

Konica Minolta, Inc.
1st Quarter/March 2016 Consolidated Financial Results
(April 1, 2015 – June 30, 2015)
- Announced on August 6, 2015 -

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KONICA MINOLTA

Settlement of accounts summary for 1Q / March 2016 (1Q/2016)

Main points of 1Q/Mar 2016 financial results

Revenue strong, mainly in the Business Technologies Business.
Operating profit hit by unevenness in "Others" item due to shift to IFRS.

Revenue : ¥248.6bn (YoY +¥22.0bn/+10%)

- ✓ Rise in revenue driven by core Business Technologies Business. Rising sales in Healthcare Business also suggests recovery. Rising sales in both divisions as well as weakness of the yen against the US dollar compensated for lower sales in the Industrial Business division.

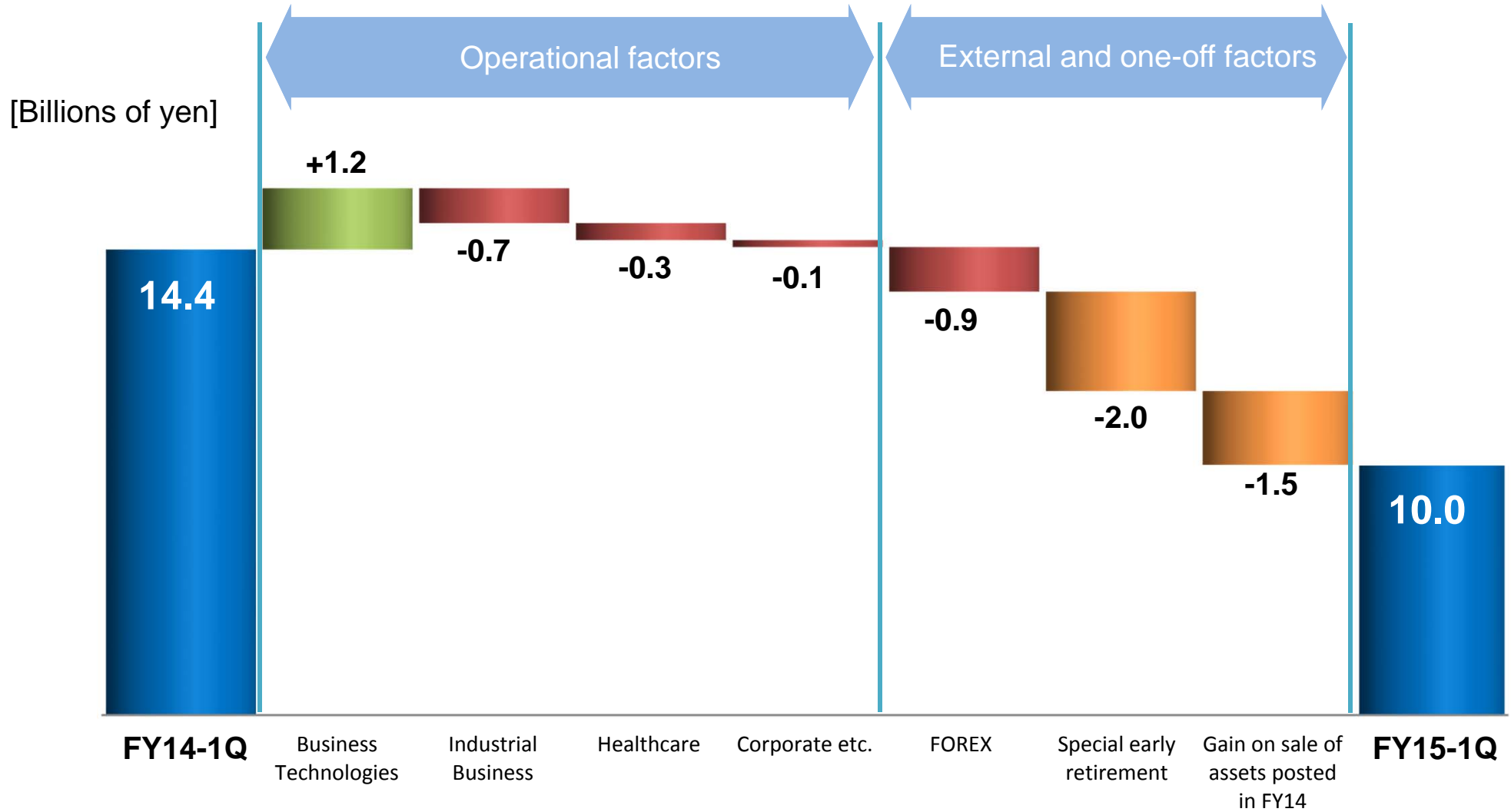
Operating profit : ¥10.0bn (YoY - ¥4.4bn/-30%)

- ✓ In addition to lower profits in Industrial Business, profits were reduced by ¥3.5 billion in special factors, consisting of ¥2 billion in structural reform expenses posted this fiscal year and by ¥1.5 billion gain on sale of assets posted in the previous fiscal year. The impact of the stronger yen against the euro depressed profits by ¥900 million.

Profit : ¥6.6bn (YoY - ¥2.8bn/-30%)

(attributable to owners of the company)

Q1 FY2015 Analysis of change factors



1Q/Mar 2016 financial results highlight- overview

[Billions of yen]

| | 1Q Mar 2016 | 1Q Mar 2015 | YoY |
|---|----------------|----------------|-------|
| Revenue | 248.6 | 226.6 | 10% |
| Gross profit | 119.7 | 112.9 | 6% |
| <i>Gross margin ratio</i> | <i>48.2%</i> | <i>49.8%</i> | |
| Operating profit | 10.0 | 14.4 | -30% |
| <i>Operating margin ratio</i> | <i>4.0%</i> | <i>6.3%</i> | - |
| Profit before tax | 10.4 | 14.5 | -28% |
| <i>Pretax margin ratio</i> | <i>4.2%</i> | <i>6.4%</i> | - |
| Profit attributable to owners of the company | 6.6 | 9.4 | -30% |
| <i>Margin of profit attributable to owners of the company ratio</i> | <i>2.7%</i> | <i>4.1%</i> | - |
| FCF | -21.1 | -6.5 | |
| FOREX [Yen] USD | 121.36 | 102.16 | 19.20 |
| euro | 134.16 | 140.07 | -5.91 |

1Q/Mar 2016 financial results highlight- segment

[Billions of yen]

| Revenue | 1Q | | YoY |
|-----------------------------|--------------|--------------|------------|
| | Mar 2016 | Mar 2015 | |
| Business Technologies | 201.8 | 179.7 | 12% |
| Office Services | 148.5 | 136.7 | 9% |
| Commercial/Industrial print | 53.3 | 43.0 | 24% |
| Healthcare | 17.9 | 16.1 | 11% |
| Industrial Business | 28.2 | 30.1 | -6% |
| Industrial Optical Systems | 13.1 | 13.3 | -1% |
| Performance Materials | 15.1 | 16.8 | -10% |
| Others | 0.8 | 0.8 | - |
| Group Overall | 248.6 | 226.6 | 10% |

| Operating profit | 1Q | | YoY |
|----------------------------|-------------|-------------|-------------|
| | Mar 2016 | Mar 2015 | |
| Business Technologies | 13.3 | 12.9 | 3% |
| Healthcare | 0.13 | 0.08 | 53% |
| Industrial Business | 5.9 | 7.9 | -26% |
| Eliminations and Corporate | -9.2 | -6.5 | - |
| Group Overall | 10.0 | 14.4 | -30% |

Business Technologies Business - Overview

□ Revenue : ¥ 201.8 bn. (YoY +12%)

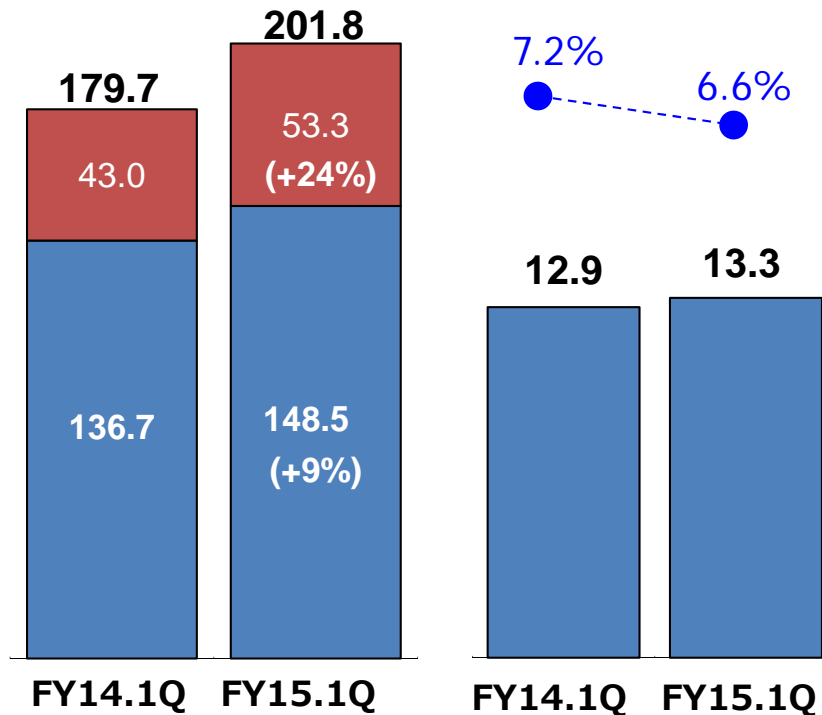
- Revenue increased for both office services and the commercial and industrial printing field, due to higher sales of main products and expansion in the service business.

□ Operating Profit : ¥ 13.3 bn. (YoY +3%)

- Higher profits secured by cost reduction efforts and rising gross profit from higher sales, offsetting impact of higher SG&A expenses, stronger yen.

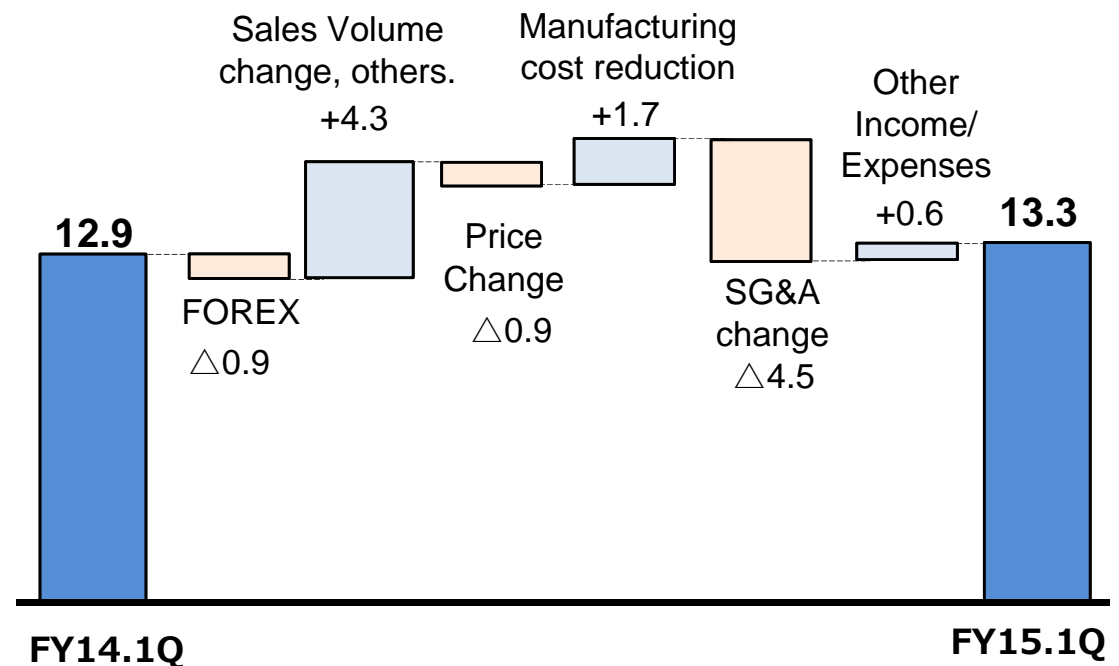
Revenue/Operating profit

Left: Revenue Right: Operating Profit ● OP Ratio [¥ billions]



Operating profit Analysis

[¥ billions]



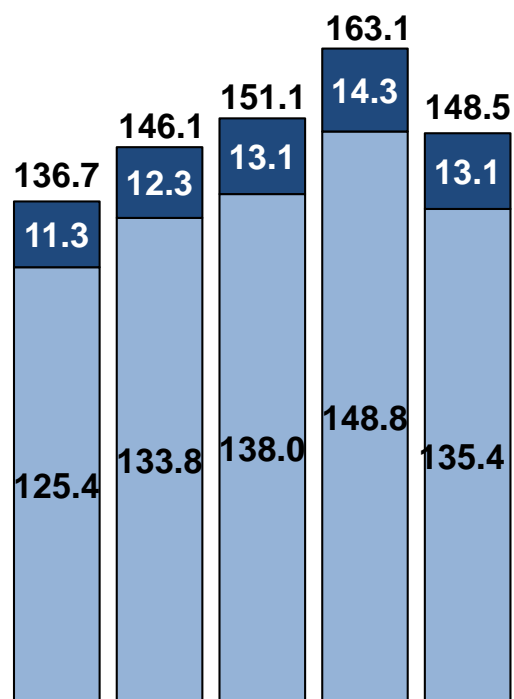
Business Technologies Business : Office Service Field – sales performance

□ Revenue : ¥148.5bn (YoY +9%)

- Revenue rose due to a global surge in A3 color and monochrome units and an increase in hybrid-type sales in Europe and the United States.
- Due to strengthening of the global network, OPS/GMA revenue also rose steadily, primarily in Europe, the US

Quarterly Revenue Transition

[¥ billions]



IT service Solution

Office Product

Revenue

¥13.1bn
(YoY + 16%)

MCS: Managed Content Services – a general term for services that allow the creation of mechanisms for the unified administration, usage, storage and disposal of both electronic and paper documents, email, forms, drawings and other business content, as appropriate.

¥135.4bn
(YoY + 8%)

OPS **¥18.5bn**
YoY+21%

GMA **¥6.5bn**
YoY+24%

1Q -summary

- ✓ SymQuest Group, Inc. acquired in the US. Expanding hybrid-type sales network.
- ✓ Hershey Technologies in the US acquired with a view to expanding MCS business.
- ✓ Hybrid-type sales also rising in Europe. (France/Eastern Europe)

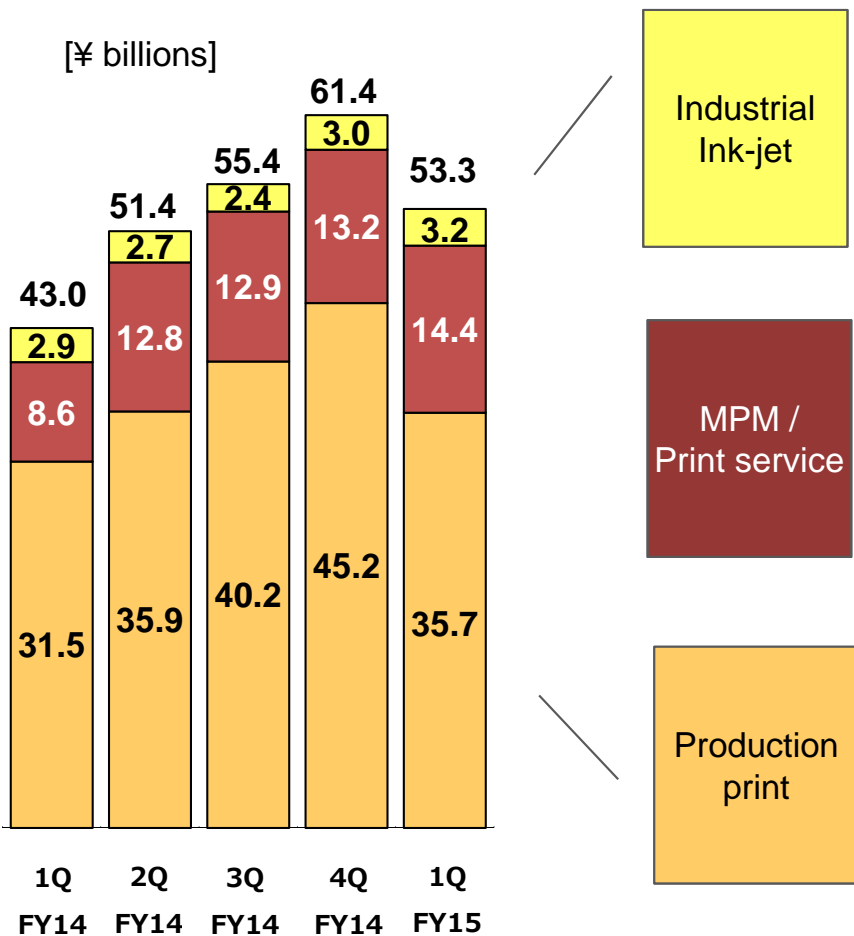
- ✓ Strategic A3 color models launched last year in growth countries remain solid.
- ✓ New global contract concluded with a major Swedish paper manufacturer.
- ✓ Contracts renewed with multiple existing large customers in APAC and Europe..

Business Technologies Business : Commercial and Industrial Printing Field – sales performance

□ Revenue : ¥53.3bn (YoY +24%)

- Due to favorable sales of flagship color models globally, MIF increased steadily.
- MPM/print services increased significantly due to the acquisition of Ergo Asia Pty Limited. Even on an organic basis, progress was favorable with global growth of 13%.

Quarterly Revenue Transition



Revenue

¥3.2bn
(YoY +7%)

- #### 1Q -summary
- ✓ Due to strength in the market for large-format signage, components enjoyed favorable conditions.
 - ✓ Textile printer sales stagnated due to weaker market conditions in Europe and China.

¥14.4bn
(YoY +68%)

- ✓ Basic agreement concluded with a major US pharmaceuticals company
- ✓ In the UK, the development of MMS services is progressing, with inroads being made at existing MPM clients.

¥35.7bn
(YoY +13%)

- ✓ The "bizhub PRESS C1100" has had a favorable reception globally and particularly in Europe.
- ✓ In India, the direct sales network is being bolstered by the acquisition of a major dealer. (Sales offices to quadruple)

Healthcare Business - Overview

Revenue : ¥17.9bn (YoY +11%)

- The domestic market is recovering after the impact of the hike in the consumption tax rate in the same period of the previous year, while enhancements to the sales network in the US and India are leading to steady growth in sales over the previous year.

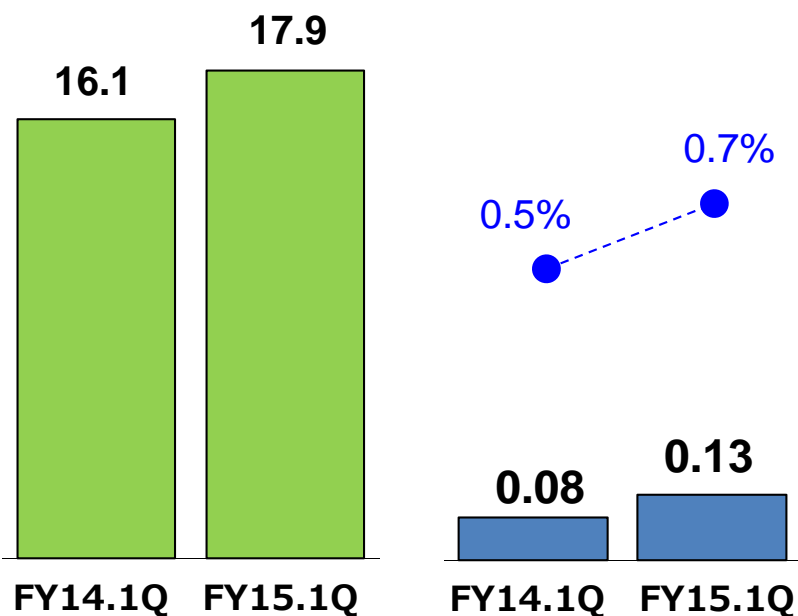
Operating Profit : ¥0.13bn (YoY +53%)

- With higher sales and a more favorable exchange rate, signs of an improvement in profitability.

Revenue/Operating Profit

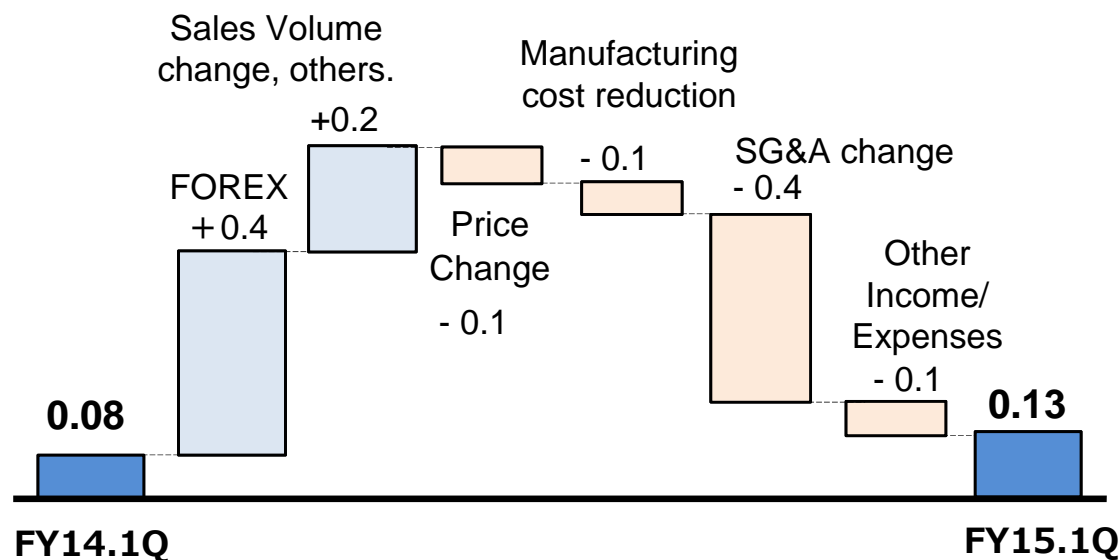
Left: Revenue Right: Operating Profit ● OP Ratio

[¥ billions]



Operating Profit Analysis

[¥ billions]



Healthcare Business – sales performance

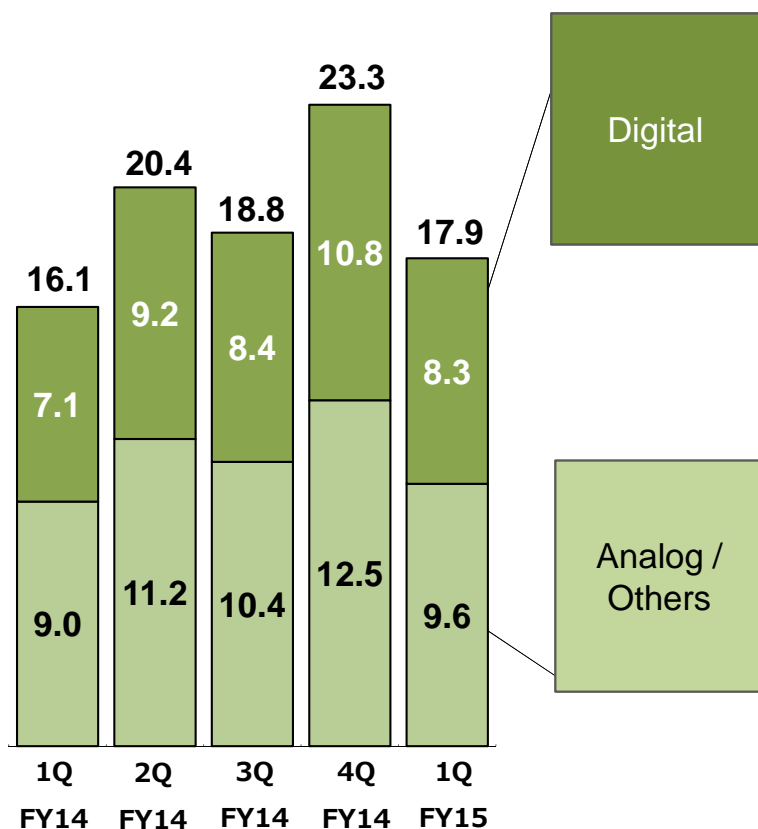
※ **Digital** : X-ray systems(DR,CR), Ultrasound diagnostic imaging systems, Medical IT service etc.
Analog and others. : Film, Imager, Local procurements etc.

Quarterly Revenue Transition

Revenue

1 Q -Summary

[¥ billions]



¥8.3bn
(YoY +16%)

- ✓ In the mainstay digital X-ray diagnostic imaging systems, sales of CR and ultrasound systems (in Japan) and cassette-type DR (overseas) increased.
- ✓ In Brazil the Group entered into an agreement to acquire an X-ray system equipment manufacturer. Use of this company's sales network will help accelerate the expansion in sales of digital products.

¥9.6bn
(YoY +8%)

- ✓ Domestic sales of local procurements increased, leading to higher revenue year on year.

Industrial Business - Overview

Revenue : ¥28.2bn (YoY - 6%)

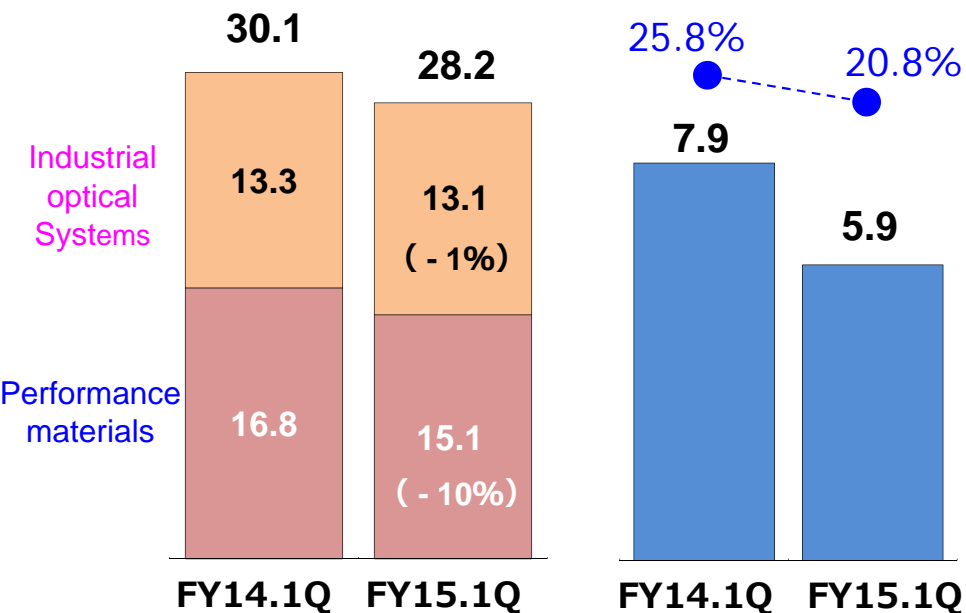
- Measuring instruments and lenses for industrial and professional use were on the whole strong. Revenue for the business as a whole fell due to the impact of falling sales of performance materials as a result of contracting demand in the notebook PC market.

Operating Profit : ¥5.9bn (YoY - 26%)

- In addition to a fall in gross profit caused by the decline in sales of performance materials, a ¥1.1 billion gain on sales of assets was posted to the accounts in Q1 of the previous fiscal year, resulting in a year-on-year decline in profit.

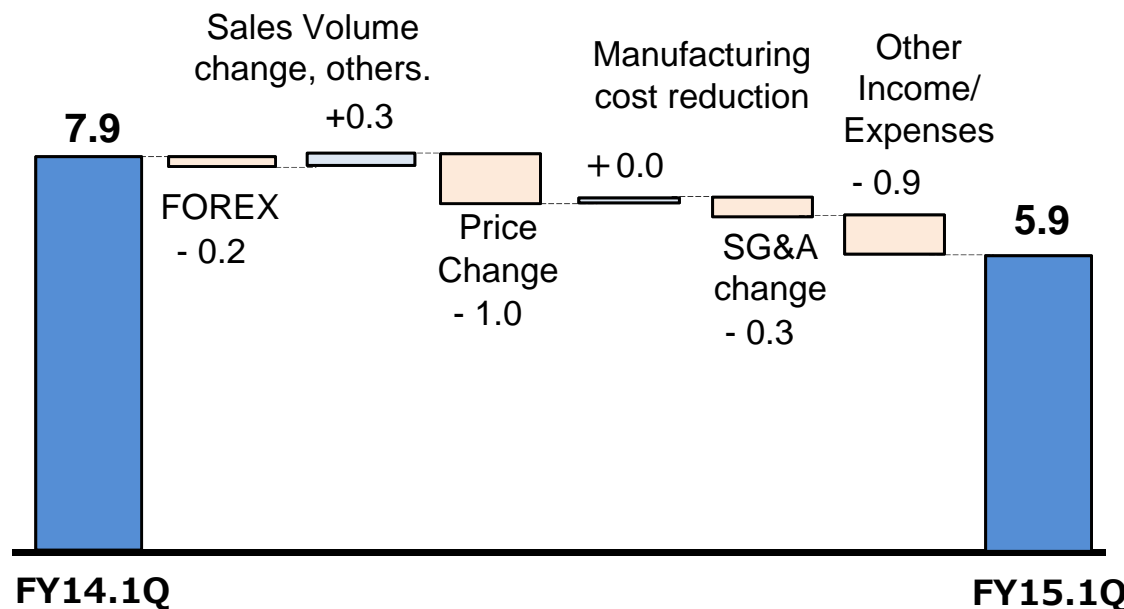
Revenue/Operating Profit

Left: Revenue Right: Operating Profit ● OP Ratio [¥ billions]



Operating Profit Analysis

[¥ billions]



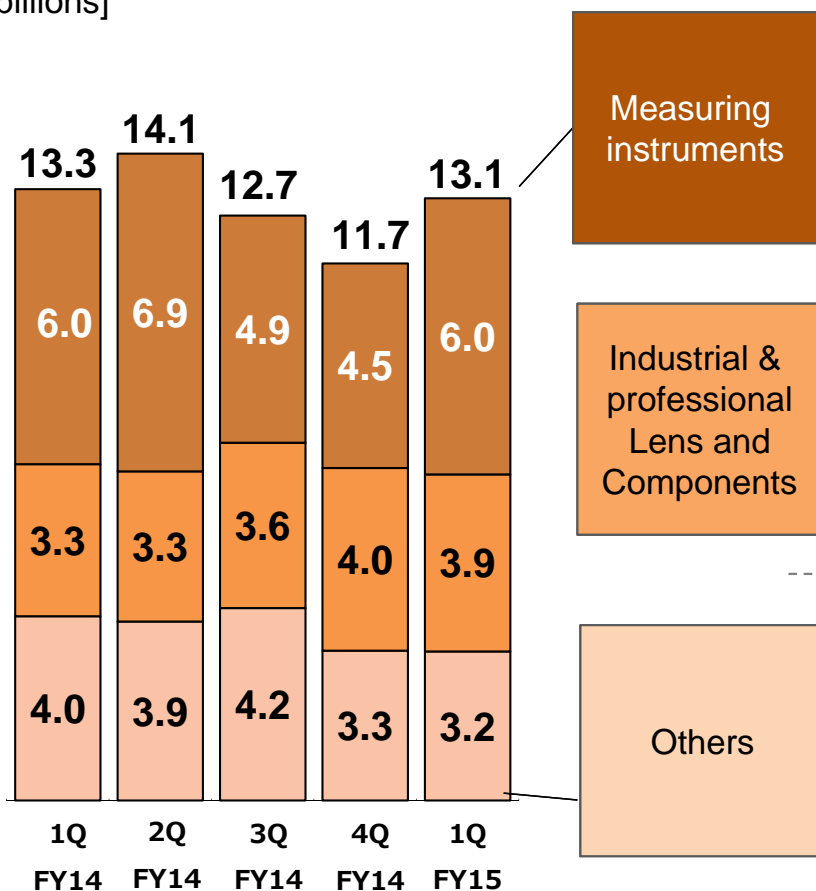
Industrial business : Industrial Optical Systems – sales performance

Revenue : ¥13.1bn (YoY - 1%)

- Measuring instruments and lenses for industrial and professional use remained strong.
- Lenses for the digital compact camera market, which continues to shrink, fell year on year and the field overall fell slightly over the previous year.

Quarterly Revenue Transition

[¥ billions]



Revenue

¥6.0bn
(YoY + 0%)

¥3.9bn
(YoY + 16%)

¥3.2bn
(YoY - 20%)

1 Q -Summary

- ✓ Light source color and object color both remained strong.
- ✓ The Group entered into an agreement to acquire Radiant Vision Systems, LLC, a leading US supplier in the visual quality inspection sector.
- ✓ Projector lenses were generally strong.
- ✓ Pickup lenses fell due to lower sales to game consoles as well as year-on-year declines in both BD and DVD.
- ✓ Compact digital camera and mobile phone lens units both posted lower sales.

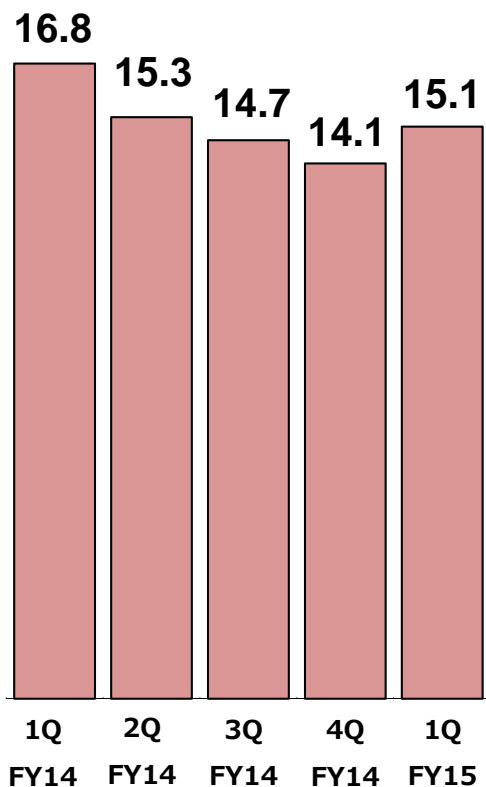
Industrial Business: Performance Materials Field – sales performance

□ Revenue : ¥15.1bn (YoY - 10%)

- In TAC film, sales volume for large LCD televisions remained more or less at previous fiscal-year levels.
- Sales to notebook PCs, which had been very strong in 1Q of the previous year fell YoY in reaction, but rose quarter on quarter. There was no change in momentum

Quarterly Revenue Transition

[¥ billions]



■ For FPD

- Large size
- Small & medium size

- ✓ Products for LCD television market are stable. Both VA-TAC and plain TAC were unchanged year on year.
- ✓ Partly due to the reaction to the strong demand for notebook PCs in the same period of the previous year, sales of thin TAC fell.

■ For new field business

- Window film
- Barrier film

- ✓ Sales of window film were strengthened in the Middle East and in ASEAN countries.
- ✓ Preparing for QD* TV applications to expand orders for barrier film.

* QD : Quantum Dot

1Q -Summary



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1Q / Mar 2016 (1Q/FY2015) Topics

Structural Reform Expenses and Impact on 1Q Operating Profit

Implement measures to accelerate the qualitative shift of human resources that is the key to driving change and to enhancing customer value and operational competitiveness. Raise productivity and link through to increased earning power.

| Structural reform measures | Target | Number of applicants | Total cost | Cost reduction effect |
|----------------------------------|----------------------------------|----------------------|---|--|
| Special early retirement program | Managerial and general employees | 182 | ¥2.0 billion (Extra retirement payments) | FY 2015: ¥1.5 billion FY 2016: ¥1.9 billion |

As a result, 1Q operating profit is distorted by the one-off impact of unevenness in "Other income/expenses" relating to both this year and the previous year.

| | FY2015/1Q | | FY2014/1Q | | Change YoY |
|--|--------------|---------------------------|--------------|---|---------------|
| Other income | | | ¥1.5 billion | Gain on sale of property, plant and equipment | -¥1.5 billion |
| Other expenses | ¥2.0 billion | Extra retirement payments | | | -¥2.0 billion |
| Factors negatively impacting operating profit in FY2015/1Q | | | | | -¥3.5 billion |

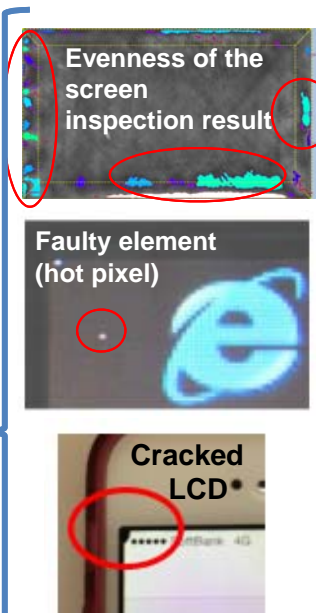
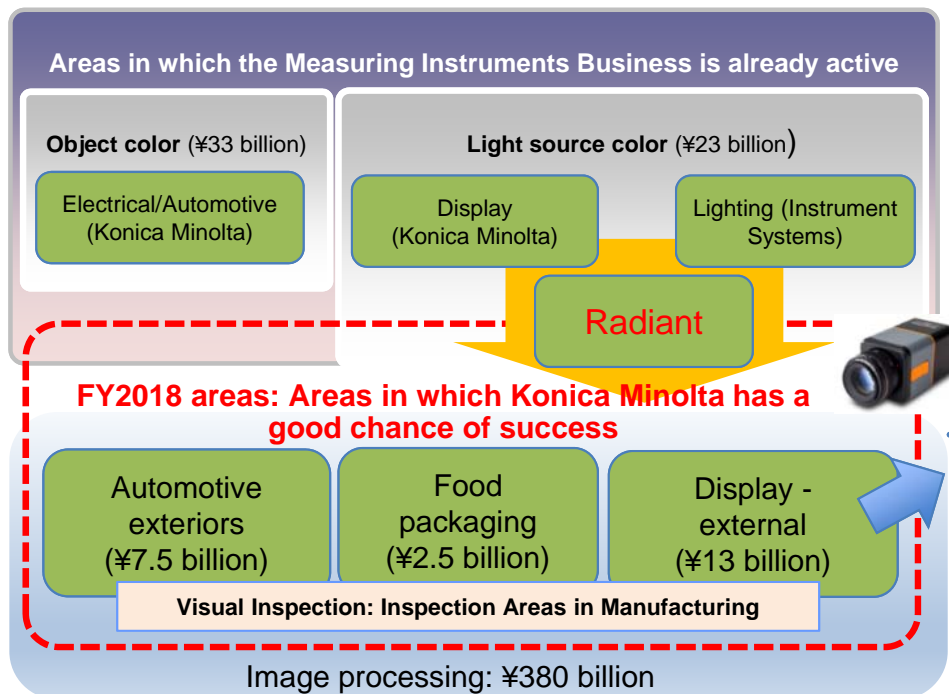
Radiant Vision Systems Acquisition

Leveraging the synergies from the Company, Instrument Systems GmbH and Radiant, the Group aims to strengthen its position as the clear number one player in the light source color measurement market and to develop the business into a highly profitable operation with ¥50 billion in revenue by FY 2018.

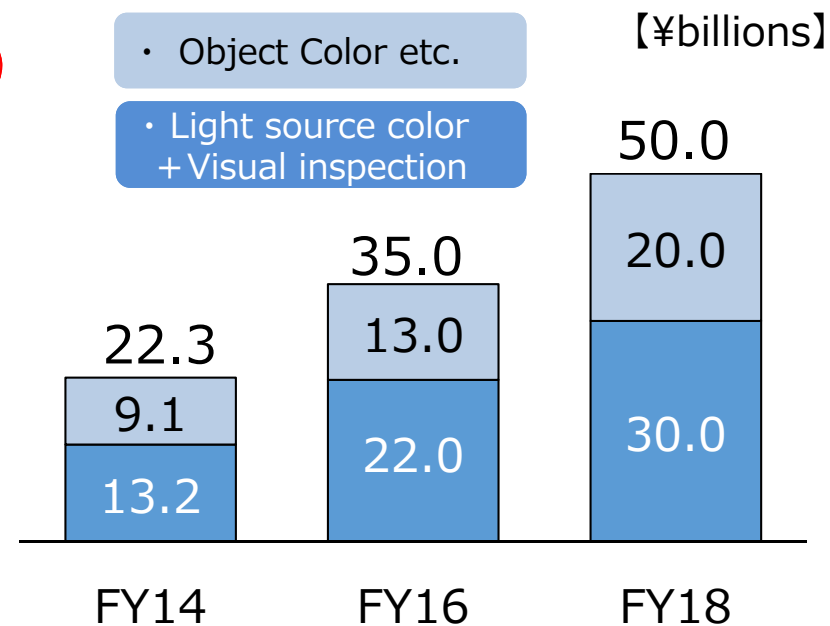
| | |
|----------------------------|--|
| Who is Radiant? | A supplier of display measurement systems headquartered on the West Coast of the United States. Revenue of about ¥4.5 billion in 2014 with a share of roughly 20% in the light source measuring market |
| Radiant's strengths | <ul style="list-style-type: none"> (1) Proximity to major US IT corporate customers stemming from its ability to leverage the geographical advantage of its West Coast location (2) Full line-up of image processing software and abundant accumulated knowhow (3) US/China customer base and support structure |

◇ Courses of action for business expansion

*Numbers in parentheses () indicate size of market



◇ Measuring Instruments Business expansion scenarios

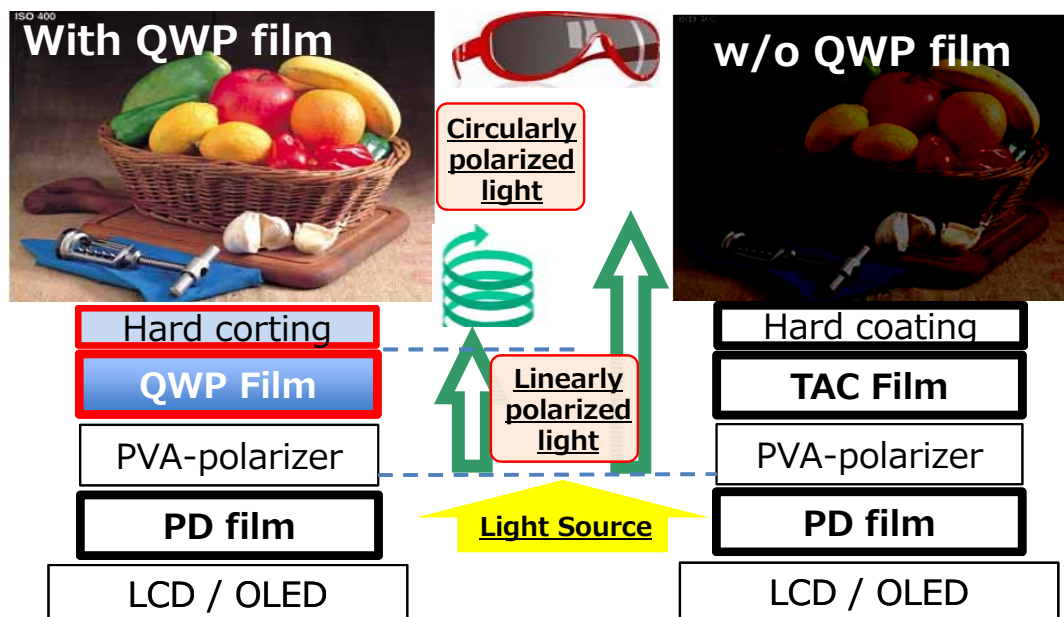


Entering the QWP Film Business

Up to FY2016, use existing products and expand QWP in order to support next-generation display film products, then launch new performance film in FY2018 and aim for sustained growth.

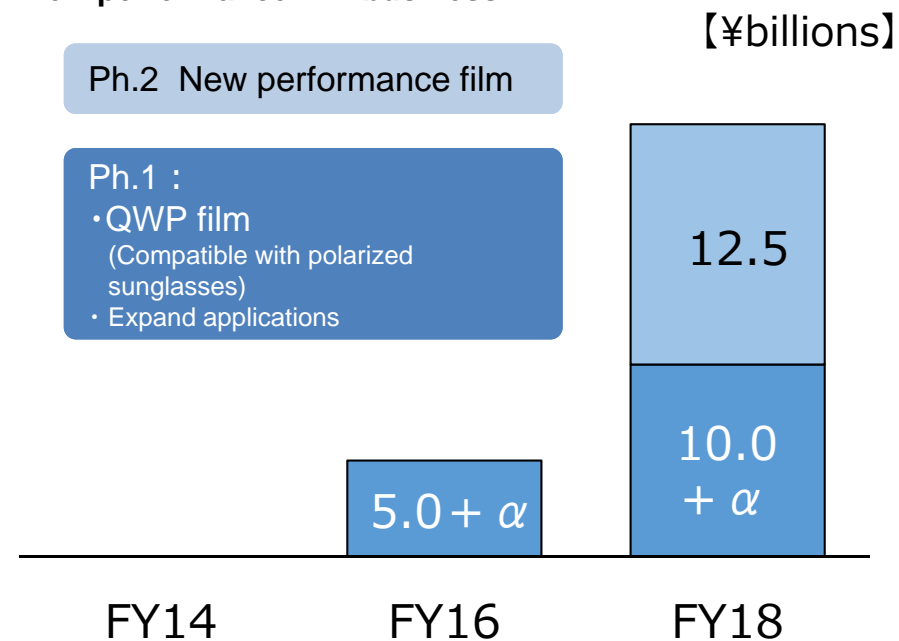
| | |
|---|--|
| <p>What is QWP film?</p> | <p>An optical film that allows images on the LCD display of a smartphone or smart watch being used outside to be seen more easily, even when the user is wearing polarized sunglasses.</p> |
| <p>The Company's winning advantages</p> | <ol style="list-style-type: none"> (1) Growth potential of the business: anticipate growth by offering clear value to the customer in response to emerging customer needs. (2) Technological superiority: "roll to roll" production contributes to improved productivity of polarizers with superior "color characteristics." (3) Affinity with existing products: share technology, production facilities and value chain with TAC film. |

◇QWP film comparison



*PD film: Phase Difference film

◇Image of growth in new performance film business





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Financial Outlook for Mar 2016

Management guidance for full-year FY2015

Bearing in mind the uncertain business environment and after considering Q1 results and prospects for Q2 and 2H, management has left guidance unchanged from that announced on May 13.

Revenue: ¥1,100 billion (+10% YoY)

Operating Profit: ¥77 billion (+17% YoY)

Profit for the year: ¥50 billion (+22% YoY)

ROE: 10% (previous fiscal year ROE: 8.7%)

- ✓ Forex assumptions: 1 USD = ¥120; 1 euro = ¥130 (previous fiscal year: 1 USD = ¥109.93; 1 euro = ¥138.77)
- ✓ Due to purchases of treasury stock this fiscal year, basic earnings per share has been revised to ¥100.71 (previously announced guidance: ¥99.63)

*ROE (previous year and forecast) calculated as the ratio of profit for the year to equity attributable to owners of the company.



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Supplementary Information

Mar 2016 1Q financial results highlight- overview

[Billions of yen]

| | 1Q Mar 2016 | 1Q Mar 2015 | YoY |
|---|----------------|----------------|-------|
| Revenue | 248.6 | 226.6 | 10% |
| Gross profit | 119.7 | 112.9 | 6% |
| <i>Gross margin ratio</i> | <i>48.2%</i> | <i>49.8%</i> | - |
| Operating profit | 10.0 | 14.4 | -30% |
| <i>Operating margin ratio</i> | <i>4.0%</i> | <i>6.3%</i> | - |
| Profit before tax | 10.4 | 14.5 | -28% |
| <i>Pretax margin ratio</i> | <i>4.2%</i> | <i>6.4%</i> | - |
| Profit attributable to owners of the company | 6.6 | 9.4 | -30% |
| <i>Margin of profit attributable to owners of the company ratio</i> | <i>2.7%</i> | <i>4.1%</i> | - |
| EPS [Yen] | 13.19 | 18.34 | |
| CAPEX | 7.8 | 14.2 | |
| Depreciation and Amortization Expenses | 12.5 | 11.2 | |
| R&D expenses | 19.3 | 18.1 | |
| FCF | -21.1 | -6.5 | |
| Investment and lending | 9.0 | 7.2 | |
| | | | |
| FOREX [Yen] USD | 121.36 | 102.16 | 19.20 |
| euro | 134.16 | 140.07 | -5.91 |

Mar 2016 financial forecast highlight- overview

| | Current | | [Billions of yen] | |
|---|----------------------|----------------------|---------------------|-----|
| | Forecast Mar 2016 | Forecast Mar 2016 | Results Mar 2015 | YoY |
| Revenue | 1,100.0 | 1,100.0 | 1,002.8 | 10% |
| Operating profit | 77.0 | 77.0 | 65.8 | 17% |
| <i>Operating margin ratio</i> | <i>7.0%</i> | <i>7.0%</i> | <i>6.6%</i> | |
| Profit before tax | 76.0 | 76.0 | 65.5 | 16% |
| Profit attributable to owners of the company | 50.0 | 50.0 | 40.9 | 22% |
| <i>Margin of profit attributable to owners of the company ratio</i> | <i>4.5%</i> | <i>4.5%</i> | <i>4.1%</i> | |
| EPS [Yen] | 100.71 | 99.63 | 81.01 | |
| ROE* (%) | 10.0% | 10.0% | 8.7% | |
| CAPEX | 55.0 | 55.0 | | |
| Depreciation and Amortization Expenses | 55.0 | 55.0 | | |
| R&D expenses | 80.0 | 80.0 | | |
| FCF | 15.0 | 15.0 | | |
| Investment and loan | 35.0 | 35.0 | | |
| *Purchase of tangible/intangible assets | | | | |
| FOREX [Yen] USD | 120.00 | 120.00 | 109.93 | |
| euro | 130.00 | 130.00 | 138.77 | |

FOREX impact per 1yen movement
(Full year)

| | Net sales | OP |
|------|-----------|--------|
| USD | ¥3.0bn | ¥0.2bn |
| Euro | ¥1.7bn | ¥0.8bn |

* If the RMB floats pegged to the US dollar, the foreign exchange sensitivity of the US dollar in operating income will be cancel out by about 40%.

Mar 2016 Revenue & Operating Profit forecast highlight - segment

[Billions of yen]

| Revenue | Forecast Mar 2016 | Results Mar 2015 | YOY |
|-----------------------------|----------------------|---------------------|------------|
| Business Technologies | 890.0 | 808.2 | 10% |
| Office Services | 650.0 | 597.1 | 9% |
| Commercial/Industrial print | 240.0 | 211.2 | 14% |
| Healthcare | 85.0 | 78.6 | 8% |
| Industrial Business | 125.0 | 112.8 | 11% |
| Industrial Optical Systems | 63.0 | 51.8 | 22% |
| Performance Materials | 62.0 | 61.0 | 2% |
| Others | - | 3.2 | - |
| Group Overall | 1,100.0 | 1,002.8 | 10% |

| Operating Profit | Forecast Mar 2015 | | Results Mar 2014 | | YOY |
|----------------------------|----------------------|-------------|---------------------|-------------|------------|
| Business Technologies | 84.0 | 9.4% | 72.7 | 9.0% | 16% |
| Healthcare | 4.0 | 4.7% | 2.1 | 2.7% | 89% |
| Industrial Business | 21.0 | 16.8% | 19.7 | 17.5% | 6% |
| Eliminations and Corporate | -32.0 | - | -28.8 | - | - |
| Group Overall | 77.0 | 7.0% | 65.8 | 6.6% | 17% |

Operating profit analysis

[Billions of yen]

1Q/Mar 2016 vs 1Q/Mar 2015

[Factors]

| | Business Technologies | Healthcare | Industrial Business | Total |
|-------------------------------------|-----------------------|------------|---------------------|-------|
| Forex impact | -0.9 | 0.4 | -0.2 | -0.9 |
| Price change | -0.9 | -0.1 | -1.0 | -1.9 |
| Sales volume change, and other, net | 4.3 | 0.2 | 0.3 | 4.2 |
| Cost up/down | 1.7 | -0.1 | 0.0 | 1.7 |
| SG&A change, net | -4.5 | -0.4 | -0.3 | -4.8 |
| Other income and expense | 0.6 | -0.1 | -0.9 | -2.6 |

[Operating income]

| | | | | |
|-------------|-----|-----|------|------|
| Change, YoY | 0.3 | 0.0 | -2.0 | -4.4 |
|-------------|-----|-----|------|------|

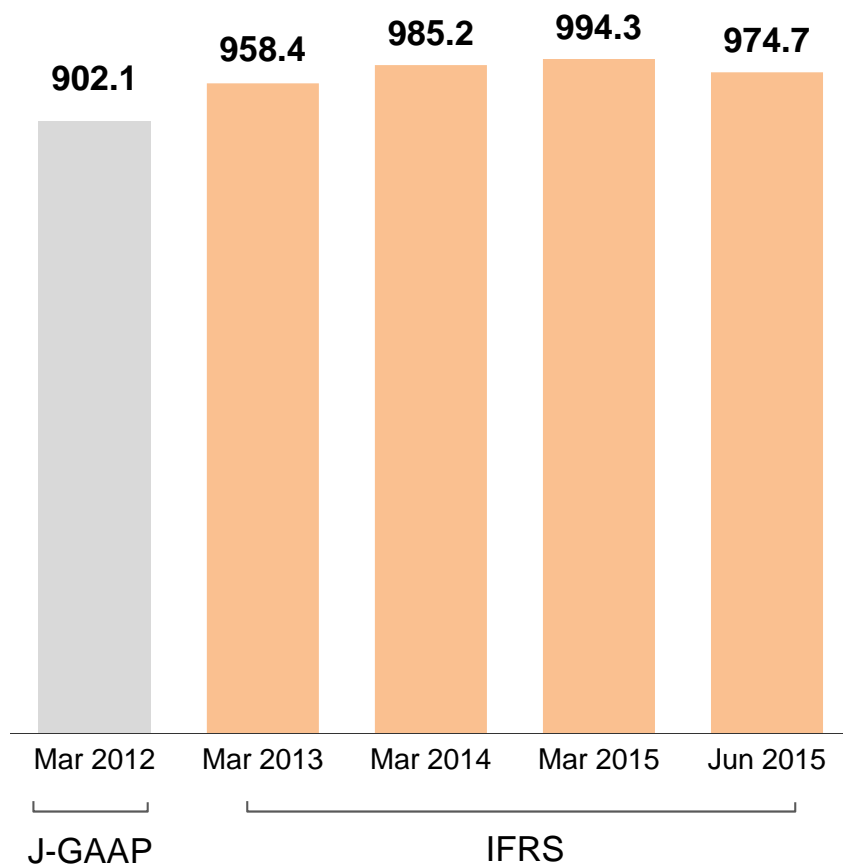
SG&A , Other income/ expenses • Finance income/loss

| | [Billions of yen] | | |
|---|---|----------------|-------------|
| | 1Q Mar 2016 | 1Q Mar 2015 | YoY |
| SG&A: | | | |
| Selling expenses - variable | 12.4 | 11.5 | 0.9 |
| R&D expenses | 19.3 | 18.1 | 1.1 |
| Personnel expenses | 49.0 | 44.4 | 4.6 |
| Other | 26.5 | 24.5 | 2.0 |
| SG&A total | 107.1 | 98.5 | 8.7 |
| | <i>* Forex impact: + ¥3.9 bn. (Actual: ¥4.8bn.)</i> | | |
| Other income: | | | |
| Gain on sales of property, plant and equipment | 0.2 | 1.5 | -1.3 |
| Other income | 0.6 | 0.8 | -0.2 |
| Other income total | 0.7 | 2.3 | -1.5 |
| Other expenses | | | |
| Loss on sales of property, plant and equipment | 0.3 | 0.2 | 0.1 |
| Special extra retirement payments | 2.0 | - | 2.0 |
| Other expenses | 1.0 | 2.1 | -1.1 |
| Other expenses total | 3.3 | 2.3 | 1.0 |
| Finance income/loss: | | | |
| Interest income/Dividends received/Interest expense | 0.1 | 0.2 | -0.1 |
| Foreign exchange gain/loss (net) | 0.3 | -0.1 | 0.4 |
| Other | 0.0 | - | 0.0 |
| Finance income/loss, net | 0.4 | 0.1 | 0.3 |

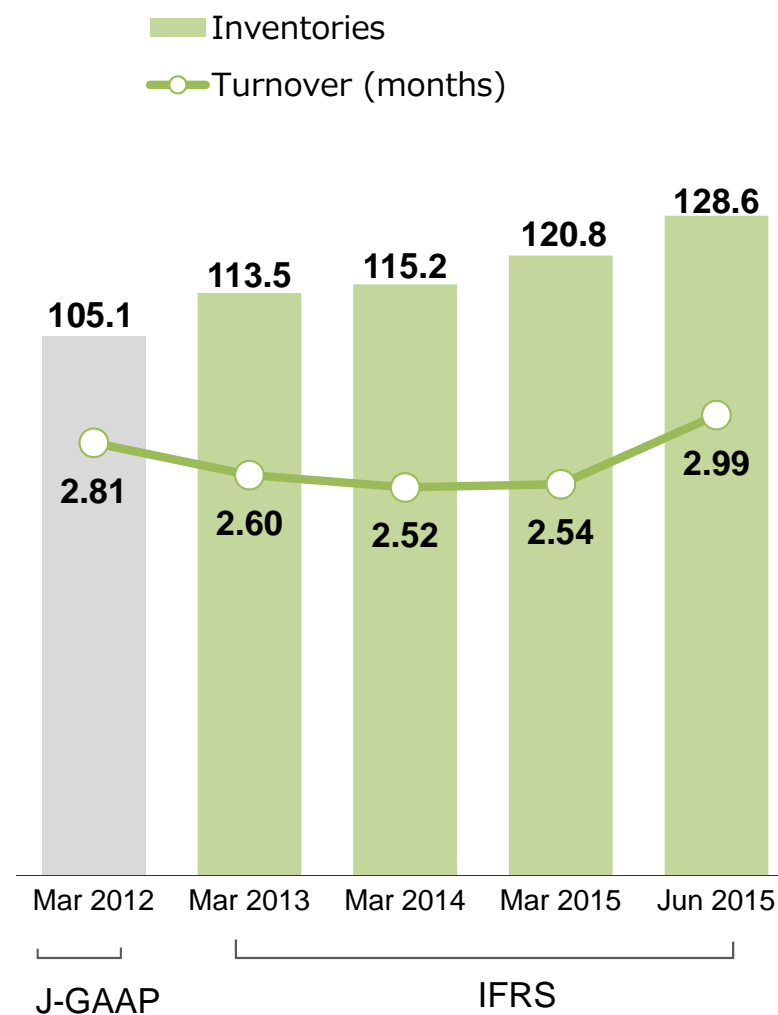
Statements of Financial Position

[Billions of yen]

Total assets



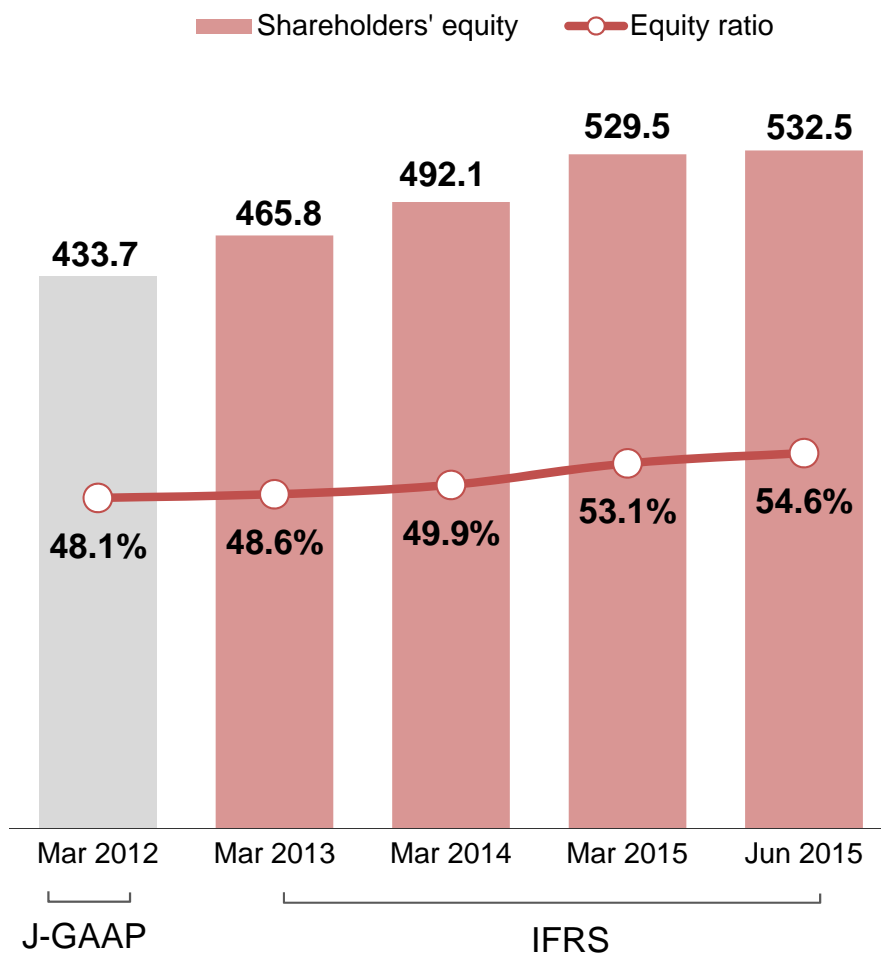
Inventories/Turnover



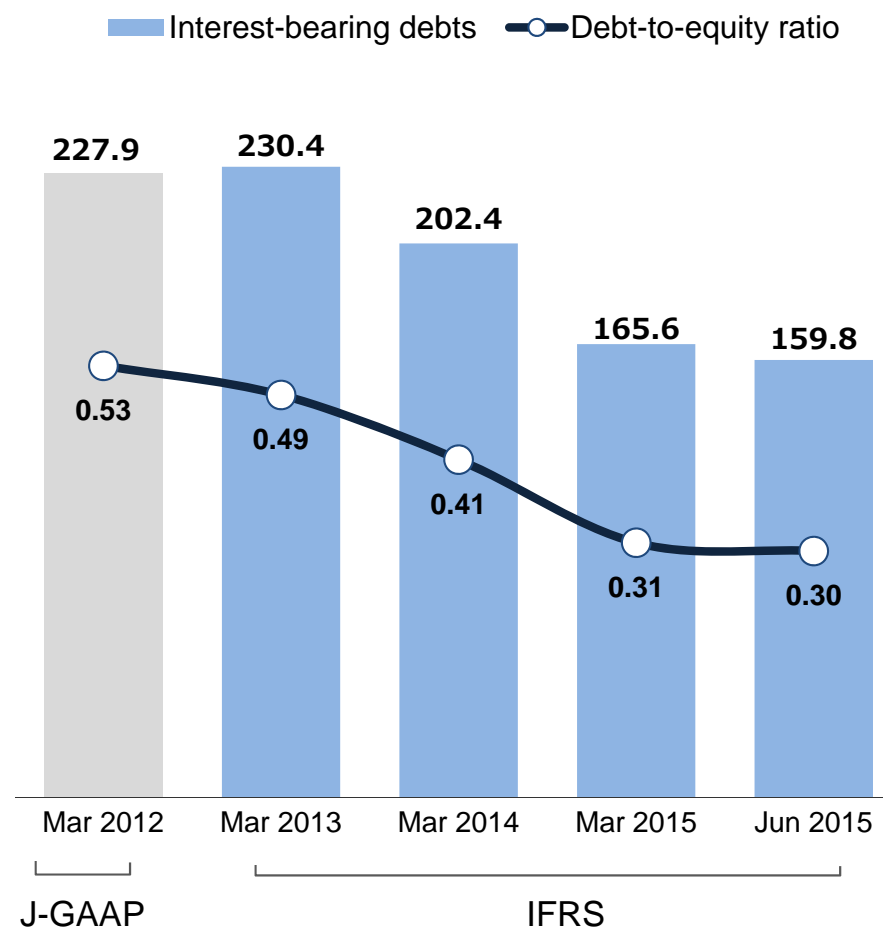
Statements of Financial Position

[Billions of yen]

Equity & equity ratio attributable to owners of the parent company



Interest-bearing liabilities & ratio of interest-bearing liabilities

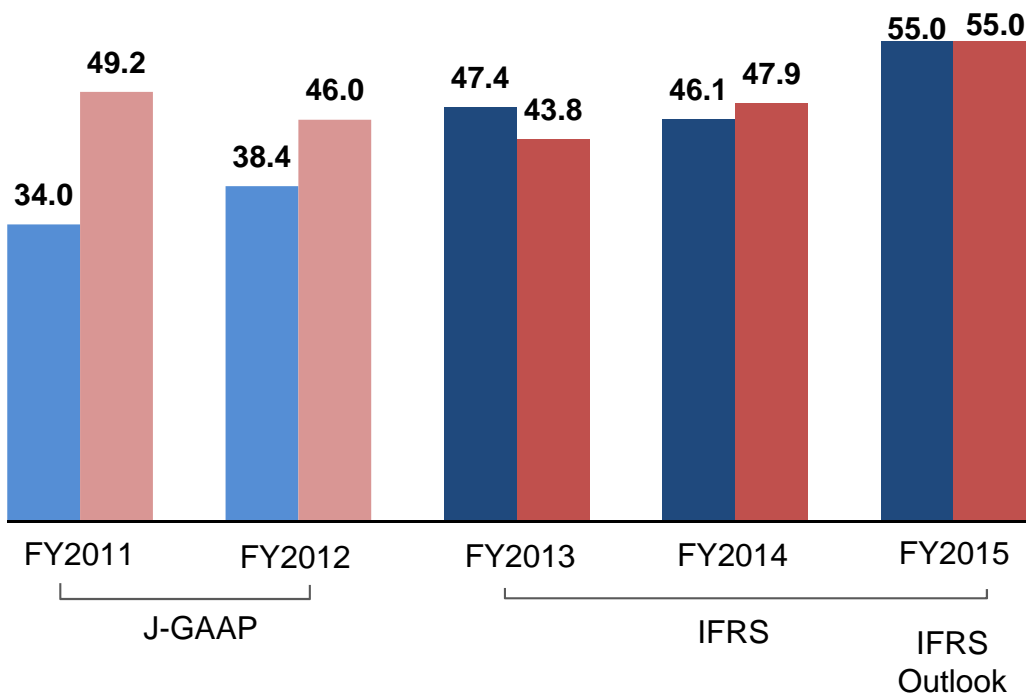


Outlook for Capital Expenditure and Depreciation and Amortization Expenses/ Free Cash Flows Outlook

Capital Expenditure and Depreciation and Amortization Expenses

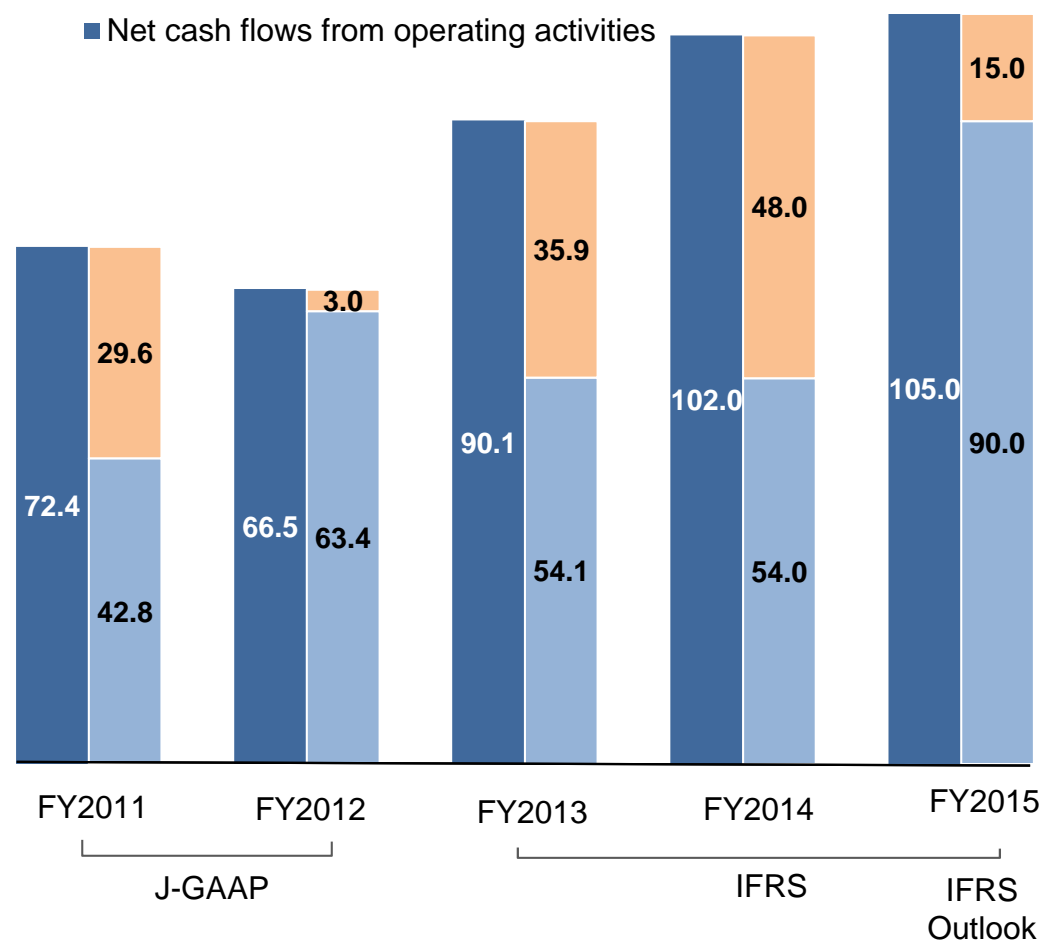
[Billions of yen]

- Capital expenditures
- Depreciation and amortization



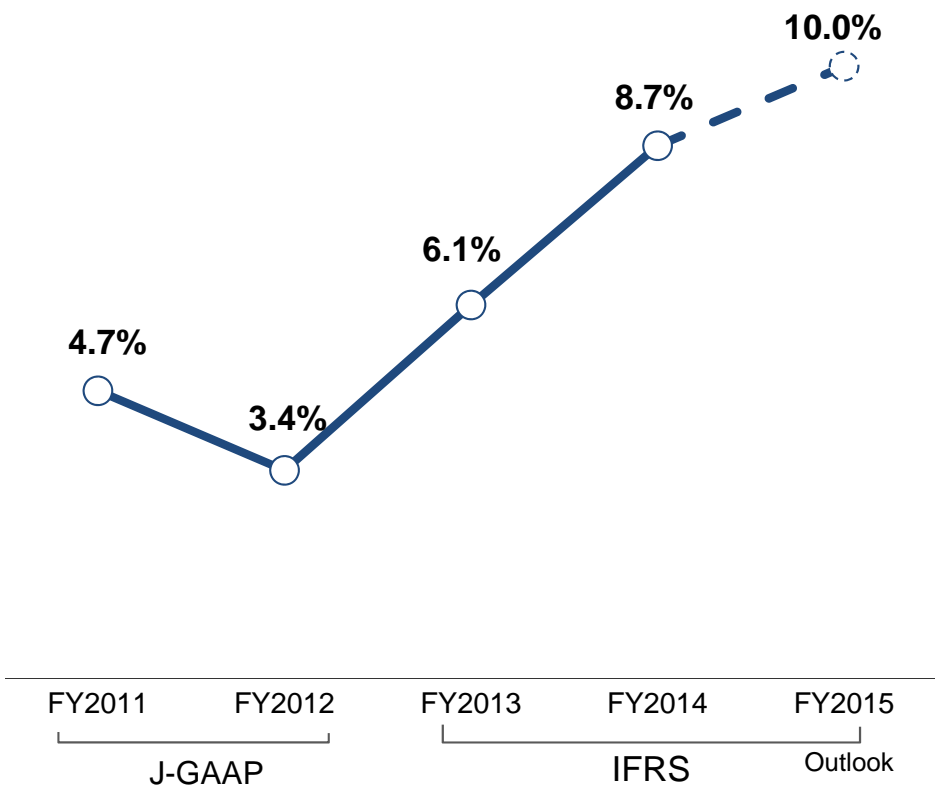
Free Cash Flows

- FCF
- Net cash flows from investing activities
- Net cash flows from operating activities

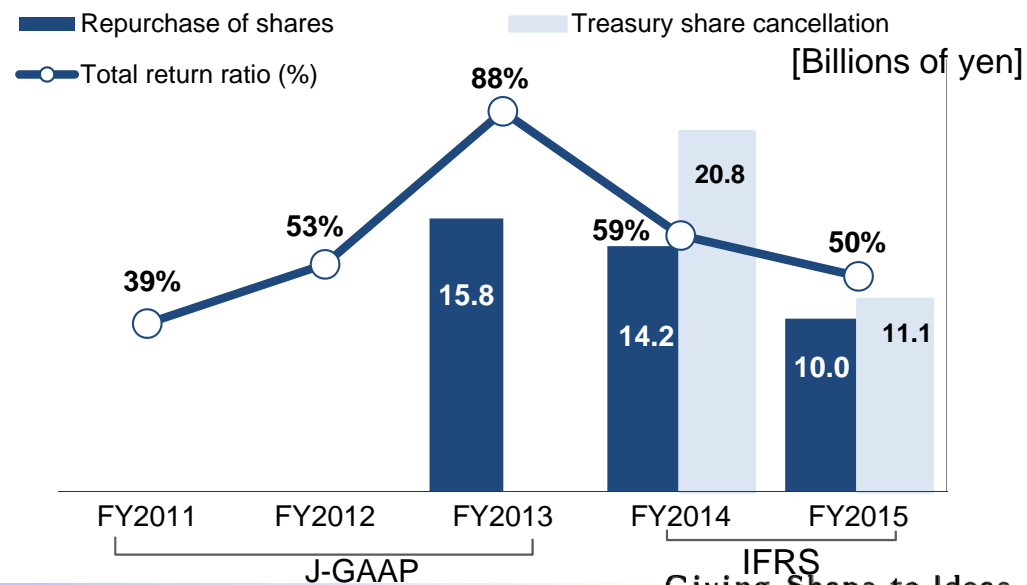
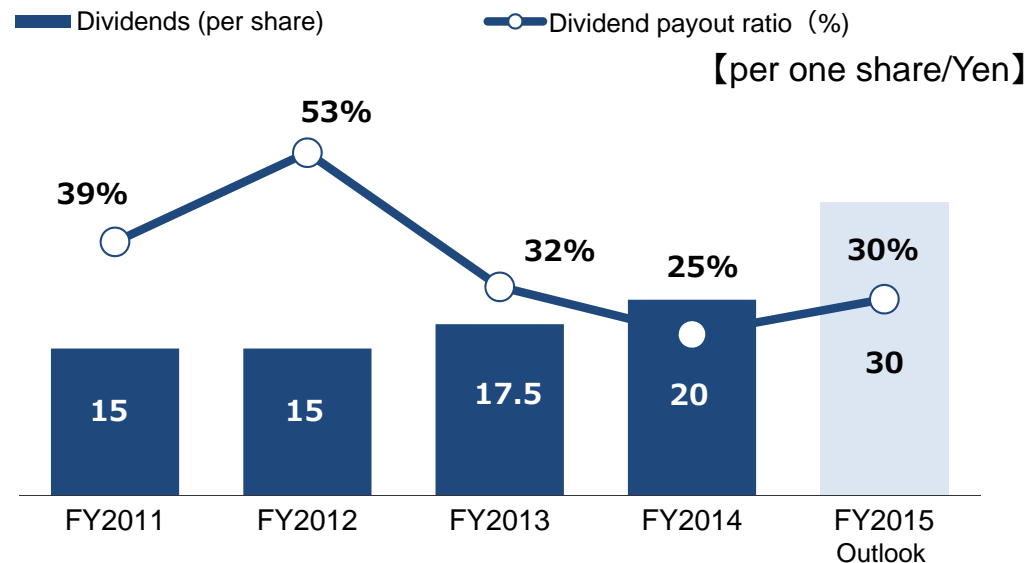


ROE

ROE: profit for the year attributable to the owners of the company, divided by the average (using figures from start and end of year) of the sum of share capital, share premium, retained earnings and treasury shares

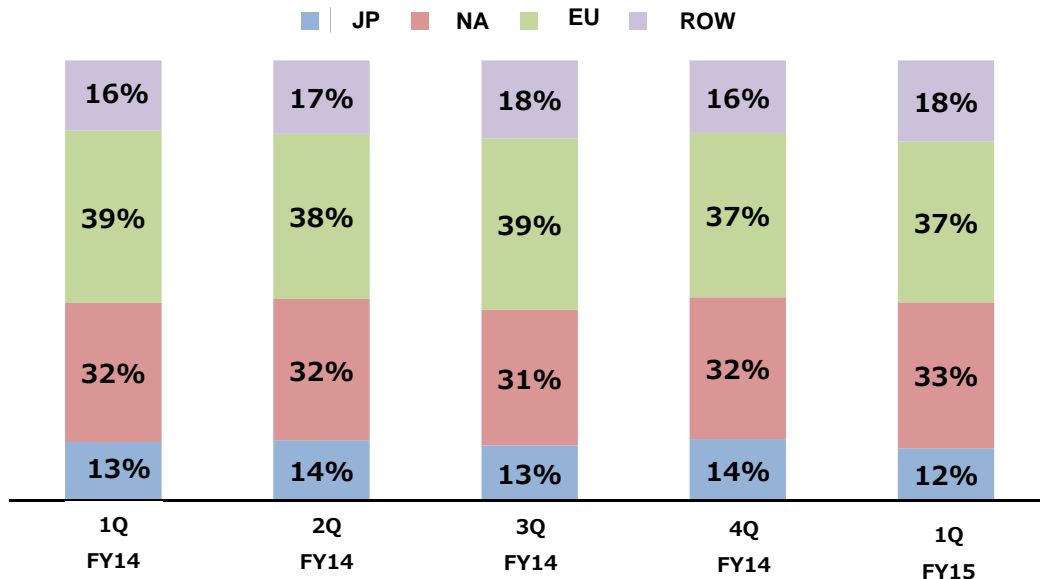


Shareholder Returns

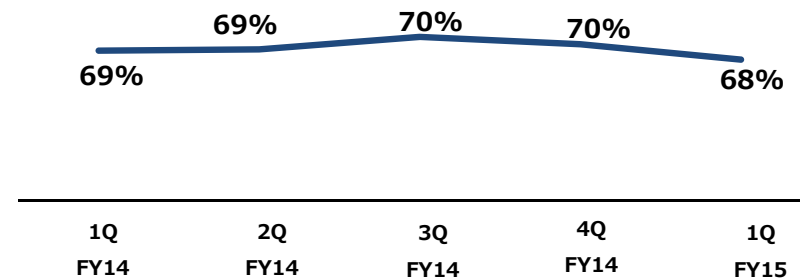


Revenue trend: Business Technologies: Quarterly transition

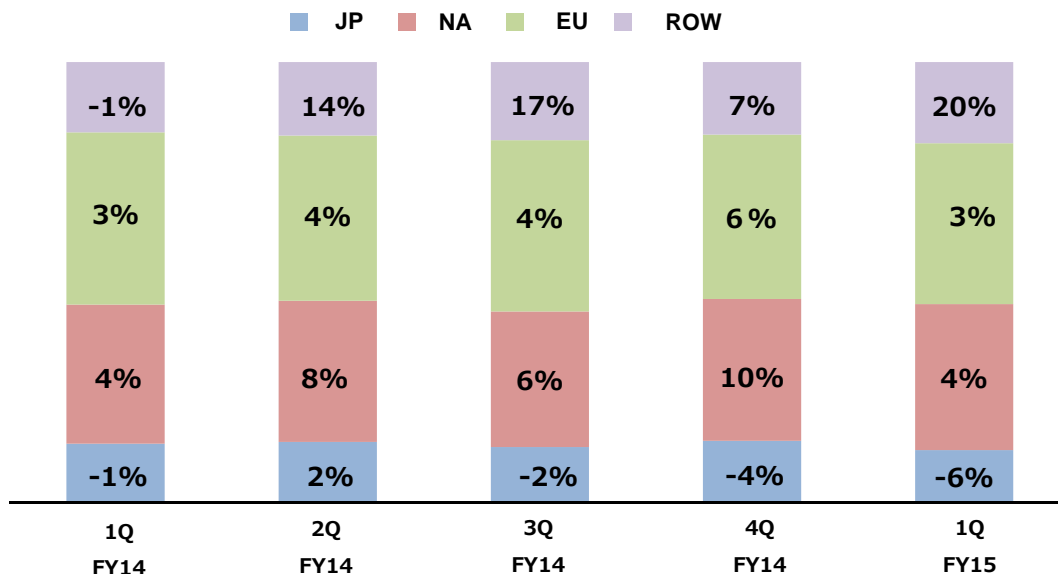
■ Composition of Revenue by region (in yen)



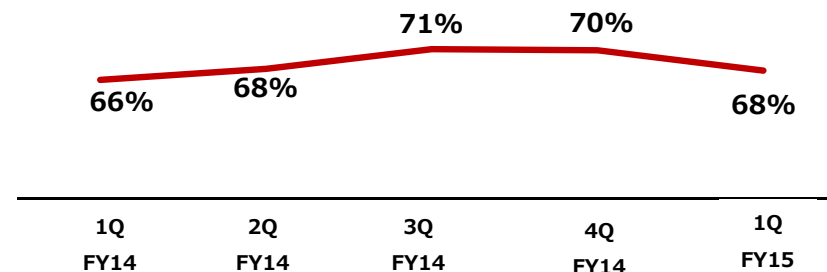
■ Percentage of color in sales of hardware (Office)



■ Change in Revenue by region (w/o FOREX)



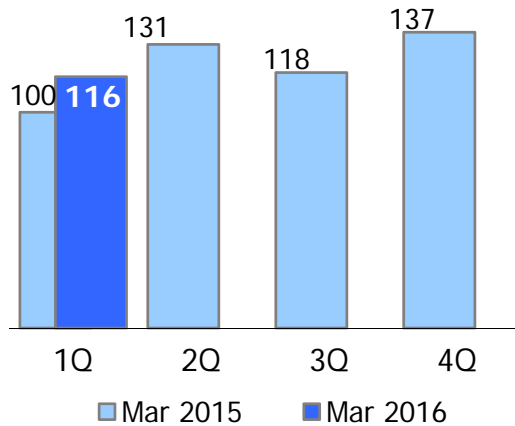
■ Percentage of color in sales of hardware (PP)



Unit sales trend: Business Technologies: Quarterly transition

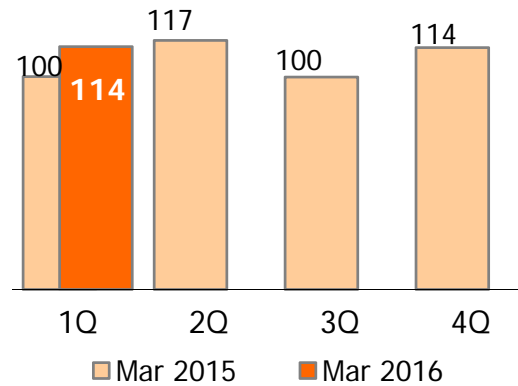
A3 color MFP- Units*

YoY : +16%



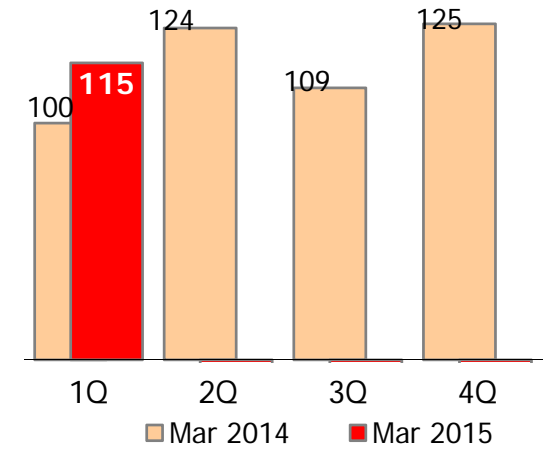
A3 mono MFP- Units*

YoY : +14%



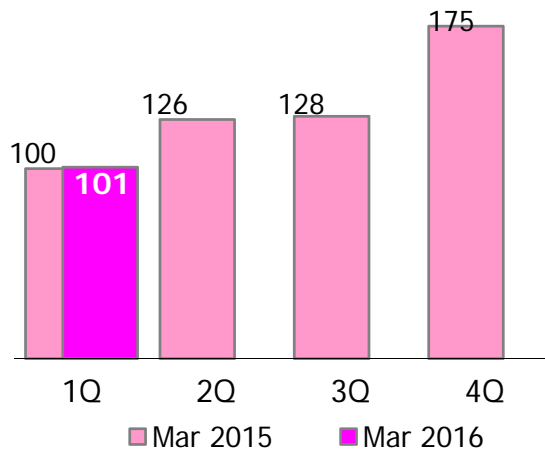
A3 MFP TTL- Units*

YoY : +15%



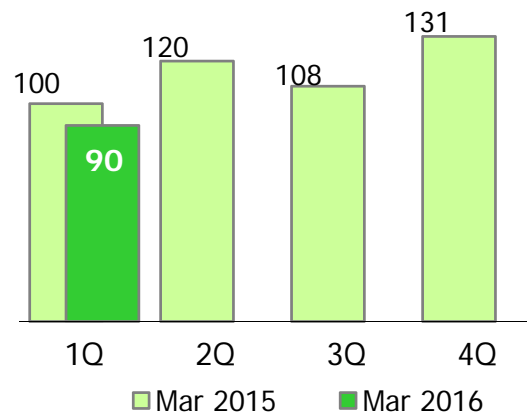
Color Production Print - Units*

YoY : +1%



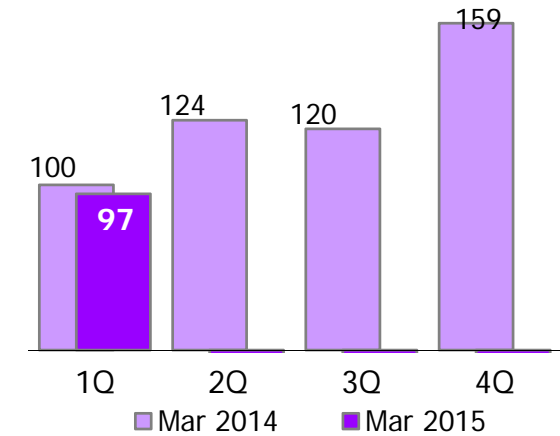
Mono Production Print - Units*

YoY : Δ 10%



Production Print - Units*

YoY : Δ 3%

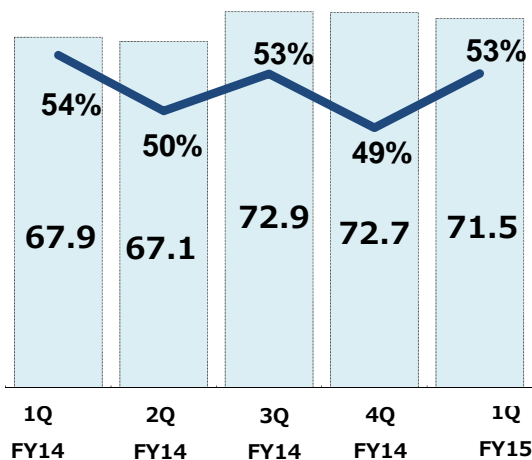


* Base index : "1Q Mar2015" = 100

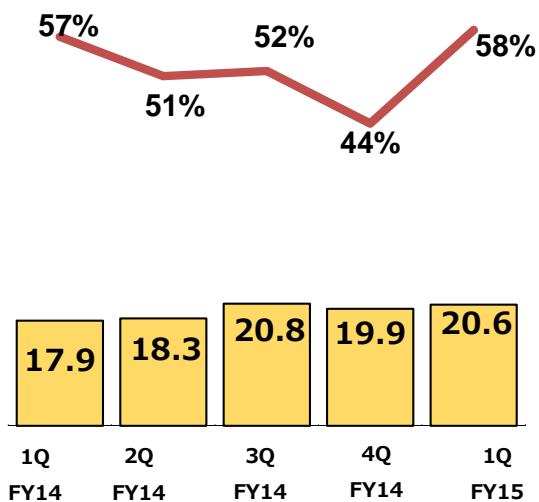
Business Technologies Business: Sales results of non-hard

Revenue & ratio of non-hard

Office product

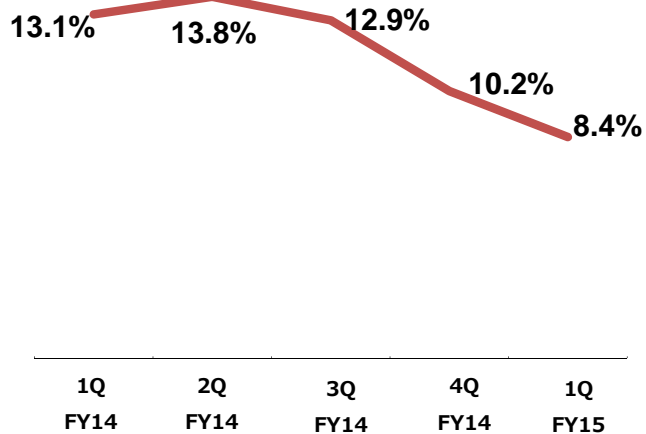
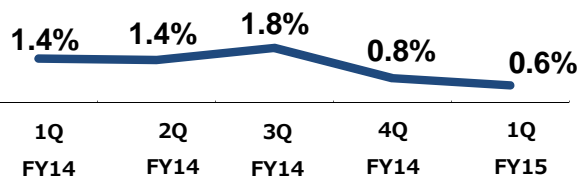


Production print



YoY Revenue increase of non-hard

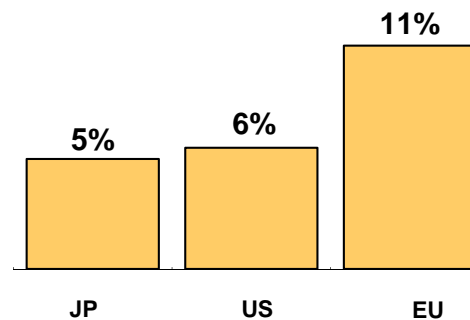
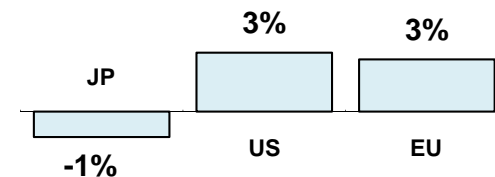
(w/o FOREX)



YoY Revenue increase of non-hard (regional)

[FY2015-1Q]

(w/o FOREX)



Giving Shape to Ideas



KONICA MINOLTA

Cautionary Statement:

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

Remarks:

Yen amounts are rounded to the nearest 100 million.