

3. MANAGEMENT POLICY

(1) Group's Vision

Society's and customers' demands are becoming increasingly complex and diverse in this period of rapid transformation in which social and economic changes and technological innovation are occurring at unprecedented speeds. New business models that can bring about creative destruction to meet these needs are being continuously devised across industry lines.

In this environment, the Konica Minolta Group is striving to realize its Vision of becoming "a global company that is vital to society" and "an innovative company that is robust and constantly evolving," based on our Philosophy of "the Creation of New Value."

To realize this vision, we devised our Medium Term Business Plan, "TRANSFORM 2016," and are carrying out reforms to become a company that contributes to the creation of value in order to realize a high-quality society by closely examining customers' and society's issues and driving innovation.

In order to generate innovation, human resources with diverse values must recognize each other's differences, work hard together and thus create chemical reactions. This means that it is essential that we promote diversity. The Group comprises 43,000 employees, including the mid-career hires and employees joining the Group through M&As on a global scale who bring their varied experiences and values to the Group. We will create a workplace in which, regardless of nationality, age, and gender, these human resources can excel on the global stage as "One Konica Minolta."

(2) Medium- to Long-term Management Strategies and Pending Issues

We have decided on the following three items as Basic Policies of the Medium Term Business Plan, "TRANSFORM 2016," with the aim to fully understand our customers and become a partner that can provide them with high added value in order to outstrip global competition amid changes in the management environment surrounding the Group.

1. Realize sustainable profit growth
2. Transform into a customer-centric company
3. Establish a strong corporate structure

Under the Basic Policies, with our eyes on the growth in the medium to long term beyond fiscal 2016, the final fiscal year of the Medium Term Business Plan, "TRANSFORM 2016" we will strive to radically reinforce our earning power.

1. Realize sustainable profit growth

From the previous product-centric sales approach in which we primarily offered MFPs for use in the customer's administration and procurement departments, we are evolving towards a multi-pronged approach in which we actively submit proposals to resolve operational issues in various of the customer's departments. Specifically, by expanding the menu of services we can offer and by using a value-added, proposal-based sales approach that leverages the integrated capabilities of the "One Konica Minolta" Group, we will grow our earnings throughout the term of the transaction and use this non-price competition capability to capture new customer accounts.

In addition, since the introduction of product lifecycle management methods in fiscal 2014, we have been advancing initiatives to maximize earnings over the lifespan of the product, from development to production to termination of sales.

2. Transform into a customer-centric company

Because we take a comprehensive view of society as a whole and offer services that provide the means to resolve social problems and latent issues at customers, we work closely with customer facilities to realize business reforms that have real value to customers.

Based on these ideas, we will strive as a digital company in the vanguard of the IoT era, in which widely varied objects become connected to the Internet aiming to turn new business concepts into reality. Leveraging our specialties in sensor and optical technologies, we will digitalize events in the real world, analyze them using artificial intelligence-based deep learning and other techniques, and extract and output information that customers find useful, opening the way to resolving their issues.

In concrete terms, in each business field we will focus on creating the businesses that will drive the next generation of growth.

<Business Technologies Business>

In the office services field, we will evolve current MFPs to become data processing platforms to analyze the vast quantities of information generated in the office, supporting the customer's management and decision-making as well

as new working styles. In the commercial and industrial printing field, we will provide services that optimize the overall flow of operations by connecting the diverse range of printing equipment used by printing companies. In addition, we will provide marketing services to corporate marketing departments that fuse digital media with traditional advertising and sales promotion media to maximize return on investment.

<Healthcare Business>

While expanding our area of operations into high value-added X-ray diagnostic imaging systems, we will provide services that support community-based comprehensive medical care, which brings together primary care, nursing care, and home care. In addition, we are working on entering the field of drug discovery and clinical trial support.

<Industrial Business>

In the optical systems for industrial use field, we will add value by using status monitoring solutions to provide support for sophisticated systems for security, marketing, and mobile object detection in self-driving.

We will use our strengths in the core technologies for optical and image processing as well as our customer base and direct sales and service networks that span the globe as differentiators as we move ahead with these initiatives to reinforce our capabilities as a digital company. We are also rolling out predictive maintenance initiatives, which use artificial intelligence and the IoT to prevent equipment malfunctions, throughout our businesses with the aims of raising customer satisfaction as well as improving profitability. At the same time, leveraging our Business Innovation Centers in five major regions around the world, we will conduct joint development with the world's leading companies and promote strategic alliances that allow us to form connections between companies and realize our unique added value.

3. Establish a strong corporate structure

In preparation for enhancing production efficiency, we will move forward with a focus on our own proprietary “digital manufacturing.” At the Malaysian production site that began operations in May 2015, we are already working not only on automating in-house assembly processes and reforming the flow of operations, but also on sharing information with suppliers to significantly reduce production lead times and optimize inventory. Moreover, in all functions and operations, we will work to reform processes, promote standardization, improve our agility, and raise operational productivity per employee, enabling us to establish a corporate structure with augmented ability to generate profits and cash, without increasing fixed costs.

4. BASIC VIEWS on SELECTION of ACCOUNTING STANDARDS

The Group has voluntarily adopted International Financial Reporting Standards (IFRS) beginning with the securities report for the fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015) aiming to unify accounting treatments within the Group and to improve international comparability of the financial information in capital markets.