

# Medium Term Business Plan

## Vision for Fiscal 2021

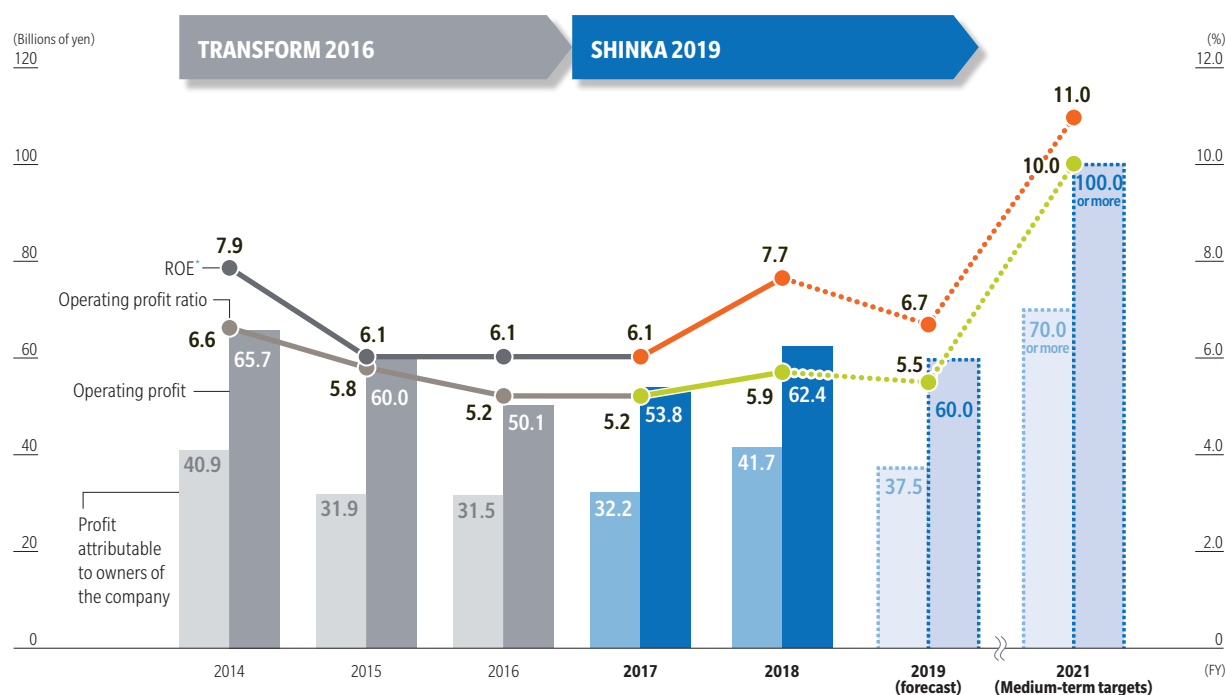
Establish an IoT business model with digital imaging (images and data)  
at the core and transforming Konica Minolta  
into a high-profit enterprise

## Medium Term Business Plan



## SHINKA 2019 Evolution

### Business targets

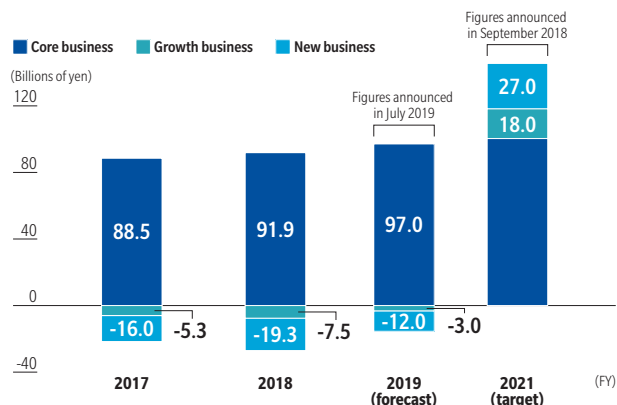


## Transformation to a business portfolio aimed at achieving higher profitability

Under the Medium Term Business Plan, SHINKA 2019, we have identified three business areas: Core, Growth, and New. By increasing profitability in Core businesses and investing the cash earned into the Growth and New businesses, we will bring about a transformation in the portfolio of businesses and earnings aimed at realizing a high-profit enterprise by fiscal 2021.

|                        |   |
|------------------------|---|
| <b>Core business</b>   | Businesses that strengthen profitability by cost structure reform and that support profit during the Medium Term Business Plan                            |
| <b>Growth business</b> | Businesses that aim for higher profit around the Core by using resources that we made upfront investments in under the previous Medium Term Business Plan |
| <b>New business</b>    | Businesses that aim to achieve higher profit by establishing New business models for the IoT era  |

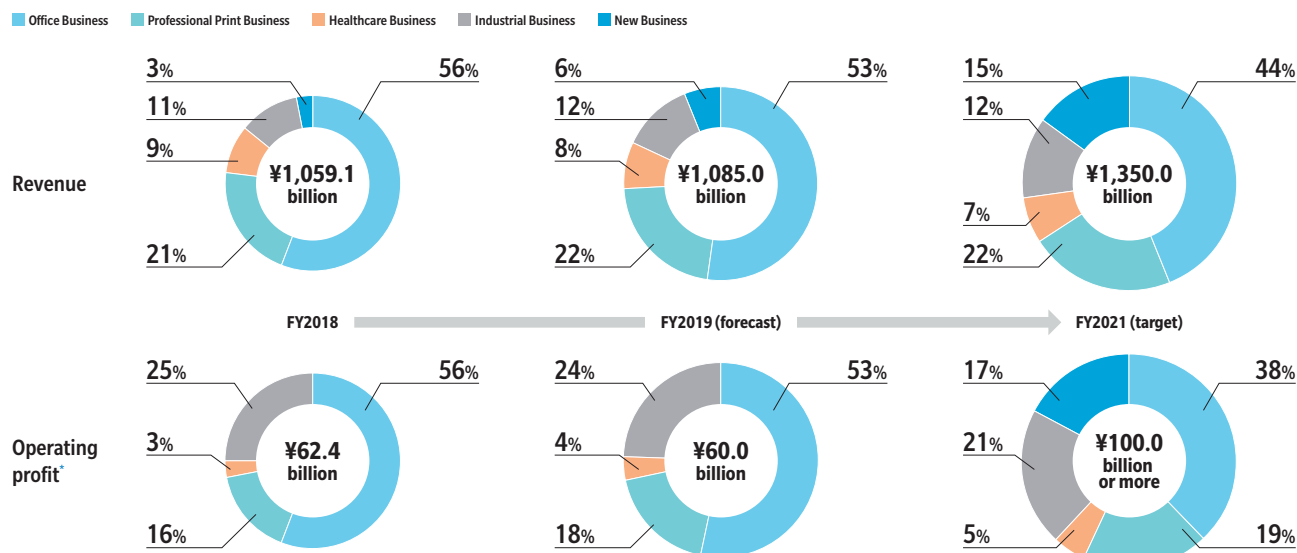
### Operating profit across Core, Growth, and New businesses



### Correlation of business units with Core, Growth and New businesses

| Business headquarters              | Core business   | Growth business                                      | New business                                      |
|------------------------------------|---|--|---|
| Office Business                    | Office<br>IT service solutions                                      |  | Workplace Hub                                     |
| Professional Print Business        | Production print  | Industrial printing<br>Textile<br>Marketing services |   |
| Healthcare Business                | Healthcare  | Ultrasound<br>Medical IT                             | Bio-healthcare                                    |
| Optical Systems for Industrial Use | Measuring instruments   | Visual inspection<br>Imaging solution                | QOL<br>Status monitoring<br>Digital manufacturing |
| Materials and Components           | Performance materials<br>IJ (inkjet) component<br>Optical component | New films<br>Materials<br>OLED                       |   |

### Vision of the business portfolio



\* Operating profit: w/o New Business and Corporate, etc.

We aim to be a highly profitable company with insight to social issues 10 years in the future and with a high value-added business model creating unique value for sustained growth.



**Shoei Yamana**

President and CEO

## ■ Review of fiscal 2018 business results and progress of the SHINKA 2019 medium-term business plan

### High value-added sales boosted profitability in the core business

The Konica Minolta Group continued improving its revenue performance in fiscal 2018 with consolidated revenue growing 2.7% year on year to ¥1,059.1 billion. Factoring out the impact from foreign currency conversion, revenue in real terms grew by 4%. Profits were impacted by slower than expected progress bringing new businesses to profitability, but increased revenues in our core businesses and a higher gross margin from high value-added sales helped lift operating profit by 16.0% year on year to ¥62.4 billion and profit attributable to owners of the company by 29.3% year on year to ¥41.7 billion, our highest profit results since the 2008 financial crisis.

In fiscal 2017, the middle year in the three-year SHINKA 2019 medium-term business plan, management focused on two main areas: radically boosting the profitability of the core businesses and steadily growing business in new fields.

In the core Office and Professional Print Business, we raised our gross margin by working closely with our clients and proposing value-added solutions to qualitative issues in the workflows at their office sites. Particularly noteworthy in our business performance is the improvement in the operating profit ratio of the production print business unit to over 10% (see page 39).

We enhanced the earning power of the core businesses by quickly identifying business potential in the growth markets of China, India, and ASEAN countries and by persevering with investments in strategic regions. Our approach is to put great effort to understand regional cultures and analyze local market characteristics, and then to apply our insights to marketing and sales channel strategies. These efforts have helped us establish solid market positions and capture dominant market share surpassing 50% in some countries. We also augmented the earning power of our core businesses on the production side by overhauling our systems and incorporating digital manufacturing to boost quality and lower costs. I believe we achieved significant results.

As we transform our business portfolio, I believe it will be important to use our core businesses as cash cows and reinvest the profits to develop the new and growth businesses into new

high-profit operations. We have had success with this approach in the Professional Print Business where we allocated profits earned in the Office Business to upfront investment in the production print business unit and built it into a high-profit operation. The current medium-term business plan designates the industrial printing business unit as a growth business, and we are presently aggressively investing in product development to fortify its product lineup and build our team of expert sales staff. The unit's sales are steadily expanding, although it will need more time to begin contributing significant profits. The IJ (inkjet) component unit of the Industrial Business is also steadily developing into a high-profit operation and is supporting the increasing competitiveness of the industrial printing business unit.



## As anticipated, the customer value offered by our new businesses is being eagerly received

The new businesses are taking longer than expected to reach profitability and their results fell short of our targets. Nevertheless, we have made measurable progress in the past two years toward fulfilling the mandate of the medium-to-long-term view to develop new businesses into high-profit operations.

During the year, we launched sales of Workplace Hub, which is the centerpiece of our Edge IoT Platform, in Europe and the United States and achieved our first objective by garnering strongly positive responses for the platform's customer value (see page 31 for details). Although the launch was a year later than planned, our fully formed sales and service structure will enable us to expand the business as planned in various countries and cities. Workplace Hub has generated a superlative response not just from existing dealers in the sales channels but also from telecom firms, which creates potential for us to connect with strategic partners and also provides a sightline to becoming a Connected Office platform provider. Although we were slow to get started in fiscal 2018, we were able to lay the groundwork for the future. In fiscal 2019 we aim to reach 4,000 customers for the business, which is the one-year breakeven point, and steadily progress to our near-term target of a total of 10,000 customers in fiscal 2020.

Workplace Hub generates revenue per customer eight times higher than spending per MFP unit. It also brings longer contract periods and higher contract retention rates than for individual IT services. In addition, combining Workplace Hub with our MFPs can maximize customer lifetime value, enable us to transform the Office Business for future needs, and accelerate the growth in business scale.

In the growth field of precision medicine, we put in place the structure to advance synergy strategies by establishing a global headquarters for the bio-healthcare business in the United States in fiscal 2018 and unifying the operations with the two U.S. firms acquired in fiscal 2017 (see page 35 for details). The U.S. headquarters has established a Scientific Advisory Board chaired by a former head of the American Association for Cancer Research and with members who are key opinion leaders in the healthcare field. The advisory board will help the new operation formulate and advance highly effective business strategies.

In Japan, we established Konica Minolta Precision Medicine Japan and in the second half of fiscal 2018 began developing business providing drug development support, including for the Qanticellor High Sensitive Tissue Testing (HSTT). In June 2019, we announced an agreement with the University of Tokyo and the National Cancer Center Japan to jointly research and develop a next-generation oncogene panel test. The company is actively participating in the project to formulate a cancer genome medical care system for Japan.

The results for our new businesses in the past year have verified that the value these businesses are providing to customers is finding the eager markets that we anticipated. We will continue to monetize these businesses by formulating high-profit business models including subscription services and performance-based fee models. We will continue raising the high value-added in our products and services in all of our business areas, including operations like our core businesses where we have already established sound and profitable business models.

## We will improve our profitability and transform the profit structure in fiscal 2019 by enhancing the earning power of the core businesses and expanding sales in the new and growth businesses

As stated above, in fiscal 2018 we made steady progress advancing the initiatives of the SHINKA 2019 medium-term business plan to enhance the earning power of the core businesses and expand sales in the new and growth businesses.

Looking ahead to fiscal 2019, the final year of SHINKA 2019, we anticipate a volatile external business environment that could change even daily as our customers restrain capital

investment amid the trade friction between the United States and China, slowing economic growth in China, and lingering uncertainty about the European economy.

This outlook led us to lower our guidance for fiscal 2019, which we had announced in May 2019, at the close of the first quarter in June. We reset our forecasts for consolidated revenue to ¥1,085.0 billion (+2% year on year), operating profit to ¥60.0 billion (-4%), and profit attributable to owners of the

**FY2019 Earnings Forecast**

|  | Medium-term<br>management targets<br>(Billions of yen) | Fiscal 2019 forecast<br>(Billions of yen) | Fiscal 2018 results<br>(Billions of yen) | YoY    |
|--|--|---|--|--------|
| Revenue                                      | 1,185.0  | 1,085.0                                   | 1,059.1                                  | +2%    |
| Operating Profit                             | 75.0   | 60.0                                      | 62.4                                     | -4%    |
| Profit attributable to owners of the Company | 50.0   | 37.5                                      | 41.7                                     | -10%   |
| ROE  | 9.5%   | 6.7%                                      | 7.7%                                     | -1.0pt |

**FOREX [Yen]**

|     |  |       |       |  |
|-----|--|-------|-------|--|
| USD |  | 105.0 | 110.9 |  |
| EUR |  | 123.0 | 128.4 |  |

Company to ¥37.5 billion (-10%).

Management takes very seriously the decision to lower fiscal year guidance from its initial estimates and the medium-term management targets. At the same time, the corporate real estate (CRE) strategy generated significant “other income” in fiscal 2018, and we estimate that, even after the guidance revision, real operating profit when factoring out such special circumstances will grow by roughly ¥10 billion. This indicates that the business’s earning power is growing, and in fiscal 2019 we will continue pursuing the SHINKA 2019 strategies and

pushing to transform our profit structure.

We will further advance strategies to enhance the earning power of the core businesses including developing, preparing to manufacture, and releasing a steady flow of new products that are user friendly and offer compelling quality for customers. In the new and growth businesses, management decided it is prudent to continue investing management resources aimed at generating growth in the medium- and long-term and diligently cultivate new high-profit businesses in each business field.

## ■ For medium- and long-term growth

### An “autonomous and distributed solutions” model for quick on-site issue resolution

The Company has been steadily evolving through the M&A and other measures undertaken since the launch of the previous medium-term business plan Transform 2016 to overhaul our business portfolio for the medium- and long-term and become “a digital company with insight into implicit challenges.” From this point, we will start looking beyond the present plan to identify the emerging global trends.

While IT giants like GAFA (Google, Apple, Facebook, and Amazon) in the United States and BAT (Baidu, Alibaba and Tencent) in China battle for global supremacy in the data industry, society continues to evolve at an incredibly fast pace.

Moreover, developments in AI, IoT, robotics, and other digital technologies are only accelerating the pace of change.

It is worth remembering that today’s data-driven businesses were not originally created with the intention of collecting massive amounts of data outside country borders. They have evolved quite differently than expected, and their current functions of gathering of large amounts of data in a centralized location and using the cloud to analyze that data are changing our world. Yet, isn’t the original objective of gathering data to use it to reform on-site working styles and business processes in various industries and types of



businesses, and to amplify the human ability and creativity of the people who work there?

Sending the massive volume of data from worksites to the cloud puts an extreme burden on telecommunications. Sending it offsite also opens up a time lag for on-site use of the data. Many people are starting to find that there are many circumstances when it is more efficient to keep data in-house and resolve issues immediately at the site. I think this realization marks a turning of the tide, and I believe it presents major opportunities for the company.

Our imaging and sensing technologies grew out of our original camera and photograph businesses, and we are now using those cultivated technologies for leading-edge applications such as accurately collecting and analyzing on-site data to support instant decision-making. Company worksites are constantly trying to address issues ranging from improving quality and eliminating loss to increase productivity to finding ways to pass on the technical skills and expertise of experienced staff. Our technologies can enable “autonomous and distributed solutions” (edge computing) right at the worksite, and I believe

that presents a major opportunity for the company to establish a unique position in the emerging industry.

Using “autonomous and distributed solutions” to identify meaningful data at the worksite will also lighten the workload at a company’s central data management site. Centralized operations are limited in their ability to conserve resources and protect the environment. The massive amount of data involved means that even if the current battle for supremacy among the major digital platform companies expands worldwide, there will never be data centers big enough for plentiful enough to handle all of the data. Moreover, efforts to improve their energy efficiency would also never be enough, leaving the potential to inflict immeasurable damage to the earth’s environment. As the interest in sustainable development goals (SDGs) shows, the desire to create a sustainable society is growing worldwide. I believe that linking “autonomous and distributed solutions” with the centralized solutions that digital platform companies specialize in can enable more efficient analysis while also contributing to reducing the environmental impact from the operations.

## Helping solve social issues using our technological strength to “make the invisible visible”

As I said above, our strength is our technology to “make the invisible visible” using the optical, imaging, and sensor technologies we developed out of original camera and photography business combined with the live moving image analysis technology developed by Mobotix, which we acquired in 2016.

Our technology has powerful potential as it can be used to

see gas leaks, analyze behavior of people and objects, and to enable doctors to literally see protein expression in cells, such as is needed for high sensitive tissue testing. We are providing autonomous and distributed solutions for office and manufacturing sites in all sorts of industries and businesses, and our solutions are now essential on the front lines of the medical and nursing industry.

## Strengthening our corporate brand by pursuing “genre-top in value”

One more key element to our drive to establish medium- and long-term growth is our corporate brand strength. As a digital company, we need to have strong brand power worldwide if we are going to fulfill our potential. Building a corporate brand is not done by spending billions of yen on

advertising. Brand power comes from more than just raising name recognition. We need to expand our business worldwide and contribute to resolving social issues wherever we are. As we do that, customers everywhere will view our brand as vital to society, as deeply trusted, and as where they turn to for

solutions. More specifically, our services must impress the professionals that use them, change how they work, and add new meaning to their work and their lives. Through that process, they will naturally come to feel that Konica Minolta is a company that they need and trust. I believe that is the essence of brand building.

We have been advancing a “genre-top strategy” since Konica and Minolta joined forces in 2003. Our original objective was to capture market share that would put us in the top-class worldwide in each of our product genres. As a manufacturer, of course it is important to continue honing our technical capabilities and product strength. However, what customers are really looking for is not just technology, products, or systems, but the value that arises when they use those elements to increase productivity and stimulate creativity. When we recognized this, we changed our objective from being the genre-top in products to being the genre-top in value.

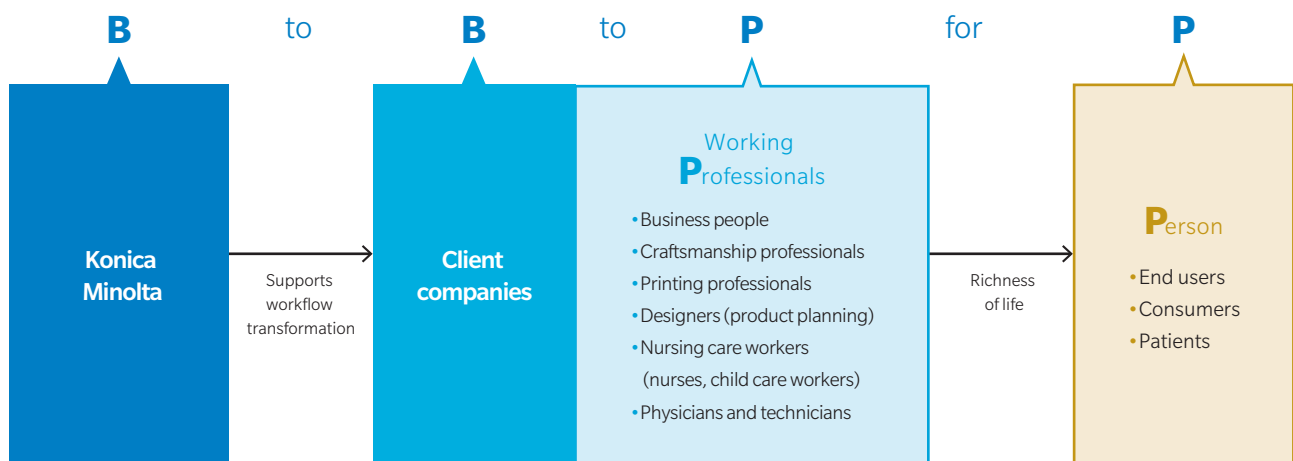
This is the value that we call “customer value.” Since our business is mainly focused on BtoB rather than on BtoC, our customers are mostly companies. The image we have of for the final user of our products is the professional at the worksite and the person that is their customer. In this sense, our business is “BtoB-to-PforP.” We work intimately with professionals on their jobs at all sorts of worksites, including manufacturers, printers, office workers, and doctors and caregivers to provide new value



through our products. That is where we want to supply the value, and we want to be the best at it — the “genre-top in value.”

We do not solely sell products, and we also do not sell pure IT services without products. We are a company that provides purpose to the work and lives of professionals and people through our products and services. I want to build a strong brand by contributing to that sense of purpose and earning respect and trust for Konica Minolta.

#### Genre-top in Value Driven by BtoB-to-PforP





## ■ ESG activities and risk countermeasures

### Strengthening our imaging IoT/AI personnel to execute our strategies, acting with dynamism, and creating a corporate culture that pursues challenges

The terms ESG (environment, social, and governance) and CSV (creating shared value) have become common in recent years, and it is widely considered essential for sustainable corporate management that companies to combine their business activities with addressing social issues. We have been combining the two since the merger of Konica and Minolta in 2003.

Early on we understand that reducing our carbon footprint would also reduce our costs. We also realized that sharing our environmental technology and expertise with our business partners and customers would multiply the benefits to such a degree that we committed to cutting CO<sub>2</sub> emission below neutral to become carbon minus by 2050. When we seek to create new business, our fundamental policy to plan to grow in fields that contribute to solving social issues. Our new businesses address issues in many ways, such as by enhancing nursing care productivity in a graying society, improving health and the quality of life, and supporting a safe and secure society.

Nevertheless, well-intentioned business creation will be fruitless if the business execution cannot keep pace with the changes in the social and business environments. At the same time, digitalization is only going to accelerate those changes. AI and IoT will become increasingly ubiquitous, and robotics and 5G will undoubtedly impact a diverse range of industries. The biggest challenge for top management is to keep up with the changing business environment.

I believe it is critical to secure the right human resources to carry out our strategies. Our aggressive M&A around the world in the past few years and bringing in numerous personnel with top-level knowledge and expertise in the IT field have made our staff one of our Group's biggest strengths. Part of our M&A strategy has been to bolster our personnel in areas

where we have insufficient staff, such as in healthcare and moving image analysis management. We are methodically expanding our staff of data analysts and scientists skilled in using deep learning for behavior analysis and people who will play key roles, such as product owners, to advance the edge IoT platform strategies that will drive our business. At the same time, we are methodically bolstering our in-house education, hiring new employees, and bringing in new staff through M&A.

I also tell employees that one of the best ways to avoid business risk is to understand the company's importance to society, think for yourselves, and take swift action. We put great faith in our 6 Values and believe that using them as a guide when proactively making decisions will enable us to take quick action when the environment changes. With each employee having a sense of ownership and generating dynamic ideas, we will create customer value that surpasses customer expectations. In such a rapidly changing environment, a corporate culture with this type of entrepreneurial spirit is a prerequisite to creating customer value and growing our business. Because of this belief, I think the increase in multidivisional bottom-up-type projects in the past two years where younger employees have been openly sharing their ideas has been wonderful for the company.

I also think it that creativity that is sparked by a clashing of perspectives is also extremely important. Discussions with colleagues that have different ways of thinking also bring out the best in each person. Promoting diversity has long been part of our corporate culture and, recognizing that it is one of our strengths, we decided to amplify it further. To symbolize this view, in April 2019 we changed the name of the Corporate Diversity Office to the Corporate Diversity & Inclusion Office. We feel that this change is in line with our efforts to promote

inclusion and our belief that the diversity of our employees is one of our greatest strengths. We will continue to support the empowerment of the “individuality” of our staff members.

We also need one more element to accelerate the quickness of our response to changes in the business environment: we must break out of the closed innovation paradigm. The Japanese manufacturing industry struggling to overcome this and it has been an issue for us as well. However, there have been many times in the past several years during

our numerous alliances and M&A that we have forged a single strategy for collaboration with companies that have different perspectives. As our five Business Innovation Centers around the world shows, we are constructing environments where different perspectives can come together, and I believe we are making steady progress toward more open innovation.

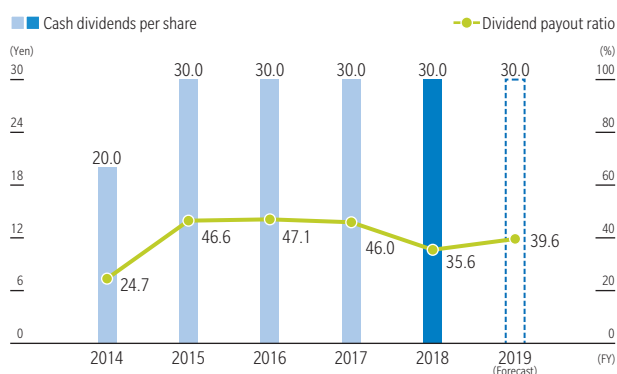
We will continue bringing together diverse perspectives and ways of thinking and fusing technologies to accelerate the creation of new value that contributes to solving social issues.

## ■ To our shareholders and investors

### Committed to our dividend policy and proactively returning profit to shareholders

Our ideal is for investors to own our stock because they support our efforts to grow the company from a medium- and long-term perspective.

#### Cash dividends/dividend payout ratio



We also seek to fulfill investor expectations to maintain a consistent dividend policy and to continually increase our dividend payment amounts despite temporary fluctuations in our business performance. We provide additional shareholder return by flexibly considering share buyback programs.

We maintained our annual cash dividend payment at ¥30 per share for fiscal 2018, and plan to again provide an annual dividend of ¥30 per share in fiscal 2019. Konica Minolta will continue to seek out sustainable growth while living up to the trust of its shareholders and many stakeholders. I kindly ask for your continued support for the Group and understanding as we move forward.

**Shoei Yamana**  
President and CEO  
Konica Minolta, Inc.

We are maximizing corporate value by controlling risk impact and generating returns greater than capital costs.

Seiji Hatano

Senior Executive Officer

## Management focused on cost of capital

### Q1. What is the Company's policy and strategy for increasing capital efficiency?

Konica Minolta is transforming into a digital company with insight into implicit challenges through aggressive upfront investment in new and growth business areas for the medium and long term and by reformulating its business portfolio to boost capital efficiency. In fiscal 2018, the Company raised ROE by 1.6 points to 7.7%.

Management has two top priorities for raising the profit margin and ROE. The first is to create new value for the Company and increase customer value by guiding our M&A, R&D spending, capital investment, and other upfront investments to fruition and accelerating the growth of our Workplace Hub, Bio-Healthcare, Industrial Printing, and other new and growth businesses. The second is to bolster our core businesses by introducing new products to expand our market share and continuing with cost reform to steadily improve our earning power.

In the new and growth businesses, our focus is on generating sales as well as strengthening our management of key performance indicators (KPI) in categories like the number of customers and sales per customer that directly link to sales growth. We have been steadily improving the performance of our core businesses, but we believe we can increase the profit margin by further improving productivity and working capital.

### Q2. Specifically, how will you improve capital efficiency?

There are three basic ways to raise ROE, specifically increasing the profit margin, using assets efficiently (total assets turnover ratio), and leveraging debt. We are focusing mainly on the profit margin and how we use our assets because these enable measures that will directly impact our business. We are improving both of these by strengthening the management of our business portfolio to maximize return on invested capital (ROIC) and return from invested capital\* with the aim of enhancing our corporate value.

We are diligently managing the ROIC and return from invested capital of each business, particularly our core businesses, to generate returns exceeding cost of capital (the weighted average cost of capital (WACC)), while also revising and reformulating our business portfolio to improve capital efficiency strengthening. We are also improving capital efficiency by optimizing the cash conversion cycle, such as by reducing inventory volumes, regularly reviewing capital expenditure and investment and loans, and stepping up business selection and concentration for each business.

We will apply this approach to return from invested capital not only to our business administration but also to evaluate business results and the soundness of the management at our subsidiary firms with the aim of providing additional motivation to for our businesses and subsidiaries to improve their performance results.

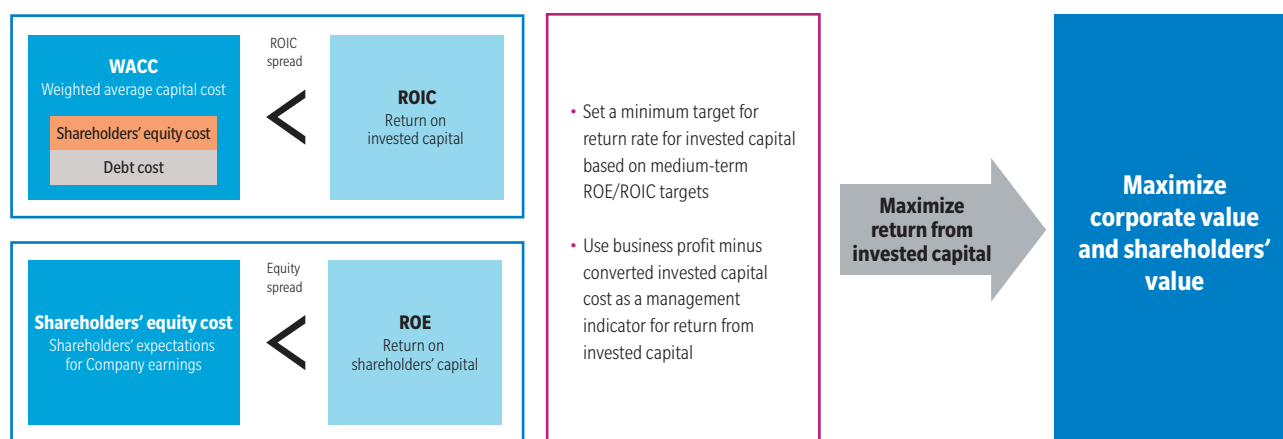
In taking this management approach, my main emphasis is on strengthening our on-site capabilities. I believe the best way for us to increase our return from invested capital is not to take the typical approach described in finance textbooks but to link it to the daily actions of all employees at our work sites because this is directly connected to the qualitative strengthening of our corporate capabilities. In fiscal 2019, I will work to deepen the connections between our business divisions and corporate departments and accelerate our

companywide effort to increase return from invested capital by setting targets, creating mechanisms, increasing employee understanding and motivation.

Through these measures, we will increase the ROIC-WACC spread and the equity spread (ROE to shareholders' equity cost) to maximize our corporate value and shareholder value.

\* Return from invested capital is business profit minus invested capital multiplied by the capital cost ratio. This indicates the amount that value exceeds the cost of capital.

### Increasing return from invested capital to maximize corporate and shareholder value



## Allocation of Profit to Investment and Shareholder Return

### Q3. How will you allocate profit to growth investment and shareholder return?

Our basic capital policy is to maintain a solid financial base while aggressively investing for business growth to transform our business model. As we do this, we will continue providing ample shareholder return, maintain our management focus on cost of capital, and strengthen our business portfolio management to continue improving our capital efficiency and increase our corporate value in the medium and long term.

We will focus particularly on generating operating cash flow by revising our business composition, enhancing the earning power of our core businesses, and improving the efficiency of working capital. We will also use effective capital

expenditure, investment, and investment and loans to maximize free cash flow, which we will allocate to enhancing shareholder return and fortifying the financial base.

In fiscal 2019, we plan to increase operating cash flow by over ¥25.0 billion year on year to ¥85.0 billion by building up profits and improving working capital. We anticipate investment cash flow of ¥60.0 billion (excluding investment and loans) and free cash flow of ¥25.0 billion. We plan to return roughly half of the free cash flow we generate to shareholders. We will continue to base our investment decisions on the state of world affairs, market conditions, our business growth potential, and returns after capital costs as we seek to improve capital efficiency, maximize free cash flow, and return profits to shareholders.

## Q4. What is the progress and plan for capital expenditure and investment and loans?

Capital expenditure amounted to ¥52.5 billion in fiscal 2018. Investments mainly focused on developing new products and expanding production capacity in the core Office Business, Professional Print Business, and Industrial Business. Investment and loans amounted to ¥14.0 billion with a large part used to acquire distributors in France to expand and strengthen direct sales channels and the customer base for multifunction peripherals (MFP), and to prepare for development of the Workplace Hub operation. The Company used its own capital for all of these investments.

In fiscal 2019, we are planning ¥60.0 billion in capital expenditure to be focused again on the core Office Business, Professional Print Business, and Industrial Business. We plan to augment production facilities and advance new product development, optimize our development and production operations for the global market as we accelerate our digital transformation, concentrate and consolidate our dispersed development and production functions within Japan, and further enhance the high value-added in our businesses. We are additionally planning strategic investments to construct a new R&D center in the Kansai area to boost our imaging IoT

development capabilities and to make our domestic operating sites more effective and efficient.

We are allocating ¥20.0 billion for investment and loans to advance growth strategies, particularly related to the bio-healthcare business and the visual inspection field in the measuring instruments business.

## Q5. What is the Company's dividend policy?

Konica Minolta's dividend payout policy is to proactively return profits to shareholders while taking into consideration the overall status of consolidated earnings and strategic investment in growth fields. Management enhance shareholder return by increasing the dividend payout amount and flexibly conducting share buyback programs.

In fiscal 2018, the Company distributed cash dividends of ¥30 per share, for a payout ratio of 35.6%. Management plans to maintain the dividend payment at ¥30 in fiscal 2019, for an expected payout ratio of 39.6%. The Company has maintained the dividend payout ratio within 30-40% for the past several years and will continue seeking to supplement shareholder return through additional measures, including share buybacks at levels matched to cash flow and dividend.

## Risk Awareness and Prevention

## Q6. Please describe your risk management structure and processes.

We view risk as uncertainties that have the potential to impact the profits and losses of our organization. We apply risk management not only on the negative side where it could cause losses, but also on the positive side for the sources of our earnings. Our risk management encompasses controlling the negative impact while also maximizing return.

The Risk Management Committee works to structure and help strengthen the risk management of all Group companies. The members of the Risk Management Committee, on which I serve as the chair, are selected Executive Officers and individuals in higher positions. The committee members are appointed by the chair and are responsible for the risk management for their departments.

The committee meets twice yearly to carefully review management risk items in each of the 17 categories, including

items classified as small and medium risks. The committee conducts monthly and quarterly monitoring, reviews the status of countermeasures, and applies the PDCA process to improve the risk measures.

The Risk Management Committee also annually identifies specific material risks to the Group that it deems especially critical to management and takes direct management responsibility for risks considered important to monitor from a companywide perspective. The committee chair appoints committee members (Executive Officers) to lead the risk management of these items and to monitor the monthly progress of the Group's countermeasures.

All risks are plotted based on quantitative assessments of their potential degree of impact and occurrence frequency into a comprehensive Group Risk Map. These maps are updated and pertinent countermeasures discussed twice a year with the committee chair convening the committee as deemed necessary.

## Q7. What are the major risks to the Group in fiscal 2019, and what are your countermeasures?

The major risks the Risk Management Committee has identified for fiscal 2018 and 2019 are uncertainty concerning the US government in terms of foreign relations, foreign trade, and financial policy; rising protectionism and trade issues; and uncertainty concerning the situation of the European Union, specifically Brexit.

We are monitoring the risks and taking necessary actions related to the trade friction and trade sanctions between the United States and China, the direction of trade relations between the countries, and regulations and sanctions arising from U.S. National Defense Authorization Act. We are also closely monitoring and preparing responses for the potential impact of Brexit on the EU, which is a core market for the Company. We have already begun fortifying our business structure for any eventuality and potential impact on our business there.

In addition, cognizant of risks being faced by other Japanese companies, we have set critical risk management categories including fraud risk at overseas subsidiaries, quality

issues, client data leaks, labor issues, and cyber security.

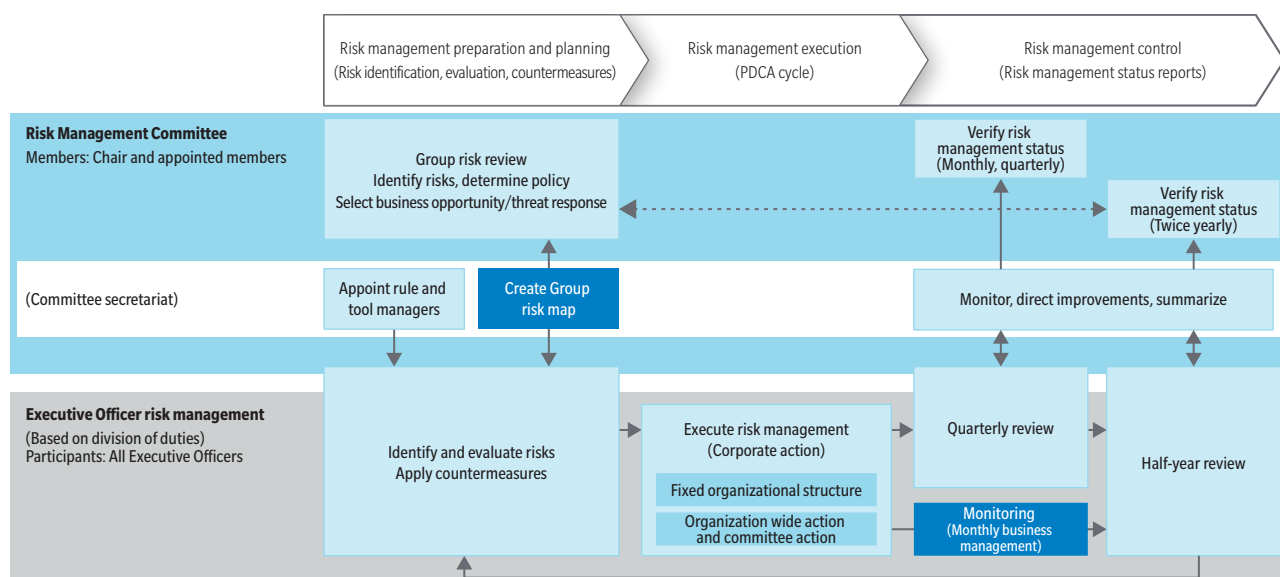
The Risk Management Committee also annually reviews its assessments of major risks for Group management in terms of ESG and the Company's medium- and long-term vision, and updating a Group Risk Map of the sources of each risk.

The Company also approaches risk from another angle. We also conduct risk management activities to lead to positive actions in response to new developments in society. For example, while considering the potential future risk that 5G technology may pose to our businesses, we also examine companywide potential for early action to lead to new value-added activities and business opportunities.

Our crisis management includes strict reporting rules for when a crisis occurs to inform Executive Officers, Officers of subsidiaries, and others and to ensure a prompt and appropriate response. The rules stipulate that an Executive Officer for crisis management be appointed for centralized management for collecting and responding to information about disasters and other crisis events worldwide.

Our risk management structure is designed to facilitate efficient and effective management of various risks to earnings from the short-, medium-, and long-term perspectives to ensure our ability to continuously enhance corporate value.

### Risk Management Processes





Special Topic <sup>1</sup>

## Launch of the Workplace Hub, a Next-Generation Platform

## Special Topics

# Building High Value-Added Businesses

Konica Minolta is improving its medium- to long-term value by transforming into a high value-added solutions business that contributes to solving issues faced by our customers and society.



## SOCIAL ISSUES

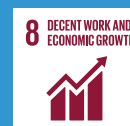
- Demand for improved productivity using IT
- Shortage of IT personnel and expertise
- Burden of upfront investment and management tasks in IT deployment



## SOLUTIONS

- Provide all-in-one IT services to SMEs
- Improve productivity and creativity through work style reform

## Relevant SDGs



## Special Topic 2

## Accelerating the Bio-Healthcare Business in Japan and the U.S.



## Special Topic 3

## A Massive Increase in Revenue in the Production Print Business Unit



- Side effects of cancer treatment
- Growing cost and time of drug development
- Growing healthcare costs



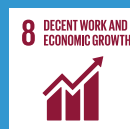
- Reduce side effects in patients
- Support better efficiency in developing new drugs
- Paving the way to primary care and optimal treatment



- Waste arising from mass production
- Quality variances due to a shortage of experienced technicians



- Reduce wasteful printing through small-lot, high-mix printing
- Use automation to achieve better work efficiency and quality consistency



## Special Topic 1

# Launch of the Workplace Hub, a Next-Generation Platform

The Workplace Hub is the platform at the center of Konica Minolta's solutions business. Leveraging the customer base we have built up through our MFP, IT service, and other core businesses, we began rolling out Workplace Hub services worldwide in the autumn of 2018.

## Providing All-in-One IT Services to Solve Issues Faced by SMEs

Maintaining close communication with customers in a variety of industries and businesses gives us a better understanding of the business they do. Using this knowledge, we conduct hybrid sales, offering solutions that provide a combination of MFPs and IT services. This allows us to provide solutions that solve customers' business issues and build long-term relationships with customers. Further enhancing this added value unique to Konica Minolta is the next-generation platform we call the Workplace Hub.

In recent years, more and more businesses are looking to use IT to improve productivity in response to a dwindling workforce. However, there are a considerable number of SMEs not fully leveraging IT for reasons that include a shortage of IT personnel and expertise, or the burden of upfront investment

and management tasks involved. The Workplace Hub provides these SME customers with all-in-one support encompassing IT infrastructure, IT services, and maintenance and operation services, while at the same time providing a range of cutting-edge applications through our cloud-based MarketPlace. And, as an on-premises server linked to the cloud, the Workplace Hub answers the needs of customers looking to retain and manage highly confidential data in-house.

The Workplace Hub is also positioned to be a promising platform that IT vendors such as Microsoft, Hewlett Packard Enterprise, or Sophos can utilize to approach SMEs. Going forward, Konica Minolta will add more partner vendors while leveraging its customer base of about two million businesses to expand sales of the Workplace Hub.

### Top six issues faced by SMEs and their needs

|  |                                      |                          |
|--|--------------------------------------|--------------------------|
| Hardware doesn't work<br>27%   | Issues with IT management<br>24%     | Outdated software<br>24% |
| Security risks<br>23%  | Unstable Internet connections<br>20% | Server crashes<br>20%    |
| 91% of SMEs replied that the most appropriate solution for them would be an all-in-one IT that seamlessly provides a one-stop solution for the hardware, software, and services from multiple vendors. |                                      |                          |

Joint survey with Opnium

### Solving Issues via an all-in-one IT service using the Workplace Hub





## Launched Worldwide in Fiscal 2018 by Fully Leveraging One Konica Minolta Capabilities

The Workplace Hub was built through the One Konica Minolta system. Under this system, the Business Innovation Center (BIC) in Europe led planning and the European team developed the product, while business development and marketing was conducted in the U.S., and general business planning and administration was carried out in Japan. We employ an agile development methodology for upgrading the Workplace Hub based on customer response and requests, and we have already made several upgrades. Going forward, we will be

continually enhancing quality while providing the latest IT environments with reliable security measures.

Beginning with the release of the Workplace Hub in the U.S., Germany, France, and the Czech Republic in the autumn of 2018, we have been launching the Workplace Hub into additional markets. In fiscal 2019, the Workplace Hub was also launched in Japan. By the end of fiscal 2019, it will have been launched in 25 countries.

### Workplace Hub release schedule

| End of FY2018                       | 1Q FY2019 | 2Q FY2019 | 3Q FY2019 | 4Q FY2019 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Number of launch countries          | 9         | 19        | 20        | 25        |
| Number of launch cities in the U.S. | 7         | 15        | 22        | 22        |

|   |  |                     |                          |                                |
|---|--|---------------------|--------------------------|--------------------------------|
| Start of advance sales — Phase 1 (U.S., Germany, France, Czech Republic)  |  |                     |                          |                                |
| Start of advance sales — Phase 2 (U.K., Denmark, Poland, Hungary, Canada) |  |                     |                          |                                |
| 10 countries in Europe + Japan  |  | 1 country in Europe | 5 countries in Europe    |                                |
| Strategic partner PoC (Europe, China, India)                              |  |                     |                          | Start of strategic partnership |
| Reseller program Phase 1 (40 dealers in Europe and U.S.)                  |  |                     | Reseller program Phase 2 |                                |

### Comment from a customer

#### Cutting-edge IT services improved business efficiency

Mr. Howie Flagler

Vice President, Spector Textile Products



Like many other SMEs, we were struggling to keep up with rapid changes in IT. Maintaining aging hardware, gathering up-to-date information, updating licenses, deploying upgrades — all of these were difficult issues for us to solve. Maintaining these functions had become such a burden that doing so impacted our core business.

Deploying Konica Minolta's Workplace Hub Edge with IT management services has enabled more efficient IT management and allowed us to focus on our core business.

#### Spector Textile Products

Line of business: Spinning and weaving  
Location: Massachusetts, U.S.  
Employees: 30-40

### Comment from a customer

#### Establishing a state-of-the-art IT environment in a limited space

Mr. Petr Mohyla

Owner, Mohyla CZ s.r.o.



Because we are a small business, we have limited space available for setting up IT equipment. However, providing high-level accounting services requires us to have a robust IT infrastructure.

Deploying a Workplace Hub in the place of our MFP has allowed us to establish a comprehensive IT management environment. The Workplace Hub seamlessly synchronizes with our existing virtual servers and enables us to reliably protect and retain all our data.

#### Mohyla CZ s.r.o.

Line of business: Accounting and tax accounting office  
Location: Czech Republic  
Employees: More than 20

Special Topic 1 Launch of the Workplace Hub, a Next-Generation Platform



Comment from the Executive Officer

## Customer and dealer response since the fiscal 2018 Workplace Hub launch portends good things.

Ikuo Nakagawa

Senior Executive Officer

Responsible for Digital Workplace Business, DX Branding and IT

### Establishing a business model for achieving recurring revenues and continued earnings growth

We have been able to develop and provide the Workplace Hub precisely because we have a customer base of about two million companies and a direct sales network allowing us to deepen our understanding of our customers in wide-ranging industries and lines of business. We first launched the Workplace Hub in the U.S. and Europe in fiscal 2018. Since then, its value has been fully affirmed with respect to things such as IT management workload reduction and security. We have received an especially large number of business inquiries from manufacturing companies as well as service industry businesses such as law offices and accounting firms.

In addition to a fixed billing system for basic services, the Workplace Hub employs a pay-as-you-go billing system that bills the actual amount of processing of value-added services used, including additional services and industry-specific solutions, as well as the number of devices used, and this is the key to business growth. The Workplace Hub differs

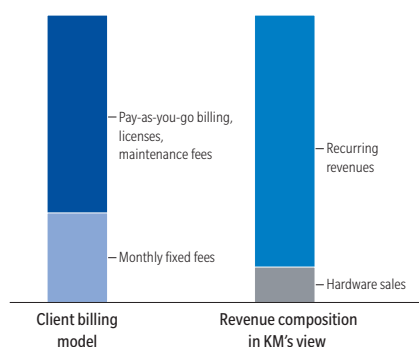
significantly from MFPs in terms of hardware and recurring<sup>\*1</sup> revenue composition. Compared to the recurring revenue ratio of roughly 60% for MFPs, the Workplace Hub has a ratio of over 80%, making it a business model that can achieve continued earnings growth. And whereas the contract term for IT services are normally one year, this is five years for the Workplace Hub.

<sup>\*1</sup> Recurring: Collecting fees on an ongoing basis according to service usage during the contract period.

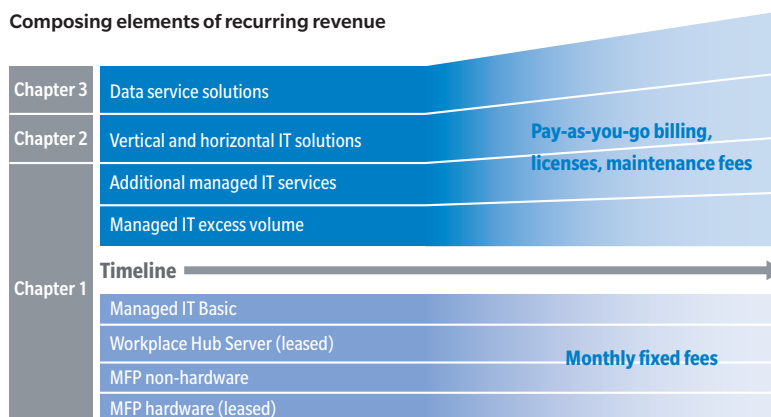
### Achieving 10,000 customers by fiscal 2020 by expanding the customer base and sales channels

Our first goal is to achieve 10,000 customers by fiscal 2020. This is a KPI derived from our break-even point. Achieving 10,000 customers will allow for recovering all Workplace Hub investment to date and expanding profits thereafter. To achieve this goal, we are first seeking out customers from a core target of 280,000 direct sales MFP customers out of our customer base of about two million.

#### Workplace Hub revenue composition



#### Composing elements of recurring revenue



We are mainly targeting SMEs with between 20 and 200 employees but are also hearing unexpected interest being expressed by big enterprises with multiple business branches. Among those that have already started using our services is a German office of a global firm employing 6,000 people. The Workplace Hub is also driving demand for MFPs. For example, one company that had been using a competitor's MFPs deployed a Workplace Hub while also replacing eight of their MFPs with Konica Minolta models.

We will also begin selling the Workplace Hub through dealers beginning in fiscal 2019. I am happy to say that the Workplace Hub has been very well received by dealers all over as a highly-differentiated product. In Europe, there has also been talk of a large telecommunications firm becoming a Workplace Hub sales partner. We will be working with partners such as these to drive further sales.

### Aiming to advance into the data business and achieve ¥100 billion in revenues by fiscal 2022

Our goal after reaching 10,000 customers by fiscal 2020 is to achieve ¥100 billion in revenues by fiscal 2022. To that end, we will need to go deeper into our customers' workplaces and then point out and solve issues that have gone unnoticed.

We have therefore established three chapters for carrying out Workplace Hub business. Chapter 1 involves managed IT, where we manage every aspect of customers' IT infrastructure. Chapter 2 entails industry-specific solutions for improving productivity and creativity. We are currently expanding our customer base through these two chapters. In the future, for Chapter 3, we will put concerted energy into data service solutions that leverage data accumulated across our Workplace Hubs. This will involve, for example, analyzing data from scanned and printed content. If an analysis for a

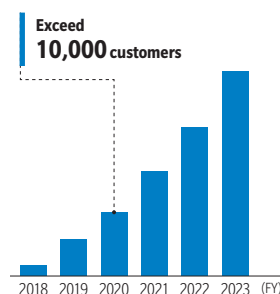
customer points to high volume in contractual documents, we can propose workflow improvements concerning the creation and management of such documents for the customer. As such, we will use data to make invisible issues visible and provide solutions. From fiscal 2020 on, we will be making this data business a pillar of Konica Minolta's portfolio.

We currently have about 2,000 system engineers engaged for this business, and are working quickly to develop Evangelists\*2 who will work exclusively on Workplace Hub business. In the future, we plan to turn the Workplace Hub into a One Konica Minolta platform. By connecting it with all IT services and IoT devices, we will open up further possibilities for the Workplace Hub and provide greater value to our customers.

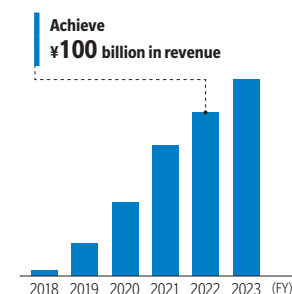
Our customers and dealers have expressed high hopes for the Workplace Hub, as have vendor companies providing apps to the MarketPlace. We will expand the Workplace Hub business by creating value with diverse stakeholders.

\*2 Evangelists: Experts in widely promoting the appeal of new products and services in simple terms. Evangelists are drawing attention in the IT industry, a place of increasing sophistication and complexity.

Total customers



Workplace Hub revenue



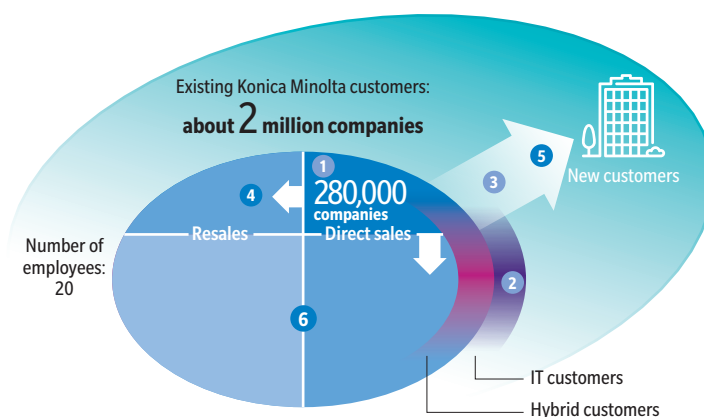
### Concept for expanding Workplace Hub target and scope

#### Initial targets

- 1 Existing customers with only MFP
- 2 Existing customers with only IT solutions
- 3 Competitors' customers

#### Expanded scope

- 4 Reseller customers (resale program)
- 5 Strategic channel partners
- 6 Cloud-centered light solutions





## Special Topic 2

# Accelerating the Bio-Healthcare Business in Japan and the U.S.

Konica Minolta's bio-healthcare business is making efforts in areas such as cancer and Alzheimer's disease. By leveraging the full abilities of the Group to achieve the best medications and treatments for individual patients and help make drug development more efficient, we play a role in reducing social security costs.

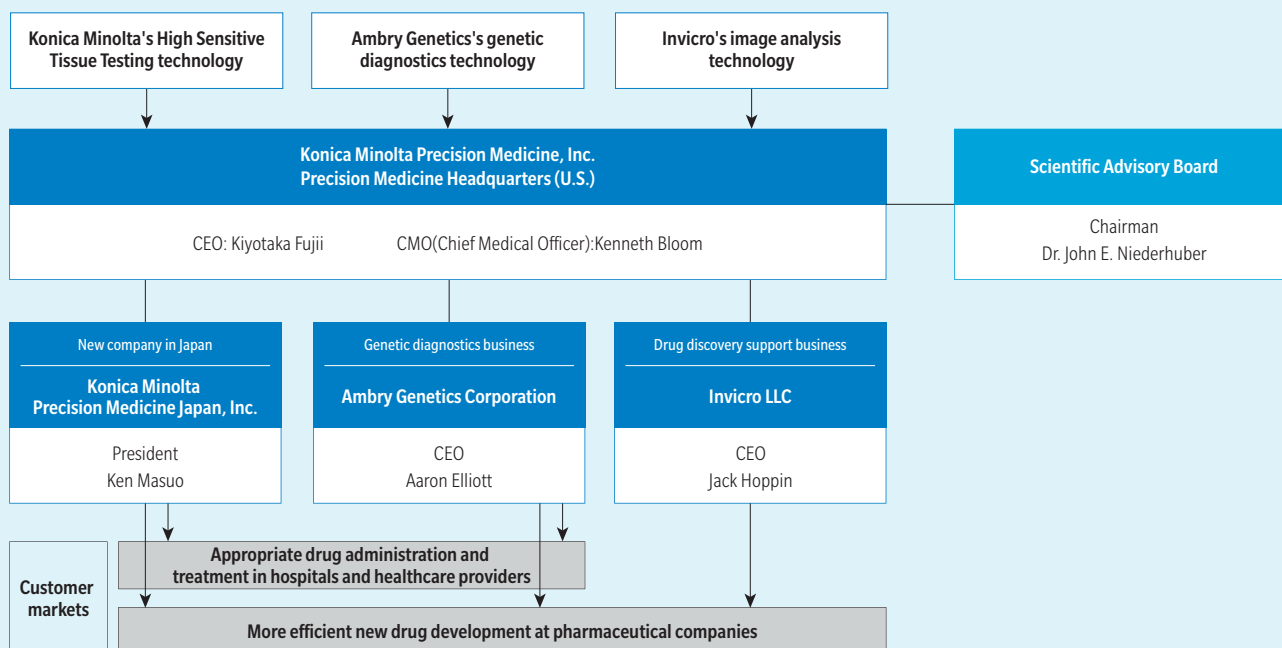
## Becoming a Global Leader in Precision Medicine through a Business Promotion System Led by Our U.S. Headquarters

In recent years, serious side effects, ballooning healthcare costs, and the time and costs involved in drug development have become major issues in the field of cancer therapy. In response, Konica Minolta is focusing on the field of precision medicine, which involves developing the optimal drugs and conducting the most appropriate drug administration and

treatment for individual patients according to their genetic mutations or other causes of disease.

Utilizing the High Sensitive Tissue Testing (HSTT), genetic diagnostics, and image analysis technologies of the three Group companies Konica Minolta, U.S.-based Ambry Genetics (AG), and Invicro, enables us to diagnose disease at the

### Bio-healthcare business structure



molecular level in the human body and analyze illnesses and the effectiveness of medications. With these capabilities, we support appropriate drug administration and therapy for patients and improve response rates. For pharmaceutical companies, we provide services that help improve drug development success rates by improving the efficiency of biomarker identification and clinical trials.

In 2018 we established Konica Minolta Precision Medicine, Inc. (KMPM) in the U.S., an advanced nation in the field of precision medicine. This new company oversees Konica Minolta Precision Medicine Japan, AG, and Invicro. The company has brought in Dr. Kenneth Bloom, who has held important positions at multiple healthcare companies, as the CMO, and is building a system for carrying out business with our U.S. headquarters leading the charge.

We also established a Scientific Advisory Board. Many Key Opinion Leaders (KOLs) have been brought on board, most notably Dr. John E. Niederhuber, former Director of the National Cancer Institute. KOLs have significant influence when new drugs are being developed or new medical services are being launched, so they are seen as being extremely important in the U.S.'s healthcare industry.

The Advisory Board's first meeting was held in the U.S. in February 2019. In attendance were Advisory Board Members and

people from KMPM, AG, and Invicro, as well as two guests from Japan who are prestigious members of the genome science community. Meeting attendees had a lively exchange of views

about strategies going forward, including how to consolidate the Group's technologies and diagnostic imaging data into a business.

Advisory Board Members expressed high hopes for the market superiority of having the combination of the Group's genetic diagnostics and image analysis technologies. Furthermore, they also have high expectations for the originality of our HSTT technologies, which allow for accurately analyzing the number and location of specific proteins that manifest in cancer cells.

In 2018 we established Konica Minolta Precision Medicine Japan, Inc. to reinforce our business structure in Japan. This move is part of our mission to expand services for the hospital market and pharmaceutical market under a powerful business structure in Japan and the U.S. and to ultimately become a global leader in precision medicine.



Meeting with the Advisory Board in February

## CMO

### Kenneth Bloom, M.D.

Chief Medical Officer  
Konica Minolta Precision Medicine, Inc.



The emergence of precision medicine is dramatically changing how we think about and classify disease. As we gain an understanding of the complexity of diseases like cancer, we can now customize therapies that provide the most benefit for patients while significantly reducing unwanted side effects. However, to make this a reality for all patients requires a new approach to diagnostics, one that integrates data from imaging down to the genetics of an individual. This is why I am so excited about Konica Minolta Precision Medicine. We will revolutionize the diagnostic industry as we integrate what used to be single diagnostic tests into a comprehensive analysis for physicians enabling the vision of precision medicine.

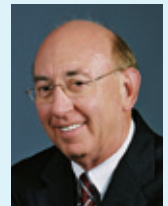
#### Profile

He has served as Chief Medical Officer at GE Healthcare and helmed cancer-related business at Human Longevity. He has over 30 years of industry experience, which includes establishing a pathology laboratory.

## Advisory Board Chairman

### John E. Niederhuber, M.D.

Adjunct Professor Oncology and Surgery  
The Johns Hopkins University School of Medicine Baltimore, MD



When I was first introduced to Mr. Fujii and the Konica Minolta Precision Medicine Initiative leadership team, I was very impressed with the vision and the talent that Konica Minolta had assembled. Konica Minolta's acquisition of two companies Ambry Genetics and Invicro was a very strong sign of the corporate commitment to the new Precision Medicine Division headed by Mr. Fujii. Ambry Genetics is a known and highly respected leader in high quality complex genetic testing especially in the hereditary disease space with a very large data-base and Invicro is an impressive rather unique company in the very innovative imaging space with exciting analytic platforms and talented scientific leadership. Listening to the enthusiastic characterization of their respective companies by CEOs Aaron Elliott and Jack Hoppin and the visions they have for integrating their talented scientists to address the opportunities of genomics, large scale analytics and imaging was certainly exciting to hear. In the end of course, my decision to accept the honor of helping to form a talented Scientific Advisory Board and to Chair the board was the alignment with my own visions of the future of genomics and medicine. There was clearly an excitement of being involved from the beginning with this new effort by Konica Minolta and its newly acquired subsidiaries. This new precision medicine initiative will certainly become tremendously beneficial to the future of patient care.

#### Profile

He currently serves as CEO of Inova Translational Medicine Institute and is a top authority in American cancer scholarly circles. He was selected by former U.S. President George Bush to serve as the Chair of the National Cancer Advisory Board.

## Topic 2 Accelerating the Bio-Healthcare Business in Japan and the U.S.

### Collaboration between AG and Konica Minolta to Expand Genetic Diagnostic Services into New Markets

The genetic diagnostics market is expected to grow at a rate of 15% worldwide, with the U.S. as the main market. To capture this demand, we will be stepping up two strategies centered on AG's technologies and services.

The first is improving the accuracy of genetic diagnostics. AG has been providing DNA testing services for those with suspected or confirmed cases of cancer, and is seen as a top-class company in the industry for the accuracy of its testing. In 2019 the company began RNA\* testing, too, and will now dramatically improve diagnostic accuracy by doing both DNA and RNA testing.

The second strategy will be to broaden the scope of genetic diagnostics to include those who do not have cancer. As part of the strategy, we launched the CARE Program, a genetic diagnostic service for those receiving regular health checkups. The service will focus on breast cancer. Because genetics are a major risk factor for breast cancer, by providing genetic diagnostics during regular health checkups we will greatly contribute to early detection and prevention of breast cancer.

Genetic diagnostics for those who do not have cancer is a new market untapped by our competitors, and the CARE Program is targeting roughly ten times the number of individuals who have cancer. For many years Konica Minolta has provided X-ray and mammography equipment used in regular health checkups to numerous imaging centers. By leveraging these sales channels, we aim to spread the use of genetic diagnostics along with breast cancer checkups.

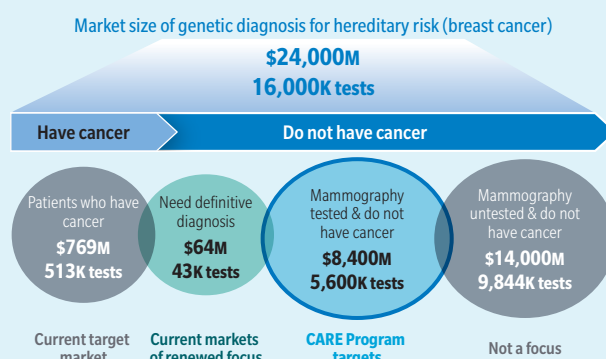
In addition to the accuracy of testing, the quality of feedback about testing results is an important part of genetic diagnostics. AG has more than 100 genetic counselors and is an undisputed heavyweight in the U.S. for its counseling capabilities. Leveraging this strength, we will provide accurate information to imaging centers that have no genetic counselors. This includes promoting awareness about genetic information. We will also provide thorough counseling services for individuals with confirmed cancer risk.

In Japan, we have begun providing genetic diagnostic

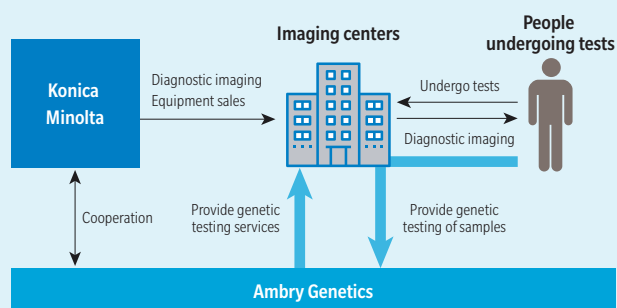
services in cooperation with LSI Medience Corporation and are moving ahead with the application process for these services to be covered by national health insurance. We are also strengthening cooperation with industry and academia, and one such example is an agreement with the University of Tokyo and the National Cancer Center Research Institute to begin joint R&D into a next-generation comprehensive gene panel test (next-generation Todai OncoPanel).

\* RNA: Ribonucleic acid. Involved in the protein formation process and temporarily processes genetic information.

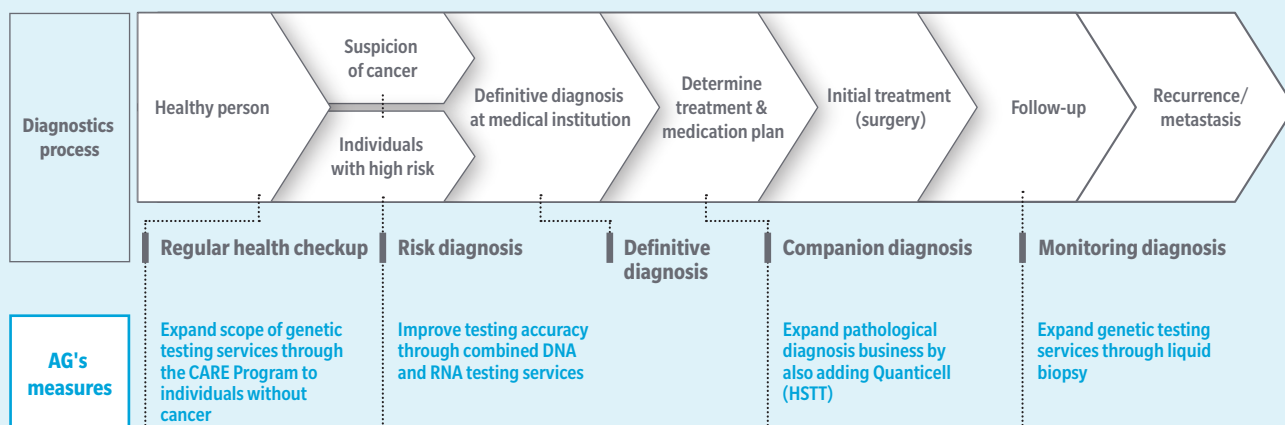
#### CARE Program market size



#### CARE Program sales strategy



#### Genetic testing business expansion measures



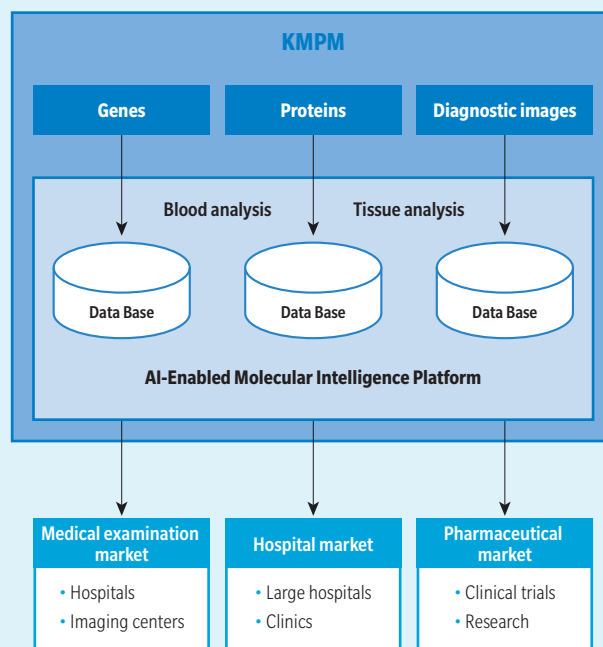
## Coordinate with Invicro to roll out services that utilize HSTT technology for the pharmaceutical market

For the pharmaceutical market, we will strengthen our drug discovery support services which utilize Konica Minolta's HSTT technology (Quanticell). This service involves taking cancer cell specimens from pharmaceutical companies, analyzing them in a laboratory, and giving the companies the results. In order to expand this service from Japan to the U.S., we built a dedicated laboratory at Invicro in April 2018. We will promote the value of Quanticell (HSTT) using Invicro's sales channels, which provide drug discovery support services to 140 pharmaceutical and other companies in the U.S.

We are also setting our sights on a data business for pharmaceutical companies. By creating a molecule information database from the results of genetic diagnostics and other efforts, it will provide clues to identifying the causes of gene mutation and help improve the efficiency of drug development. Moreover, by linking hospitals' electronic health record information to the database, we will be able to further improve the quality of precision medicine and, by extension, further improve patients' quality of life.

By accurately identifying the needs of the hospital and pharmaceutical markets with the Group's technologies and expertise, we will develop the bio-healthcare business into a future earnings driver for Konica Minolta.

### Development of the data business in the bio-healthcare business



Comment from the President of the new company in Japan

## We will concentrate on strengthening our business targeting pharmaceutical companies while making precision medicine more widespread.

Ken Masuo

Konica Minolta Precision Medicine Japan, Inc. (KMPPM)  
President

Compared to the U.S., precision medicine — including genetic diagnostics — is not very widespread in Japan. I came to work for KMPPM from the pharmaceutical industry because I felt Konica Minolta had the potential to achieve great things. I'm speaking of technologies such as HSTT, but what also drew me to the Group was its assets — that they have business facilities in the U.S., a developed nation for precision medicine, and that Group company Ambry Genetics has conducted more than one million genetic diagnoses.

KMPPM now works with Group companies to proactively approach pharmaceutical and research/healthcare institutions in Japan, and our technologies have garnered the attention of numerous researchers.

Business for pharmaceutical companies is our present area of focus. Going forward, by turning our proprietary technologies into biomarkers, we will play a role in solving the problems of drug development by reducing the

immense costs and time entailed and by improving the success rates. We will also be working to build an environment for making precision medicine more common by, for example, getting genetic diagnostics covered by insurance and fostering genetic counselors who can provide patients with appropriate information.

Early intervention is the best medicine for improving patient's prognosis and reducing healthcare costs. We will be using our technologies to aid with primary care and treatment as we lead the way for precision medicine in Japan.

### Profile

He worked in R&D at Daiichi Pharmaceutical before leading GlaxoSmithKline's Commercial Department in Japan and becoming AstraZeneca's Japanese representative for its oncology business. He assumed his current position in 2018.





### Special Topic 3

## A Massive Increase in Revenue in the Production Print Business Unit

Fiscal 2018 operating profit increased 49% year-on-year in the Professional Print Business. Driving this increase was our production print business unit, a reliable revenue base. We are making revenue grow through our original strategies.

### A Considerable Increase in Unit Sales through the Regional Strategy and the High Value-Added Strategy

The global production print (PP) market sees 47,000-48,000 printers sold per year, and this is not expected to increase significantly. Amid this situation, though, Konica Minolta is expanding sales globally in both hardware and non-hardware\* for digital printers, with an operating profit ratio of over 10%. Two strategies are driving this growth.

The first is our regional strategy. Konica Minolta was one of the first to do business in emerging countries such as China, India, and the ASEAN region, and has captured demand for the transition from analog to digital and from monochrome to color models. In particular, we have market shares of over 50% in China and India as a result of doing business tailored to the market needs of each country.

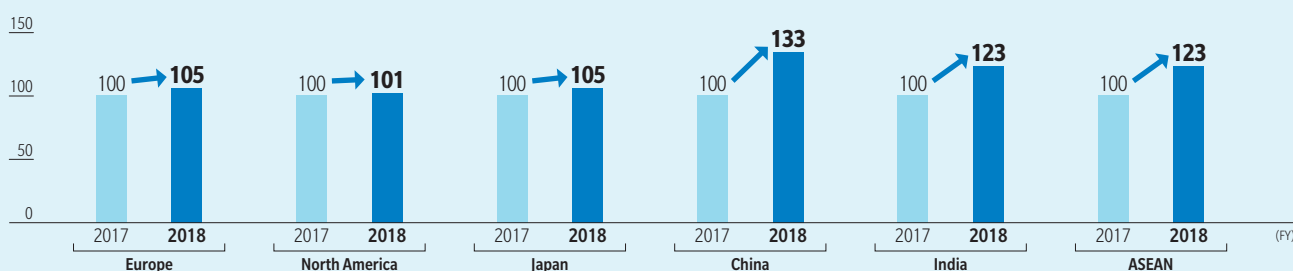
In India, for example, we focused on the custom of handing out fancy photo books at weddings. We are approaching photo studios and proposing digital printers

equipped with high saturation toners that accurately reproduce brightly colored clothes and the smoothness of human skin. For China we are expanding sales by focusing on compact, affordable printers for small- and medium-sized print shops and promoting the advantages of digital printing for curbing paper waste in urban areas, which are subject to strict environmental regulations. In emerging countries, where the penetration of color models is still low, we are actively capturing increasing demand for color units.

The second is our high value-added strategy. Amid intensifying price competition for digital printers, Konica Minolta is enhancing customer value and improving its profit ratio with the IQ-501, the Intelligent Quality Optimizer for digital printers.

A lack of skilled personnel and an aging workforce is seeing printing companies struggle to improve productivity

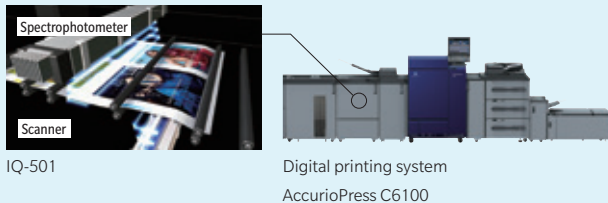
Non-hardware revenue growth rates for production printer (Base index: fiscal 2017 = 100)



and achieve stable quality. The IQ-501 automates tasks that used to require human work — tasks such as density adjustment, color management, front-to-back registration, and inspection. This dramatically reduces the need to perform manual tasks before, during, and after printing, and reduces the resulting downtime, while eliminating uneven

printing quality that arises from differences in operator skill levels. In addition to helping to improve customer productivity, our IQ-501 solutions increase print volume (PV) and expand revenue.

\* Non-hardware: Revenue streams outside of hardware sales, e.g. consumable parts such as toners and services such as maintenance



#### Value provided by the IQ-501

| Before printing  | During printing   | After printing   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Automatic color management</li> <li>Automatic front-to-back registration</li> </ul> | <ul style="list-style-type: none"> <li>Real-time color gradation correction</li> <li>Real-time front-to-back registration</li> <li>Automatic inspection function</li> </ul> | <ul style="list-style-type: none"> <li>Preparation of inspection report</li> <li>Cloud-based color management</li> <li>Preparation of color management report</li> </ul> |

#### Comment from an IQ-501 customer

##### Print quality improved and order volume surged

Our company prints mostly books. Since we deployed the IQ-501, it has become easy for anyone to perform tasks such as color management and front-to-back registration. This has greatly shortened adjustment time and increased our daily print volume. Additionally, greater reliability in color tone and print positioning has made possible RGB\* printing, which reproduces colors just as they appear on computer screens. As a result, our customers have also put in more color printing orders.



Bungo Yamauchi  
Executive Officer  
Meiko Co., Ltd

\* RGB: The three primary colors of light (R = red, G = green, B = blue). Whereas printers usually use the CMYK mode, computer monitors usually use RGB mode.



#### Comment from the Executive Officer

### Adding higher value to printing companies by helping improve their productivity

Koji Sugie  
Executive Officer  
Division President of Professional Print Business Headquarters

Achieving continued revenue in the PP business will require pursuing greater PV than ever before.

To that end, from fiscal 2019 we will be making an active foray into the color high-speed PP market, which will allow for greater PV, in addition to our mainstay market of color medium-speed PPs. With rising demand for digital printing in the form of direct mail and web-to-print business, for which orders are received over the Internet, we expect demand to continue to grow for high-speed PP printers.

Although we got a late start in this color high-speed PP market, the IQ-501 gives us a significant advantage. The IQ-501, jointly developed with our measuring instruments business unit and its colorimeter technologies for printed materials, is something only we can provide. The product has been exceptionally well received by our customers and

is used in over 80% of the new color medium-speed PP units currently being sold. Per-unit productivity rises with the use of the IQ-501. For example, print volume that previously required three printers can now be handled with only two, further boosting customer value.

In February 2019, as an option for the IQ-501 we launched the automatic product inspection system, which features the industry's first automatic recovery printing function. We plan to release more functions going forward. In the future, we will begin looking at the management of multiple printers and the consolidated management of workflows through cooperation with other sites as we continue to provide solutions that solve our customers' problems.