



Konica Minolta, Inc. Medium Term Business Plan

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2016

1-1. Basic Policy

Realize sustainable profit growth

Evolve the “genre-top” strategy and create value

Transform into a customer-centric company

Have customer insight and understand their needs

All actions and business processes of Konica Minolta should be based on pursuing customer value

Establish a strong corporate structure

Build a strong corporate structure by pursuing sturdy production operations and restructuring of corporate administration

1-2. Financial Targets

	FY2013 results	FY2014 outlook	FY2016 targets
Net sales	¥943.8bn	¥1 trillion	¥1.1 trillion or more
Operating income	¥58.1bn	¥62.0bn	¥90.0bn
Operating income ratio	6.2%	6.2%	8% or more
ROE	4.6%	5.6%	10% or more
Assumed FOREX	U.S. dollar = ¥100 euro = ¥134	U.S. dollar = ¥100 euro = ¥135	U.S. dollar = ¥100 euro = ¥135
	(Japanese Generally Accepted Accounting Principles, J-GAAP)	(Japanese Generally Accepted Accounting Principles, J-GAAP)	(International Financial Reporting Standards, IFRS)

1-3. Financial Targets -by Segment

[¥ billions]

Net Sales	FY 2013 results		FY 2014 outlook		FY 2016 targets	
Business Technologies	729.8		800.0		917.0	
Office Services	567.1		600.0		680.0	
Commercial/Industrial print	162.8		200.0		237.0	
Industrial Business	116.1		110.0		140.0	
Performance Materials	58.3		49.0		60.0	
Industrial Optical Systems	57.8		61.0		80.0	
Healthcare	82.4		90.0		100.0	
Group Overall	943.8		1,000.0		1,100.0	

Operating income	FY 2013 results		FY 2014 outlook		FY 2016 targets	
Business Technologies	63.9	8.8%	72.0	9.0%	90.0	9.8%
Industrial Business	15.2	13.1%	12.0	10.9%	17.5	12.5%
Healthcare	4.5	5.5%	7.0	7.8%	10.0	10.0%
Group Overall	58.1	6.2%	62.0	6.2%	90.0	8.2%



KONICA MINOLTA

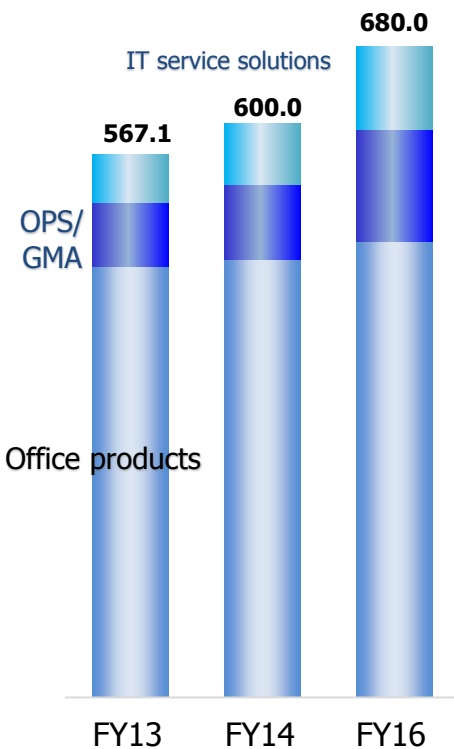
Strategies and Policies for Each Business

2-1. Strategy Overview for Office Services Business

- Enhance solution proposal capabilities by providing services and solutions for digital workflows of customers
- Consequently increase MIF and PV disruptively

Business Framework

Sales (¥bn)



Strategy Scenario

- Strengthen ability to provide OPS/GMA/ITS services
 - ✓ Establish a customer response team to support GMA cases
 - ✓ Strengthen operations at GSC (Global Support Center)
 - ✓ Customer response capabilities (customize, multi-vendor, etc.)
 - ✓ Strengthen system at APAC

Increase OPS/GMA sales
(vs FY13)

FY16 ¥60.0bn

- Expand IT service business
 - ✓ Gain BPM know-how (horizontally deploy vertical solutions)
 - ✓ Strengthen foundation of KM cloud
 - ✓ Use BIC to provide new services

Percentage of hybrid proposals

100%

(direct sales in Japan, US, Europe)

- Strengthen solution-proposing capacity and reinforce sales channels to increase MIF and color PV

Ratio of MFP sales/color PVs

(FY13 = 100 in this index)

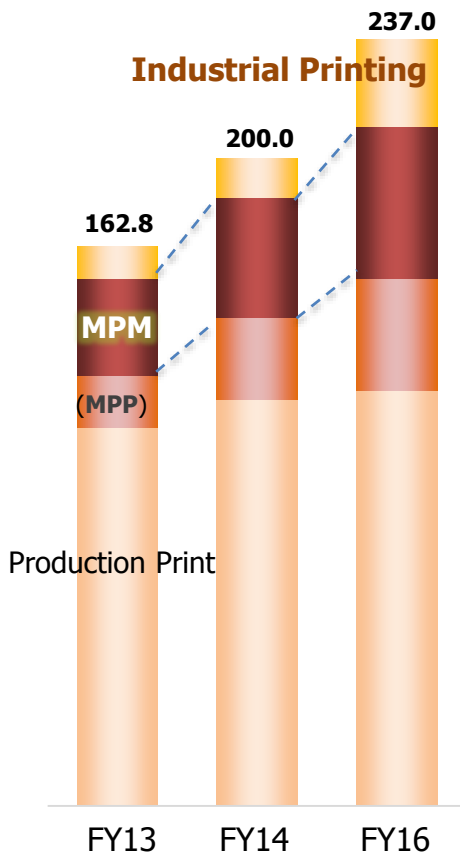
FY16 118 / 130

2-2. Strategy Overview for Commercial/Industrial Print Business

Drastically increase PV at printing companies disruptively by transforming current printing order flows through KM's unique MPM and Kinko's

Business Framework

Sales (¥bn)



Strategy Scenario

- Develop and launch new production printing products
 - ✓ Get mid-size and up Commercial Print customers with MPP machines
 - ✓ Expand KM PV with High Volume users

Ratio of PP machine sales/color PVs
(FY13 = 100 in this index)
FY16 125/150

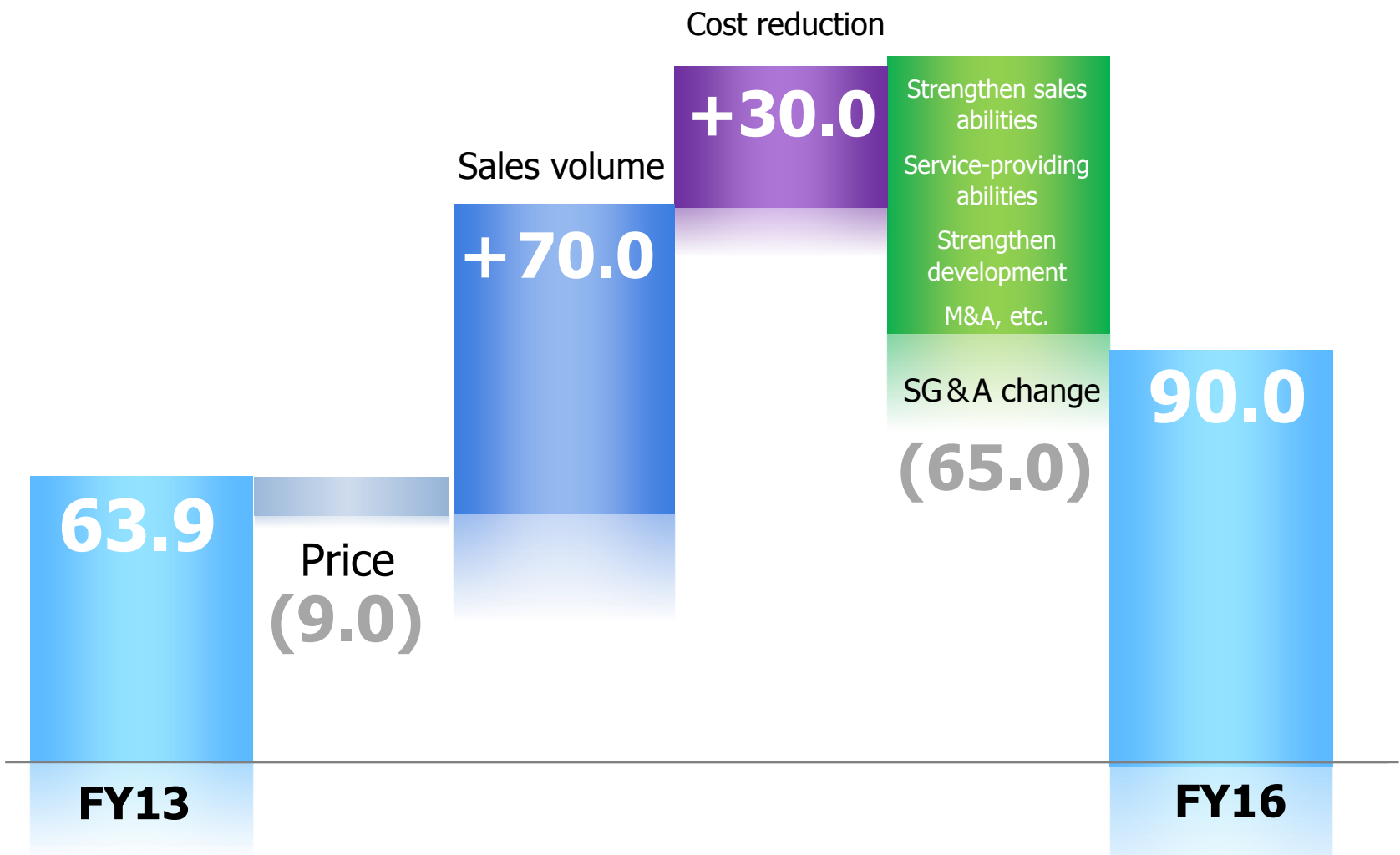
- Global development of MPM service
 - ✓ Expand to US and AP region
 - ✓ Use Charterhouse's know-how and M&A

Increase MPM sales
(vs FY13)
FY16 ¥20.0bn

- Full-scale launch of industrial printing business
 - ✓ Gain "Genre-top" applications
 - ✓ Show synergy with capital tie-up partner MGI
 - ✓ Enter industrial printing market by using electrophotographic technology
 - ✓ Bring KM-1 to market, cultivate customers

Increase industrial printing sales
(vs FY13)
FY16 ¥20.0bn

2-3. Operating Income Growth in Business Technologies Business

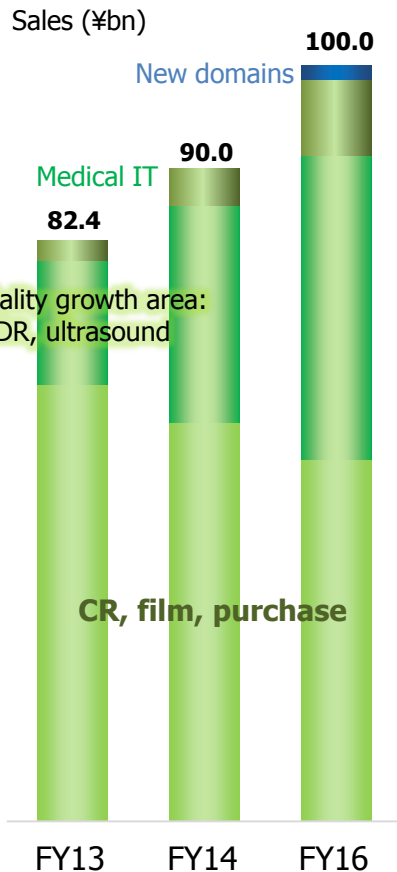


(¥bn)

2-4. Strategy Overview for Healthcare Business

- Increase MIF by providing integrated solutions combining advanced diagnostic performance modality (DR and ultrasound) and medical information (diagnostic information and medical documents)
- Provide one-stop locally connected solutions to small- and medium-sized hospitals and clinics

Business Framework



Strategy Scenario

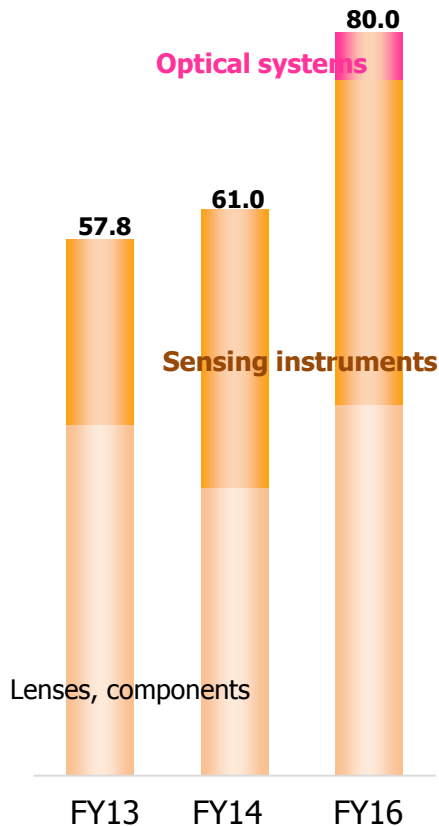
<ul style="list-style-type: none"> ● Gain “genre-top” position in cassette-type DR systems <ul style="list-style-type: none"> ✓ Increase rate of participation in business negotiations (e.g., package sales that include X-ray systems) ✓ Provide new diagnostic value (video, Talbot, etc.) ✓ Expand B2B business, invest in sales channels 	<p>Increase DR sales (vs FY13)</p> <p>FY16 ¥14.0 bn</p>
<ul style="list-style-type: none"> ● Increase sales of ultrasound diagnostic imaging systems <ul style="list-style-type: none"> ✓ Develop markets and channels by marketing portable products ✓ Establish top of market with high-picture-quality probes (orthopedic, mammary gland, and internal medicine market) 	<p>Increase US sales (vs FY13)</p> <p>FY16 ¥7.0bn</p>
<ul style="list-style-type: none"> ● Strengthen medical IT services <ul style="list-style-type: none"> ✓ Cloud services (digital medical charts, receipt computers, PACS) ✓ Expand information portal service menu ✓ Increase customers under contract with regional partnerships, at-home solutions 	<p>Increase IT service sales (vs FY13)</p> <p>FY16 ¥8.0bn</p>

2-5. Strategy Overview for Industrial Optical Systems Business

Evolve proposal capabilities cultivated in the sensing business and create new value through devices and systems, including solutions and services, for major customers in industrial fields with high growth potential

Business Framework

Sales (¥bn)



Strategy Scenario

● Sensing business

- ✓ Obtain GMA for light-source color measuring device (mobile, lighting, automobile manufacturers)
- ✓ Strengthen product development capacity through synergy with IS

Increase sensing business sales
(vs FY13)

FY16 ¥15.0bn

● Industrial and professional lenses and components

- ✓ Concentrate management resources (replacement lenses, projectors)
- ✓ Improve customer intimacy

Increase replacement lens and projector sales
(vs FY13)

FY16 ¥13.0 bn

● Transform business portfolio

- ✓ Cultivate new fields using optical and micromachining technology
- ✓ Accelerate business development in partnership with Corporate R&D department

FY16 ¥5.0bn

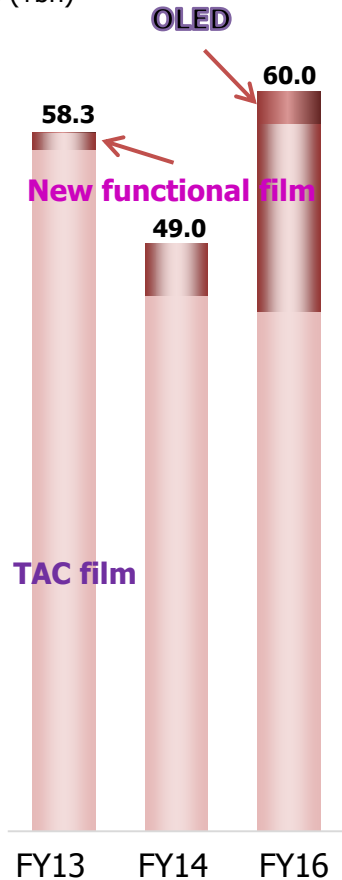
Create ¥10bn business in five years

2-6. Strategy Overview for Performance Materials Business

Anticipate customer needs in growth fields and create new businesses based on our unique technologies accumulated through areas ranging from photo film development to OLED development

Business Framework

Sales (¥bn)



Strategy Scenario

● TAC film

- ✓ Use membrane technology to gain customers for small and medium-sized mobile applications, develop new fields
- ✓ Gain customers with new products that respond more strongly to TV needs
- ✓ Cut costs by enhancing production efficiency

Ratio of new products to TAC sales

FY16 60%

● Window film

- ✓ Cultivate sales channels (in-company, B2B)

● Barrier film

- ✓ Gain display customers

Increase sales of new performance materials (vs FY13)

FY16 ¥15.0bn

● OLED

- ✓ Develop applications taking advantage of characteristics, gain customers
- ✓ Establish mass-production technology, cut costs

(¥50bn by FY20)

3-1. Manufacturing Reform, SG&A Expenses Reform

Transform to a strong corporate structure

Manufacturing reform

Maximize profitability of product by implementing PLM

Reduce production costs

Consolidated gross margin ratio

Target 50% or more
+2% over FY13

SG&A expenses structure reform

Increase efficiency of business SG&A expenses

Corporate reform

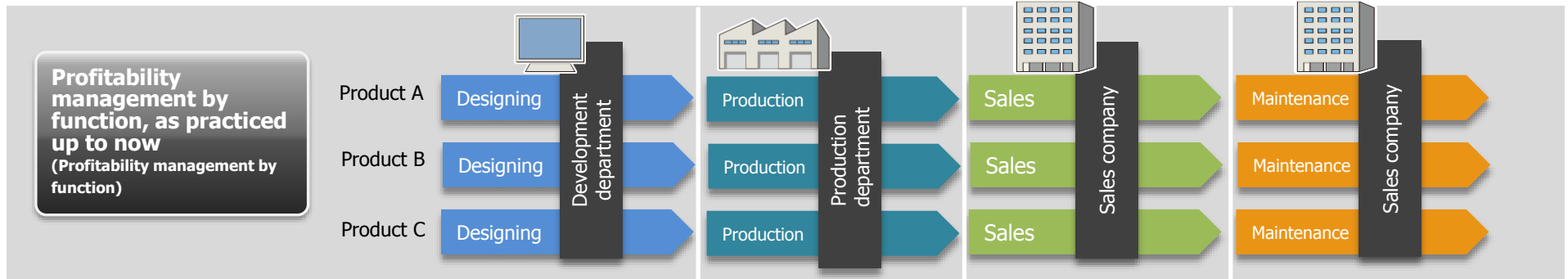
Consolidated SG&A expense ratio

Target 40% or less
-2% over FY13

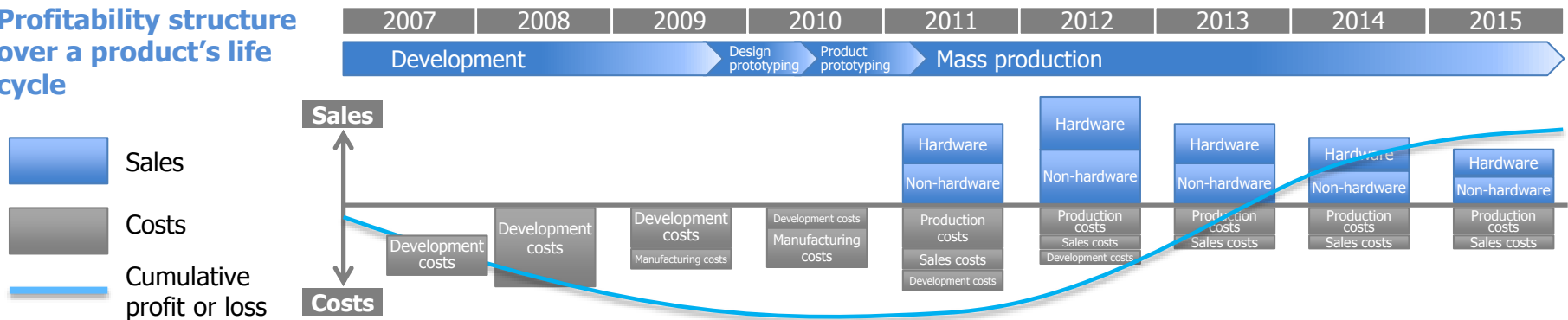
Reduce ¥5.0 bn

3-2. Maximize Profitability of Products by Introducing PLM

- Maximize profitability throughout each product's life cycle, with a view to total optimization.
- Calculate life cycle profit or loss for each model and link it to the business's overall plans.



Profitability structure over a product's life cycle



3-3. Reduce Production Costs Through Manufacturing Reform

Achieve cost competitiveness and restore our strength as a manufacturer by leveraging innovative technical capabilities and practicing all-out global procurement.

Strategy	Major Policies
<ul style="list-style-type: none">● Enhance productivity and lower costs through process innovation● Strengthen manufacturing through production technology capabilities and disruptive technical innovation● Expand global procurement and optimize business locations	<ul style="list-style-type: none">✓ Establish design-in and front-loading processes in collaboration with R&D divisions and suppliers✓ Boost work efficiency and reduce loss by using ICT✓ Greatly reduce component costs through new production technologies✓ Cut costs by letting suppliers use our internal technologies (strengthen technology procurement capabilities)✓ Reduce costs by practicing optimal purchasing worldwide✓ Achieve the best production efficiency of any Japanese company based in China and stabilize procurement and production by not overly focusing operations on China

3-4. Corporate Reform

Make fundamental changes to the corporate functions necessary to survive the intense global competition

Strategy Scenario

- Enhance management mechanisms and optimize from a global perspective
- Increase efficiency of functions and work, reduce costs by optimizing system scale
- Build up global platform
- Transform corporate functions so they can contribute directly to business

Major Policies

- ✓ Optimize responsibilities and authorities associated with function and localize appropriately, and practice borderless organizational collaboration
- ✓ Achieve efficiency by standardizing work and reconsidering functions
- ✓ Unify (build) foundations and mechanisms, e.g., IT infrastructure, global HR system, and project management
- ✓ Maintain foundation for global management analysis
- ✓ Build and promote innovation mechanisms
- ✓ Carry out a Group HR enhancement program
- ✓ Carry out program to transform corporate culture and organization
- ✓ Increase brand value

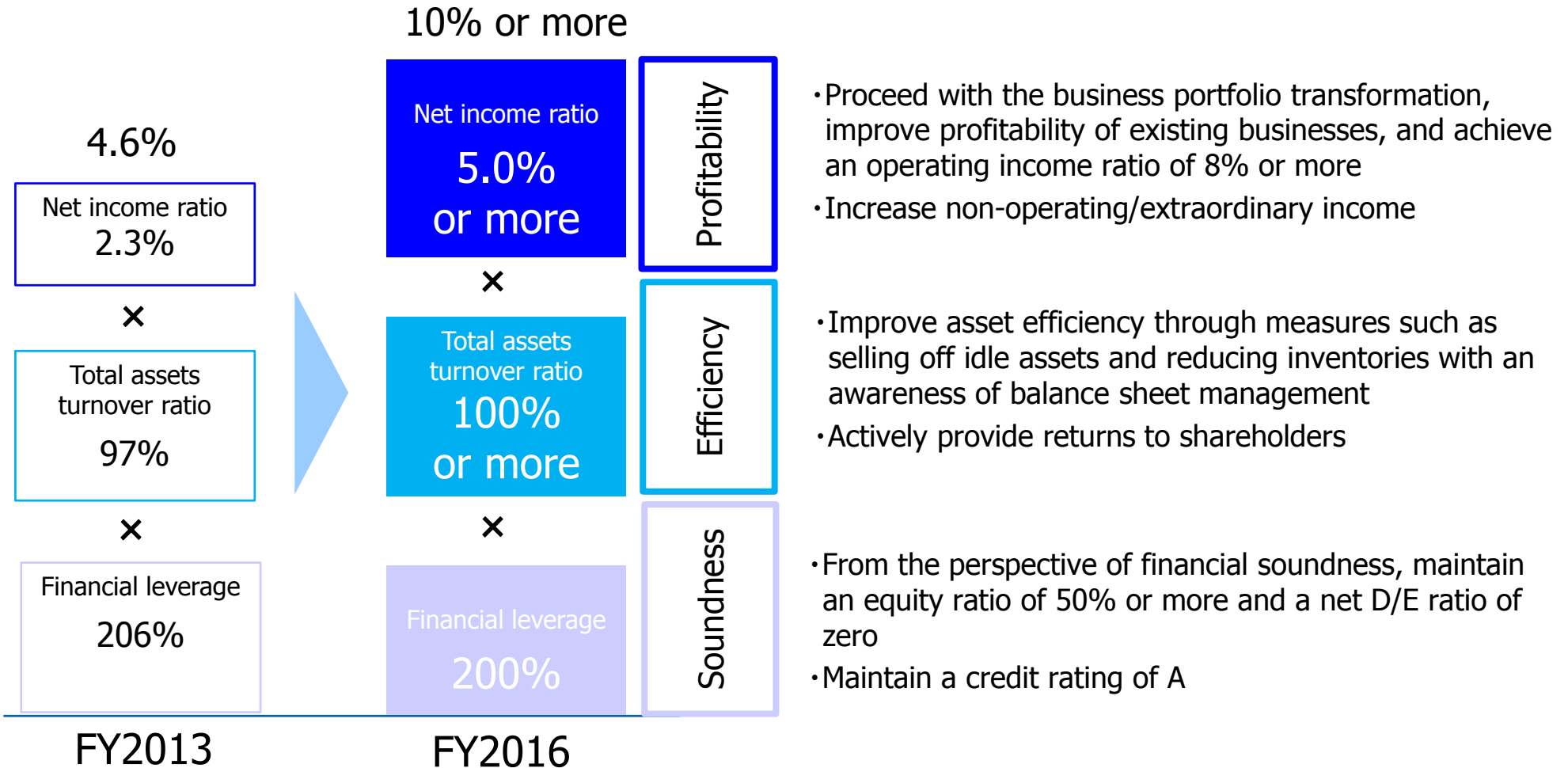


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Key Points of the New Medium Term Business Plan

4-1. Aiming for 10% ROE

Focus on ROE as an important management benchmark and aim to achieve an ROE of 10% or more in FY2016



4-2-1. Investment Plan for Achieving Transform (R&D Expenses)

R&D expenses

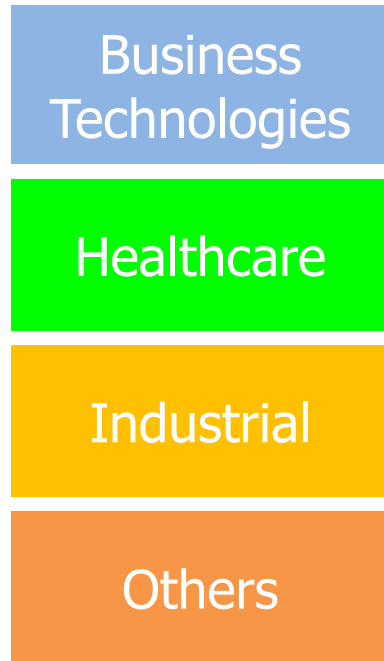
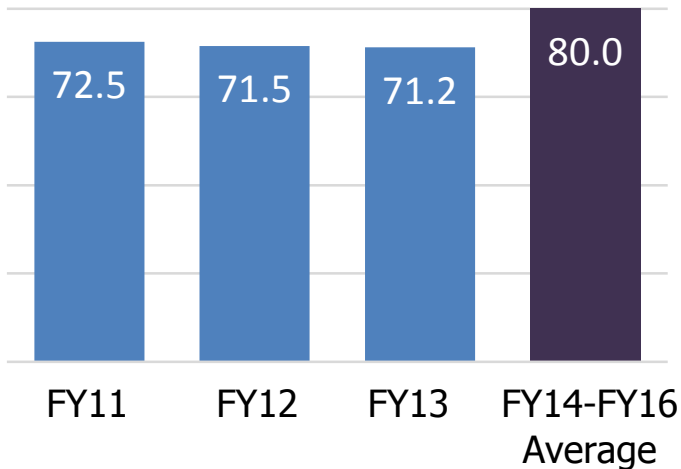
¥240bn (three-year cumulative total)

- Keeping these expenses at 8% or less of net sales, work to strengthen existing businesses and cultivate new ones

R&D expenses to net sales ratio

9.4% 8.8% 7.5% 7.5%

[¥ billions]



- Strengthen technologies which compliment cloud and mobile applications
- Develop new low-cost engine
- Develop industrial inkjet hardware, ink, etc.
- Develop differentiating functions for DR/ultrasound
- Develop high-sensitivity detection (sample, pathology) technology, etc.
- Strengthen existing performance materials business, develop new fields
- Strengthen industrial/professional optical units, etc.
- Develop integrated sensor/image processing systems
- Develop next-generation office systems, etc.

New Medium Term Business Plan

Results

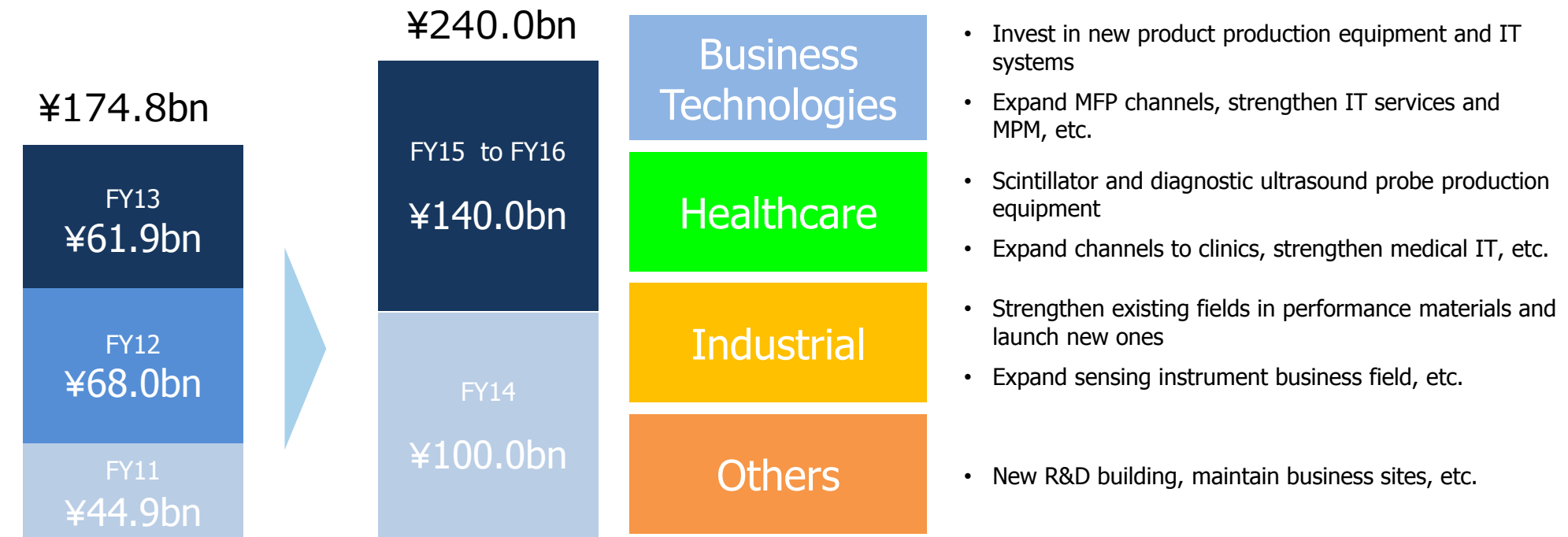
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4-2-2. Investment Plan for Achieving Transform (Capital expenditure/Investment and financing)

Capital expenditure/
Investment and financing

¥240bn (three-year cumulative total)

- Make priority investments in FY14, produce results by FY16.
- Concentrate investment in growth fields and new business areas to swiftly transform businesses.



Results

New Medium Term Business Plan

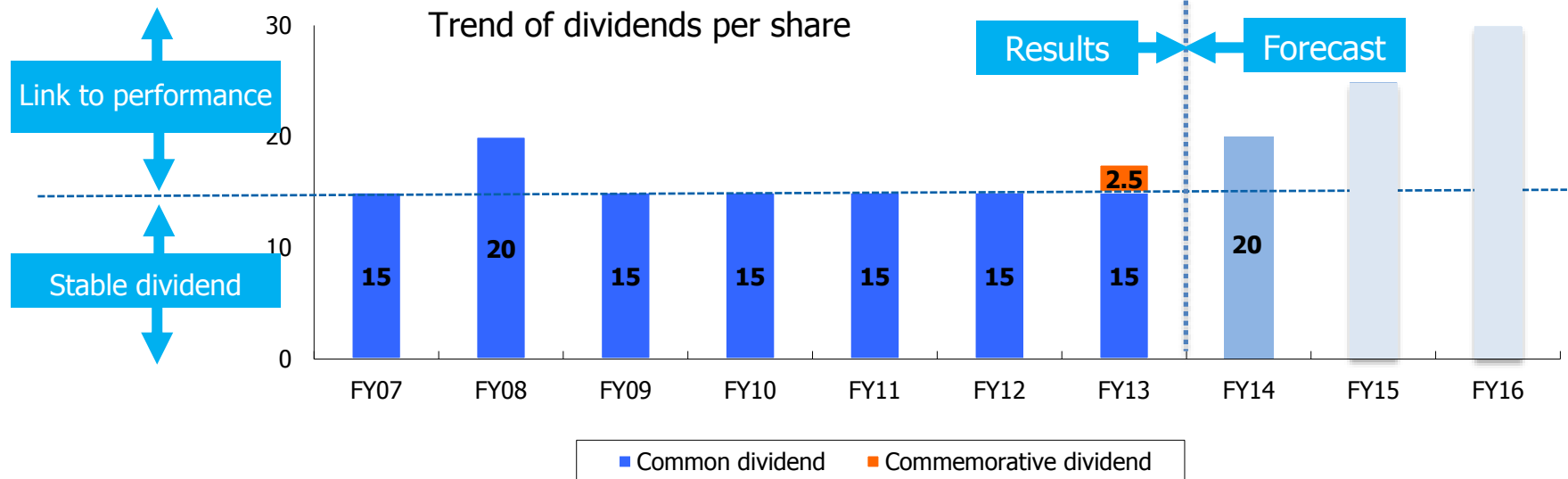
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4-3. Stance Towards Returns to Shareholders

Consider returns to shareholders as an important management issue and work towards expanding and improving these returns

Dividend policy

Aim to increase dividends while working towards the certain attainment of the goals in the new Medium Term Business Plan



Acquisition of treasury stocks

Proper judgments will be made in consideration of factors such as the progress of investment for growth, the free cash flow outlook, and stock prices

4-4-1. March 2015 (FY2014) Forecasts

- Net sales : ¥1 trillion (YoY +6%)
- Operating income : ¥62.0 bn (YoY +7%)
- Net income : ¥26.0 bn (YoY +19%)

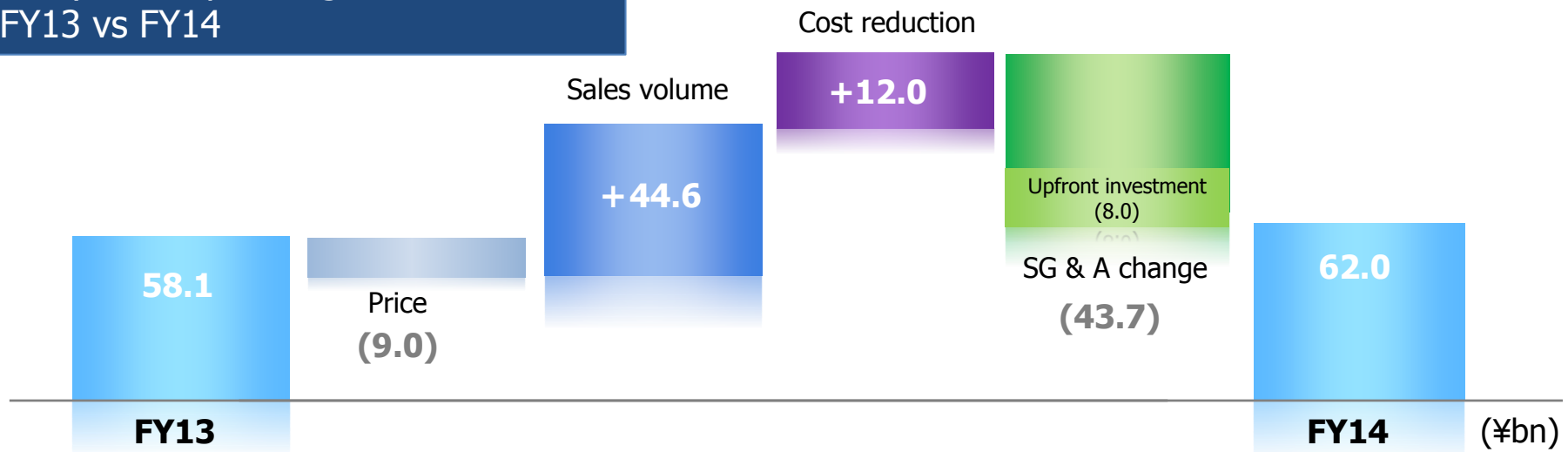
- ▶ FOREX assumption: 1 US\$ = ¥100 1 euro = ¥135

- Dividend forecast : Increase by ¥2.5 per share on a year-on-year basis for a total of ¥20 per share (total annual)
*Interim and year-end dividends: ¥10 per share each

4-4-2. Key Points of FY2014 Performance Forecast

Achieve increased profitability while investing to speed up our transformation and achieve sustained growth.

Analysis of operating income factors,
FY13 vs FY14



Breakdown of ¥8bn in upfront investment

Provide service	¥4bn	Human investment in service businesses, building GMA support system, strengthening OPS growth countries, strengthening BIC
R&D	¥2bn	Strengthening next-generation engine, developing technology that coexists with the cloud and mobile applications, developing high-picture-quality probes
New business	¥2bn	Developing new performance materials businesses



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Supplementary Information

Full-Year Forecasts for Year Ending March 2015(FY2014) – Group Highlights

[¥ billions]

	Forecasts Mar 2015	Results Mar 2014	YoY
Net sales(a)	1,000.0	943.8	6%
Operating income	62.0	58.1	7%
<i>Operating income ratio</i>	<i>6.2%</i>	<i>6.2%</i>	
Ordinary income	57.0	54.6	4%
Net income	26.0	21.9	19%
<i>Net income ratio</i>	<i>2.6%</i>	<i>2.3%</i>	
EPS [Yen]	50.49	41.38	
CAPEX	60.0	47.4	
Depreciation	55.0	47.4	
R&D expenses	75.0	71.2	
FCF	2.0	34.2	
Investment and lending	40.0	14.5	
FOREX [Yen] USD	100.00	100.24	
euro	135.00	134.37	

	Net sales	Operating income
USD	3.0	0.3
euro	1.6	0.8

FOREX impact per 1yen movement
(Full year/billions of yen)

Full-Year Forecasts for Year Ending March 2015 (FY2014)

– Segment Highlights

Net Sales	Outlook	Results	[□billions]
	Mar 2015	Mar 2014	YOY
Business Technologies	800.0	739.9	8%
<i>Office Services</i>	600.0	567.1	6%
<i>Commercial/Industrial print</i>	200.0	172.9	16%
Healthcare	90.0	82.4	9%
Industrial Business	110.0	116.1	-5%
<i>Industrial Optical Systems</i>	61.0	57.8	5%
<i>Performance Materials</i>	49.0	58.3	-16%
Others	0.0	5.3	-
Group Overall	1,000.0	943.8	6%

Operating income	Outlook		Results		YOY
	Mar 2015		Mar 2014		
Business Technologies	72.0	9.0%	66.6	9.0%	8%
Healthcare	7.0	7.8%	4.5	5.5%	56%
Industrial Business	12.0	10.9%	15.2	13.1%	-21%
Eliminations and Corporate	-29.0	-	-28.2	-	-
Group Overall	62.0	6.2%	58.1	6.2%	7%



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