1. OVERVIEW of BUSINESS PERFORMANCE
(1) Overview of Business Performance
a. Overall earnings

(Billions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Increase (Decrease)	
Revenue	962.5	1,031.7	(69.1)	-6.7%
Gross profit	459.9	495.5	(35.5)	-7.2%
Operating profit	50.1	60.0	(9.9)	-16.5%
Profit before tax	49.3	58.0	(8.6)	-15.0%
Profit attributable to owners of the company	31.5	31.9	(0.4)	-1.3%
Basic earnings per share [yen]	63.65	64.39	(0.74)	-1.1%
ROE	6.1%	6.1%	—	—
Capital expenditures	38.9	52.6	(13.6)	-26.0%
Depreciation and amortization expenses	51.8	51.3	0.4	0.9%
Research and development expenses	73.2	76.2	(3.0)	-4.0%
Free cash flow	(1.9)	(51.5)	49.6	—
Number of employees (consolidated) [persons]	43,979	43,332	647	1.5%
Foreign exchange rates [yen]				
US dollar	108.38	120.14	(11.76)	-9.8%
euro	118.79	132.58	(13.79)	-10.4%

(Note) ROE = Profit attributable to owners of the company divided by equity attributable to owners of the company (average of beginning and ending balances)

Looking back at the economic situation during the fiscal year ended March 31, 2017 (hereafter, "the fiscal year under review"), it was a year in which foreign exchange markets were significantly affected by political events such as the UK referendum on exiting the EU in the first half, and the US presidential election in the second half. Against a background of solid personal consumption in the US there was overall a continuation of moderate economic growth in Europe, centered on Germany, but in China and emerging countries the economy continued to decelerate. In Japan, although the political management of the country remained stable and employment conditions continue to improve, there was no upturn in personal consumption and the economy remained weak.

Viewing the earnings of the Konica Minolta Group (hereafter, "the Group") by business segment for the fiscal year under review in the context of this economic environment, in the Business Technologies Business, mainstay color products in the fields of office services and commercial and industrial printing, especially high-end models, recorded growth in sales volume, but this was insufficient to absorb the impact of the stronger yen compared to the previous year, and both revenue and profit fell. In the Healthcare Business, in addition to rising volumes of digital products, acquisitions also contributed to maintaining revenue at a level unchanged from the previous year, but profit fell due to an increase in expenses used to strengthen sales and the impact of the stronger yen. In the Industrial Business, lower sales volume of mainstay products had an impact and led to a decrease in profit, but a rise in profit was achieved due to the posting of patent-related income as part of management measures taken to maximize the value of intellectual property.

As a result of these factors, revenue in the fiscal year under review was ¥962.5 billion (down 6.7% year on year), operating profit came to ¥50.1 billion (down 16.5% year on year) and profit attributable to owners of the company was ¥31.5 billion (down 1.3% year on year).

Moreover, during the fiscal year under review, fluctuations in exchange rates initially led to a stronger yen before shifting to a weaker yen from the autumn of 2016 onward, but on a full-year basis the yen strengthened significantly against both the US dollar and the euro year on year and had a major impact on the Group's results. This factor respectively reduced revenue by ¥91.8 billion and operating profit by ¥19.6 billion over the previous year, but excluding these effects revenue rose by 2.2% year on year and operating profit rose by 16.1% year on year.

In the fiscal year under review, which was also the final year of the “TRANSFORM 2016” Medium Term Business Plan, we accelerated initiatives for our transformation into “A Digital Company with Insight into Implicit Challenges” in all areas of the business. We moved ahead with acquisitions of technology and knowledge to enable us to promote new businesses, such as by making MOBOTIX, a German manufacturer of IP video surveillance cameras, a consolidated subsidiary and, in the commercial and industrial printing field, by making digital decoration printing equipment manufacturer MGI, headquartered in France, a consolidated subsidiary. In addition, in the field of bio-healthcare we worked in partnership with the Institut Pasteur and BioAxial in France in developing a support system for pharmaceutical development to allow quantitative analysis of the condition of diseases such as cancer.

In March 2017, we announced “Workplace Hub,” a new business platform for the era of the Internet of Things (IoT), in which a wide variety of objects are connected to the Internet. “Workplace Hub” is a forward-looking solution that supports the digitalization of customer operations not only in general office environments but across a range of industries and in workplaces of all sizes, such as manufacturing sites and healthcare and educational institutions. We provide a solution that helps reduce IT infrastructure administration costs for the customer and improve business process efficiency by analyzing constantly changing real-time data and visualizing the usage patterns of IT infrastructure (tools, services, devices, and so on). Furthermore, we are using artificial intelligence, edge computing, and deep learning technologies to link people and data as well as to achieve smarter support of decision-making and problem-solving in the workplace. This is scheduled to be launched globally in stages beginning in the autumn of 2017.

b. Overview by Segment

(Billions of yen)

		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Increase (Decrease)	
Business Technologies Business	Revenue	771.7	832.1	(60.4)	-7.3%
	Operating profit	52.9	70.2	(17.2)	-24.6%
Healthcare Business	Revenue	89.9	89.8	0.0	0.1%
	Operating profit	2.8	3.9	(1.0)	-26.7%
Industrial Business	Revenue	89.4	105.9	(16.5)	-15.6%
	Operating profit	18.5	17.0	1.5	9.1%
Subtotal	Revenue	951.1	1,028.0	(76.9)	-7.5%
	Operating profit	74.4	91.1	(16.7)	-18.4%
"Others" and "Adjustments" (Note 2)	Revenue	11.4	3.7	7.7	207.8%
	Operating profit	(24.2)	(31.0)	6.8	—
Amount reported in Consolidated Statement of Profit or Loss	Revenue	962.5	1,031.7	(69.1)	-6.7%
	Operating profit	50.1	60.0	(9.9)	-16.5%

(Notes)

1. "Revenue" refers to revenue from external customers.
2. "Revenue" refers to revenue from external customers in "Others" in "4. Consolidated Financial Statements and Related Notes (6) Notes to the Consolidated Financial Statements [Segment Information]" and "operating profit" is the total of "Others" and "Adjustments" from the same statement.

i. Business Technologies Business

<Office services>

Sales of mainstay "bizhub" series A3 color MFPs (Multi-functional peripherals) also remained strong during the period under review, and sales volumes exceeded previous-year levels in all regions. The high rates of growth were shown by high-end models in terms of product segment and by the European and Chinese markets in terms of sales region. The competitive environment in the MFP market continues to be severe, but Konica Minolta's unique hybrid-type sales approach that combines document solutions centered around MFPs with managed IT services (services that provide integrated deployment, operation, administration, and maintenance, etc. of IT equipment and systems) is penetrating markets, primarily in North America and Western Europe, and contributing to an increase in revenues and profitability by customer.

<Commercial and Industrial printing>

In production print, the top-of-the-line "bizhub PRESS C1100" digital color printing system continued to post solid sales. Growth was particularly noticeable in markets in North America, China, and Asia. In the light production area that is one of our strengths, while competition is intensifying and sales have been stagnating, the new "AccurioPress C2070" series product that was launched in the second half of the fiscal year under review has had a positive reception from customers, and sales discussions are rising steadily.

In industrial inkjet printers, the area of components such as inkjet printheads saw a slowing of sales due to deteriorating market conditions, but in the area of textile print machinery the "NASSENGER SP-1," which achieves high productivity through the use of a single pass system, won orders in France and Turkey and contributed to a rise in revenue. In the field of industrial printing, we have begun full-scale marketing activities in every region and prepared a strategy for the high-end market based around the new "AccurioJet KM-1" digital inkjet press and digital decoration printing equipment made by subsidiary MGI.

As a result of the above, revenue for this business came in at ¥771.7 billion (down 7.3% year on year), while operating profit was ¥52.9 billion (down 24.6% year on year). Excluding the impact of exchange rates, revenue rose 2.7% year on year and operating profit rose 1.0% year on year.

ii. Healthcare Business

In the fiscal year under review, on a regional basis, sales in the US were favorable, while sales in Japan remained strong. In terms of products, in the US, in addition to significant growth in Digital Radiography (DR), sales of solution products for the primary care market also contributed to the expansion of the business. In Japan, sales of digital products were strong overall. The “AeroDR” cassette-type digital X-ray diagnostics imaging systems maintained their solid performance both in Japan and overseas, while for the “SONIMAGE HS1” diagnostic ultrasound systems, in addition to Japan and the US, China also contributed to sales. On the other hand, Computed Radiography (CR) digital X-ray diagnostics imaging systems were hit by amendments to the payment system for medical services in the US, and sales volumes declined.

As a result of the above, revenue for the business came in at ¥89.9 billion (up 0.1% year on year), while operating profit was ¥2.8 billion (down 26.7% year on year). Excluding the impact of exchange rates, revenue rose 5.7% year on year and operating profit rose 18.8% year on year.

iii. Industrial Business

In the field of performance materials, price pressure is becoming more intense and, although we promoted a shift towards high value-added products such as phase difference film for VA and IPS panels, and ultra-thin TAC film, both sales volume and sales value fell below previous-year levels.

In the optical systems for industrial use field, measuring instrument revenue increased, helped by the commencement of shipments related to a major order in the final stages of the fiscal year under review. Lenses for industrial and professional use were affected by lower sales in their end-product markets, and posted a decline in revenue.

As a result of the above, revenue for the business came in at ¥89.4 billion (down 15.6% year on year). Operating profit, including ¥7.7 billion of patent-related income, was ¥18.5 billion (up 9.1% year on year).

(Reference) Overview of 4Q consolidated accounting period

(Billions of yen, unless otherwise stated)

	Three months ended March 31, 2017	Three months ended March 31, 2016	Increase (Decrease)	
Revenue	262.9	269.4	(6.4)	-2.4%
Gross profit	120.8	128.5	(7.7)	-6.0%
Operating profit	15.6	18.4	(2.8)	-15.2%
Profit before tax	15.2	17.5	(2.2)	-12.9%
Profit attributable to owners of the company	6.6	5.4	1.1	21.0%
Basic earnings per share [yen]	13.38	11.06	2.32	21.0%
Capital expenditures	11.4	17.4	(6.0)	-34.4%
Depreciation and amortization expenses	12.7	13.8	(1.1)	-8.2%
Research and development expenses	19.7	19.4	0.2	1.4%
Free cash flow	7.7	(5.1)	12.9	－
Foreign exchange rates [yen]				
US dollar	113.64	115.48	(1.84)	-1.6%
euro	121.08	127.23	(6.15)	-4.8%

Overview of main segments

(Billions of yen, unless otherwise stated)

		Three months ended March 31, 2017	Three months ended March 31, 2016	Increase (Decrease)	
Business Technologies Business	Revenue	209.4	216.0	(6.5)	-3.1%
	Operating profit	14.8	19.3	(4.4)	-23.1%
Healthcare Business	Revenue	26.5	27.6	(1.0)	-3.8%
	Operating profit	1.3	1.6	(0.2)	-16.1%
Industrial Business	Revenue	23.9	24.2	(0.3)	-1.4%
	Operating profit	4.1	3.7	0.3	10.4%
Subtotal	Revenue	259.9	267.9	(7.9)	-3.0%
	Operating profit	20.3	24.7	(4.3)	-17.5%
“Others” and “Adjustments”	Revenue	2.9	1.4	1.4	103.5%
	Operating profit	(4.6)	(6.2)	1.5	-
Amount reported in Consolidated Statement of Profit or Loss	Revenue	262.9	269.4	(6.4)	-2.4%
	Operating profit	15.6	18.4	(2.8)	-15.2%

c. Outlook for the Fiscal Year Ending March 31, 2018

With regard to the global economic situation in which the Group operates, the current recovery trend in the US is expected to continue, bolstered by the improving employment environment and by anticipated changes in fiscal policy, but there is also concern that the uncertainty regarding the ability of the new administration to implement policy could affect the economy going forward. With the centripetal force of the EU weakened by the impending departure of the UK, elections to select governments are scheduled for some of the major countries, and there is an increased sense of uncertainty regarding the outlook for the economy. Although signs of recovery can be seen in some emerging countries, economic growth in China is forecast to continue to decelerate. As for the Japanese economy, although the tone of recovery in the employment environment is expected to continue, personal consumption is seen stagnating, and economic growth is forecast to be modest.

With regard to the demand outlook for the main markets in which Konica Minolta operates, in the Business Technologies Business we assume that in overseas markets the ratio of color MFPs for office use will continue to trend upwards and also that demand from small- and medium-sized enterprises for IT services will continue. In the field of commercial and industrial printing, we expect growing demand for digital printers as a result of the evolution of digital marketing. In the Healthcare Business, we expect further development in the sharing of medical information and collaboration between multiple medical institutions as a consequence of the digitalization of medical diagnostic equipment will lead to an increase in demand. For the Industrial Business, as a result of the diversification of display products there have been changes in the structure of the supply chain and in the balance of power between various players, so while we expect new demand for our measuring instrument products, we also see the risk that current products for performance materials will be affected by falling demand and a further step-up in price pressure.

In consideration of the situation described above, we have predicated our forecasts for the fiscal year ending March 31, 2018 on exchange rates of 105 yen against the US dollar and 115 yen against the euro, as shown below.

(Billions of yen)

	Forecast for the fiscal year ending March 31, 2018	Fiscal year ended March 31, 2017
Revenue	980.0	962.5
Operating profit	46.0	50.1
Profit attributable to owners of the company	30.0	31.5
ROE*1	—	6.1%
ROE*2	5.8%	6.3%

(Notes)

1. Profit attributable to owners of the company divided by equity attributable to owners of the company (average of beginning and ending balances)
2. Profit attributable to owners of the company divided by (Share capital + Share premium + Retained earnings + Treasury shares) (average of beginning and ending balances)

*The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

(2) Overview of Financial Position

a. Analysis of Financial Position

		March 31, 2017	March 31, 2016	Increase (Decrease)
Total assets	[Billions of yen]	1,005.4	976.3	29.0
Total liabilities	[Billions of yen]	471.2	461.3	9.8
Total equity	[Billions of yen]	534.1	514.9	19.1
Equity attributable to owners of the company	[Billions of yen]	524.3	514.2	10.0
Equity per share attributable to owners of the company	[yen]	1,057.92	1,037.96	19.96
Equity ratio attributable to owners of the company	[%]	52.1	52.7	-0.6

Total assets at March 31, 2017 were ¥1,005.4 billion, an increase of ¥29.0 billion (3.0%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥31.1 billion in goodwill and intangible assets, an increase of ¥14.6 billion in inventories, an increase of ¥12.4 billion in other financial assets, a decrease of ¥10.9 billion in deferred tax assets, a decrease of ¥7.3 billion in cash and cash equivalents, and a decrease of ¥6.3 billion in trade and other receivables.

Total liabilities at March 31, 2017 were ¥471.2 billion, an increase of ¥9.8 billion (2.1%) from the previous fiscal year-end. This is primarily attributed to an increase of ¥17.2 billion in bonds and borrowings, and a decrease of ¥6.8 billion in trade and other payables.

Total equity at March 31, 2017 amounted to ¥534.1 billion, an increase of ¥19.1 billion (3.7%) from the previous fiscal year-end.

Equity attributable to owners of the company totaled ¥524.3 billion at March 31, 2017, an increase of ¥10.0 billion (2.0%) from the previous fiscal year-end. This is primarily attributed to ¥31.5 billion in profit for the period attributable to owners of the company, a decrease of ¥14.8 billion in retained earnings due to cash dividends, and a decrease of ¥7.5 billion in other components of equity (mainly exchange differences on translation of foreign operations).

As a result of the above, equity per share attributable to owners of the company came to ¥1,057.92, and the equity ratio attributable to owners of the company decreased 0.6 percentage points to 52.1%

b. Analysis of Cash Flows

(Billions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Increase (Decrease)
Cash flows from operating activities	68.6	59.2	9.4
Cash flows from investing activities	(70.5)	(110.7)	40.1
Total (Free cash flow)	(1.9)	(51.5)	49.6
Cash flows from financing activities	(2.3)	(20.5)	18.2

During the fiscal year ended March 31, 2017, net cash provided by operating activities was ¥68.6 billion, while net cash used in investing activities, mainly associated with the purchases of property, plant and equipment, totaled ¥70.5 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥1.9 billion.

Net cash used in financing activities was ¥2.3 billion.

In addition, cash and cash equivalents at March 31, 2017 decreased ¥7.3 billion from the previous fiscal year-end to ¥92.6 billion, reflecting the unfavorable effect of exchange rate changes on cash and cash equivalents.

Cash flows from operating activities

Net cash provided by operating activities was ¥68.6 billion, a result largely of cash inflow due to profit before tax of ¥49.3 billion, depreciation and amortization expenses of ¥51.8 billion, and a decrease in trade and other receivables of ¥1.8 billion on the one hand, and cash outflow attributable largely to an increase in inventories of ¥12.4 billion and payment of income taxes of ¥8.3 billion.

Cash flows from Investing activities

Net cash used in investing activities was ¥70.5 billion, due mainly to purchases of property, plant and equipment of ¥32.7 billion, purchases of intangible assets of ¥8.7 billion, and purchases of investments in subsidiaries of ¥25.4 billion.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥1.9 billion, compared to net cash used of ¥51.5 billion in the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥2.3 billion, compared to net cash used of ¥20.5 billion in the same period of the previous fiscal year, reflecting mainly an increase in short-term loans payable of ¥3.1 billion and proceeds from bonds issuance and long-term loans payable of ¥36.8 billion, while expenditures included redemption of bonds and repayments of long-term loans payable of ¥27.8 billion and cash dividends paid of ¥14.8 billion.

*Amounts less than one hundred million yen in the “1. OVERVIEW of BUSINESS PERFORMANCE” section have been omitted.