column to the left, Mr. Kama is not a business executive or other significant person at a major supplier or customer or a major shareholder. There are no conflicts of interest with ordinary shareholders concerning his role as an Outside Director. As a result, Mr. Kama is designated an Independent Director.</p>
Hiroshi Tomono	○	○		○	<p>Senior Advisor of Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>The sales between Nippon Steel &amp;</p>	<p>Reasons for selection as an Outside Director: Same as above for 1) to 3).</p> <p>Mr. Hiroshi Tomono has many years of experience at Sumitomo Metal Industries, Ltd. and Nippon Steel &amp; Sumitomo Metal Corporation in the management of the materials manufacturing sector, including having overseen activities at steelmakers</p>

					<p>Sumitomo Metal Corporation and the Company accounted for less than 1% of the consolidated net sales of each company.</p>	<p>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.</p> <p>Reasons for selection as an Independent Director: meets the standards for independence specified by the Nominating Committee. Also, as explained in the column to the left, Mr. Tomono is not a business executive or other significant person at a major supplier or customer or a major shareholder. There are no conflicts of interest with ordinary shareholders concerning his role as an Outside Director. As a result, Mr. Tomono is designated an Independent Director.</p>
Kimikazu Noumi		○	○	○	<p>Executive Advisor of J-WILL CORPORATION</p> <p>There is no business relationship between J-WILL CORPORATION and the Company.</p>	<p>Reasons for selection as an Outside Director: Same as above for 1) to 3).</p> <p>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.</p> <p>Reasons for selection as an Independent Director: meets the standards for independence specified by the Nominating Committee. Also, as explained in the column to the left, Mr. Noumi is not a business</p>

						executive or other significant person at a major supplier or customer or a major shareholder. There are no conflicts of interest with ordinary shareholders concerning his role as an Outside Director. As a result, Mr. Noumi is designated an Independent Director.
Takashi Hatchoji	○	○	○	○	Former Representative Executive Officer, Executive Vice President and Executive Officer of Hitachi, Ltd.  Transactions between Hitachi and the Company account for less than 1% of the consolidated sales of each company.	Reasons for selection as an Outside Director: Same as above for 1) to 3) 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. Reason for selection as an Independent Director: Mr. Hatchoji meets the standards for independence specified by the Nominating Committee. Also, as explained in the column to the left, Mr. Hatchoji is not a business executive or other significant person at a major supplier or customer or a major shareholder. There are no conflicts of interest with ordinary shareholders concerning his role as an Outside Director. As a result, Mr. Hatchoji is designated an Independent Director.

**[Committees]**

Committee's Composition and Attributes of Chairperson
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	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nominating Committee	5	2	2	3	Outside Director
Remuneration Committee	5	2	2	3	Outside Director
Audit Committee	5	2	2	3	Outside Director

**[Executive Officers (Shikkoyaku)]**

Number of Executive Officers	24
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Status of Additional Duties
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Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nominating Committee Member	Remuneration Committee Member	
Shoei Yamana	Yes	Yes	×	×	No
Jun Haraguchi	No	No	×	×	No
Tsukasa Wakashima	No	No	×	×	No
Kunihiro Koshizuka	No	Yes	×	×	No
Ken Osuga	No	No	×	×	No
Seiji Hatano	No	Yes	×	×	No
Shingo Asai	No	No	×	×	No
Toyotsugu Ito	No	No	×	×	No
Noriyasu Kuzuhara	No	No	×	×	No
Kiyotaka Fujii	No	No	×	×	No
Kazuyoshi Hata	No	No	×	×	No
Hiroyuki Suzuki	No	No	×	×	No
Akira Tai	No	No	×	×	No
Ikuo Nakagawa	No	No	×	×	No
Yuji Ichimura	No	No	×	×	No
Toshimitsu Taiko	No	No	×	×	No
Atsuo Takemoto	No	No	×	×	No
Masafumi Uchida	No	No	×	×	No
Hajime Takei	No	No	×	×	No
Richard K. Taylor	No	No	×	×	No

Takaji Ito	No	No	×	×	No
Toshiya Eguchi	No	No	×	×	No
Koji Sugie	No	No	×	×	No
Tetsuya Matsueda	No	No	×	×	No

#### [Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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#### Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Company set up the Audit Committee Office with a full-time staff to support the Audit Committee, and, besides being the secretariat of the Audit Committee, the Audit Committee Office shall perform its duties in accordance with the instructions of the Audit Committee. Furthermore, this principle is to be clearly specified in Company rules and made common knowledge. To ensure the independence of the Audit Committee Office from Executive Officers and the effectiveness of instructions received from the Audit Committee, personnel matters regarding the Audit Committee Office including appointment, personnel changes and disciplinary action, shall be approved in advance by the Audit Committee.

#### Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The Audit Committee holds meetings with the External Accounting Auditor many times each year. Committee members receive thorough explanations of the External Accounting Auditor its policy and plans for audits. Committee members hear explanations and receive other information to be certain that the External Accounting Auditor is performing its duties properly. In addition, members of the Audit Committee state their views, including requests to place emphasis on certain audit items, and actively exchange other information. The aim is to perform audits that are appropriate and strict. Committee members also ask questions about the auditing system and internal controls of the accounting auditor's company to confirm various items. Receiving detailed reports from the External Accounting Auditor about the audit method and results is not the only task of the Audit Committee but also Committee members receive frequent audit implementation reports and monitor progress of the External Accounting Auditor's audit. The Audit Committee compares information from the External Accounting Auditor with information obtained by Committee members to reach decisions regarding the suitability of the External Accounting Auditor's audit.

As a company with three committees, the Company has an Audit Committee. All subsidiaries in Japan are companies with *Kansayaku*. The Company has a Corporate Audit Division to perform internal audits. Furthermore, while preserving its independence as an audit organization, the Audit Committee, Corporate Audit Division and *Kansayaku* of the subsidiaries cooperate with each other to make audits even more efficient and effective.

The Corporate Audit Division prepares internal audit reports, periodic audit activity reports and monitoring reports. These reports are submitted at the same time to the President and CEO and the Audit Committee. Rules stipulate that the Audit Committee has the right to ask the Corporate Audit Division to perform special audits.

**[Independent Directors]**

Number of Independent Directors	4
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Matters relating to Independent Directors

All Outside Directors who are qualified to be Independent Directors are designated Independent Directors. In 2007, the Nominating Committee established “Independence Standards for Outside Directors”. Regarding such standards, the Nominating Committee selects Outside Director candidates for whom none of the following items are applicable.

(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

**[Incentives]**

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Performance- linked Remuneration, and others
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Supplementary Explanation
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<p>Beginning in fiscal 2017, the Company has adopted stock bonus linking with medium-term performance for Executive Officers in addition to annual performance-based cash bonus. The compensation-type stock option plan was abolished with the 12th series compensation-type stock options for fiscal 2016 issued in August 2016. Please refer to the Disclosure of Policy on Determining Compensation Amounts and Calculation Methods of “Compensation for Directors and Executive Officers” in section II.1 of this report.</p>
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Recipients of Stock Options	None
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Supplementary Explanation
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None
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**[Remuneration for Directors and Executive Officers (Shikkoyaku)]**

Disclosure of Individual Directors' Remuneration	Not disclosed
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	Payments to individuals are disclosed only for certain Directors and Executive Officers

Supplementary Explanation
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<p>Compensation for Directors and Executive Officers in fiscal 2016 was as shown below.</p>
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<p>(1) The 8 Directors received aggregate base salary of 175 million yen. There were no performance-based cash bonuses.</p>
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<p>(Breakdown)</p>
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<p>The 5 Outside Directors: Base salary of 48 million yen</p>
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<p>The 3 Inside Directors: Base salary of 127 million yen</p>
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<p>(2) The 21 Executive Officers received aggregate base salary of 489 million yen and performance-based cash bonuses of 106 million yen.</p>
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<p>(3) The 3 Inside Directors received compensation-type stock options totaling 24 million yen.</p>
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<p>(4) The 19 Executive Officers received compensation-type stock options totaling 89 million yen.</p>
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<p>Notes</p>
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<p>1. At the end of the period (March 31, 2017), the Company has four (4) Outside Directors, three (3) Inside Directors (not concurrently holding Executive Officer posts) and twenty-two (22) Executive Officers.</p>
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<p>2. In addition to the three (3) Inside Directors shown above, the Company has another four (4) Inside Directors who concurrently hold Executive Officer posts, and the compensation to these Directors is included in compensation to Executive Officers.</p>
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<p>3. Regarding the performance-based cash bonus, the amounts which should be recorded as expense in the</p>
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period are stated.

4. Regarding the compensation-type stock options, the amounts which should be recorded as expense based on an estimation of the fair value of the stock subscription rights issued to Directors (excluding Outside Directors) and Executive Officers (excluding non-Japan residents) as part of their compensation are stated.

5. In addition to the compensation shown in this table, the following payments were made during the fiscal year that ended in March 2016 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.

Policy on Determining Remuneration Amounts and Calculation Methods
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Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

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

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

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

- Executive officer compensation packages consist of “base salary,” “performance-based cash bonus,” which reflects the short-term performance of the Group and the short-term performance of the business of which they are in charge, and “compensation-type stock options” as a long-term incentive.
- (2) The total amount of individual compensation entitlement and “base salary” are set at an appropriate level for each position, based upon objective data, evaluation data and other data collected at regular intervals.
  - (3) The amount of the “performance-based cash bonus” is determined according to the level of performance result for the fiscal year (consolidated operating income) and the degree of attainment of annual performance targets. The amount based on the degree of attainment of annual performance targets is determined in the 0 % to 150 % range of the standard amount of compensation. The targets are major consolidated performance indicators (sales, operating income, ROE and others) associated with results of operations.
  - (4) Regarding the “stock compensation-type stock options,” the Company grants subscription rights to Inside Directors and Executive Officers as share-price based incentives from a shareholder perspective. The number of rights granted is determined based on the position.
  - (5) The standard for compensation to Executive Officers is a 60:25:15 mix of “base salary,” “performance-based cash bonus” and “stock compensation-type stock options.” For the Executive Officers ranked in a more senior position, the “base salary” ratio is lowered while the ratio of “performance-based cash bonus” is increased.
  - (6) The Company reviews matters such as the level of compensation and the compensation structure in a timely and appropriate manner in response to changes in the business environment.

The Company revised the existing Compensation Policy in fiscal 2017 and decided to introduce a stock bonus system linking with the Company’s medium-term performance, in line with the launch of the new Medium-Term Business Plan.

Major revisions to the compensation policy and reasons:

- 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.
- 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.
- 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.

- 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 income) 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 income, operating income margin, 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 income, 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.

**[Supporting System for Outside Directors]**

There is the Board of Directors Office that 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.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nominating and Remuneration Decisions (Overview of Current Corporate Governance System)**

(1) Business execution

(a) Transfer of authority to Executive Officers by the Board of Directors

The Board of Directors delegates significant authority concerning decisions about business operations to the President and CEO. The Board of Directors concentrates on fundamental items involving business operations, such as “Fundamental Policies for Management” as well as on the oversight of how business operations are managed.

(b) Framework for business operations

The Board of Directors appoints Executive Officers and selects from these Executive Officers the President and CEO and senior Executive Officers. In addition, the Board of Directors assigns specific duties to the Executive Officers and determines the flow of orders and instructions. The President and CEO and the other Executive Officers make decisions and conduct business operations for the business operations they have been given responsibility by a resolution of the Board of Directors.

(c) Management Consultation Committee

The Management Consultation Committee provides assistance to the President and CEO for making decisions and discusses important items concerning management of the Group.

(2) Functions and roles of Outside Directors involving corporate governance

Upgrading an oversight function from the perspective of ordinary shareholders is one of the priorities of the Company. The Nominating Committee selects highly independent Outside Director candidates based on “Independence Standards for Outside Directors” established by this committee and the standards for Independence in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. The primary role of Outside Directors is to use the perspective of ordinary shareholders, which is independent from the perspective of senior management team and certain stakeholders (large shareholders, suppliers and customers, related companies, and others). In particular, the Outside Directors are responsible for supervising management in order to protect ordinary shareholders and ensure the common interests of shareholders when there is a conflict of interest with senior management team. At meetings of the Board of Directors, Outside Directors make statements from the perspective of ordinary shareholders concerning proposals from Executive Officers and reports about studies involving significant issues. Furthermore, Outside Directors use their many years of corporate management experience to give appropriate advice. All of these activities contribute to upgrading management strategies and improving the efficiency of management. In addition, an Outside Director chairs the Nominating, Audit and Compensation Committees in order to heighten transparency.

The Company has contractual agreements with the Outside Directors that limit the liability of these Directors. These agreements are for the purposes of attracting highly qualified individuals as Outside Directors and enabling these Directors to perform their roles as expected.

(3) Nominations

- (a) Please see I. 1. [Disclosure Based on the Principles of the Japan’s Corporate Governance Code] Policy and procedure for selections of Executive Officers and nominations of Director Candidates.

(b) Nominating Committee

1) Functions and roles

- Decisions involving proposals submitted to the shareholders meeting concerning the election and termination of Directors
- Receive reports from the President and CEO concerning a plan for a successor (training and selection) at a suitable time and supervision of this plan

2) Numbers of Meetings held

There were seven meetings of the Nominating Committee during fiscal 2016.

(4) Audits and supervision

(a) Auditing Structure

This information is in the previous “Auditing Structure” section.

(b) Name of Certified Public Accountant

For fiscal 2016, the Company signed an audit contract with KPMG AZSA LLC to perform Companies Act audits and Financial Instruments and Exchange Act audits. The names of the Certified Public Accountants who performed these tasks and the individuals who provided assistance are listed below.

(Certified Public Accountants who conducted the audit)

Designated Limited Liability Partner Shigeo Kobayashi

Designated Limited Liability Partner Shinji Someha

Designated Limited Liability Partner Michiaki Yamabe

(Individuals who assisted with the audit)

24 Certified Public Accountants and 33 others, a total of 57

(c) Audit Committee

1) Functions and roles

Please see II. 1. [Auditing Structure].

2) Numbers of Meetings held

There were 13 meetings of the Audit Committee during fiscal 2016.

(5) Determination of compensation

(a) The policy for the determination of compensation is in II. 1. [Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods].

(b) Compensation Committee

1) Functions and roles

Decisions about compensation for individual Directors and Executive Officers.

2) Numbers of Meetings held

There were eight meetings of the Compensation Committee during fiscal 2016.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company is dedicated to corporate governance that can contribute to sustained growth and medium to long-term growth in corporate value. This requires a management style that accepts a suitable amount of risk along with the establishment of a highly effective oversight function for conducting business operations. Consequently, a corporate governance framework has been assembled from the standpoint of supervision. As the structure prescribed by the Companies Act, the Company selected in 2003 the “company with committees” system (currently a “company with three committees”). Furthermore, to create a governance system that does not rely on the skills of any particular individual, the Company has constantly aimed for corporate governance with a distinctive Konica Minolta style.

The Company’s basic approach with regard to its governance system is as follows;

- 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 an ordinary shareholder perspective.
- Improvement of the transparency, integrity and efficiency of management through the above mentioned points.

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

FY2000	Started an executive officer system and reduced the number of directors
FY2002	Elected two independent outside directors Shortened the term of directors to one year
FY2003	Formation of Konica Minolta Holdings, Inc. due to a management integration Became a company with committees (now a company with three committees) Establishment of the Corporate Organization Basic Regulations Number of independent outside directors increased from two to four Establishment of policy for determining compensation
FY2004	Started self-assessments (using questionnaires) of the effectiveness of the Board of Directors
FY2005	Ended lump-sum retirement payments and started stock compensation-type stock options
FY2006	Chairman of the Board of Directors started participating in the Nominations Committee Ended the senior adviser position First overseas field trip by outside directors (two) for a visit to a manufacturing subsidiary in China Established standards for the independence of outside directors



FY2009	Revised part of the terms for performance-linked compensation in the compensation determination policy
FY2010	Revised part of the Board of Directors rules
FY2014	Started establishing a Fiscal Year Policy for the Board of Directors based on results of the Board of Directors effectiveness self-assessments (questionnaires)
FY2015	Established the Basic Policy on Corporate Governance The Nominating Committee started overseeing the succession plan of the President and CEO
FY2016	Started using an external organization for questionnaires and interviews to assess the effectiveness of the Board of Directors The policy for determining compensation was revised by replacing stock options with stock bonus linking with medium-term performance.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company has a policy of sending shareholder meeting convocation notices to shareholders at least three weeks before a meeting. In addition, a notice is posted on the Company website and the Tokyo Stock Exchange website prior to sending notices in order to give shareholders sufficient time to consider their votes on proposals. Notices of convocation of the 113th ordinary general meeting of shareholders (for the year ended March 2017) were sent to shareholders on May 26 (Friday), which was 25 days before the meeting. In addition, before sending these notices, the Company posted the notice of convocation on its website on May 18 (and on May 24 for the English-language notice).
Scheduling AGMs to Avoid the Peak Day	To facilitate constructive dialogues with shareholders and share information with shareholders accurately, the Company normally holds its shareholders meeting at least one week before the time that most June shareholders meetings take place. The 113th ordinary general meeting of shareholders (for the year ended March 2017) was held on June 20, 2017. This was nine days (seven business days) before June 29, the peak day when most companies with a March fiscal year hold their annual shareholders meetings.
Allowing Electronic Exercise of Voting Rights	To allow shareholders to submit their votes via the Internet, the Company has established a platform that permits the use of several shareholder voting websites. <ul style="list-style-type: none"> <li>● ICJ's electronic voting platform</li> <li>● The Company designated voting site (<a href="http://www.evotep.jp/">http://www.evotep.jp/</a>)</li> </ul>

Participation in Electronic Voting Platforms and Other Measures to Enable Institutional Investors to Vote with Greater Convenience	The Company posts convocation notices and its English translation on ICJ's electronic voting platform. Japanese and overseas institutional investors who have pre-registered for the use of the platform can directly access the contents of the convocation notices for deliberation, thus enhancing their convenience.
Providing Convocation Notice in English	Due to the large percentage of overseas investors, the Company posts an English language translation of its shareholder meeting convocation notice on the company's website and on the Tokyo Stock Exchange website for such investors prior to sending this notice to shareholders.
Other	<p>Starting with the 112th ordinary general meeting of shareholders (for the year ended March 2016), the Company holds an exhibition of the Group's products and services around the time of the meeting in order to give shareholders a better understanding of the Group's activities.</p> <p>In addition, the Company posts a video of items reported at the shareholders meeting, including the chairman's presentation, on its website.</p> <p>The Company holds its shareholders meetings in an environmentally responsible manner. At the 113th ordinary general meeting of shareholders (for the year ended March 2017), notices were printed using vegetable oil ink and paper approved by the FSC.</p> <p>In addition, electricity used at shareholders meetings is purchased from suppliers of electricity from solar and other renewable energy sources. This helps slow global warming by offsetting CO2 emissions associated with electricity used at the meeting with the reduction in CO2 emissions resulting from the use of solar power.</p>

## 2. IR Activities

	Supplementary Explanations	Presentation by President
Preparation and Publication of Disclosure Policy	For the purpose of ensuring prompt, accurate, and impartial disclosures of important corporate information concerning the Konica Minolta Group, the Konica Minolta Group has adopted principles relating to the disclosure of important corporate information in accordance with the "Konica Minolta Group Charter of Corporate Behavior", which applies to the Group and all of its employees. The Konica Minolta Group has also established information disclosure controls and procedures and takes measures to ensure that all employees are thoroughly familiar with information disclosure controls and procedures.	

	<p>More information is provided on the Company’s IR website in Japanese and English.</p> <p>(Japanese)<a href="https://www.konicaminolta.jp/about/investors/management/dpolicy/index.html">https://www.konicaminolta.jp/about/investors/management/dpolicy/index.html</a></p> <p>(English)<a href="https://www.konicaminolta.com/about/investors/management/dpolicy/index.html">https://www.konicaminolta.com/about/investors/management/dpolicy/index.html</a></p>	
Regular Investor Briefings for Individual Investors	<p>The Company holds information meetings led by the President and CEO or the Executive Officer in charge of investor relations and posts videos of these events on its IR website.</p> <p>(October 7, 2016)</p> <p><a href="https://www.konicaminolta.jp/about/investors/movie/individual-event.html">https://www.konicaminolta.jp/about/investors/movie/individual-event.html</a></p> <p>Also, the Company’s investor relations staff visit securities companies and hold investor briefings for individual investors, explaining about company outline and management strategies, and others.</p> <p>In fiscal 2016, eight briefings were held as follows.</p> <p>May 17 in Marunouchi, July 7 in Futago-Tamagawa, July 13 in Kichijoji and December 8 in Yokohama, February 24 in Kofu, March 3 in Osaka, March 8 in Machida and March 17 in Fujisawa.</p> <p>An investor meeting on “Corporate Governance for Sustained Growth - Including Perspectives of Outside Directors” was held for investors on April 5, 2017. The seminar was held in cooperation with Citigroup Global Markets Japan Inc.</p>	Yes
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company holds quarterly Financial Results Briefing Session for analysts and institutional investors. The President and CEO or Executive Officer in charge of investor relations explains results of operations and strategic goals. There are also individual business information meetings and ESG information meetings. The following information meetings were held in fiscal 2016.</p> <p>April 14 for the medium-term business strategy, July 22 for the health care business, August 31 for environmental management, September 20 for commercial and industrial printing, October 13 for measuring instruments, December</p>	Yes

	19 for the environment, social responsibility and governance, January 5 for health care and February 8 and March 1 for new business activities.	
Regular Investor Briefings for Overseas Investors	<p>The President and CEO goes to North America once and Europe once each fiscal year to hold regularly scheduled meetings with shareholders and other investors. The purpose is to facilitate constructive dialogues that increase the number of shareholders who vote at shareholders meetings and that contribute to growth in corporate value. In addition the Executive Officer in charge of investor relations or other IR staff participate in conferences in Japan and overseas held by securities companies. These conferences are an opportunity to have discussions with many institutional investors about the Company's policies, performance and outlook.</p> <p>For overseas investors, the Company provides videos of quarterly Financial Results Briefing Session with English translations. We also visit and invite investors for regular one-on-one meetings, telephone conferences.</p> <p>&lt;Information meeting for the fourth quarter of FY2016&gt;  <a href="http://magicalir.net/slideshow/4902/2017-05-09">http://magicalir.net/slideshow/4902/2017-05-09</a></p>	Yes
Posting of IR Materials on Website	<p>The Company's annual report (integrated report) contains financial information as well as a broad range of non-financial information. For example, this publication includes a message from the president that explains strategies for sustained growth, information about the people behind the Company's global business activities, a discussion of corporate governance that uses a dialogue between the Chairman and Outside Directors, and other information. In the 2016 Nikkei Annual Report Awards of the Nihon Keizai Shimbun, the Company's report received a Second Place Award because of its balanced and excellent content.</p> <p>(Annual Report URL)  <a href="https://www.konicaminolta.jp/about/investors/ir_library/ar/ar2016/index.html">https://www.konicaminolta.jp/about/investors/ir_library/ar/ar2016/index.html</a></p>	

	<p>The IR Library on the Company’s website has annual reports, financial results, presentation materials, securities reports, shareholder’s correspondence, annual financial data, CSR reports, intellectual property reports, corporate information and other information.</p> <p>&lt; IR Library URL &gt;  <a href="https://www.konicaminolta.jp/about/investors/ir_library/index.html">https://www.konicaminolta.jp/about/investors/ir_library/index.html</a></p>	
Establishment of Department and/or Manager in Charge of IR	<p>The Company has an IR Group in the Management Planning Department that is supervised directly by the President and CEO. The purpose is to reinforce the ability to distribute strategic IR information.</p> <p>Department in charge: IR Group, Management Planning Department (5 people including general manager)</p> <p>Executive Officer in charge: Seiji Hatano, Director, Senior Executive Officer</p>	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>To implement the corporate philosophy of “Creation of New Value,” the Company has established a management vision with two elements. First is to be “a global company that is vital to society.” Second is to be “an innovative company that is robust and constantly evolving.” There is also a Konica Minolta Group Charter of Corporate Behavior and a worldwide Konica Minolta Group Charter of Corporate Behavior Guidance. The provisions of these charters define how people should behave. The Konica Minolta Group Charter of Corporate Behavior also has a broad range of provisions concerning respect for all stakeholders. There are individual policies with specific guidelines for respecting the standpoint of every stakeholder. For example, Konica Minolta Quality Policy states that “customers always come first.” The group’s Charter of Corporate Behavior has been translated into ten languages and there are activities to make employees of the group worldwide aware of this code.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company believes that CSR activities are an integral part of management. The Company’s CSR activities are based on the pursuit of its corporate philosophy and the practice of “Konica Minolta Group Charter of</p>

Corporate Behavior.” We want to create new value that can contribute to business and social progress. As a global enterprise, we are determined to continue growing and play a role in creating a sustainable society. To accomplish these goals, we are focused on the international social issues contained in the Sustainable Development Goals of the United Nations. Viewing these goals as business opportunities, we are working on innovative ideas to solve the associated issues as well as using these solutions to contribute to the sustainable growth of the Konica Minolta Group. As a global organization, we are committed to help create a sustainable environment and society. We have a long-term vision with a CO2 emission target for 2050. We will be a source of products and services that help solve environmental problems. In addition, we will link these products and services to our business plan in order to use them for our own growth. We announced New Eco Vision 2050 at the same time that we started our new medium-term environmental plan in fiscal 2017. We have announced the even more ambitious goal of becoming “carbon negative.” By 2050, we plan to reduce CO2 emissions by more than the amount of CO2 that we produce by working with suppliers, customers communities and other stakeholders. To solve environmental issues while continuing to grow, we have started an initiative for the growth of sales and earnings by helping solve social problems from the standpoint of the Sustainable Development Goals, in addition to targeting environmental issues. The central themes of these initiatives are “global” and “digital.” To accomplish these goals, we have a “3 Greens Campaign” consisting of green products, green factories and green marketing. We are creating an environmental plan that encompasses the entire life cycle of products and executing this plan on a global scale. This life cycle starts with the development of products and extends through procurement, production, distribution, sales and service activities. The cycle ends with the collection and recycling of end-of-life products.

Our social activities are based on the recognition of the importance of creating a sustainable society that respects human rights. Our CSR activities span the entire supply chain. For CSR procurement, we have established a Procurement Policy and a Supplier Code of Conduct. We work as a unified team with suppliers with regard to labor (human rights), ethics, safety and hygiene, the environment, and other aspects of operations. In addition, we have a Conflict Mineral Resource Policy that includes investigations of suppliers at the beginning of supply chains in order to prevent violations of human rights caused by conflicts.

<p>Development of Policies on Information Provision to Stakeholders</p>	<p>In the Konica Minolta Group Charter of Corporate Behavior, the Company declares “the Company communicates with society at large and discloses corporate information in fairly and adequately”. A Corporate Information Disclosure Committee is established to ensure that important corporate information of the Group is disclosed in a timely, appropriate and impartial manner.</p>
<p>Other</p>	<p>[Promoting Health Management]</p> <p>At Konica Minolta, the health of employees is the foundation for all activities. Based on the Konica Minolta Group Health Declaration, we foster a corporate culture that places priority on good health. To fully utilize corporate resources and the resources of the Company’s health insurance association, we have a unified management structure (collaborative health) for planning and taking actions. This structure supports numerous initiatives for preserving and improving the health of our workforce.</p> <p>We categorize people with health risks, whether physical or mental, and establish reduction and other goals for them. Then we take actions for reaching those goals.</p> <p>For physical well-being, all group companies in Japan participate in a program to prevent health problems from becoming serious. Employees undergo periodic medical examinations. Individuals at risk receive guidance from industrial health professionals and are urged to see a physician for a thorough examination. For mental well-being, all employees undergo a stress check twice every year. Results are used for individuals to take better care of themselves. In workplaces where stress is high, there are measures to reduce the level of stress.</p> <p>We have established health indicators for the visualization of how healthy a person is. These indicators are used to make people aware of the need to make improvements and for various support programs that enable people to lead a more healthy life.</p> <p>[Promoting Diversity]</p> <p>The Konica Minolta Group has operations in 50 countries. The United States, Europe, China, other Asian countries and other regions other than Japan account for approximately 80% of sales. Fully utilizing the skills of a diverse workforce will be vital to our ability to continue to create new value. Our workforce is also the source of our ability to compete and grow. We have diversity activities at all our business sites worldwide that focus on diversity in terms of the characteristics of employees (gender, nationality, LGBT,</p>

disabilities and other traits) as well as diversity in the ways in which people do their jobs.

In the United States, Konica Minolta has a program called Step Forward that provides support for the career advancement of women. In Europe, there is a Women's Network and a Move Forward program for the rotation of women among group companies in Europe. In Japan, we hold workshops to give everyone a better understanding of the true meaning of diversity and enact reforms to improve diversity. There is also a networking program for diversity. In addition, we are moving faster with measures to promote diversity, such as by reexamining human resource systems to enable people to use a variety of employment formats. Increasing the roles of women is one part of these activities. Rather than merely seeking to enable women to keep their jobs, our goal is to continue giving women a broader range of opportunities to use their skills and advance their careers. In fiscal 2016, we established an action plan based on Japan's Act for the Promotion of Women's Participation and Advancement in the Workplace. In addition to taking actions aimed at reaching our goals, we established a Women's Committee chaired by the President and CEO in order to create a sound base for numerous initiatives involving women. The Women's Committee holds workshops at business sites and, based on the results of a company-wide internet questionnaire, upgraded the policy and plans for activities in fiscal 2017 and afterward. In November 2016, Konica Minolta received L-Boshi Certification from Japan's Ministry of Health, Labour and Welfare, the highest ranking for companies with a strong commitment to creating an environment that utilizes the skills of women. This ranking recognizes our activities in prior years as well as the establishment of a Women's Committee and other more recent measures. In April 2017, we established a Diversity Promotion Office for the purpose of reinforcing initiatives involving diversity.

- Percentage of female managers in past three fiscal years of the Company

Fiscal 2014: 2.7%

Fiscal 2015: 3.4%

Fiscal 2016: 4.4%

- Percentage of female managers in past three fiscal years of the Group (worldwide)

Fiscal 2014: 15.1%

Fiscal 2015: 15.3%



#### **IV. Matters Related to the Internal Control System**

##### **1. Basic Views on Internal Control System and the Progress of System Development**

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

(1) Requirements for the execution of duties by the Audit Committee

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

internal control, including the Corporate Audit Division, Risk Management Committee and the Compliance Committee shall report without delay if requested to make investigations, reports, etc. by the Audit Committee members.

- (2) Systems for ensuring compliance of execution of duties by Executive Officers with laws, regulations and the Articles of Incorporation and other required systems of the Group for ensuring the properness of business operations
- (a) Each Executive Officer shall manage the minutes of management council meetings and other important meetings, documents requesting formal approval and other information concerning the performance of their duties to ensure that documents are preserved in an appropriate manner and made available for inspection in accordance with the provisions of the Executive Officer document management rules and internal rules concerning the management of other documents.
- (b) The Company set up the Risk Management Committee which is in charge of managing the various risks that arise in connection with the Group's business activities, and the Executive Officer nominated by the Board of Directors shall be responsible for the development of risk management systems including the following, in accordance with the Risk Management Committee Regulations.
- With respect to management of the business risks and operational risks, each Executive Officer shall be responsible in accordance with respective assigned area. The Risk Management Committee shall provide support to each Executive Officer. Further, the Risk Management Committee shall periodically conduct selection, assessment and review of risks material to Group management, develop measures, and confirm management status.
  - The Executive Officer in charge of risk management nominated by the Board of Directors shall be responsible for establishing the contingency plans and countermeasures to minimize the damages by a crisis which is supposed to adversely affect the corporate value.
  - Provide support to the development and strengthening of risk management systems at each group company.
- (c) The Company set up a Corporate Audit Division which is in charge of the internal auditing of the Group to evaluate and improve the status of execution of business operations in all business activities from the viewpoint of legality and rationality, and which shall be responsible for establishing and operating internal auditing systems in accordance with the Internal Auditing Regulations.
- (d) The Company shall be responsible for establishing and operating a system of internal control over financial reporting in the Group and a system for evaluating the efficacy of their operation.
- (e) The Company set up the Compliance Committee which is in charge of establishing and operating the Group's compliance systems, and the Executive Officer nominated by the Board of Directors shall be responsible for establishing and operating the compliance systems including the following, in accordance with the Compliance Committee Regulations.

- Defining compliance in the Group as the observance of laws and regulations applicable to corporate activities, corporate ethics and internal regulations and policies, and making this known to every individual working for the Group.
  - Establishing the Konica Minolta Group Charter of Corporate Behavior, familiarizing this through the Group, and enacting compliance conduct guidelines, etc. based on the philosophy of the Charter of Corporate Behavior.
  - Establishing and operating systems to promote compliance at each group company.
  - Establishing and operating a whistle blowing system that allows employees to report any compliance violations that are discovered or anticipated. Make this system clear common knowledge in Company rules to halt unfair treatment through the reporting of infractions. Furthermore, the department in charge of the whistle blowing system will regularly inform the Audit Committee of report details and status.
- (f) The Company established the Corporate Organization Basic Regulations, and shall develop the corporate governance mechanisms of the Company and the Group, including the foregoing systems. The Company shall also work to establish and operate a system for ensuring the appropriateness of business operation through the management council and other meeting bodies, authority regulations and other internal regulations, and shall endeavor to ensure the legality, rationality and efficiency of business execution by reviewing as necessary systems for management and administration across all the business activities of the Group. Furthermore, based on internal rules, etc. such as Authorization Regulations, the Company will make subsidiaries regularly report and seek preapproval on matters concerning the execution of important work duties, accounting, financial execution, human resources and other important information pertaining to such subsidiaries through Management Consultation Committee and other meetings.

The Company has established the frameworks described in the preceding sections (1) and (2) and, based on the associated policies, is performing the following activities.

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

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

<Risk management>

The Risk Management Committee meets twice each year and at other times as needed. The committee identifies risks associated with business operations and determines measures to deal with these risks. In addition, committee

members confirm that the risk management system is functioning effectively and evaluate this system. In the fiscal year of 2016, the Risk Management Committee held three meetings.

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

#### <Internal audits>

The Corporate Audit Division is responsible for internal audits for the entire Konica Minolta Group.

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

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

In addition to the foregoing, to prevent fraudulent accounting activities, an internal controls report that is based on internal evaluations that cover the entire Group of 131 consolidated companies. This report is prepared in accordance with the Financial Instruments and Exchange Act for the purpose of ensuring the reliability of financial reports. After an audit by the Accounting Auditor, the report is submitted with the Securities Report.

#### <Compliance>

The Executive Officer in charge of compliance (“the Compliance Officer”), who is appointed by the Board of Directors under the oversight of the Representative Executive Officer, determines important issues involving Group compliance activities and oversees compliance activities. The Group Compliance Committee, which consists of Executive Officers for a variety of corporate functions, serves as an advisory body to the Compliance Officer. In the fiscal year of 2016, this committee held two meetings.

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

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

#### <Whistle blowing system>

The Company has a whistle blowing system for compliance and is always seeking ways to improve this system. In Japan, Group employees can use a telephone call, e-mail, letter or other method to contact the representative Executive Officer, Compliance Officer, general manager of the Corporate Legal Division or an external attorney

about a compliance problem or for a consultation. In the Americas, there is a whistle blowing system for North America. In Europe, there is a 24-hour, multi-language whistle blowing system. There is also a whistle blowing for China and whistle blowing systems for subsidiaries in Southeast Asia.

In the fiscal year of 2016, this whistle blowing system was used 31 times in Japan and 27 times overseas. No reports involved a serious violation of a law or regulation.

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

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of System Development

### (1) Basic views

The Group's "Konica Minolta Code of Conduct" is based on the spirit of "Konica Minolta Group Charter of Corporate Behavior," the Group's highest Code on corporate. The Konica Minolta Corporate Compliance Behavior stipulates that the Company shall not deal with anti-social forces and shall take a resolute stance against all illegal demands.

### (2) Progress of System Development

The Company is delegated the responsibility for implementation to its Corporate Legal Division. In addition to familiarizing all employees regarding the "Konica Minolta Code of Conduct" against anti-social forces through the Compliance Manual, a system of cooperation is established with concerned company divisions and external expert organizations.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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### 2. Other Matters Concerning to Corporate Governance System

#### (1) Resolution requirements concerning appointment of Directors

As stipulated in the Articles of Incorporation, resolutions for the appointment of Directors shall be adopted by the majority of the voting rights of those shareholders who attend the General Shareholder Meeting, where shareholders with voting rights having one-third or more of the total voting rights of shareholders shall attend. Resolutions for the appointment of directors shall not be based on cumulative votes.

(2) Decision-making organizations on distribution of surplus, etc.

The Company's Articles of Incorporation stipulate that unless otherwise provided in any laws or regulations, the Company shall decide on the distribution of surplus and other matters provided in Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, and not by resolution of the General Shareholder Meeting.

The Company's Articles of Incorporation stipulate that the Company shall decide on the distribution of surplus and other matters provided in Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, and not by resolution of the General Shareholder Meeting and may in order to harmonize with the preceding provision repurchase its shares from the market, etc. provided in Article 165, Paragraph 2 of the Companies Act by a resolution of the Board of Directors.

(3) Requirements for special resolution

As stipulated in the Articles of Incorporation, in order to ensure smooth management of the General Shareholder Meeting, a special resolution provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the voting rights of those shareholders who attend the General Shareholder Meeting, where shareholders with voting rights having one-third or more of the total voting rights of shareholders shall attend.

(4) Exemptions of Directors and Executive Officers from their Liabilities

The Company's Articles of Incorporation stipulate that the Company may, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, and by resolution of the Board of Directors, exempt the Directors (including former Directors) and Executive Officers (including former Executive Officers) from their liabilities for payment of damages with respect to the acts mentioned in Article 423, Paragraph 1 of the Companies Act to the extent permitted by laws and regulations in order to enable Directors and Executive Officer to fully play their expected roles.

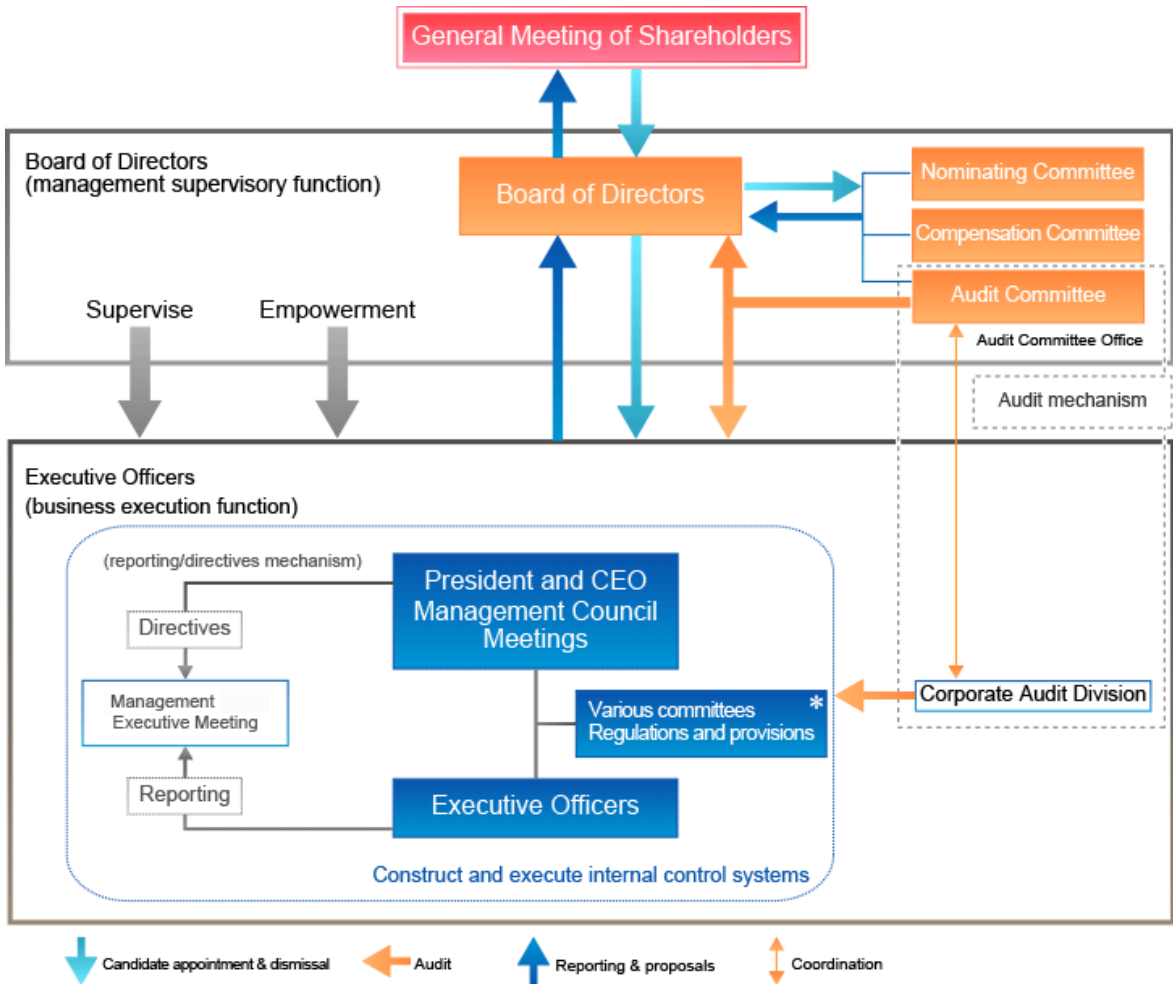
(5) Outline of the timely disclosure framework

The Company has established Information Disclosure Controls and Procedures to ensure that corporate information is made public with speed, accuracy and fairness in accordance with laws and regulations.

The Corporate Information Disclosure Committee, which is overseen directly by the President and CEO, is responsible for disclosure activities. This committee performs the centralized oversight of corporate information disclosure based on the Information Disclosure Controls and Procedures and assists the President and CEO.

The chairperson of the Corporate Information Disclosure Committee, who is named by the President and CEO, names members of the committee from among Executive Officers for corporate strategies, risk management, CSR, legal affairs, administrative affairs, compliance and other activities. To serve as the secretariat for this committee, there is a secretariat consisting of managers from many departments and

there is a secretariat support unit consisting of people with expertise concerning laws and regulations and compliance.



**\* Committees related to internal controls**

- Risk Management Committee
- Compliance Committee
- Corporate Information Disclosure Committee
- Investment Assessment Committee
- Business Assessment Committee