

Expert Opinion of Konica Minolta's CSR Report

We asked Yoshinao Kozuma, Emeritus Professor of Sophia University, to give us feedback on this report. His comments are presented below. We will use this feedback to improve our future CSR activities and our 2019 CSR Report.



Yoshinao Kozuma

Emeritus Professor,
Sophia University

1. Strengthening the Corporate Governance System

Establishing a sound corporate governance system is essential for individual companies to maintain appropriate and consistent decision-making during the long-term transition to a sustainable society. Konica Minolta has adopted a company-with-committees structure, which makes it more effective to secure organizational separation of supervisory and executive functions, as required under Japan's Companies Act.

Moreover, the company has independently taken measures to strengthen its governance system, such as ensuring that non-executive officers account for two-thirds of the Board of Directors, and preventing the Chairman of the Board of Directors from also serving as an executive officer.

While these measures alone can be considered excellent, in fiscal 2017 the company also introduced a medium-term performance-linked stock compensation system for directors. It also added environmental, social and governance (ESG) factors to the evaluation criteria for its executive officers, thereby further enhancing the supervisory function of the Board of Directors. This demonstrates that Konica Minolta sees strategic support for the creation of a sustainable society as a decisive factor for corporate growth. Based on the earnestness that Konica Minolta has shown about the promotion of measures like these, I highly commend the company.

2. Evolving Organizations and Initiatives

The reorganization related to sustainability and the results of various initiatives are also major points for commendation this fiscal year. On the organizational front, Konica Minolta integrated its environmental and CSR departments to establish the Corporate Sustainability Division, and developed a system to promote ESG management. The company has also established the Corporate Diversity Office, which reports directly to the president, and it is also working on reforming work styles by allowing employees to take outside jobs and by introducing a Job Return System. In fact, as a result of its work-style initiatives, Konica Minolta won the Grand Prize at the Nikkei Smart Work Awards 2018. This external recognition was reinforced by the 2018 Health & Productivity Stock Selection and the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program.

3. Issues Identified from Data

On the other hand, some issues can be seen in the company's environmental data. For example, take the CO₂ emissions data for entire product life cycles. While emissions are decreasing overall, notably in the production and product usage stages, a trend toward higher emissions can be seen upstream, in the procurement stage of the value chain. This is difficult to understand considering the company's ongoing efforts to strengthen supply chain measures through its Green Supplier activities and CSR procurement. Turning to the occupational accident data, targets have not been reached for the frequency rate of accidents in and outside of Japan, and the severity rates have increased over the years. This may not be a grave matter if these figures are within an appropriate range, but I am concerned all the same. Finally, with respect to the employee turnover rates, I noticed increases in the rates for both new hires employed for less than three years, and also for employees who have worked many years. No explanation has been provided for this, leaving me at a loss to interpret it.

External Assurance

Konica Minolta engaged KPMG AZSA Sustainability Co., Ltd. to provide assurance on whether its CO₂ emissions from procurement, production/research and development, product distribution, sales and service, and product usage; energy use; waste discharged externally from manufacturing; atmospheric emissions of volatile organic compounds (VOCs); water consumption; and the number of regular employees (by gender) have been measured, gathered and disclosed in accordance with the criteria set by the Group. Indicators that have been assured by KPMG AZSA Sustainability Co., Ltd. are marked with ★.



Independent Assurance Report

To the President and CEO of Konica Minolta, Inc.

We were engaged by Konica Minolta, Inc. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ★ for the period from April 1, 2017 to March 31, 2018 included in its CSR Report 2018 (the "Report") for the fiscal year ended March 31, 2018.

The Company's Responsibility
The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the Environmental Reporting Guidelines (2012) of Japan's Ministry of the Environment, the Act on the Rational Use of Energy, the Act on Promotion of Global Warming Countermeasures, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) by World Resources Institute and World Business Council for Sustainable Development.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting one of the Company's domestic factories selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion
Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control
We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
August 28, 2018

Period: March to June 2018
On-site audit of the Mizuho Site of
Konica Minolta, Inc.



Comment from the Assurance Provider

Chie Uchiyama, KPMG AZSA Sustainability Co., Ltd.

This report on Konica Minolta's CSR activities outlines the kind of value the company can offer as a digital company with insight into implicit challenges. In so doing, it identifies the six elements of "Value Provision" as cross-cutting drivers of the creation of high added value. I believe the company's business activities and products are explained in a clear way, along with the value being provided through activities such as productivity improvement, and prediction / forecasting support.

This year's report again illustrates that Konica Minolta intends to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs) while strengthening its management foundation. The report clearly explains the company's commitment to describing the contributions of its business activities and products from the viewpoint of the SDGs, and the relevant SDGs are also cited. As you may already recognize, the SDGs encourage companies to identify priority issues, set their own targets, and incorporate them into their management activities. Through the management process of implementing

relevant activities and reporting on the results, a company can contribute solutions to social issues while also enhancing its corporate value. In order to show that its efforts to help achieve the SDGs are reliably producing positive effects, I think that it is important for Konica Minolta to explain in more detail the issues it is focusing on based on specific targets and global indicators in the framework, and how it intends to tackle them going forward.

As an ESG leader, Konica Minolta has indicated that it will enhance its systems for better ESG performance starting in 2017. It has also stated that non-financial indicators such as ESG criteria will be included in the performance evaluations of its executive officers, and that it will formulate a sustainability strategy that is integrated into the company's Medium Term Business Plan. In order to remain an ESG leader, Konica Minolta should continually set new targets and actively implement new initiatives accordingly. I believe the company needs to continue providing clear descriptions of its efforts as an ESG leader.