



**SHINKA 2019**  
Evolution



# Konica Minolta, Inc. 1<sup>st</sup> Quarter/FY2017 ending in March 2018 **Consolidated Financial Results**

Three months: April 1, 2017 – June 30, 2017  
– Announced on July 28, 2017 –

Seiji Hatano  
Senior Executive Officer  
Chief Financial Officer  
Konica Minolta, Inc.

# FY2017 1Q performance overview

【¥billions】

	1Q Mar 2018	1Q Mar 2017	YoY	YoY (W/O Forex)
<b>Revenue</b>	<b>232.4</b>	<b>229.1</b>	+ 1%	+ 1%
<b>Operating Profit</b>	<b>8.7</b>	<b>8.9</b>	- 2%	+ 8%
<b>Profit attributable to owners of the company</b>	<b>5.4</b>	<b>6.4</b>	- 16%	
<b>FOREX [Yen]</b>				
USD	111.09	108.14	2.95	
euro	122.19	122.02	0.17	

## Revenue

- Office Business hit by falling sales in Europe, but industrial printing in Professional Print Business and measuring instruments in Industrial Business drive higher revenue for company as a whole

## Operating Profit

- Lower profit in Office Business and Healthcare Business offset by higher profit in Industrial Business and returns from liquidation of assets in a sales leaseback, enabling us to maintain flat earnings year on year.

# FY2017 1Q Revenue by segment

【¥billions】

	Mar 2018 1Q	Mar 2017 1Q	YoY	YoY (w/o Forex)
Office	133.0	136.2	- 2%	- 3%
Professional Print	49.0	47.5	+ 3%	+ 3%
Healthcare	19.5	18.5	+ 6%	+ 5%
Industrial	28.7	24.9	+ 15%	+ 15%
Optical systems for industrial use	11.7	7.0	+ 67%	+ 65%
Materials and components	17.0	17.9	- 5%	- 5%
New business / corporate, etc.	2.1	2.1	- 2%	- 3%
Company overall	232.4	229.1	+ 1%	+ 1%

# FY2017 1Q Operating Profit by segment

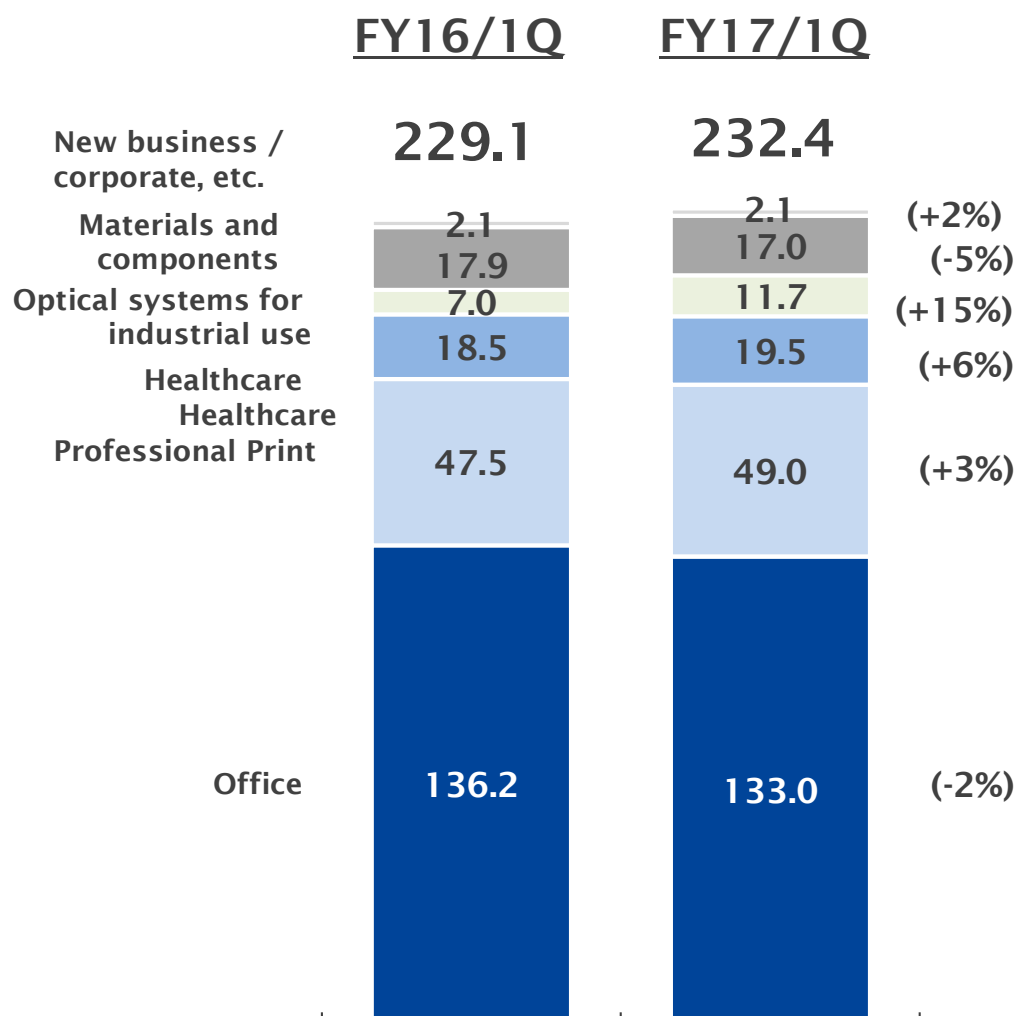
【¥billions】

	Mar 2018 1Q	Mar 2017 1Q	YoY	W/O Forex
Office	5.3	11.4	- 53%	-46%
Professional Print	1.6	1.6	- 3%	2%
Healthcare	-0.5	0.2	-	-
Industrial	6.1	3.4	+ 81%	79%
New business / corporate, etc.	-3.8	-7.7	-	-
Company overall	8.7	8.9	- 2%	

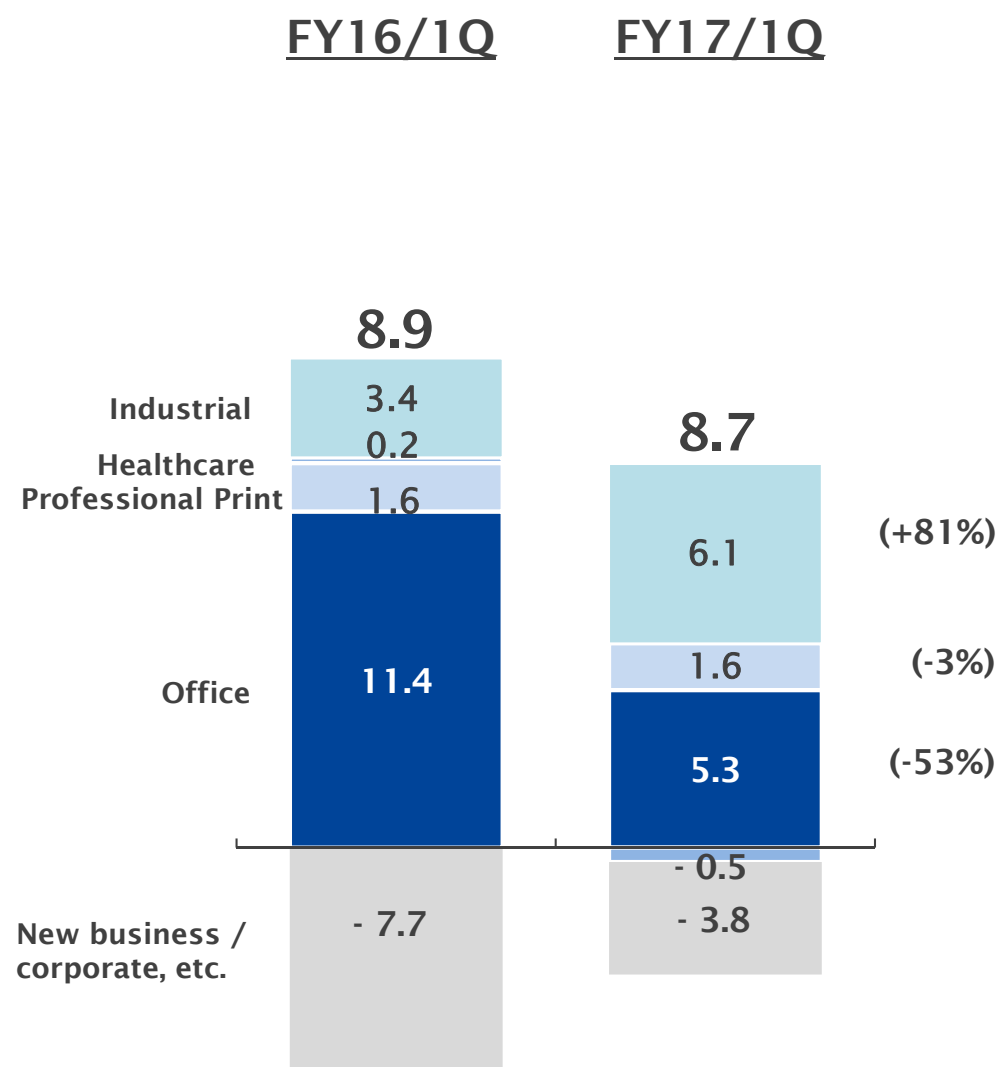
# FY2017 1Q Revenue and operating profit by segment

【¥billions】

## Revenue



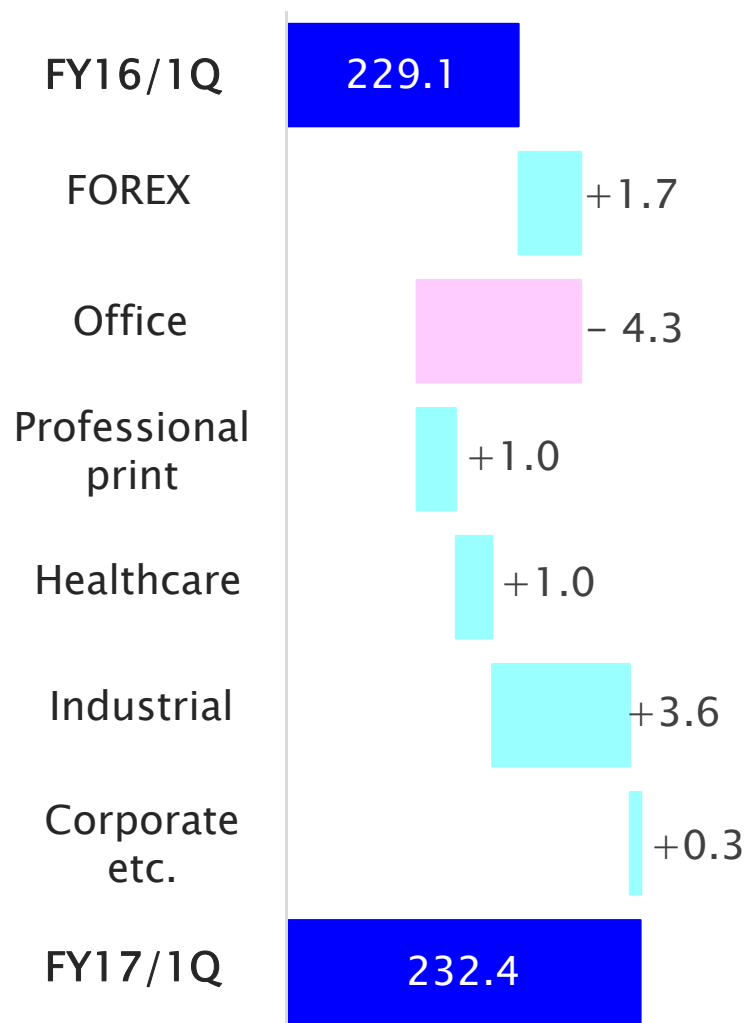
## Operating Profit



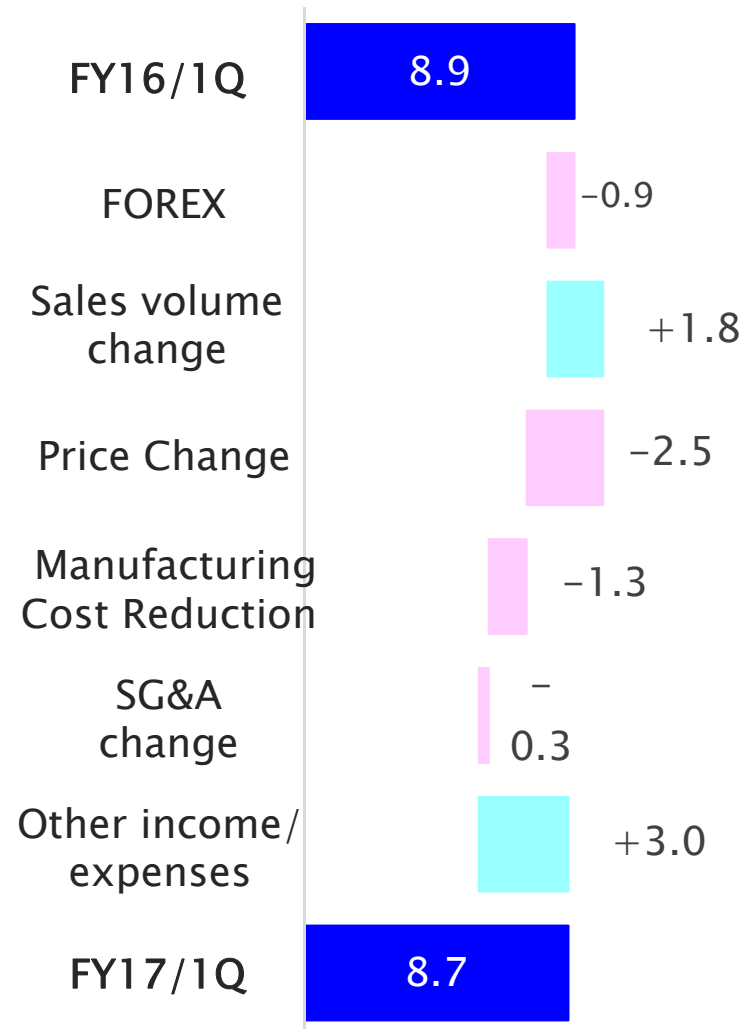
# FY2017/1Q Revenue and Operating Profit Analysis

【¥ billions】

## Revenue



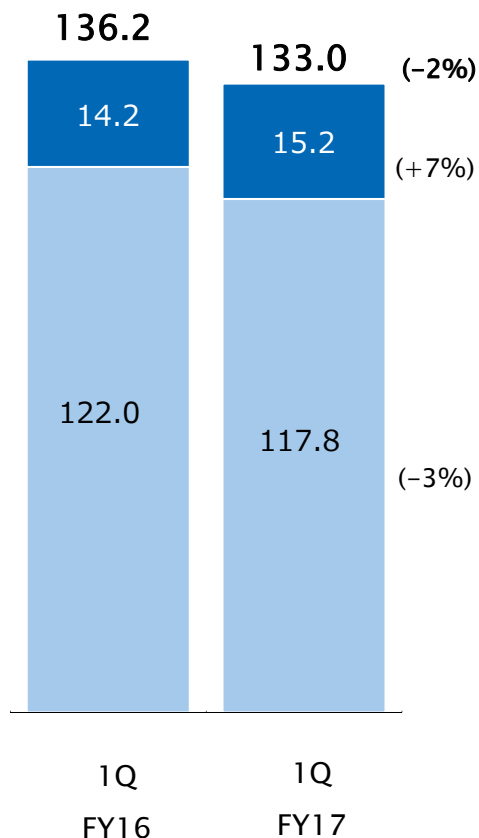
## Operating Profit



## Revenue

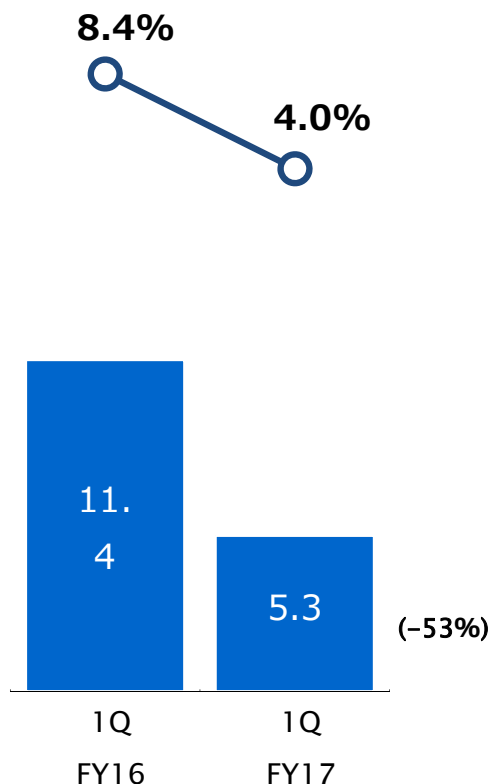
【¥billions】

- IT Service Solution
- Office



## Operating Profit

【¥billions】



## Summary

### IT service solutions

- Measures aimed at generating business discussions for simplified network assessment bearing fruit in North America. Average monthly recurring fees charged for IT services also on the rise.
- Deploying strategies in Europe also to stimulate demand against the backdrop of heightened awareness of security issues.

### Office

- Solid sales of A3 color models in North America
- Product/regional mix deteriorated due to factors such as falling sales of A3 color models in Europe and rising sales of B&W models in China.
- Adjusted production and shipments to correct inventory to appropriate levels, resulting in lower margins.
- OPS Revenue: ¥ 22.8 bn (YoY +16%)  
GMA Revenue: ¥ 7.3bn (YoY +17%)

# Factors behind Office Business deterioration in profitability in 1Q/ recovery measures for 2Q onward

## Operating profit: Factors behind ¥6.1 billion decline in profit YoY

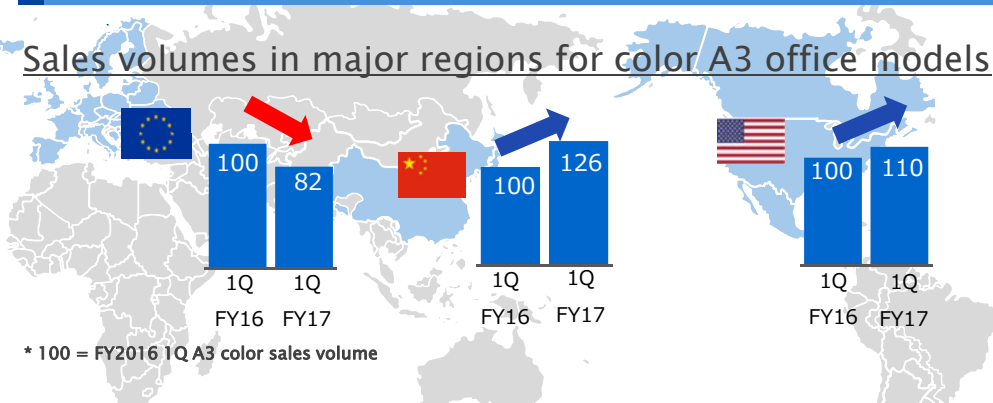
### Sales factors: –¥3.4 billion

(Lower sales in EU caused negative impact on a non-consolidated basis.)

Measures to raise profit=Price increases in 1Q/2Q, 3Q

- ↳ • Fewer deals with major accounts
- Decrease in dealer sales
- ↳ • Less shipment due to production adjustment
- Deterioration in product mix/regional mix

### Sales volumes in major regions for color A3 office models



### Production factors: –¥1.8 billion

- Transient increase in production costs due to transfer of production from China to Malaysia

### Forex impact: –¥0.8 billion

## Recovery measures / outlook for 2Q onward

1

### <Sales: Strategy to restructure sales>

- Make strategic approaches to medium to major customers, adhering to our “profits first” policy.
- Enhance product mix by expanding high-speed color models.
- Expand print volumes through higher sales of high-speed color models, leading to recovery for non-hardware.

### <Production/shipment adjustment>

- Inventory will be optimized within 1<sup>st</sup> half.

2

- Improvement in Malaysian production costs from 2Q onward

3

- To be cleared in 2Q

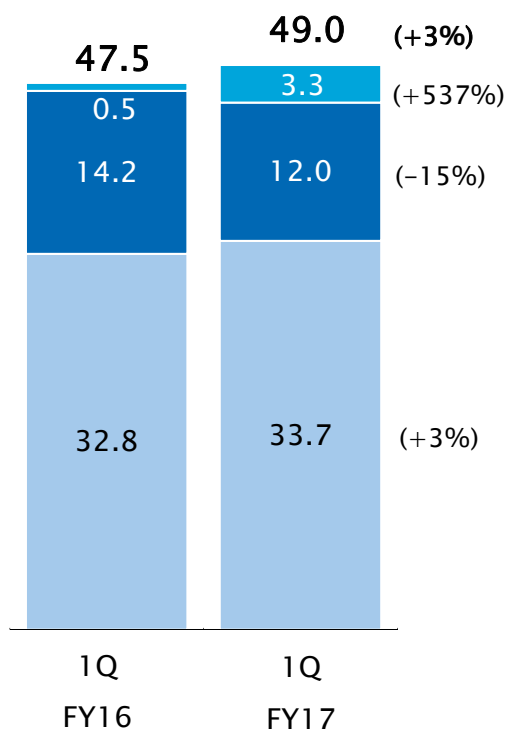


# Professional Printing Business

## Revenue

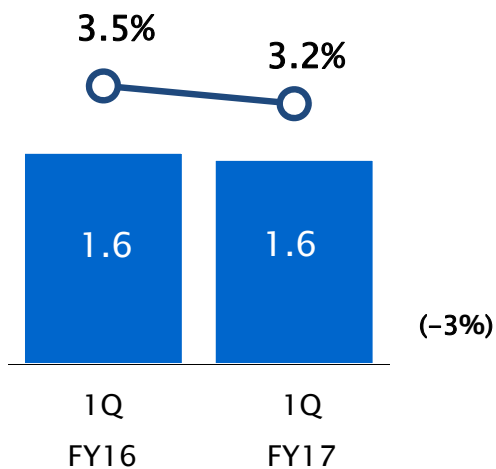
【¥ billions】

- Industrial Print
- Marketing Service
- Production Print



## Operating Profit

【¥ billions】



## Summary

### Industrial printing

- Strengthened specialist sales and support network.
- Solid performance for “AccurioJet KM-1” in North America.
- Sales of label printers, MGI products rose, primarily in North America.

### Marketing services

- Kinko’s enjoyed favorable conditions in both Japan and South Korea
- MPM revenue fell due to effects of pressure on budgets at major clients and delay in service rollout at new clients.

### Production printing

- New LPP “AccurioPress C2070” series maintained its momentum.
- Driven by overseas sales in Europe, the US, India, and China. Sales volumes of color models rose 10% year on year.

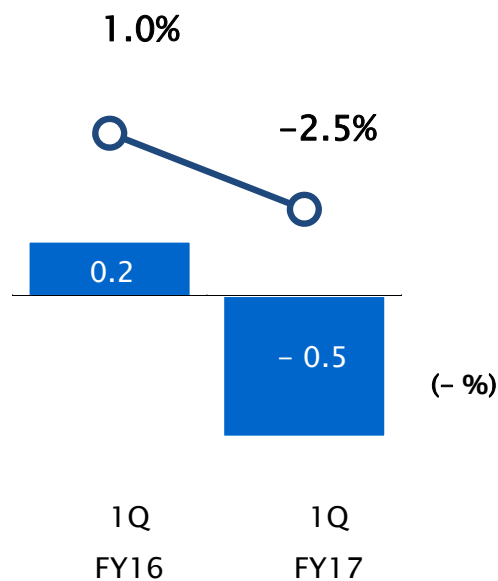
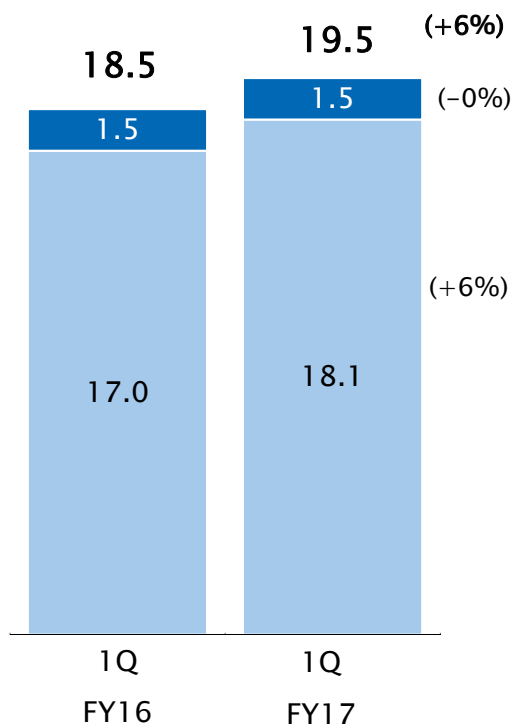
## Revenue

【¥ billions】

## Operating Profit

【¥ billions】

- Medical IT
- Healthcare (Modality)



## Summary

### Medical IT

- Strengthened sales and support structure for installing system infrastructure on behalf of clients in the US.
- Strengthened solution marketing system centered on PACS with M&A in Japan as well.

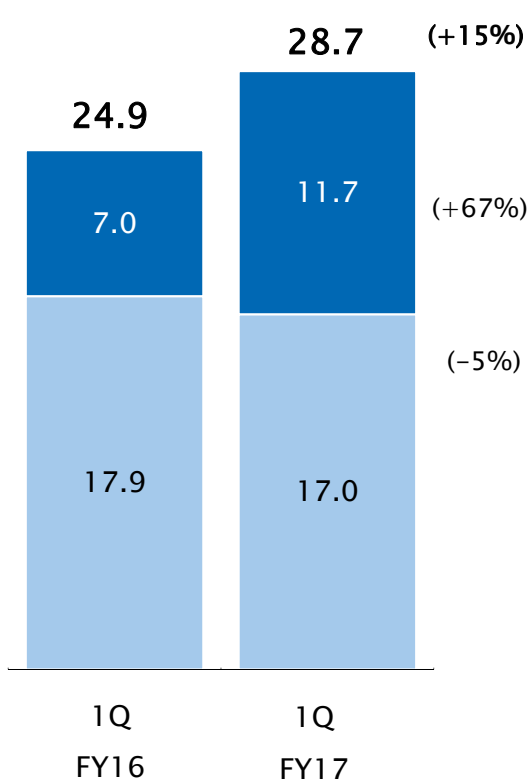
### Healthcare (modality)

- DR sales volume expanded both in Japan and overseas
- Ultrasound systems sales volume nearly doubled, primarily due to growth in Japan. Expanding “genre-top” share by moving from orthopedics to anesthesiology etc.
- Analog product sales falling due to shift to digital.

## Revenue

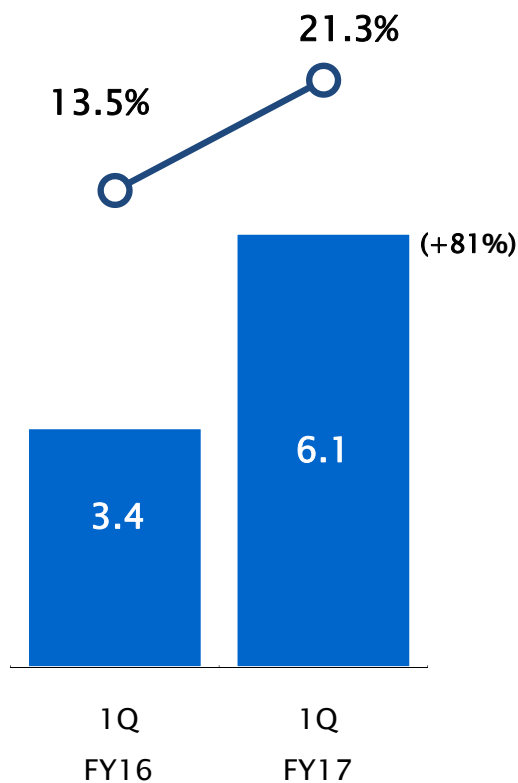
【¥ billions】

- Optical Systems for Industrial Use
- Materials・Components



## Operating Profit

【¥ billions】



## Summary

### Optical systems for industrial use

- Measuring instruments benefit from tailwind of increased OLED usage in smartphones. Significant increase in revenue due to large project won at major manufacturer of mobile equipment, increases in sales to Chinese manufacturers.

### Materials and components

- IJ (inkjet) component sales solid in Europe/ US/ Japan, leading to higher revenue.
- Optical component revenue falling due to contracting demand for end-products.
- Performance materials revenue declined due to intensifying price pressure despite rising sales volume of new high-performance products.
- Formed a joint venture company with Pioneer Corporation in the OLED lighting business.

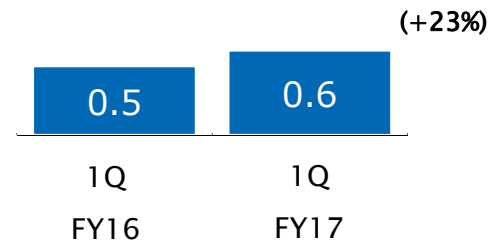
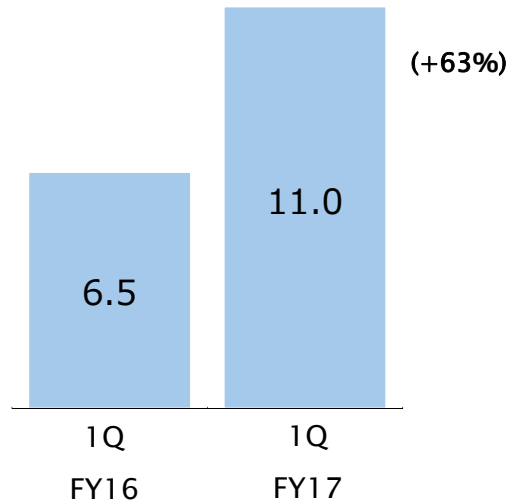
# Revenue of Industrial Business Sub Segments

## Optical Systems for Industrial Use

【¥billions】

Measuring Instruments

Visual Solution



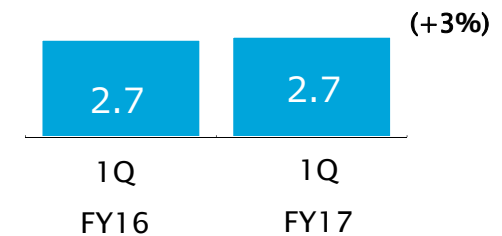
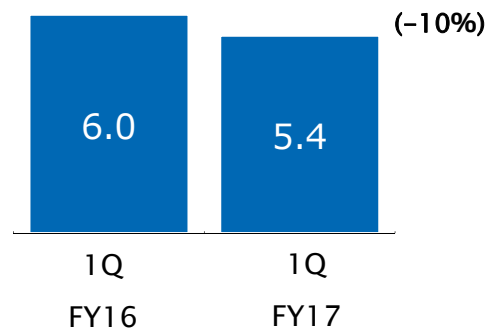
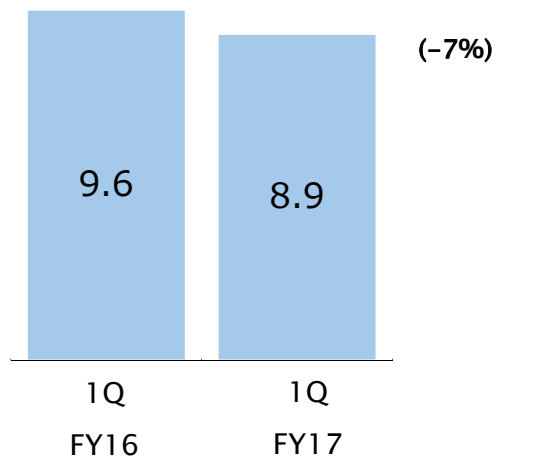
## Materials · Components

【¥billions】

Performance Materials

Optical Component

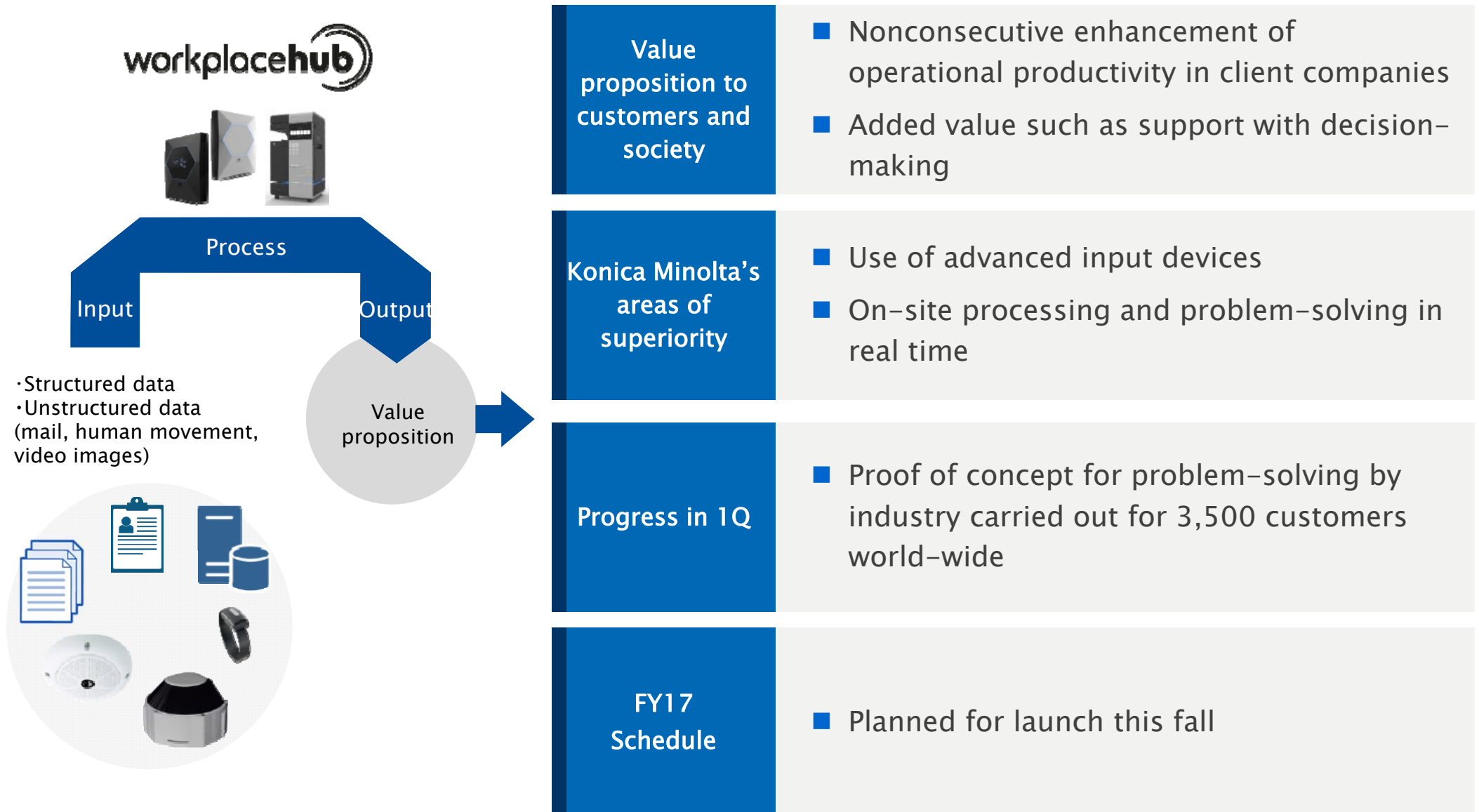
IJ (inkjet) Component



# Priority initiatives from 2Q (core/growth business)

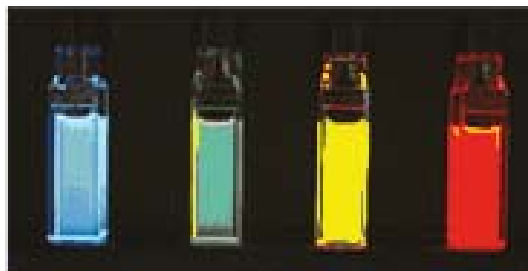
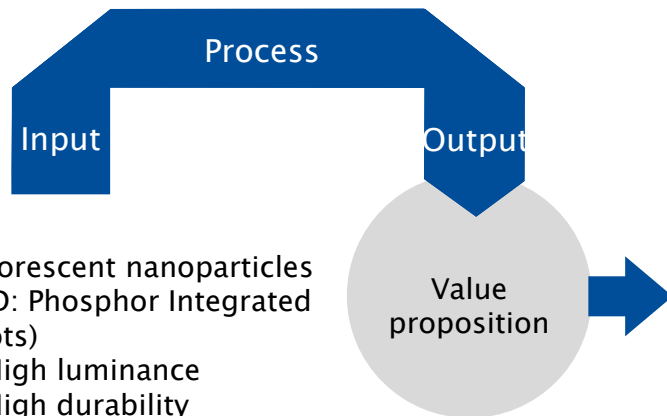
Office	<ul style="list-style-type: none"><li>■ Improve business profitability and repeat-customer rate by expanding hybrid-type sales.</li><li>■ Raise average selling price and expand print volume by boosting sales of high-speed color MFPs.</li></ul>
Professional print	<ul style="list-style-type: none"><li>■ Production print: Expand sales of new color 100-sheet-per-minute printer. Accelerate sales to commercial printing customers as part of sets with solution products and capture high print volumes.</li><li>■ Industrial printing: Utilize the specialist sales network to accelerate sales in Europe and continue solid sales in North America.</li></ul>
Healthcare	<ul style="list-style-type: none"><li>■ DR: Increase sales volumes by leveraging sales alliances with major-company partners.</li><li>■ Ultrasound systems: Expand into areas beyond orthopedics in Japan, and expand sales worldwide.</li><li>■ Medical IT: Produce results from strengthened sales and the enhanced support structure for installation of system infrastructure on behalf of clients in the US and Japan.</li></ul>
Optical systems for industrial use	<ul style="list-style-type: none"><li>■ Measuring instruments: Strengthen customer approach to draw on demand in second half.</li></ul>
Materials and components	<ul style="list-style-type: none"><li>■ Performance materials: Strengthen sales of highly value-added VA-TAC film, Zero-TAC for IPS, and thin film for small and medium-sized panels.</li></ul>

# Progress of new business 1. Workplace Hub





Visualization of number and location of specific proteins in cancer cells



**Value proposition to customers and society**

- Reduction of medical expenses
- Improvement of survival rate and quality of life of cancer patients

**Konica Minolta's areas of superiority**

- High sensitive tissue testing (HSTT) to detect the specific proteins that occur in cancer

**Progress in 1Q**

- Konica Minolta and Innovation Network Corporation of Japan jointly concluded an agreement to acquire Ambry Genetics Corporation (US), one of the world's best genetic diagnostics companies

**FY17 Schedule**

- To be closed in October
- Expected to become a consolidated subsidiary from 3Q

## 1. Measures to liquidate assets in a sale leaseback

Objective	<ul style="list-style-type: none"><li>Contributions to improved cash flow, such as off-balance-sheet financing, investments in growth areas, use of working capital, and repayment of interest-bearing liabilities</li></ul>
Background	<ul style="list-style-type: none"><li>Consideration of a global expansion as a means of optimizing use of facilities (land and buildings) as a corporate real estate (CRE) strategy</li></ul>
Progress in 1Q	<ul style="list-style-type: none"><li>Target: Hino site; generate cash from part of the land title using the sale-leaseback method.</li><li>Measure effect: ¥4.0 billion</li></ul>

## 2. Human resource transformation measures

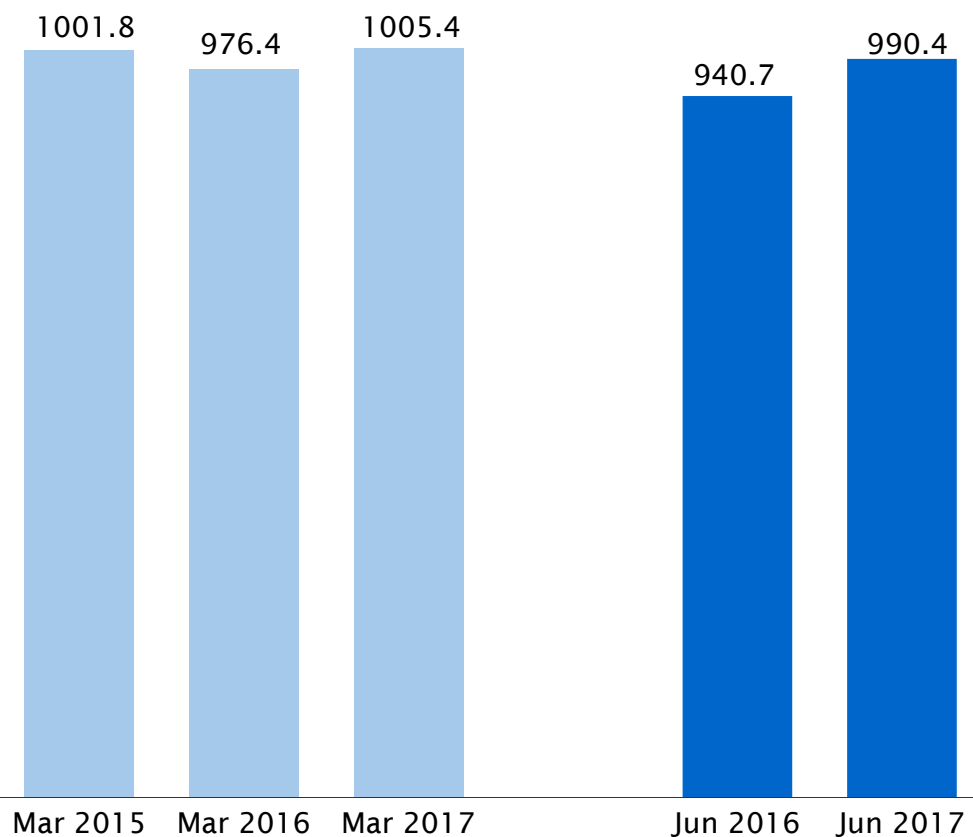
Progress in 1Q	<ul style="list-style-type: none"><li>Domestic subsidiaries offer a special career change program, providing options to those seeking to be active outside the company as part of the HR transformation</li></ul>
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# Major items from the statements of financial position

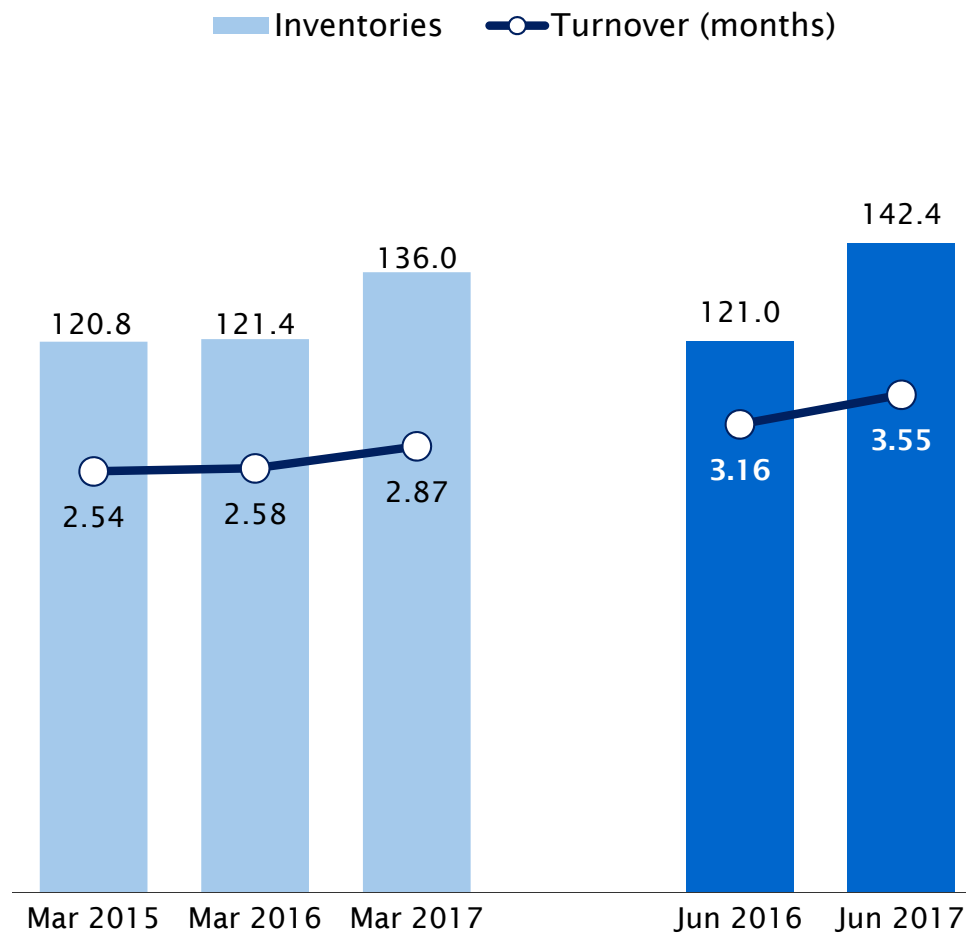
## Total Assets

【¥billions】



## Inventory/Turnover

【¥billions】

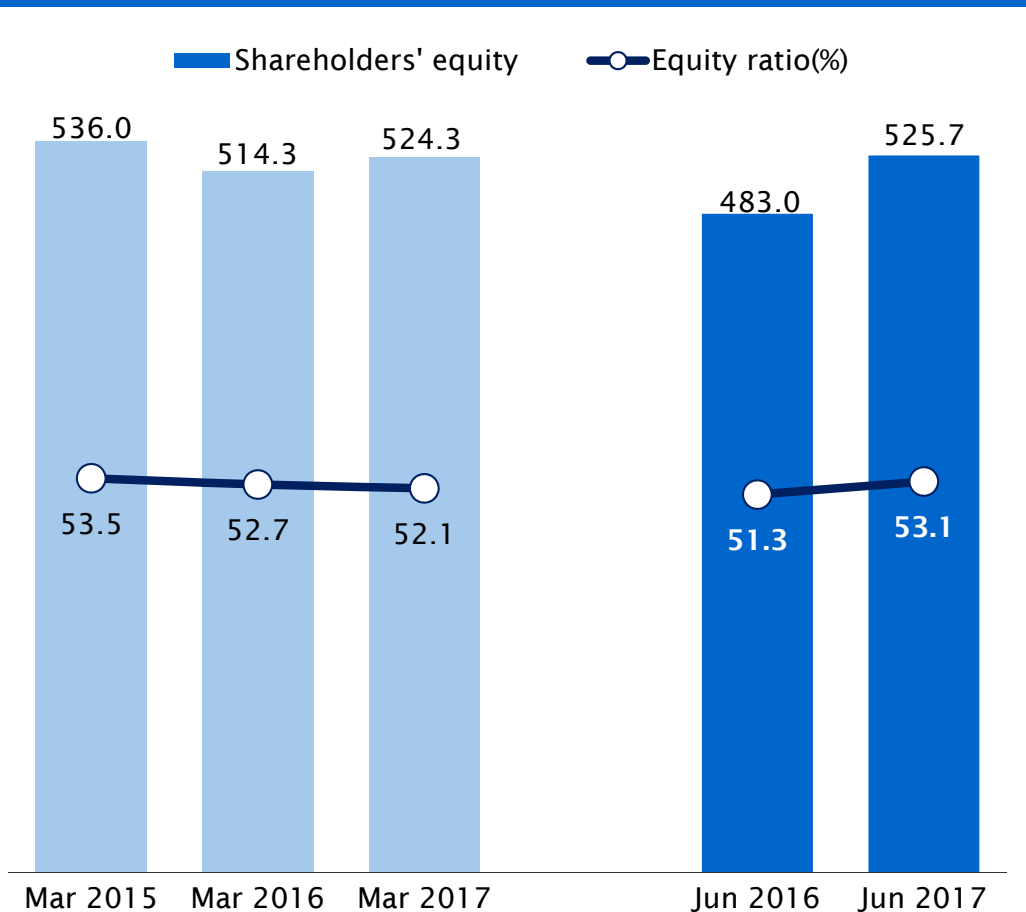


\* Inventory turnover, in months = Inventory balance at end of fiscal year / Average cost of sales for most recent three months

# Major items from the statements of financial position

## Equity & Equity Ratio [¥billions]

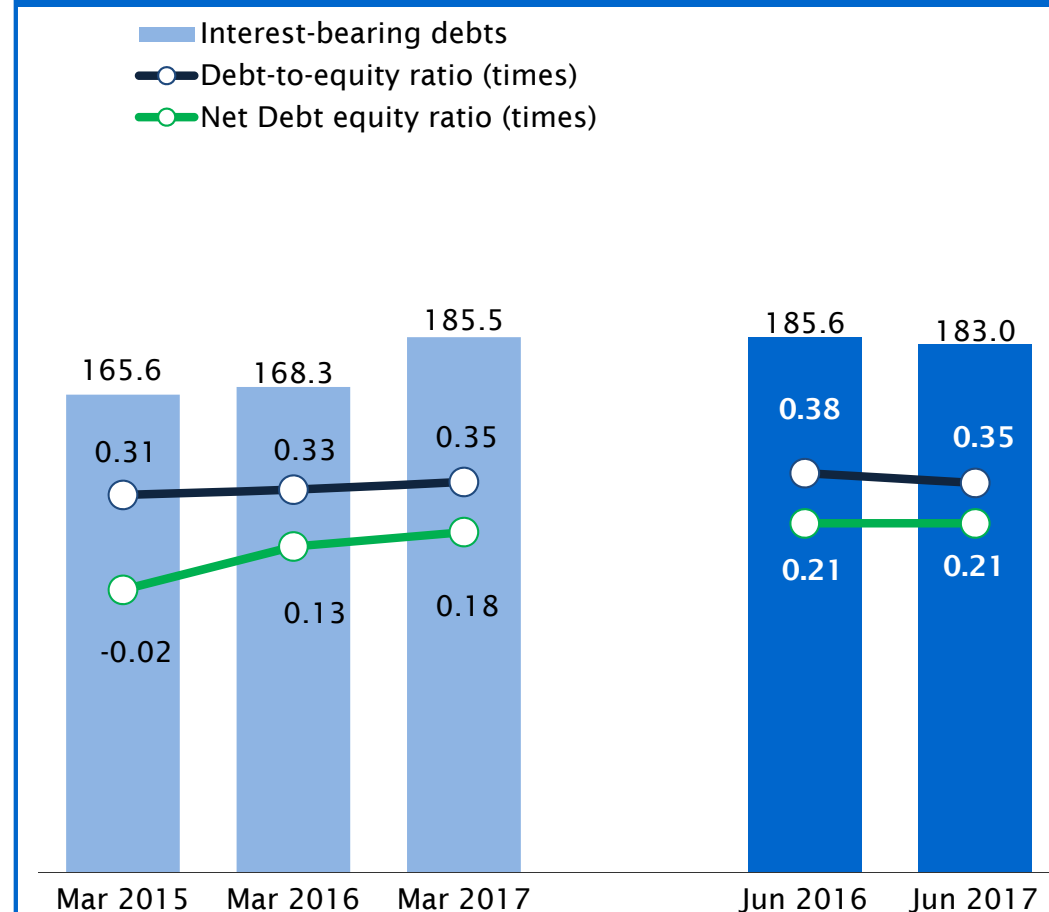
Attributable to owners of the parents company



Equity = Equity attributable to owners of the company

Equity ratio = Equity attributable to owners of the company / Total assets

## Interest-bearing liabilities & D/E Ratio [¥billions]



# FY2017 Financial Forecast

	Mar 2018 estimates	Mar 2017 results	YoY
【¥billions】			
Revenue	980.0	962.6	+ 2%
Operating Profit	46.0	50.1	- 8%
Profit attributable to owners of the company	30.0	31.5	- 5%
FOREX [Yen]			
USD	105	108.38	
EUR	115	118.79	

## Earnings Forecast

- Unchanged from the full fiscal year forecast that was announced on May 11, 2017.

## Dividend forecast

- Annual Dividend: Unchanged at ¥30 per share (¥15 at both interim and period-end).

# Appendix

# FY2017 1Q Financial Results Highlight – Overview

【¥ billions】

	1Q Mar 2018	1Q Mar 2017	YoY
Revenue	232.4	229.1	+ 1%
Gross Profit	112.0	114.3	– 2%
Gross Profit ratio	48.2%	49.9%	–
Operating Profit	8.7	8.9	– 2%
Operating Profit ratio	3.8%	3.9%	–
Profit before tax	8.2	8.5	– 4%
Profit before tax ratio	3.5%	3.7%	–
Profit attributable to owners of the company	5.4	6.4	– 16%
Profit attributable to owners of the company ratio	2.3%	2.8%	–
EPS [Yen]	10.83	12.89	
CAPEX	8.2	7.9	
Depreciation and Amortization Expenses	13.6	12.7	
R&D expenses	18.5	18.3	
FCF	–8.6	–25.2	
Investment and lending	0.6	32.3	
FOREX [Yen] USD	111.09	108.14	2.95
EUR	122.19	122.02	0.17

# Operating Profit Analysis

【¥ billions】

## FY2017/1Q vs FY2016/1Q

	Office	Professional Printing	Healthcare	Industrial Business	New business / corporate, etc.	Total
<b>[Factors]</b>						
Forex impact	-0.8	-0.1	-0.1	0.1	0.1	-0.9
Price change	-0.8	-0.5	-0.2	-0.9	-	-2.5
Sales volume change, and other, net	-3.0	1.6	0.0	3.1	0.1	1.8
Cost up/down	-1.8	0.1	0.1	0.4	-	-1.3
SG&A change, net	1.0	-0.8	-0.4	-0.0	--0.1	-0.3
Other income and expense	-0.7	-0.3	-0.0	0.2	3.8	3.0
<b>[Operating Profit]</b>						
Change, YoY	-6.1	-0.1	-0.7	2.7	3.9	-0.2

# SG&A, Other Income/ Expenses•Finance Income/Loss

【¥ billions】

	1Q Mar 2018	1Q Mar 2017	YoY
<b>SG&amp;A:</b>			
Selling expenses - variable	11.2	12.1	-1.0
R&D expenses	18.5	18.3	0.3
Personnel expenses	48.6	48.3	0.3
Other	27.8	26.6	1.2
SG&A total	106.1	105.2	0.8
<i>* Forex impact: ¥+0.5 bn. (Actual: ¥+0.3bn.)</i>			
<b>Other income:</b>			
Gain on sales of property, plant and equipment	4.0	0.1	4.0
Patent-related income	-	-	-
Other income	0.8	1.3	-0.5
Other income total	4.8	1.3	3.5
<b>Other expenses</b>			
Loss on sales of property, plant and equipment	0.1	0.1	0.0
Special extra retirement payments	0.5	-	0.5
Other expenses	1.3	1.4	-0.1
Other expenses total	2.0	1.5	0.5
<b>Finance income/loss:</b>			
Interest income/Dividends received/Interest expense	0.1	0.0	0.0
Foreign exchange gain/loss (net)	-0.4	-0.3	-0.1
Other	-0.1	-0.0	-0.0
Finance income/loss, net	-0.4	-0.3	-0.1

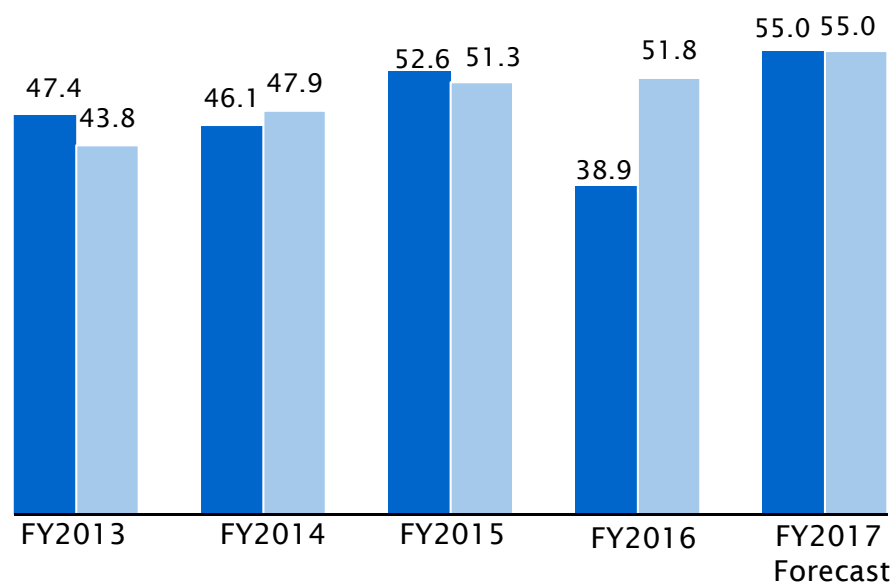
\* Regarding Mar 2017 data, reclassified into new business segments

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

## Capital Expenditure and Depreciation and Amortization Expenses

[¥ billions]

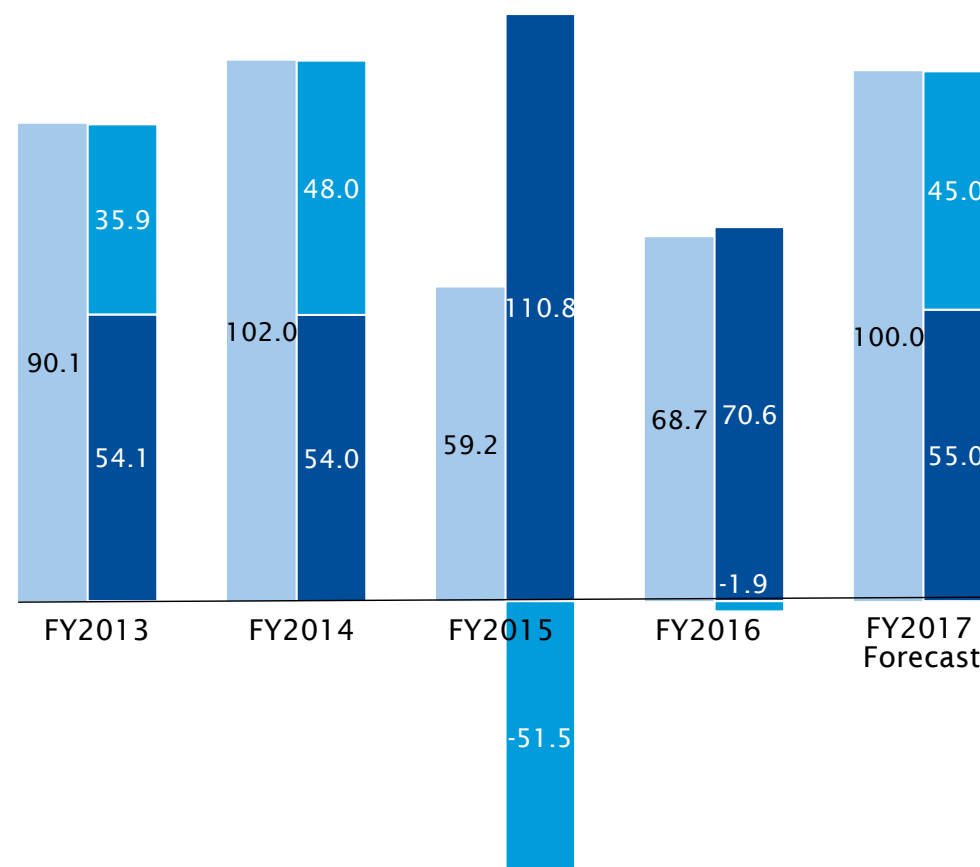
- Capital expenditures
- Depreciation and amortization



## Free Cash Flows

[¥ billions]

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

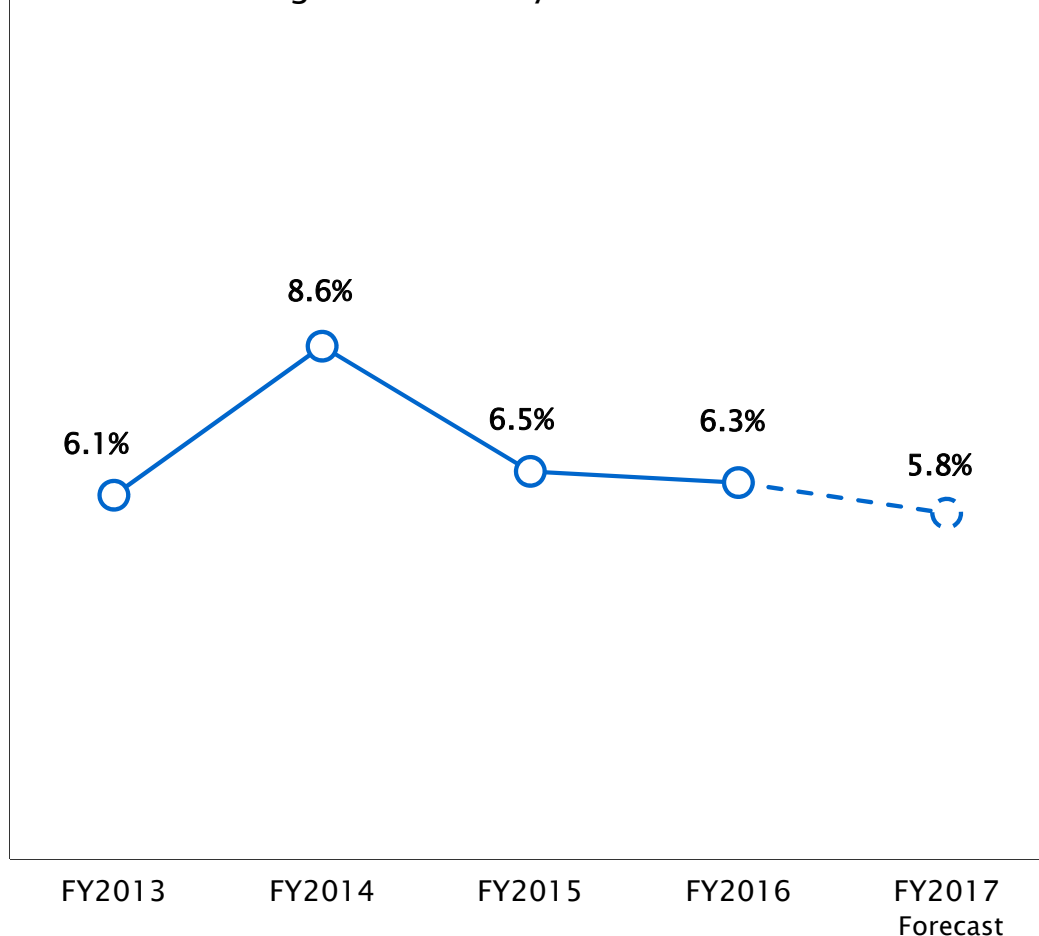


\*FCF forecast for Mar 2018 does not include investment and lending

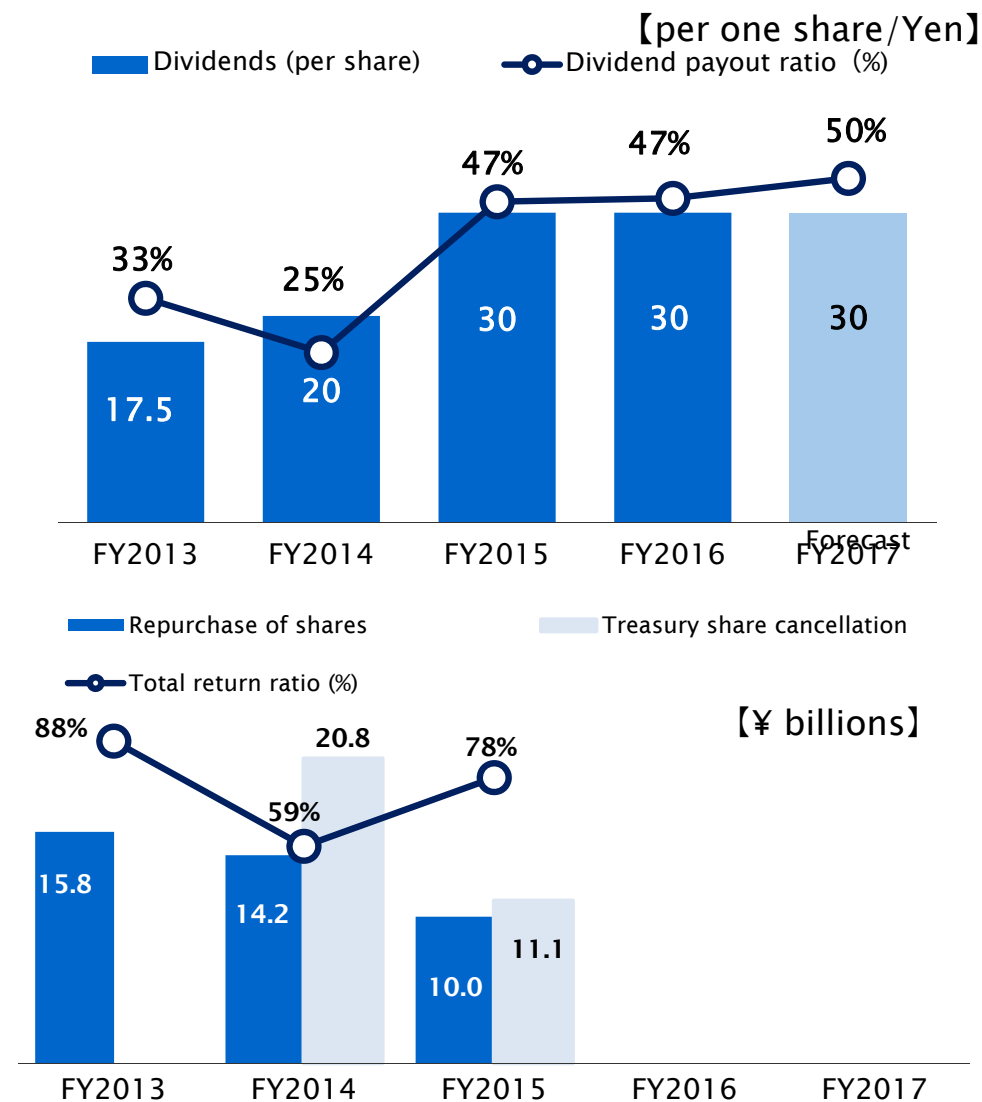


## ROE

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: Office/Professional Print

## ■ Composition of Revenue by region (in yen)

	FY2015				FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
JP	12%	12%	12%	13%	13%	12%	13%	13%	13%
NA	33%	34%	34%	33%	32%	34%	33%	32%	34%
EU	37%	36%	38%	38%	37%	36%	36%	38%	36%
Other	18%	18%	17%	16%	18%	18%	18%	16%	17%

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

	FY2015				FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
JP	+1%	+1%	+1%	-0%	-1%	-1%	-1%	-2%	+2%
NA	+5%	+1%	+3%	+0%	+2%	+3%	+6%	-3%	+2%
EU	+3%	+0%	+3%	+2%	+4%	+4%	+9%	+4%	-1%
Other	+20%	-3%	-4%	-1%	+4%	+7%	-12%	-1%	-10%

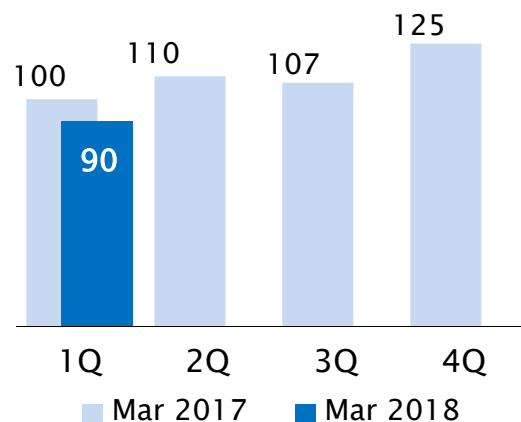
## ■ Percentage of color in sales of hardware

	FY2015				FY2016				FY2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Office	68%	66%	71%	71%	71%	72%	72%	72%	69%
PP	68%	71%	73%	73%	74%	73%	73%	72%	78%

# Unit Sales Trend: Office/Professional Print

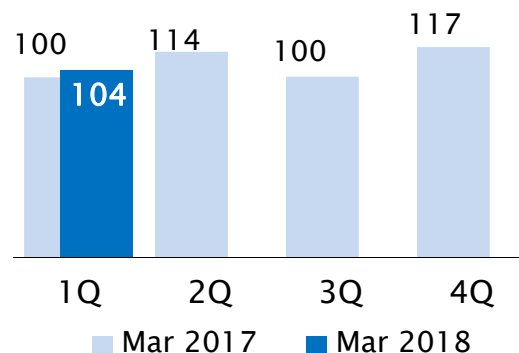
■ A3 color MFP- Units\*

YoY : - 10%



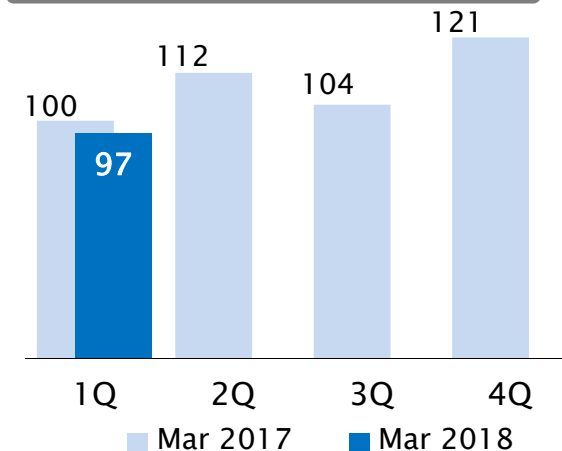
■ A3 B&W MFP- Units\*

YoY : +4%



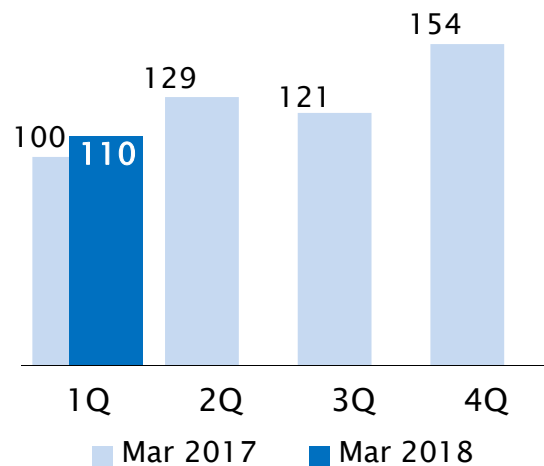
■ A3 MFP TTL- Units\*

YoY : - 3%



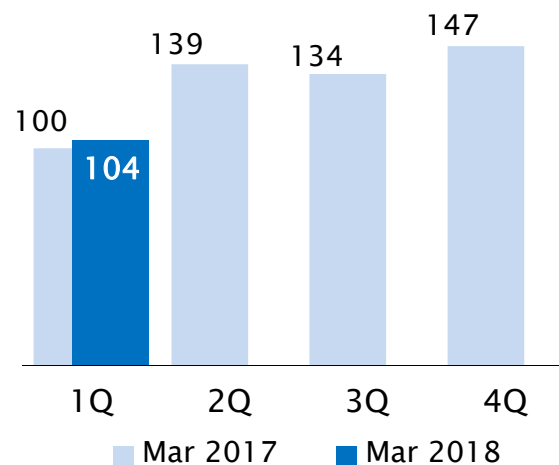
■ Color Production Print - Units\*

YoY : +10%



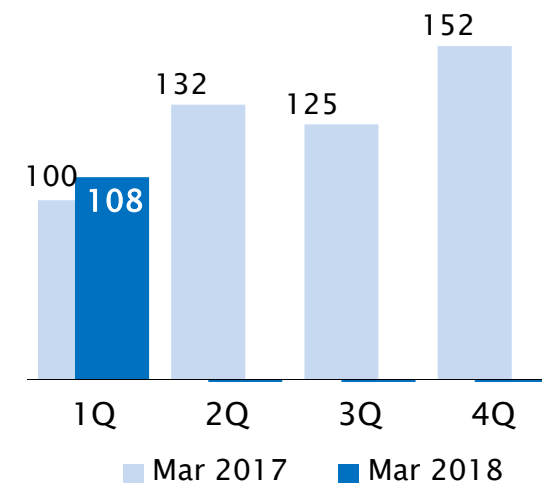
■ B&W Production Print - Units\*

YoY : +4%



■ Production Print - Units\*

YoY : +8%

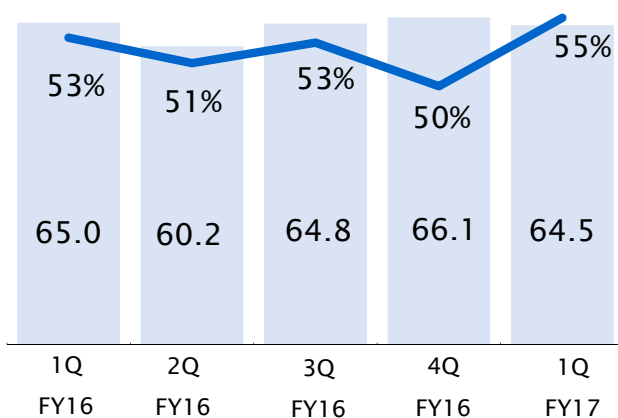


\* Base index : "1Q Mar2016" = 100

# Office/Professional Print : Sales Results of Non-Hard

## Revenue & ratio of non-hard

Office products 【¥billions】

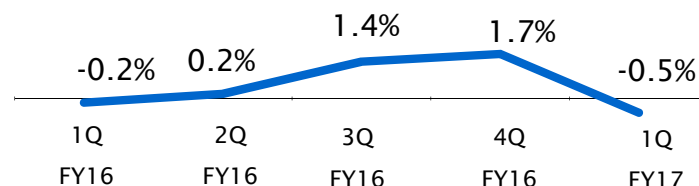


## YoY Revenue increase of non-hard

(w/o FOREX)

【YoY】

【Regional】



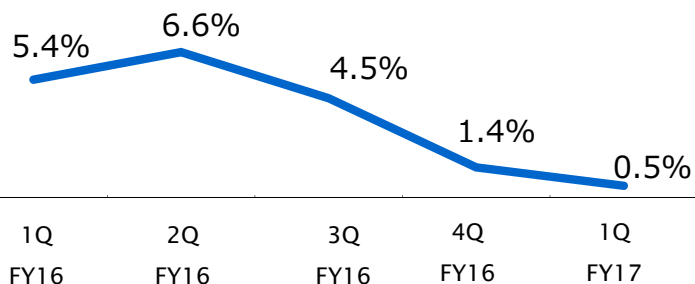
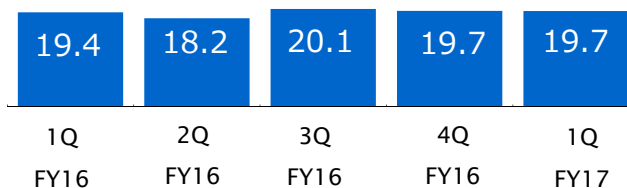
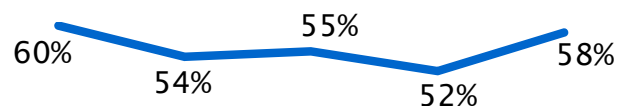
Japan

-3.1%

-0.4%  
North America

-1.1%  
EU

## Production printing



1.7%

Japan

0.2%  
North America

1.6%

EU

# FOREX Impact to Revenue and Operating Profit

【FOREX : ¥】

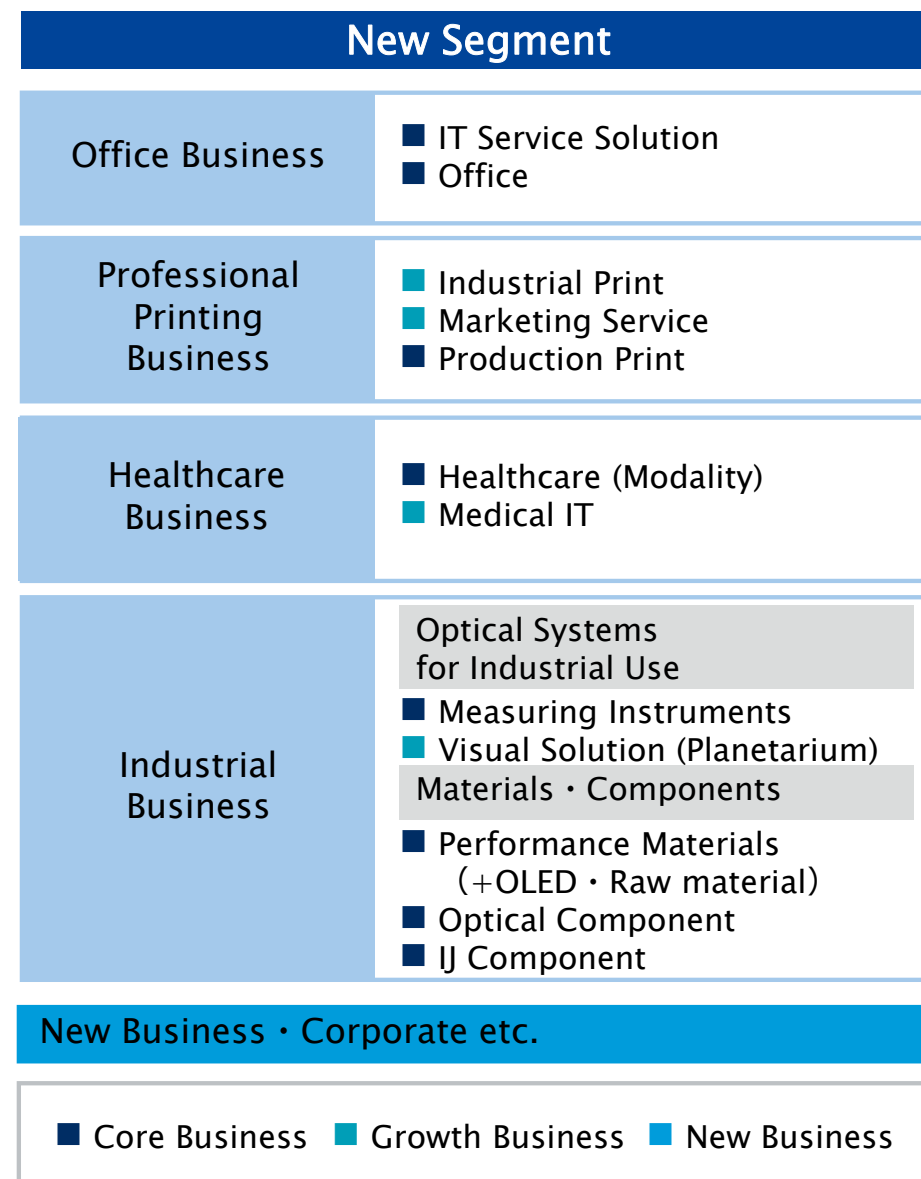
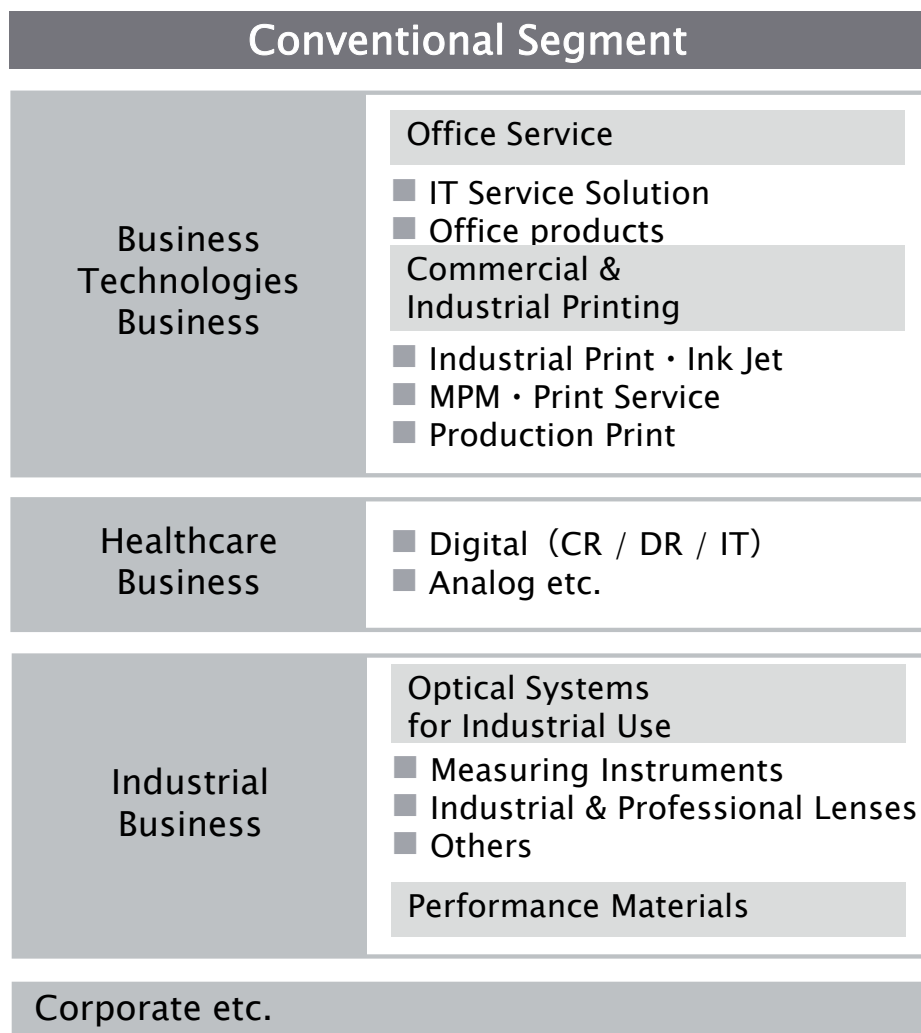
【Impact, Sensitivity : ¥ billions】

	FY16	FY17	Impact		FX Sensitivity *2	
	1Q	1Q	Revenue	OP	Revenue	OP
USD	108.14	111.09	+ 2.0	+ 0.1	+ 3.0	- 0.1
EUR	122.02	122.19	+ 0.1	- 1.0	+ 1.9	+ 0.8
GBP	155.11	142.00	- 1.1	+ 0.0	+ 0.4	+ 0.1
European Currency*1	-	-	- 0.8	- 1.0	+ 2.6	+ 1.2
CNY	16.53	16.21	- 0.2	- 0.2	+ 2.6	+ 0.7
AUD	80.57	83.42	+ 0.3	+ 0.0	+ 0.4	+ 0.1
Other	-	-	+ 0.5	+ 0.2	-	-
Total impact from FY2016			+ 1.7	- 0.9		

\*1 European currencies: Currencies in Europe except EUR/GBP

\*2 FOREX Sensitivity: FOREX impact at ¥1 change (Annual )

# Business Segment renewal for New Mid Term Plan imprecation



# Financial Results: Segments (Quarterly: FY16/1Q~FY17/1Q)

[¥ billions]

	FY16				FY17
	1Q	2Q	3Q	4Q	1Q
<b>【Revenue】</b>					
Office Business	136.2	132.5	138.5	150.9	133.0
Professional Print Business	47.5	49.6	51.1	55.8	49.0
Healthcare Business	18.5	22.9	22.0	26.6	19.5
Industrial Business	24.9	25.1	24.1	27.5	28.7
Optical Systems for Industrial Use	7.0	5.7	6.1	10.5	11.7
Material ・ Components	17.9	19.4	18.0	17.0	17.0
New Business ・ Corporate etc.	2.1	2.6	2.0	2.1	2.1
Company Total	229.1	232.8	237.7	262.9	232.4
<b>【Operating Profit】</b>					
Office Business	11.4	10.3	9.6	12.1	5.3
Professional Print Business	1.6	2.7	2.5	2.5	1.6
Healthcare Business	0.2	1.0	0.3	1.4	-0.5
Industrial Business	3.4	3.0	10.4	5.3	6.1
New Business ・ Corporate etc.	-7.7	-7.4	-6.8	-5.5	-3.8
Company Total	8.9	9.6	15.9	15.7	8.7

# Fiscal 2017 earnings forecast– Overview

【¥ billions】

	Earnings Forecast	Results	
	Mar 2018	Mar 2017	YoY
Revenue	980.0	962.6	+ 2%
Operating Profit	46.0	50.1	– 8%
Operating Profit ratio	4.7%	5.2%	
Profit before tax	44.5	49.3	– 10%
Profit attributable to owners of the company	30.0	31.5	– 5%
Profit attributable to owners of the company ratio	3.1%	3.3%	
EPS [Yen]	60.53	63.65	
ROE* (%)	5.8%	6.3%	
CAPEX	55.0	38.9	
Depreciation and Amortization Expenses	55.0	51.8	
R&D expenses	79.0	73.3	
FCF	45.0	–1.9	
Investment and loan	40.0	36.7	
*Purchase of tangible/intangible assets			
FOREX [Yen] USD	105.00	108.38	
EUR	115.00	118.79	



# Fiscal 2017 earnings forecast– New Segment

【¥ billions】

Revenue	Earnings Forecast		Results	
	Mar 2018		Mar 2017	YoY
Office	545.0		558.2	- 2%
Professional Printing	220.0		204.0	+ 8%
Healthcare	95.0		89.9	+ 6%
Industrial	110.0		101.6	+ 8%
Optical systems for industrial use	35.0		29.3	+ 19%
Materials and components	75.0		72.2	+ 4%
New business / corporate, etc.	10.0		8.9	-
Company overall	980.0		962.6	+ 2%

Operating Profit	Earnings Forecast		Results		
	Mar 2018		Mar 2017		YoY
Office	45.0	8.3%	43.4	7.8%	+ 4%
Professional Printing	12.0	5.5%	9.3	4.5%	+ 30%
Healthcare	5.5	5.8%	2.9	3.2%	+ 92%
Industrial	16.5	15.0%	22.0	21.7%	- 25%
New business / corporate, etc.	-33.0	0.0	-27.4		-
Company overall	46.0	4.7%	50.1	5.2%	- 8%

- **MPM: Marketing Production Management (Office Business)**

MPM provides services that aim to optimize the supply chain for marketing materials (design, printing, shipment, inventory management). Konica Minolta acquired Charterhouse (UK) in 2012 and Ergo (Australia) in 2014.

- **DR: Digital Radiography: (Healthcare Business)**

A technique that detects the intensity distribution of the X-rays that pass through the body when an X-ray is taken, and then converts the data to a digital signal, which is processed by computer.

- **PACS: Picture Archiving and Communication System: (Healthcare Business)**

An image storage and communication system for medical image processing. More generally, any system for managing a large number of images, such as CT, MRI, and X-ray images from DR or CR.

- **OLED: Organic Light Emitting Diode (Industrial Business)**

Also known as organic EL (organic electroluminescence). OLED applies the phenomenon of organic compounds producing light when voltage is applied to lighting and display products.

- **Kinko's: Kinko's Japan Co., Ltd. , Kinko's Korea Ltd.**

Kinko's provides print-on-demand services, primarily in large urban areas, and boasts impressive proposal capabilities and marketing skills. Acquired FedEx Kinko's Japan Co., Ltd. in 2012 and FedEx Kinko's Korea Ltd. in 2013.

- **MGI: MGI Digital Graphic Technology (Professional Print Business)**

MGI is an output device manufacturer based in France. Konica Minolta formed a financial and strategic alliance with MGI in 2014, and MGI became a consolidated subsidiary in 2016. MGI provides unique products requiring special techniques such as decorative printing that are tailored to customer needs, and operates its global business in North America and Asia with a particular focus on Europe.

- **Workplace Hub (WPH): (New Business)**

This is a platform that will become the base for the IoT business that Konica Minolta plans to focus on. In addition to MFP functions, a server is integrated to create a solution that drives efficiencies by reducing the overall costs of IT infrastructure management, providing real-time data-driven visibility of IT usage patterns that help to improve business processes. This will link people and data, and empower them to make smarter decisions and solve problems in the office.

- **Precision medicine: (New Business)**

With this approach, advanced technology is used to perform genetic analyses of cells to match individual patients with the most appropriate treatment and optimal drug dosages for their specific disease.



**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.*