

## Chapter 3

# Value Creation Strategy

In fiscal 2020, Konica Minolta launched its new medium-term business strategy, "DX2022." Backcasting from our 2030 long-term management vision, this medium-term business strategy is a milestone for us and a strategy for the next three years of new value creation.

Under SHINKA 2019, our previous medium-term business plan, we worked to transform our business portfolio with the aim of becoming a digital company with insight into implicit challenges, launched new businesses that leverage imaging IoT technologies, and laid the groundwork for future growth. Under DX2022, we will evolve basic strategies already begun and speed up portfolio transformation via a digital transformation (DX), while turning businesses nurtured under SHINKA 2019 into high-profit businesses and evolving into a company truly centered on solving social issues.

### 2017–2019

Previous medium-term business plan



**SHINKA 2019**  
Evolution

- **Becoming a digital company with insight into implicit challenges by fiscal 2021**
- **Greatly expand core and growth businesses while fully launching new businesses**

# 2030

## Long-term management vision

- Support people to achieve their purpose in life
- Realizing a sustainable society

Backcasting

2020–2022

Medium-term business strategy



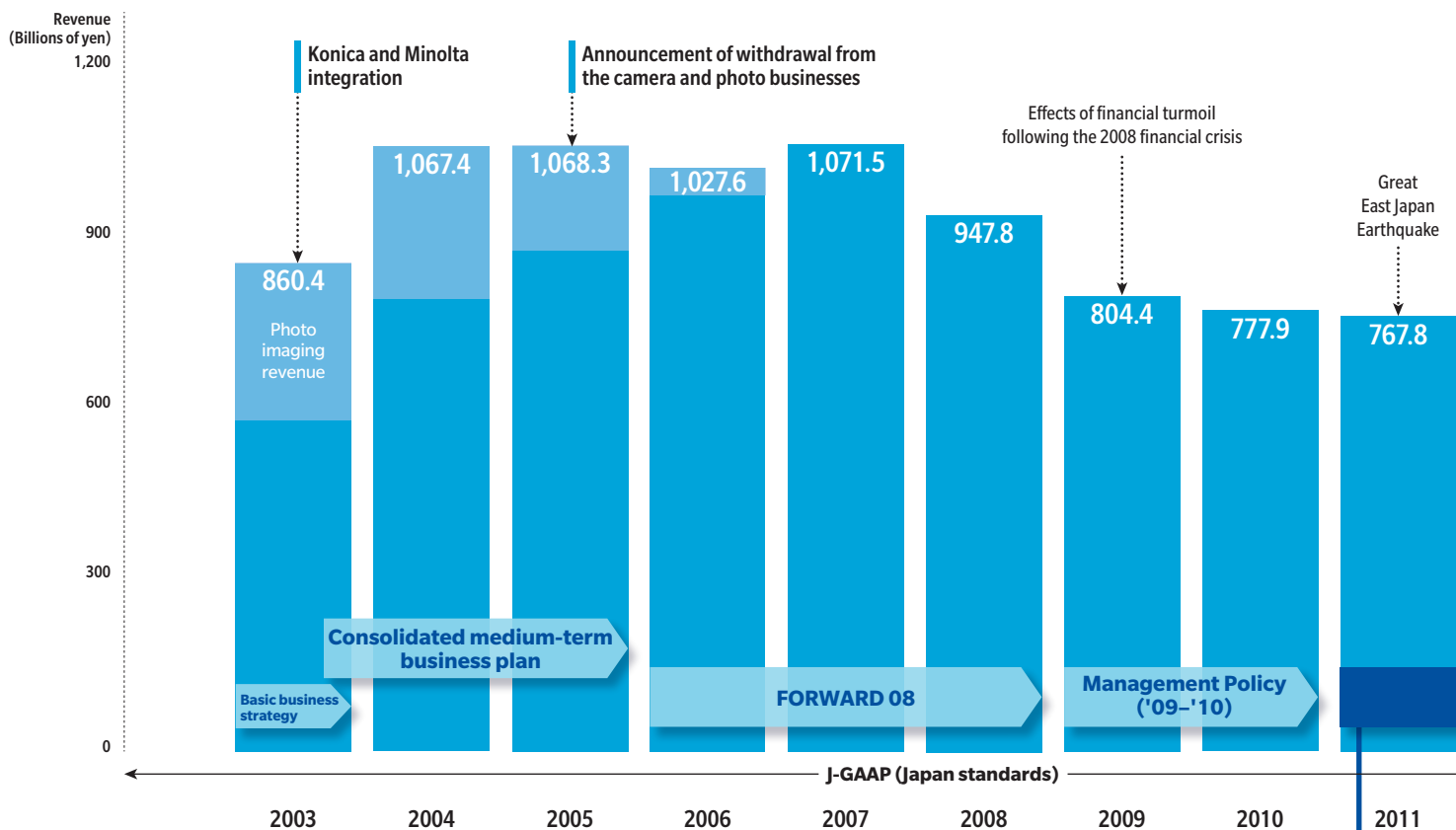
# DX2022

Transforming our customers business  
by digitally transforming ours

Leap to highly profitable  
businesses through DX

Evolve into a company  
clearly committed to  
solving social issues

# Medium-term Business Plan Review



## G PLAN 2013

### Conduct M&A of IT companies to strengthen ability to provide IT services

#### Basic Policy

- Expansion of scale by achieving growth
- Evolution into a "truly global company"
- Boosting of Konica Minolta brand recognition

#### Review

- M&A of IT service companies in the Business Technologies Business (a core business), and building of a hybrid-type sales system that integrates IT services with MFP products
- Transition from being a pure holding company to an operating company, and building of a system for providing customer value as One Konica Minolta
- Recovery from the effects of the 2008 financial crisis and Great East Japan Earthquake, and getting on track for growth
- Withdrawal from the glass substrates for HDDs business based on genre-top strategy

## TRANSFORM 2016

### Begin a full-scale transformation into a solutions business from a manufacturer-oriented business

- Achievement of continuous profit growth
- Transformation into a company that works closely with customers
- Establishment of a strong business structure

- Continued M&A of IT service companies led to success with hybrid-type sales in the Business Technologies Business (a core business) and improved per-customer profitability
- Strategic M&A for each business led to acquisitions of technologies, knowledge, expertise, and talent for providing greater added value to businesses and for creating new businesses
- Launching of Business Innovation Centers (BIC) to build systems for creating new businesses through open innovation

## Amount Invested in M&A and Representative Acquisitions

About **¥35** billion in investments

#### Office Business

- 2011 Acquired All Covered (U.S.)
- 2012 Acquired Serians (France)
- 2013 Acquired Raber+Märcker (Germany)

#### Professional Print Business

- 2012 Acquired Charterhouse (UK)

#### Healthcare Business

- 2013 Took over diagnostic ultrasound business from Panasonic Healthcare

#### Industrial Business

- 2012 Acquired Instrument Systems (Germany)

About **¥120** billion in investments

#### Office Business

- 2016 Acquired ProcessFlows Holdings (UK)

#### Professional Print Business

- 2014 Invested in MGI (France)
- 2014 Acquired Ergo (Australia)
- 2015 Acquired Indicia (UK)

#### Healthcare Business

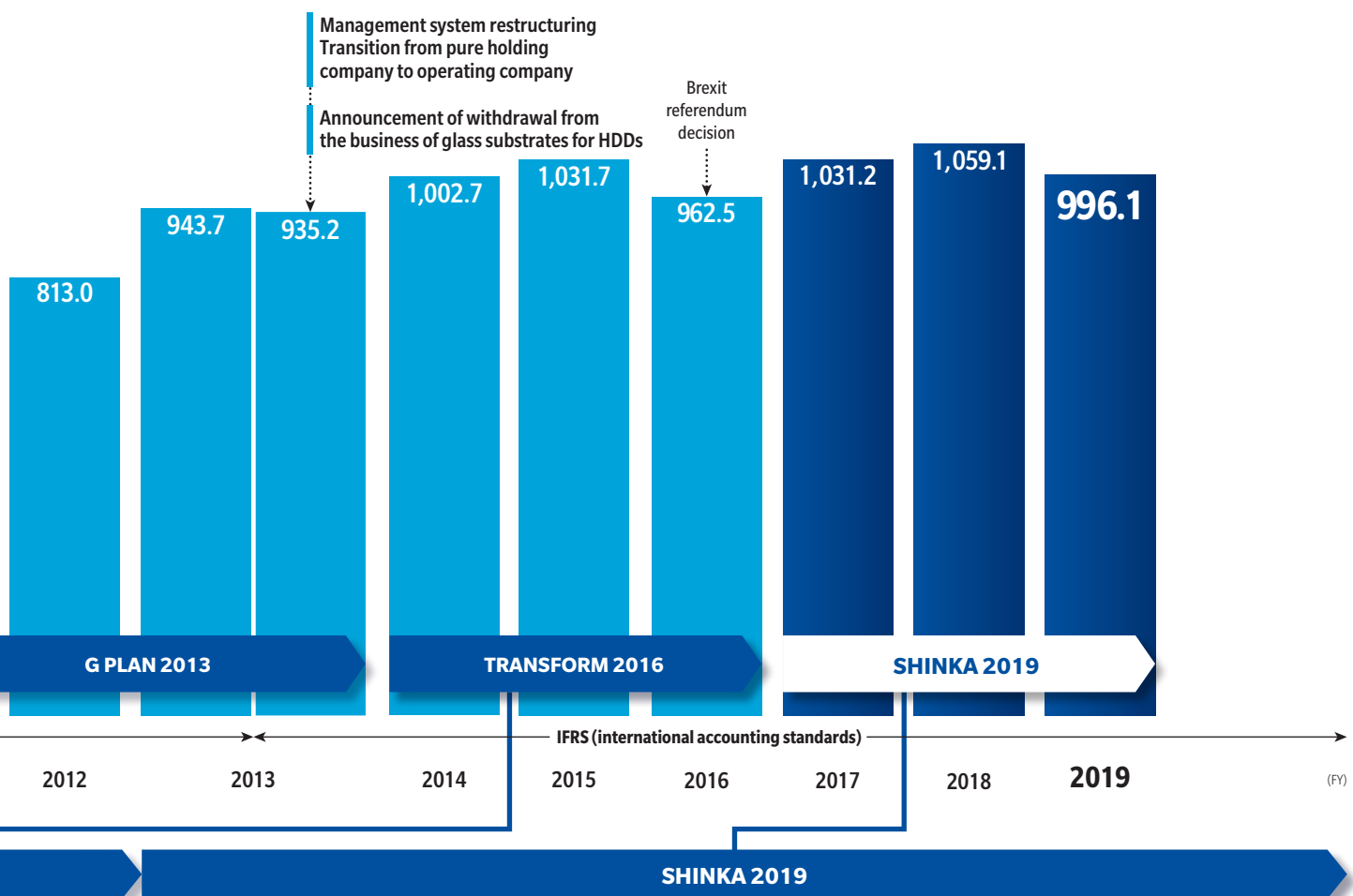
- 2015 Acquired Viztek (U.S.)

#### Industrial Business

- 2015 Acquired Radiant (U.S.)

#### New businesses (condition monitoring solutions)

- 2016 Acquired shares of MOBOTIX (Germany)



### Starting a platform business centered around data utilization to capitalize on the quickening digital transformation

- Core businesses: Concentrate on providing greater added value and strengthening profitability through cost restructuring
- Growth businesses: Aim for higher profit around core businesses
- New businesses: Establish a new business model for the IoT age and seek high profitability through social issues solving and customer value creation

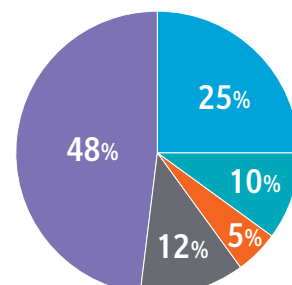
- Core businesses: Greater added value is being created in business units such as production print, performance materials, IJ components, and measuring instruments. Production cost reduction measures were largely implemented, but greater than expected price drops were unable to be offset. Regional strategies succeeded in the Office Business, with color MFPs capturing high market share in emerging nations such as China and Southeast Asian countries. The Production Print Business made a first entry into the high-speed printing segment in expectation of considerable print demand growth, while holding onto top market share in the low- and medium-speed segments.
- Growth businesses: Although revenue increased, targets went unmet due to an inability to fully cover upfront investments. Entered the industrial printing field, expanding business into growth areas in digital printing and gaining top-level market share in target markets.
- New businesses: Began conducting Workplace Hub business, the core of our platform business. Began full-scale launch of bio-healthcare business via M&A of two major companies in the U.S.'s precision medicine field. Began cultivating several new businesses, including care support, gas detection, and nondestructive testing businesses. Customer value creation businesses that directly address social issues received a good response but lacked the power to boost customer numbers or revenue.

### About ¥140 billion in investments

- New businesses (bio-healthcare)**
  - 2017 Acquired Ambry Genetics (U.S.)
  - 2017 Acquired Invivo (U.S.)
- Healthcare Business**
  - 2017 Acquired Panasonic Medical Solutions
  - 2017 Took over Siemens Healthcare's domestic transvaginal ultrasound business
- Industrial Business**
  - 2019 Acquired Eines Systems (Spain)

### M&A investment by business (FY 2011-2019)

- Office Business
- Professional Print Business
- Healthcare Business
- Industrial Business
- New Business



# New Medium-term Business Strategy “DX2022”

## Understanding of the external environment

### Ways of working, ways of living, and values are changing due to the spread of COVID-19

#### Risks

Demand in office printing, which makes up more than 50% of Konica Minolta's revenue, is decreasing:

- The decrease in office print volume at customer companies is accelerating
- The decrease in print volume of central printing rooms at customer companies is accelerating
- Declining print volume is leading to lower unit sales of printing hardware

#### Opportunities

Increase in business chances primarily for imaging in areas with increased social needs:

- Transformation of work styles stemming from DX is accelerating
- Increased needs for personalization and diversification in various areas
- Increased needs for non-face-to-face, decentralized, and remote
- Increased demand for safety and security, and sanitation



## Basic Policies

### 1 Leap to highly profitable businesses through DX

### 2 Evolve into a company clearly committed to solving social issues

## Focus Items

Build a business model to realize DX

▶ p. 36

Build a business value creation process

▶ p. 57-64

Improve capital efficiency and strengthen business portfolio management

▶ p. 39-42

Continually strengthen intangible assets (customer engagement, technology, human capital)

▶ p. 43-50

Strengthen environmental initiatives for bringing about carbon minus

▶ p. 51-54

## Basic Policy 1 Leap to highly profitable businesses through DX

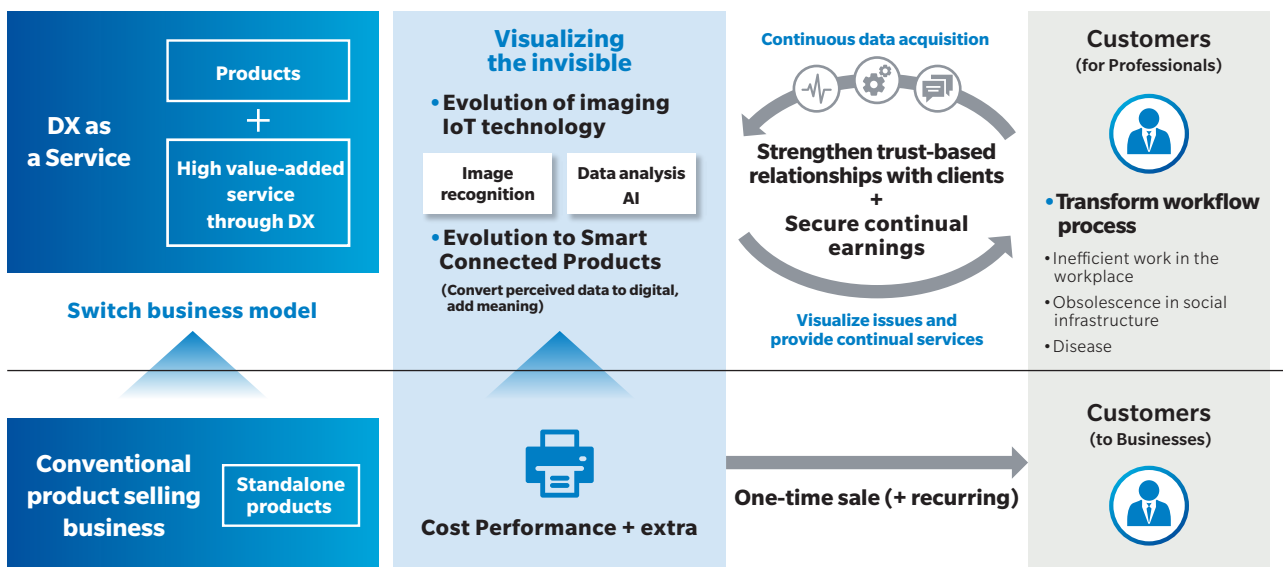
Konica Minolta will switch its business from one centered on selling products, to one centered on high value-added service: DX as a Service.

To do this, we will evolve our products into Smart Connected Products that can be connected to various equipment and through networks, and convert information from the client's workplaces into digital data. In addition, we

will leverage our strength, which is imaging IoT technology, analyze data continually taken from the workplace, and provide service that contributes to solving the client's issues.

By establishing this type of business model, we will aim to become highly profitable by securing stable, continuous earnings by providing services, in addition to the profits from products.

### Evolution to a Model that Continually Provides Value (DX as a Service)



### Evolve Customer Value with Product × DX

	Products Evolve to Smart Connected Products		High Value-Added Services through DX	
			Evolution of Workflow	Expansion of Value through an Eco-System
Digital Workplace	MFP	Workplace Hub	Workstyle Reform + Assistance in Decision-making	Marketplace
Professional Print	Production printing	Industrial printing	Visualization of the printing workflow and management assistance Maximization of the effect of marketing	Design support + consulting on printing management
Healthcare	X-rays HSTT	Ultrasound	Assistance with diagnosis and treatment using AI Assistance with early diagnosis and effective drug discovery support services from molecular-level diagnosis	Unification of clinical information + imaging data + full genome information
Industry	Color measuring	Visual inspection	Optimizing the manufacturing value chain	
	TAC film	Expansion of the wavelength range Expansion of new materials and applications	Enhancing value of customer products	
	Inkjet components	Optical components	Safety of labor, monitoring of gases, safety of the local community	Opening up of imaging IoT platform
	IP cameras	LiDAR	Providing contents and enhancement of value of facilities	Distributing contents
Imaging solutions				
New			Transformation of nursing care workflow	Care through collaboration with stakeholders



## New Medium-term Business Strategy “DX2022”

### Basic Policy 2 Evolve into a company clearly committed to solving social issues

Konica Minolta will work to shift to highly profitable business through DX and, at the same time, contribute to solving social issues. This will depend on five material issues. We formulated the measures for our Vision for 2030 and DX2022 for each of these five material issues. We will promote creating value through our business and creating value through our












company’s activities, and will create social, environmental, and economic value.

We will make both solving the impact of environmental and social issues, and contribution to profits as KPIs for each material issue, and manage progress on initiatives.

#### Vision and Medium-term strategy for Each Material Issue

Back casting



Material issues	FY2022 Medium-term strategy		Vision for 2030	Related SDGs
 Improving fulfillment in work and corporate dynamism	Business	Raise the customer’s productivity and bring forth creative time	Raise productivity at Konica Minolta, the customer, and in society, bring forth creative time, make an environment where each individual can shine	       
	Within Konica Minolta	Create an environment so we are a company that employees want to continue working at, transform the culture		
 Supporting healthy, high-quality living	Business	Raise QOL in healthcare and nursing care field, and lower healthcare costs	Provide a healthy, high-quality life at Konica Minolta, the customer, and in society, bringing about a rich life for each individual	  
	Within Konica Minolta	Bring about a workplace (company) that is pleasant and safe, where employees can work energetically		
 Addressing climate change	Business	Improve customers’ information security and safety of labor	Raise safety and security in labor and life at customers and in society while also minimizing the risk of our products and services	   
	Within Konica Minolta	Minimize risk related to safety and security of our products and services		
 Ensuring social safety and security	Business	Reduce energy usage and CO <sub>2</sub> emissions with transformation of work processes at customers	While reducing our CO <sub>2</sub> emissions, expand CO <sub>2</sub> emissions reductions at customers and suppliers, making society’s carbon emissions negative	   
	Within Konica Minolta	Reduce energy usage and CO <sub>2</sub> emissions of our sites, suppliers, and our products and services		
 Using limited resources effectively	Business	Use resources effectively by transforming customers’ work processes	While advancing effective use of our resources, create contributions in effective use of resources at customers and suppliers	     
	Within Konica Minolta	Use resources effectively at our sites, suppliers, and in our products and services		

## The Process for Identifying Material Issues

Social and environmental issues in 2030 were assumed based on the Sustainable Development Goals (SDGs) and macro trends, then a materiality analysis was done considering social and environmental issues that should be solved and the Company's growth, and five new material issues that Konica Minolta should work on were established.

### Step 1

#### List Issues

Environmental, social and economic issues were listed up while referring to international frameworks and guidelines, such as the GRI Standards and the SDGs, and macro trends from various areas of specialization. In listing them up, the Stockholm Resilience Centre's<sup>\*1</sup> wedding cake model for the SDGs was used as a base. This model is a structural depiction of the concepts of the SDGs and shows the relationship of the 17 goals. These goals are divided into three layers, Economy, Society, and Biosphere. The Biosphere is the foundation and supports a sustainable society and economy. By attaining the Society goals, it is possible to create the base of a sustainable Economy. Our five issues were extracted with this relationship in mind. In extracting issues in business areas that Konica Minolta is related to, or that it might be related to, with the supply chains and value chains for those areas as the focus, Konica Minolta will proceed with giving consideration to social and environmental changes, regulation and policy trends, and stakeholder requirements.

\*1. Stockholm Resilience Centre: <https://www.stockholmresilience.org/research/research-news/2016-06-14-how-food-connects-all-the-sdgs.html>

##### Frameworks and Guidelines referred to:

- GRI Standards • SASB Standards • ISO26000 • Sustainable Development Goals (SDGs) • The Ten Principles of the UN Global Compact
- OECD Guidelines for Multinational Enterprises • Task Force on Climate-related Financial Disclosure (TCFD)
- Macro trends in various specialties starting with climate change (the Paris Accord, the European circular economy, etc.)
- International Integrated Reporting Council (IIRC), International Integrated Reporting Framework
- Stockholm Resilience Center's wedding cake model for the SDGs

### Step 2

#### Extract Issues and Assess Materiality

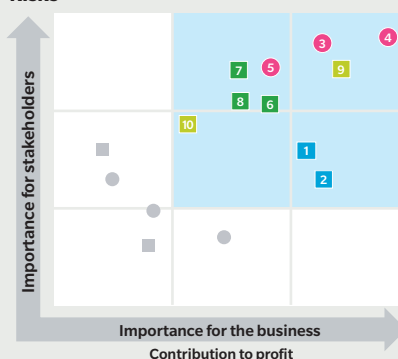
From among the issues listed up, those with particularly high relevancy to Konica Minolta were extracted and an analysis of materiality (importance) was done. Konica Minolta's materiality analysis is characteristic in that it evaluates both risks and opportunities. By evaluating both risks and opportunities and advancing the SDGs, it is possible to put in practice the growth expected of businesses by taking social issues as opportunities and solving them through business. Materiality analysis put 1 of 5 levels of importance for stakeholders (customers, suppliers, shareholders and investors, employees, etc.) and the business (amount of financial impact), and assigned priority to each issue.

##### Opportunities



- 1 Raise the customer's productivity and bring forth creative time
- 2 Raise productivity and meaning of work in the customer's supply chain
- 3 Raise the employee engagement, increase the company's attractiveness to improve talent acquisition
- 4 Solve shortage of labor at small- to medium-sized businesses and strengthen cyber security
- 5 Create manpower in the nursing care industry
- 6 Reduce healthcare costs
- 7 Improve efficiency of drug development
- 8 Improve access to healthcare in developing countries
- 9 Improve safety and security in customer workplaces and society
- 10 Ensure the quality of customers
- 11 Reduce energy and CO<sub>2</sub> impact of customers and society
- 12 Support work style reform in a paperless and ubiquitous computing society
- 13 Reduce CO<sub>2</sub> emissions and costs of suppliers
- 14 Build customer supply chains that have no waste
- 15 Reduce loss in customer workflows and supply chains

##### Risks



- 1 Work and skill mismatches within the Company
- 2 Reduction of employee diversity and independence

- 3 Occurrence of quality problems in products and services
- 4 Occurrence of information leaks and privacy problems
- 5 Use of materials that lead to pollution of the ecosystem and worsened health

- 6 Increase of cost of parts and unstable supply due to skyrocketing of energy prices, insufficiency of raw materials
- 7 Advance of paperless due to skyrocketing of energy prices, insufficiency of raw materials
- 8 Cutting of the supply chain due to abnormal weather

- 9 Reduced competitiveness due to delay in responding to the circular economy
- 10 Delays and paralysis of production due to drying up of water resources and water risk

- Improving fulfillment in work and corporate dynamism
- Supporting healthy, high-quality living
- Ensuring social safety and security
- Addressing climate change
- Using limited resources effectively
- Create Value through the Business
- Create Value through the Company's Activities

### Step 3

#### Validate and Identify

The person responsible for group sustainability (the director who is responsible for sustainability), who works as the chair of the Group Sustainability Promotion Committee verifies the appropriateness of these material issue processes and evaluation results, and identifies the material issues that should be given priority in being dealt with. The identified material issues are approved by the Board of Directors after being discussed by management. Going forward, material issues will be periodically reviewed and reconsidered as necessary, guaranteeing the appropriateness of issue identification and the plan.



## Financial Strategy

### Message from the CFO

We are in the progress of transforming our business portfolio to improve capital efficiency for the medium and long term.



### Seiji Hatano

Senior Executive Officer  
Responsible for Business Management, Accounting,  
Finance, and Risk Management

### Management focused on cost of capital

#### Capital policies for an optimal balance of growth investment, shareholder return, and strong financial foundation

Our objective is to use the imaging technology that we have cultivated since our foundation to help people achieve their purpose and well-being, and to realize a sustainable society. To fulfill that objective, my greatest mission as CFO is to execute the most effective long-term capital policy (financial strategy) for generating sustained growth in our corporate value by providing a combination of new value for human society (social value) and business growth (economic value). In our capital policy, I am particularly focused on boosting our ability to generate cash flow and improving our capital efficiency, as represented by ROE and ROIC. My aim is to establish the optimal capital and debt composition by improving our capital efficiency and controlling our capital costs while preserving the right balance of growth investment, shareholder return, and a strong financial foundation.

#### ■ Improving capital efficiency guided by KM-ROIC and return from invested capital

In fiscal 2019, ROE and ROIC declined significantly due to Workplace Hub and the bio-healthcare business, and other new businesses taking longer to gain traction than we initially anticipated along with the inevitable impacts on both revenue and profit owing to the worldwide spread of the COVID-19 pandemic, which constrained our sales activities, particularly in

Europe and the United States where we have competitive presence.

The present status of the COVID-19 pandemic suggests fiscal 2020 could be even more challenging for our business. Our plan is to intently focus on raising ROE and ROIC back above our capital costs by building our business momentum and maximizing business profit in relation to business assets (return from invested capital).

Specifically, beginning in fiscal 2020, we will use KM-ROIC<sup>\*1</sup> and return from invested capital<sup>\*2</sup> as our primary management indicators for raising capital efficiency. We are using KM-ROIC as a benchmark as we transform our business portfolio, and return from invested capital will be integrated to the performance assessments used to determine manager bonus payments and to gauge the management of our group subsidiaries companies.

We are therefore shifting our performance management from centering on earnings to focusing on the efficiency of our capital investments. We will engage the whole company in activities to improve capital efficiency by using e-learning to provide examples of ways to improve capital efficiency and to raise awareness about capital costs among all employees and managers. We will also deepen and strengthen our operations and broaden their range of application in the medium term, while constructing a flexible financial base that is resilient to severe market conditions and will enable us to maximize our corporate value.

<sup>\*1</sup> KM-ROIC is business profit divided by invested capital. It indicates the rate that business investment is generating business profit.

<sup>\*2</sup> Return from invested capital is business profit minus the cost of invested capital. It indicates how much value has been created above the cost of invested capital.

### ■ Capital expenditure and investment and loans to generate cash flow

As we transform the Group's business portfolio, we are focusing on generating operating cash flow by improving the profitability of the core business and the efficiency of our working capital. At the same time, we plan to use effectively use capital expenditure and investment and loans to maximize free cash flow.

In fiscal 2019, our capital expenditure totaled ¥50.8 billion. Principal investments were for machinery and equipment, molding dies, and other tools and appliances in the Office and Professional Print businesses, machinery and equipment in the Industrial Business, and buildings and R&D equipment for company-wide use. Investment and lending totaling ¥7.9 billion, which was mainly used to acquire a Spanish company developing an automotive visual inspection business in the Industrial Business. We used our own resources to fund the majority of our investments during the year.

Our investment plans for fiscal 2020 center on the Digital Workplace Business, Professional Print Business, and Industry Business. We plan to execute judiciously selected strategic investment to expand our production capacity, prepare to manufacture new products, retool our domestic production sites, strengthen our development capabilities globally, and execute judiciously selected strategic investment to optimize the efficiency of our operating sites in the Kansai area.

### ■ Enhancing shareholder return

Our basic policy on shareholder return is to actively return profit to shareholders while taking into account the overall status of the Company, including our consolidated performance and our ability to conduct the strategic investment in growth fields. We also seek to enhance shareholder return through higher dividends and by flexibly repurchasing company shares.

Despite recording a net loss in fiscal 2019, the Company distributed interim dividends per share of ¥15 at September 30, 2020, and ¥10 at the year end for a total annual dividend payment of ¥25 per share. We forecast posting a net loss again in fiscal 2020 owing to the impact of the COVID-19 pandemic. However, we believe measures to improve profits in the Office Business and new businesses and steps to maintain the reduced level of fixed costs give us a strong probability of regaining the pre-pandemic profit levels in fiscal 2021 and 2022. Based on this outlook, we plan to maintain the fiscal 2019 dividend payment rate and forecast providing a total annual dividend payment of ¥25 per share in fiscal 2020.

### ■ Solidifying our financial foundation

We are creating a solid financial foundation to support our aggressive investment in growth by strengthening our financial governance, minimizing financial risk, improving capital efficiency, and enhancing shareholders' equity.

The main source of funds needed to ensure smooth business activities is the cash flow generated by our operating activities, and we supplement this by securing ready liquidity through short- and long-term loans from financial institutions

and by issuing corporate bonds while maintaining our financial soundness and stability. Financial risk associated with long-term financing is reduced by dispersing the periods for redemption and repayment. In addition, the procurement of funds is centralized and made more efficient by having the Company be the primary arranger for the Group and supplying the necessary funds to affiliated companies through a cash management system.

The Company maintained a cash and cash equivalents balance of approximately ¥90 billion at the end of fiscal 2019 and in April 2020 secured an additional ¥85 billion in loans from financial institutions as a precaution due to the uncertainty associated with the COVID-19 pandemic. We additionally have unused commitment lines from multiple financial institutions totaling ¥300 billion (as of end-May 2020). We believe these preparations will ensure sufficient liquidity to deal with any impacts on our businesses from the coronavirus.

The Rating Investment Information Center (R&I) and Japan Credit Rating Agency (JCR) have given ratings of A to the Company's corporate bonds and preliminary ratings of A to future bond issues by the Company.

## Business Portfolio Management

### Strengthening our business portfolio management guided by KM-ROIC

The proliferation of tablet computers, smartphones, and other electronic equipment coupled with workstyle changes has accelerated the shift in offices from paper to digital data in recent years. We are responding to this fundamental change in the office environment by overhauling our business content, particularly in our core Office Business, with an outlook for the medium and long term. During the two medium-term management plans over the past six years, we have transformed our business composition through aggressive investment in Workplace Hub, industrial printing, bio-healthcare, visual inspection, and the new field of status monitoring solutions.

The new DX2022 medium-term business strategy starting in fiscal 2020 calls for continuing with the selective upfront investment in the domains essential to our future growth, specifically the Digital Workplace Business and the precision medicine and measurement instruments business units, while also improving capital efficiency and maximizing corporate value by putting greater emphasis on maximizing the return from past investments and optimizing the business portfolio to improve capital efficiency.

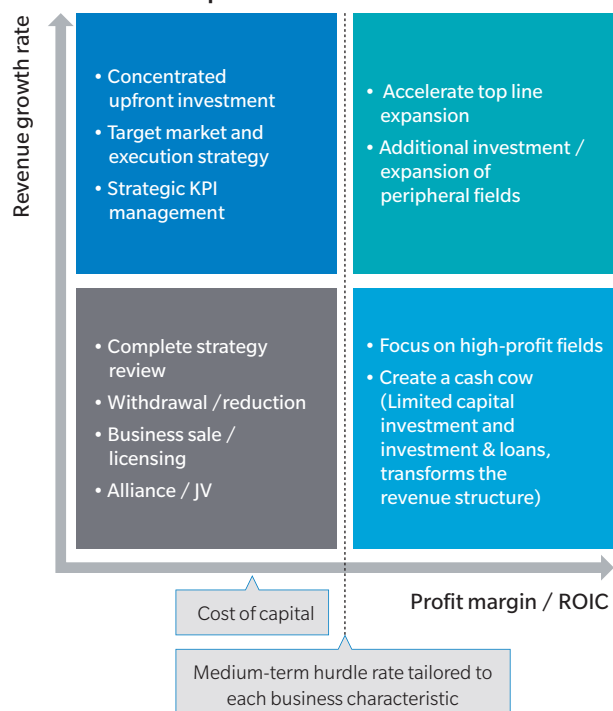
Optimizing our business portfolio is being executed by assessing each of our businesses in terms of business attractiveness, sustainable competitiveness, and adaptability of the corporate strategy. One of the main indicators we are using to assess business attractiveness is the KM-ROIC mentioned above. Taking into account the actual invested capital efficiency

at each business unit level along with the average in the industry, we are setting medium-term hurdle rates for the KM-ROIC expected of each business and will gear our business strategies and operations toward surpassing those minimum targets. The ability to meet hurdle rates for investment return will also be a criteria when starting new businesses and investments. We will also periodically review the KM-ROIC of investments with the aim of eliciting maximum return.

We will also consider withdrawing from or downsizing businesses following exit rules with specific baselines for business profitability, investment capital efficiency, and other items. If monitoring reveals a business has fallen below these baselines, the business will be deemed a withdrawal candidate, and we will commence a close examination of the benefits of withdrawing from the business. Cash acquired from selling a business will be added to our investment strategy for growth and to optimize the business portfolio, improve capital efficiency, and increase cash flow for the medium and long term.

We will continue aggressively overhauling our business portfolio guided by our objectives to improve the efficiency of our invested capital and to bring about our digital transformation.

#### Evaluating “business attractiveness” with an awareness of capital costs



## Risk Management

### Major risks identified by frequency and potential degree of impact

The Company’s Risk Management Committee is charged with the overall and systematic management of the potential risks to the Group’s businesses, including formulating and strengthening the risk management structures of each Group company. As the committee chair, I appoint corporate executives with positions of executive officer or higher to serve as committee members whose duties include executing the risk management associated with their corporate duties. At biannual meetings, the committee updates the Group Risk Map created based on our risk classification system to represent the potential impact and frequency for each department and discusses countermeasures. The chairman convenes a meeting of the committee as deemed necessary in the event an unforeseen risk circumstance arises. The committee reviews the status of countermeasures for risks assessed as high importance on a monthly and quarterly basis, and the committee chairman appoints an executive officer to supervise the Group response for risks considered of critical importance.

We consider risk to be any situation that presents “uncertainty” about a potential impact on the earnings of our organization. In that sense, risk management encompasses not just the negative side of risk but also the positive side for our sources of earnings. It is therefore essential for mitigating potential negative impact as well as for pursuing the maximum return from opportunities.

The COVID-19 pandemic is a case in point. Although it is substantially affecting our sales activities, early recognition of the potential risk led our CEO to activate the company’s Temporary Crisis Management System in January 2020. This put first priority on the health and safety of our employees and their families, customers, business partners, and all stakeholders and that eventually enabled us to resume factory operations at a relatively early date.

We have also looked ahead to when economic activity returns and envision medical professionals needing more support than before and an overall change in people’s values and work styles.

The business growth we have seen as we helped address such a major social issue as the coronavirus shows that such activities are positives for the Company. Our business has grown from assisting in AI diagnosis of chest X-rays and remote medical diagnosis, commercializing PCR testing in the United States, using Workplace Hub to facilitate multi-site collaboration and new work styles, providing expertise gained from our in-house teleworking system, and providing AI-integrated thermal cameras for body

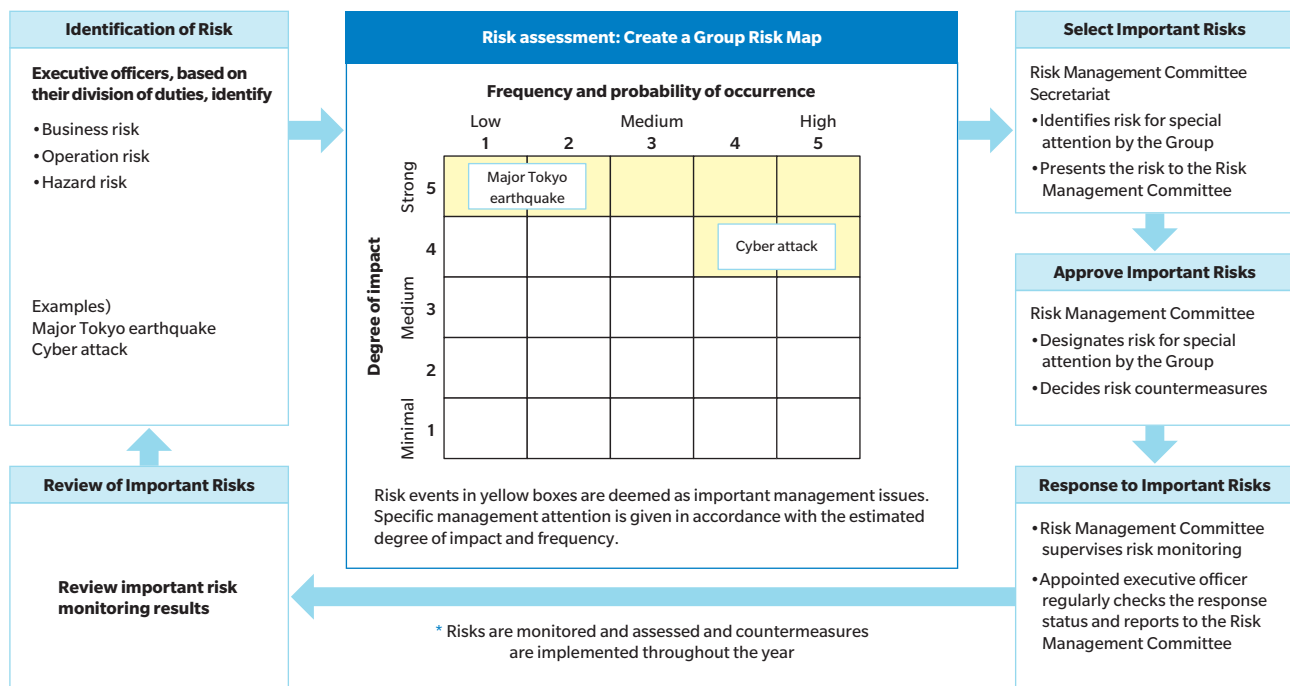
surface temperature readings.

The changes in the earth's environment is another risk as climate change and abnormal weather activity around the world threaten our business continuity and could impact our future earnings. Recognizing these risks, we are doing our part to mitigate global warming. The Group is committed to becoming "Carbon Minus" by lowering its CO<sub>2</sub> emissions below the levels of our customers, suppliers, and local communities. We have set ambitious targets to have reduced

the CO<sub>2</sub> emissions from our product lifecycles by 60% in 2030 and 80% in 2050 compared to fiscal 2005. Konica Minolta discloses information about its business risk and opportunity related to climate change in accordance with the framework of the Task Force on Climate-related Financial Disclosures. (Please see page 53 for details.)

Properly managing the various risks from a medium- and long-term perspective is a key part of our efforts to establish sustaining growth in corporate value.

## Process of Identifying Important Risk for the Group



## Business Risk

Risk	Probability	Potential Occurrence	Potential Impact
<b>Economic environment risk</b>			
Economic trends, market environment	High	Within 1 year	Strong
Forex fluctuations	High	Any time	Medium
<b>Business risk</b>			
Changes in the print environment	High	Within 1 year	Strong
National or regional regulations	High	Within 1 year	Medium
Technology developments	Medium	Within 3 years	Medium
Shift to new products	Low	Within 3 years	Strong
Collaborations, company acquisitions	Medium	Any time	Medium
Procurement, production	Medium	Within 1 year	Medium
Product liability and quality assurance	Low	Any time	Medium
<b>Other risk</b>			
Major earthquake, disaster, epidemic	Medium	Any time	Strong
Environmental regulations, climate change	Medium	Any time	Medium
Intellectual property rights	Low	Any time	Minimal
Human resource availability	Medium	Within 3 years	Medium
Information security	Medium	Any time	Strong
<b>COVID-19 risk</b>			
Impact from further spread	High	Within 1 year	Strong

## Strategies for Strengthening Customer Engagement



### Message from the Executive Officer

We will create value as One Konica Minolta, leveraging customer contact with nearly two million companies in 150 countries.

#### Toshimitsu Taiko

Senior Vice President and Executive Officer  
Lead Officer responsible for Business Technologies and  
Responsible for Corporate Planning, Investor Relations,  
and Corporate Communications

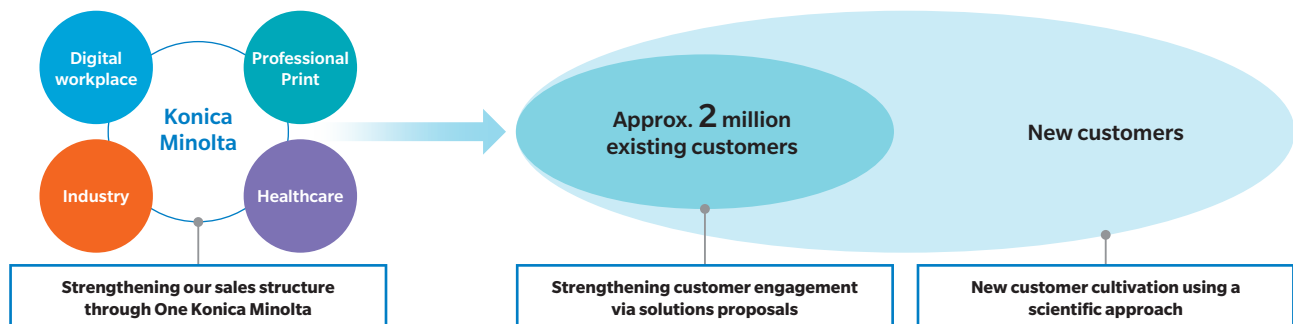
### Leveraging our connection with customers to strengthen our solutions-oriented businesses

Konica Minolta has close to two million customers connected by a sales and service system that we have built up across 150 countries. This customer base is an asset that contributes greatly to our growth. With an emphasis on connecting with our customers directly at an early stage, we have built a direct-sales system that does not involve going through distributors. This allows us to get a keen sense of the issues our customers face in the workplace and to offer suggestions that meet their needs.

This extensive and profound connection with the customer is a strength unique to Konica Minolta. By making full use of this strength, we work to improve customer value and increase profitability by proposing not just standalone devices but solutions that include a variety of services.

In the Digital Workplace Business, for example, we have enhanced our ability to offer IT services by undertaking M&A and other moves beginning 10 years ago in anticipation of bearish print volume (PV) owing to offices going increasingly paperless. Meanwhile, we have also paired MFPs with IT services and conducted hybrid sales of solutions aimed at solving our customers' issues. We previously made sales calls every four or five years, coinciding with when our customers replaced their MFPs. Since we began providing IT services,

### Measures to boost sales by leveraging connections with customers





however, we now provide suggestions to customers more often and have improved customer engagement. Through persistence in these efforts, we boosted the retention rate to 85% from what was once about 70% while increasing per-customer profit. Steady progress is being made.

During the period of the SHINKA 2019 medium-term business plan, we began rolling out the Workplace Hub next-generation platform with an eye to building a new business model not dependent on PV. Our direct connections with so many of our roughly two million customers will serve as a strength as we expand our business even further.

With regard to the Workplace Hub, we were unable to achieve the goals of the initial sales plan due to the time needed to complete a successful firmware version both in terms of customer satisfaction and expediency for us. However, fiscal 2020 will see us begin to bring together the Workplace Hub, MFPs, and IT services towards achieving the Intelligent Connected Workplace\*, allowing us to expand the solutions and value we provide the specialized industries. Through this effort, we will continue contributing to better business efficiency and productivity.

\* Intelligent Connected Workplace: A smart workplace environment that brings the necessary people and information together, and allows for creating value with anyone anywhere, and at any time.

## Seeking to improve business efficiency through a scientific sales approach

While cultivating new customers is critical for further increasing connections with customers, traditional sales approaches involve a lot of wasted effort and are inefficient. To solve this issue, we employ a scientific sales approach for our Business Technologies Business in the U.S.

For some time now, Konica Minolta has been creating a database of customer profiles. By analyzing this data using AI, we can identify promising goods and services according to industry or company size, and can determine profit ratio trends. We then create a pipeline (a list of prospective customers) for cultivating new customers. Using this list as a starting point for sales activities has enabled us to provide more effective proposals from early on in deal negotiations, resulting in better sales efficiency and customer satisfaction.

Our vast customer base is what makes this sales approach possible. With COVID-19 complicating in-person negotiations, figuring out how to assess customer needs remotely is key. For that reason, as well, we believe it is important to cross-deploy our scientific approach from the U.S. to other regions and from the Business Technologies Business to other businesses, ensuring it is used effectively. In the three years of the new medium-term business strategy, DX2022, we lay out a new initiative aimed at taking this approach a step further by using an AI employed for analyzing data to automatically generate the most suitable proposals based on customer type.

In addition, we will be deploying a system for scientifically evaluating and verifying how well we are doing in engaging customers. Up until now, our source of reference has been the

Net Promoter Score (NPS), which assigns scores to how willing customers would be to recommend something to another customer. Now, we will take this to the next level and have our customers scored according to a standard of our own design—one which asks customers “do you plan to continue using Konica Minolta products or services?” We will then deploy our own evaluation system that will compile and analyze the assessments on a weekly basis, making use of our findings in sales activities.

## Looking to create customer value through the One Konica Minolta approach

Through the connections we have with customers in a broad spectrum of industries, we are able to discern a diversity of undiscovered issues that our customers face— issues that present numerous business opportunities. We will capture every such opportunity and use them to expand our business. To this end, through One Konica Minolta, we go beyond business boundaries to provide unique solutions and create ever greater customer value.

For example, in response to the needs of schools looking to bolstering security, we provide IT-related security as well as solutions in the form of surveillance cameras that monitor for suspicious trespassers. We also seek to meet the needs of local governments interested in achieving operational reforms. In addition to document solutions that digitize and centrally manage large volumes of documents through the tracking and assessment of workflows, we even sometimes suggest healthcare-related solutions to improve operational efficiency at public health centers.

To carry out this multifaceted style of proposal making, we have consolidated each business’s sales functions into a single sales subsidiary, replacing a sales system centered around specific business segments with one that can offer different solutions specific to our customers’ industries and lines of business.

This gives us a deep understanding of the issues unique to each of our customer’s industries and lines of business, and enables us to propose a variety of the best possible solutions. We also have the means to replicate elsewhere in the group successes achieved in one country or region.

In addition, Konica Minolta experts well-versed in security and other specific fields engage in talks with customers, creating opportunities to conduct assessments and implementations in the field. Going forward, in order to create even more of these opportunities, we will focus on cultivating experts in every business segment, for example, utilizing our European experts in a cross-border capacity by having them take part in deal negotiations with our Asian customers.

The extensive customer connections we have built up will drive our future growth, and I am confident that we can achieve greater growth by leveraging these connections across business borders. Under One Konica Minolta, we will continue upping the pace of our solutions proposals, one step at a time.



## Strategies for Strengthening Customer Engagement

# An interview with top personnel

**At Konica Minolta, we build strong connections with our customers in sales and marketing sites around the world.**

**Two senior marketing managers from Europe and the U.S. talk about their marketing strategies for a post-COVID-19-world.**

### Question 1:

**How do you strengthen the connection with your customers?**

**Lorenz:** We pride ourselves on building long-term, honest relationships of value with our customers, as opposed to many other companies who still adopt a transactional attitude towards their relationships. We create these deep partnerships by talking with them and finding out their needs and expectations. We then measure the customer experience at various instances of our interaction. To enhance our customer experience further, we are working closely with our talented marketing and sales team.

### Kay Du Fernandez

Senior Vice President, Marketing,  
Konica Minolta Business Solutions U.S.A.



**Fernandez:** In order to build good relationships with our customers, we need to get a deeper insight into their buying behavior. As a result, we have been utilizing a customer journey map for the past few years. All these customer touch points really help us to understand how we're interacting with customers at each stage of the awareness, consideration, acquisition, and adoption stage. By optimizing every single touch point, we can develop effortless, engaging, and relevant experiences. This has helped our digital transformation within our marketing department.

### Question 2:

**What do you focus on in your marketing activities?**

**Fernandez:** In the US, we are very much focused on demand generation. Customer data is key to ensure our customer segmentation is effective. We utilize AI to identify optimal and higher profit ratio groups, narrow down the potential target sectors, and target the right customers, all of which helps us to provide efficient and accurate solutions to companies with similar needs. These digital approaches ensure we can forge strong, long-lasting relationships. That's one of the areas of our strategy in the US, and we're very much focused on channel marketing as well. We readily share these tried and tested approaches with our 300 partners and support their sales activities, digital marketing, and social media strategy.

**Lorenz:** Much like the US, we have a scientific sales approach in Europe, whereby automated marketing and data analytics are crucial to understand our customers' needs. This helps uncover potential new customers and further bolsters existing relationships. For instance, we are a favored supplier of a major global automobile company because we have continued to add new product features based on customer analytics, ensuring their needs are met and they have a competitive edge. As a result of our productive partnership, they have continued to renew their contract with us for over ten years now.

**Fernandez:** Persona is very important for us, which is why we conduct a lot of data research to implement accurate customer segmentation in order to target a specific vertical or role within

an organization—whether it's a CEO, CIO, or a specific business department—with the right messages to suit particular business needs.

### Question 3:

#### How would you enforce the business looking towards a post-COVID-19 era?

**Fernandez:** It's important to maintain a close connection with people during the current situation, despite having much less opportunity for face-to-face interaction. Consequently, we have adjusted our communication and marketing by promptly creating virtual events and webinars. These engaging events provide virtual demonstrations of our innovative products, such as the AccurioPress C14000. We have had upwards of 350 people attending these events since its launch, so they have been successful in getting people to interact with Konica Minolta, and converting active participants into customers.

Now, we are coming up with new ways to further improve this virtual experience. For example, we recently combined the physical and virtual, by mailing sample materials to attendees before a virtual demonstration of our group company MGI's innovative spot varnish printing device. In these changing times, e-commerce is now a top priority for us. As a result, we are working on automated transactions, as well as the most effective ways to sell online. This is a global project, which everyone on our team is working enthusiastically on.

**Lorenz:** Even before COVID-19, we transformed our business model from a transaction to a solution provider. If we take a look at the current office business environment, it is constantly evolving. We already offer our customers an Intelligent Connected Workplace solution as one of our major services, but the pandemic has now accelerated the need for further digitalization in the wider business society. Our solution would suit a post-COVID-19 world because it connects dispersed and variable workplaces, ensuring productive collaboration continues whatever the location. This demonstrates we are company that is at the forefront of teleworking solutions and shaping the future workplace through our innovative digitization practices.



### Olaf Lorenz

Senior General Manager,  
Digital Transformation Division,  
Konica Minolta Business Solutions Europe

**Fernandez:** We have also started a new initiative called Return to Work, which supports going back to the office with virtual health checks. This solution was put into practice within eight weeks, and was achieved through close collaboration between our enterprise management team, engineering team, and marketing team. Our quick deployment of this solution was due to understanding market needs under the current situation. We also collaborated with our group company, Ambry Genetics, who provided state-of-the-art genetic testing services to help us compliment our Return to Work solution. All of which shows we are practicing One Konica Minolta to its full potential.

**Lorenz:** Another example of us enacting One Konica Minolta is with our Box Defect Detection system, which is currently being developed in Europe. This sensing system uses video analytics, and has the potential to completely automatize manual processes by combining our camera technology, sensing technology, and other multiple equipment. This solution contributes to the manufacturing and logistic industries, and helps accelerate automated and remote work processes, which would be very useful in the current climate. We will continue to provide solutions demanded in the post-COVID-19 world, by concentrating resources from our different businesses to holistically provide necessary solutions for our valued customers.

## Technology Strategy



### Message from the Executive Officer

We will enhance our imaging IoT technologies to accelerate our platform-based business expansion

#### Toshiya Eguchi

Executive Officer

Responsible for IoT Service Platform Development, Imaging-IoT Solution Business and Visual Solutions Business

### Creating a new platform business with visualization technologies at the core

By combining state-of-the-art IoT and AI technologies with the imaging technologies we have refined over our long history, we are taking aim at changing ourselves into a service provider that excels in data utilization supported by imaging technologies. “Imaging IoT technologies” is the collective term we have given to these core technologies, and the “imaging IoT platform” is the entire environment surrounding business centered on imaging IoT technologies.

The imaging IoT platform is a vehicle for providing services that facilitate better workflows in wide-ranging workplaces such as production, healthcare, and caregiving, and visualization is the driving concept behind it. Image data is captured from a Konica Minolta measuring instrument, sensor, or other input devices. Then, based on the data, we add in our own processing, visualizing the previously invisible. This can create customer value in many ways. For example, we can automatically ascertain a person’s physical condition, discover invisible gas leaks, and automatically detect the position and number of cells in a pathological exam. Our efforts to create ever higher added-value services by utilizing accumulated data is what we believe will lead to high-profit data services enabled by imaging IoT technologies.

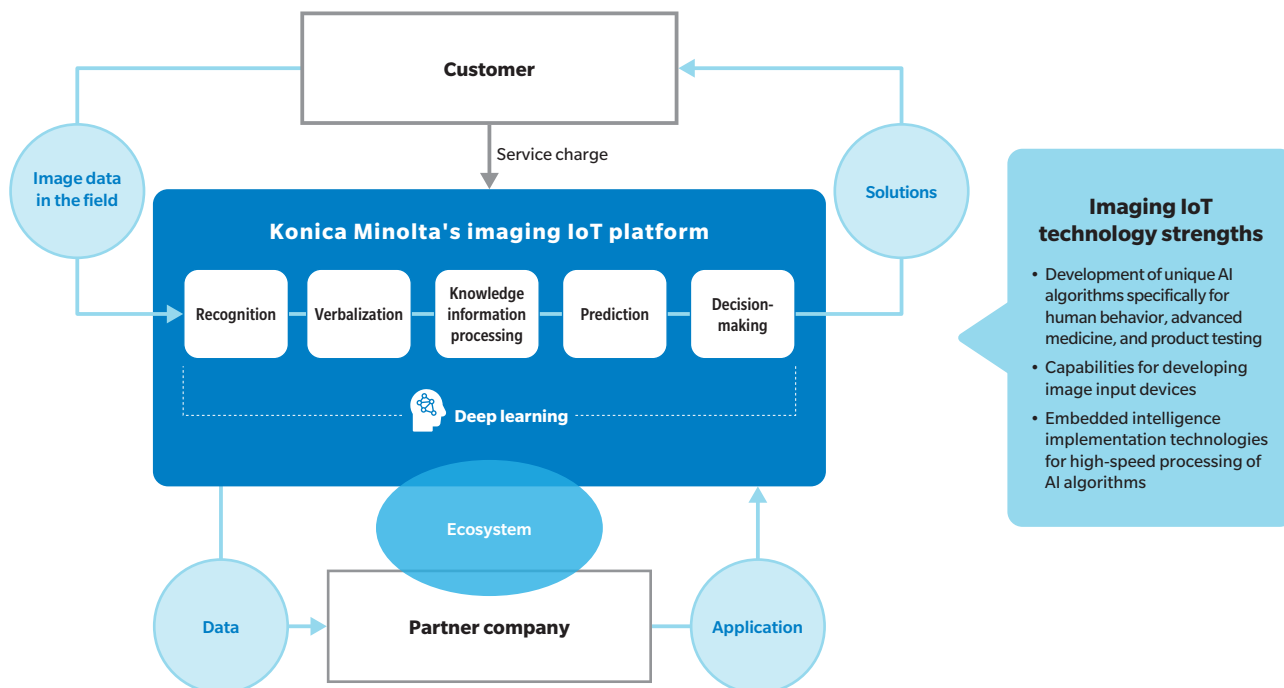
### Creating new businesses by evolving imaging IoT technologies

The rapid advance of AI technologies in recent years has seen many companies, including IT giants, focusing on development. Konica Minolta has established three areas of unrivaled competitiveness—human behavior, advanced medicine, and product testing—and have built an environment specialized in these areas and focused on developing unique AI algorithms. We also have strengths in imaging IoT technologies, one of which is our capabilities for developing image input devices, which we have honed through our imaging business, as well as our embedded AI technologies, which we have developed through our MFP development and which process AI algorithms at high-speed.

Our efforts to improve with regard to such technology development have seen us rise to the top echelon globally when it comes to image recognition technologies that enable faster, more precise human behavior recognition and object detection. Going forward, we believe that even the partner companies with which we collaborate will view us as possessing a level of technology that provides ample Konica Minolta value.

During the period of the previous medium-term business plan, SHINKA 2019, we used these technologies to build new functions that include the Intelligent Quality Optimizer Unit IQ-501, an automated color and registration adjustment for digital printers, along with new businesses such as the HitomeQ Care Support services for caregiving facilities and our gas monitoring solution service for plants. At the same time, we finished building a foundation for conducting a full-scale rollout of imaging IoT businesses, which included an ecosystem with a partner company and a service payment system.

### Konica Minolta's imaging IoT platform business



### Furthering collaboration with partner companies in order to grow the imaging IoT business

The further expansion of our imaging IoT business will be a major theme over the three-year period of the next medium-term business strategy, DX2022. We are now considering what new service model to adopt—whether to provide customers with applications from our partner companies over a platform, generate new value by sharing data accumulated on the platform with partner companies, or create service packages and provide them to a wide range of customers. We plan to expand our business by providing prepared technologies together with a platform environment.

Expanding our imaging IoT business in such a way will require combining a variety of technologies, so we will be ramping up collaboration with partner companies. Along with completing a new development annex at our Takatsuki Site in Osaka, in August 2020 we also established an R&D facility in North America (Canada) and commenced joint research into advanced AI technologies with a university.

We will bring together imaging IoT development functions and talent at these sites, where they will advance open innovation with partner companies.

Since an IoT business cannot succeed through the efforts of one company alone, few have achieved success anywhere in the world. It is amid these circumstances that Konica Minolta, with its strength in imaging IoT and a customer base of two million companies, will build an open platform for partner companies to use. Then, as a result of friendly competition between these companies, we will provide high-value services that put the customer first. We will be the first in the world to create such an environment.

### Increasing imaging IoT and AI talent to 1,000 people

In preparation for a future business portfolio transformation, Konica Minolta has spent nearly the last 10 years focused on developing imaging AI engineers, data scientists, and system architects, among others, to build businesses centered on developing imaging IoT technologies. Additionally, as in-house training programs, we have also established skill level-specific certification and registration programs for three levels: “entry,” “standard,” and “expert.”

We currently have close to 500 imaging IoT and AI talent, including outside hires. Further increasing the number of internally-developed personnel will give us an advantage both in terms of speed and development skill, and will also be advantageous in our collaborations with partner companies.

To this end, we aim to double our talent pool to 1,000 people over the period of DX2022. As part of this effort, and in order to grow our IoT-related business in the future, we want to increase our number of data engineers, who solve problems primarily using data analysis, and the product engineers that build applications and services packages. More and more of these people have been working with sales staff around the world as experts, helping to cement business deals. Developing engineers like this who can create services and expand our business will be a focus going forward.

In the future, we will use our imaging IoT development facilities in Europe and newly-built R&D facilities in Japan and North America as bases for fortifying our talent as we accelerate efforts to cultivate and recruit people for imaging IoT business in our three business regions of Japan, the U.S., and Europe.



## Human Capital Strategy



### Message from the Executive Officer

We aim to become a company that brings out the best in every individual, and that is looked to by society in this digital age.

**Shinichiro Oka**

Executive Officer  
Responsible for Human Resources

### Human capital is the most important asset

At a time of rapid digital transformation (DX) at the global level, Konica Minolta aims to achieve sustainable growth as a company that is vital to society. To this end, we have taken steps to transform our business portfolio from being product-centric to being focused on services that leverage images and data. And I strongly believe that human capital is the most important asset to achieving resounding success in this endeavor.

Assets under our previously product-centered business consisted of production facilities and other possessions of the Company, and what we sought from our employees was the ability and skill to utilize these assets effectively. But now, to carry out a service-centered business that leverages our digital capabilities, we need each and every employee to identify customers' individual needs and find out-of-the-box solutions.

Towards our goal of besting the competition at a global level amid this worldwide digital transformation, our "DX2022" medium-term business strategy, which began in fiscal 2020, calls for a human capital strategy that gives top priority to bringing out every Konica Minolta employee's individuality.

### From optimizing at the country and region level to harnessing diversity in a borderless world

To win in today's world, a company must discover new ways of thinking and innovative ideas by engendering healthy conflicts between people of different views. In other words, leveraging people's diversity is essential for organizational growth. Therefore, it goes without saying that to make the

best use of our people going forward, we need to go beyond optimizing at the country and region level and come together at the global level, making doubly sure the right people are in the right positions—regardless of their nationality, gender, or years of service.

One of our greatest competitive advantages is the extent of our diversity: the Konica Minolta Group is more than 40,000 people, and roughly 75% of them work outside Japan. Through active M&A efforts over the past 10 years, we have recruited a profusion of people who have brought new identities, knowledge, and experience to the company. To make the most of this advantage, we are developing HR programs shared throughout the Group, as well as making personal transfers easier, with the goal of providing every conceivable kind of opportunity for all employees, wherever they are in the world.

Regarding women's participation and advancement, women hold roughly 18% of management positions Group-wide but only 7% at headquarters in Japan. To promote diversity, we need to vigorously promote women's participation as a focus of our business management, especially in Japan. For some time, we have used the percentage of female managers as an indicator to engender a corporate culture conducive to female participation, while providing training and education as well as actively expanding and improving related systems. The managers of our businesses are strongly committed to producing female leaders, getting involved directly in their development planning and focusing our efforts on strengthening our process for cultivating female leaders. Alongside these initiatives, we will continue to identify and systematically train high-potential female talent to enable women to exercise their influence in the upper levels of management. Through these efforts, we will institute reforms aimed at bringing our percentage of female managers to 8% at our Japan headquarters by the end of fiscal 2021.

## Policy for strengthening talent in “DX2022”

### Strengthening the talent that will bring about “DX as a Service”

- Developing training and evaluation programs for strengthening core engineers and high-level specialists
- Cultivating leaders who will promote DX

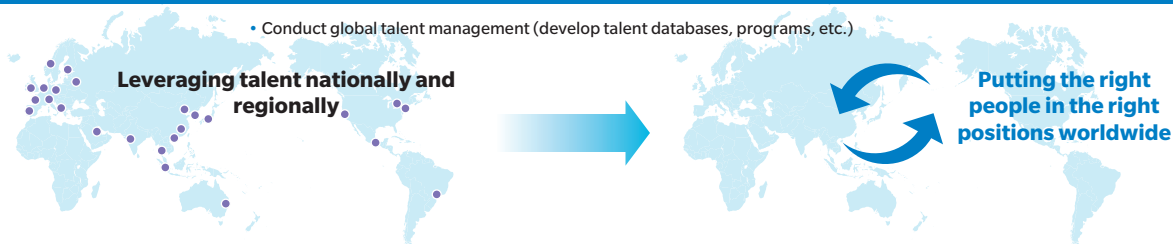
### Leveraging the talent that will build a strong business portfolio

- Cultivate high-level professionals through Re-skill & Up-skill programs, as well as programs to support autonomous growth

### Strengthen employee engagement

- Conduct Global Engagement Survey and following-up
- Promote diversity and inclusion
- Establish a “new normal” in working styles
- Foster a challenge-seeking culture

## Leveraging talent globally



## Building a value creation process to achieve DX

We have established two themes for strengthening our talent capabilities toward the achievement of DX.

The first involves cultivating leadership talent capable of achieving business growth through DX and one day becoming the CEO or an executive officer. So far, our cultivation of next-generation leaders has been done according to plans at the departmental, regional, and national levels. In the future, however, we will view each of these leaders as common assets of the entire Group, rotating them based on what is best for the Group as a whole. Assigning them tougher work and providing better training programs to support them will be crucial. Achieving this will require implementing a process for regularly reviewing and following up with organizations and employees, then having top managers continually identify those who show promise within each department, assess how far they could go, and make these high-potential people fully aware of their potential. At the same time, managers will help us achieve sustainable business growth by communicating how they intend to develop leader candidates as companywide human assets and enable them to be utilized strategically.

The other theme is recruiting and cultivating people who can lead digital experts working closely with our customers. These people will be extremely important for maintaining and strengthening our competitiveness as we advance DX, and for this purpose I estimate we will need about 200 people by the end of fiscal 2022. We have developed systems to select possible candidates at the global level and from outside the Company and train them. We have so far selected 500 candidates from around the world. Now we are conducting assessments to narrow down the list. Going forward, the Global Talent Committee will formulate a training plan tailored to each individual, provide various opportunities to hone their skills on the global stage, and accelerate their growth.

## Strengthening engagement

With the outbreak of COVID-19, employee engagement and the strength of the bond between employees and the Company has become more important than ever before. With the exception of essential employees who must come into the office, we have transitioned to having all Konica Minolta employees working from home at all business sites worldwide, beginning as soon as COVID-19 began to spread. This transition proceeded smoothly thanks to teleworking programs and IT infrastructure put in place before the outbreak. Many people still work from home, and teleworking has become a new normal. Because of the circumstances, we will all need to make a more conscientious effort to build the relationships between supervisors and subordinates, and with our fellow coworkers, that we used to naturally foster at the office. Moreover, it is becoming more difficult to get the kinds of novel insights and ideas that used to arise from chance encounters and chats — we must reach out more proactively, now.

To strengthen engagement at a time like this, we urgently need to redefine what type of people Konica Minolta needs both now and post COVID-19, to develop the infrastructure and re-examine programs needed for these people to succeed, and to select and develop managers who can manage according to the circumstances.

We will take these steps based on a corporate culture that puts employee health first and that will form a foundation for winning at the global level, which is part of the “healthy management” policy we have been focused on. Meanwhile, we will strengthen engagement by conducting employee satisfaction surveys worldwide to gauge our progress, and thoroughly follow up on efforts to address issues at the national, regional, and company level that have been identified through these surveys.



## Environment Strategy



### Message from the Group Executive

We aim to go carbon minus as a path to sustainable growth.

### Takenori Takahashi

General Manager,  
Corporate Sustainability Operations

### Seeking to be carbon minus by 2030

Climate change and other environmental problems are drawing increasing concern as an issue that impacts corporate sustainability. In 2009, Konica Minolta formulated the Eco Vision 2050 long-term environment plan, which looks forward to 2050. Since then, we have been preparing for future risks from environmental problems and have been undertaking environmental activities under the theme of achieving business growth by solving environmental issues.

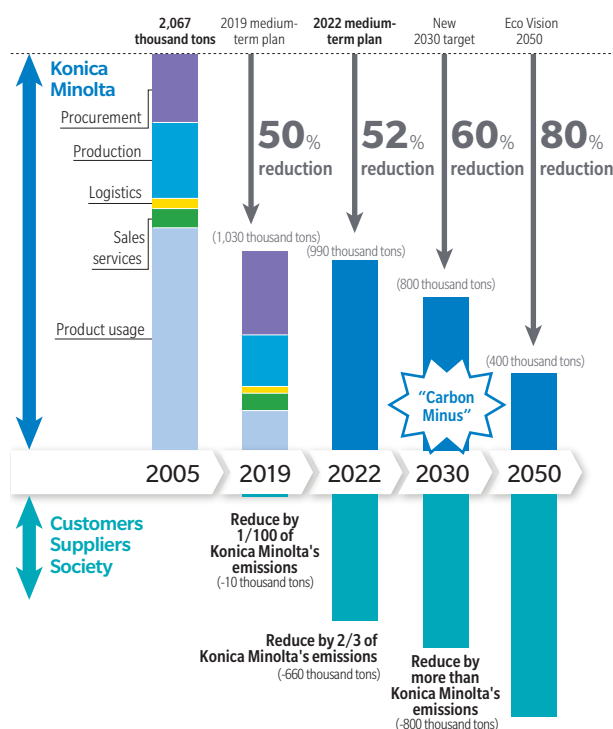
In 2017, we took a step forward when we established a new goal in the form of Eco Vision 2050, which aims to see us become carbon minus by 2050. "Carbon Minus" means reducing our CO<sub>2</sub> emissions by 80% compared to fiscal 2005 over the lifecycle of Konica Minolta's products, and it will require providing support for environmental problem-solving to our customers and suppliers to reduce CO<sub>2</sub> emissions to the extent that our product lifecycles are not affected. In reducing CO<sub>2</sub> emissions beyond the emissions for which we ourselves are responsible, we aim to become carbon minus.

In fiscal 2020, at the same time that we drafted our long-term management vision, which looks forward to 2030, and the DX2022 medium-term business strategy, we made the decision to push forward our timeline for achieving carbon minus status to 2030. This was prompted by an achievement we made during the previous medium-term business plan. Fiscal 2019 saw us reduce CO<sub>2</sub> emissions by 50% compared to 2005 throughout the entire lifecycle of our products. In conjunction with the reduction of CO<sub>2</sub> emissions and resource usage, we also reduced energy and resource costs by approximately ¥1.8 billion over three years. Furthermore, we saw an increase in product and service sales owing to our green marketing activities, through which we provide customers with our environmental expertise. These factors increased our top line by ¥780 million in fiscal 2019. We see this outcome as having succeeded in achieving increased profits through our efforts to

address environmental issues during the period of the previous medium-term business plan.

Based on this achievement, by accelerating efforts to reduce CO<sub>2</sub> emissions, we will now focus on promoting business growth and meeting our challenging goal of becoming carbon minus by 2030. We will do this by building an environmental ecosystem for coordinating with many companies through the use of our digital technologies.

### Moving the carbon minus goalpost up to 2030

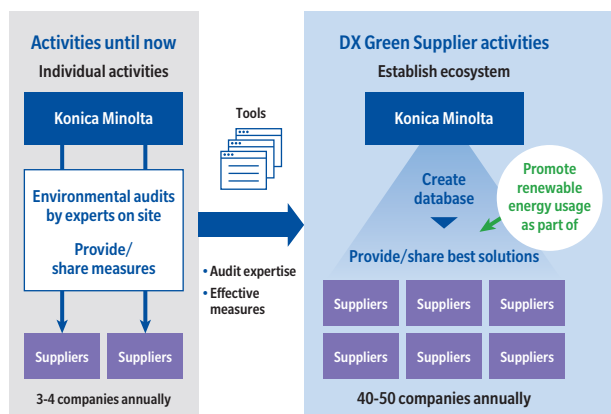


## Further reducing our environmental footprint through DX

Beginning in fiscal 2020, we will utilize DX to enhance coordination with more customers and suppliers in order to further reduce our environmental footprint.

One such effort is the digitalization of our “green supplier activities,” through which we provide our suppliers with our environmental expertise. Over the years, Konica Minolta experts have visited our suppliers’ factories and provided support in conducting energy audits and executing plans. We have now digitized and automated our expertise and developed a system that suppliers can use to conduct self-audits and execute plans. With this, we expect to be able to dramatically

### DX Green Supplier activities



broaden the range of those benefiting from these activities, while further reducing our environmental impact and costs.

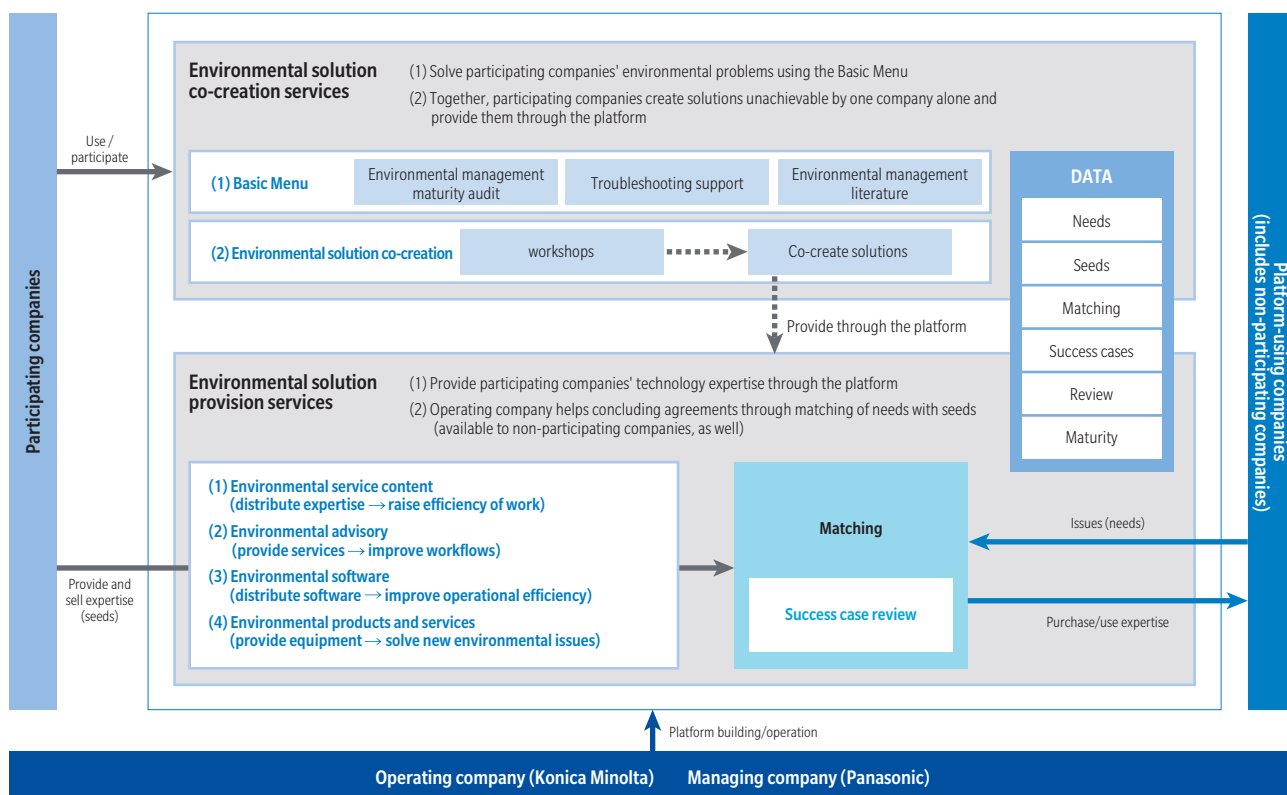
Another new initiative is the Environmental Digital Platform we launched in June 2020. This is an ecosystem that will improve environmental management efficiency by enabling Konica Minolta and participating companies to share knowledge and expertise and create new value together. Panasonic Corporation, a company with extensive expertise and global solutions, provides support as the managing company, with Konica Minolta in charge of operations. We began with 15 participating companies, and will expand the circle of co-creation by gradually bringing in more.

This platform consists of “solution co-creation opportunities,” which involve participating companies pooling their technologies and expertise to create new solutions for problems difficult for individual companies to solve on their own, and “solution provision opportunities,” which involve sharing and utilizing the environmental technologies and expertise that participating companies have developed through years of practice.

Through these two types of opportunities, we will solve environmental problems more quickly through inter-company coordination, speed up efforts to achieve innovation through co-creation, and contribute to environmental problem-solving at a global scale.

Over the three-year period of DX2022, we will achieve sustainable corporate growth by launching cooperative efforts such as these with many companies, through which we will significantly reduce our environmental footprint and contribute to a stronger bottom line.

### Environmental Digital Platform



## Environmental Strategy

# Introducing a New Framework for Climate-related Financial Disclosures (TCFD)

For a company to grow sustainably, Konica Minolta believes it is critical to accurately assess climate-related risks and opportunities concerning business management, and to actively disclose information to a broad range of stakeholders, including investors. In line with this idea, we disclose our efforts to address

climate change problems through the TCFD framework, with endorsement for the Recommendations of the Task Force on Climate-related Financial Disclosures, the final report from the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the G20's Financial Stability Board.

Subject	Activities
Governance	<p>In 2008, Konica Minolta set, and received approval from the Board of Directors for, an ambitious target: to "achieve an 80% CO<sub>2</sub> emissions reduction throughout the entire lifecycle of its products by 2050 compared to 2005." Then in 2017, we added a "Carbon Minus" target that represents our commitment to working with partner companies to achieve negative CO<sub>2</sub> emissions in society. Now, in 2020, the Board of Directors has approved a decision to push our target year for achieving carbon minus status forward to 2030.</p> <p>At Konica Minolta, the president has ultimate responsibility for and authority over the company's efforts to combat climate change, and is also accountable for the effectiveness of environmental management, including with respect to climate change. A group executive (Group Sustainability Officer) appointed by the president is in charge of environmental management operations. Along with formulating medium-term plans, the Group Sustainability Officer issues monthly reports to the president and the Audit Committee of the Board of Directors on issues that include environmental management progress and problems related to climate change.</p>
Strategy	<p>The effects of climate change are becoming clear, and environmental destruction will usher in economic and financial turmoil. Konica Minolta sees this situation as posing risks for its own business, as well. However, the situation will also present opportunities to solve environmental issues through our business activities, which will contribute to sustainable growth for the company.</p> <p>Konica Minolta works hard to adopt cutting-edge technologies and integrate them with our formidable digital input and output technologies. These efforts drive our transformation into a digital company that creates solutions for solving social problems, including climate change. Alongside these efforts, in the long-term management vision we formulated in fiscal 2020, we established "Address climate change" as a material issue and set a target to become "Carbon Minus" by 2030. Through our business, we seek to achieve our "Carbon Minus" target by aligning our medium-term goals and fiscal year plans concerning climate change countermeasures with our medium-term business plans on things like product planning, development, production, procurement, and sales.</p>
Risk Management	<p>Konica Minolta assesses risk from a medium- to long-term perspective, viewing risk management as "activities that minimize the negative effects of risk while pursuing maximum returns."</p> <p>In the short to medium term, the Risk Management Committee manages climate change and other environmental risks as business risks that impact the entire Group.</p> <p>From a medium- to long-term perspective, we assess and manage climate change risk severity and uncertainty for two possible scenarios: that we transition to a low-carbon society or that the effects of climate change are realized. Along with deliberating on plans and measures to address climate change at quarterly Group Sustainability Promotion Committee, we reevaluate risks through biannual rolling reviews at these meetings where we look back on how much risks have changed. Every month, the Group Sustainability Officer reports to the president on progress made towards the plan.</p>
Indicators and Targets	<p>In Eco Vision 2050, Konica Minolta lays out product lifecycle CO<sub>2</sub> emissions and "Carbon Minus" targets as indicators for managing the risks and opportunities posed by climate change. Our Carbon minus target represents a commitment to reducing CO<sub>2</sub> emissions throughout our business activities to a level exceeding the CO<sub>2</sub> emissions of the entire lifecycle of our products. With respect to CO<sub>2</sub> emissions in society, we aim to reduce CO<sub>2</sub> emissions by at least 830,000 tons, which is beyond the total emissions from Scopes 1, 2, and 3.</p> <p>Based on a forecast that predicts fossil fuels will become unusable in the future, we seek to address climate-related risk by achieving 30% renewable energy usage by 2030 and 100% by 2050 using strictly renewable energy sources for all power used in our business activities.</p>

\* More information is available on our Sustainability site (<https://www.konicaminolta.jp/about/csr/environment/vision/2050.html>)

## Climate-related Risks and Opportunities for Konica Minolta

The signing of the Paris Agreement suggests the possibility of mankind successfully transitioning to a low-carbon world with speed and ambition. Unfortunately, a failure to make the intended headway with this transition may result in the striking effects of climate change becoming manifest.

Konica Minolta is preparing for both scenarios, identifying business risks that will adversely impact the Group's performance into the future and business opportunities that could come from taking swift action toward solving problems concerning climate change.

	Impact on procurement	Impact on direct operations	Impact on product and service demand
<div>Risks</div> <div>Opportunities</div>			
Transition risks and opportunities	<b>Higher procurement and manufacturing costs</b> <ul style="list-style-type: none"> <li>Alternatives to fossil resources and fossil fuels <b>Long term</b></li> <li>Compliance with new emissions regulations and tax codes in line with measures to mitigate the impact of climate change <b>Medium term</b> <b>Short term</b></li> <li>Temporary suspension of production due to restrictions on electric power supply <b>Medium term</b></li> </ul>		<b>Higher product development costs</b> <ul style="list-style-type: none"> <li>Compliance with new regulations on product energy efficiency and the market in line with measures to mitigate the impact of climate change <b>Short term</b></li> </ul> <b>Lower revenue</b> <ul style="list-style-type: none"> <li>Decline in office demand due to an accelerating shift towards a paperless society <b>Medium term</b></li> <li>Decline in product competitiveness due to unsustainable use of resources and non-reusable design <b>Medium term</b></li> </ul>
Physical risks and opportunities	<b>Lower revenue arising from reduced production capacity</b> <ul style="list-style-type: none"> <li>Shortages and suspensions of natural resource supply due to weather pattern changes <b>Long term</b></li> <li>Supply chain interruptions following large-scale natural disasters <b>Medium term</b></li> <li>Depletion of water resources and restrictions on water intake <b>Long term</b></li> </ul>		<b>Higher revenue</b> <ul style="list-style-type: none"> <li>Edge computing, which does not require a data center <b>Long term</b></li> <li>Digital workplaces to support a paperless society <b>Medium term</b></li> <li>Technology for upgrading recycled plastics <b>Medium term</b></li> <li>Digital on-demand printing and production to curb wasteful production <b>Medium term</b></li> <li>Materials processing reform solutions to reduce energy usage <b>Medium term</b></li> <li>Shale gas and other pipeline leak test systems <b>Medium term</b></li> <li>Ecosystem to support corporate environment and sustainability management <b>Medium term</b></li> </ul>

## Business Strategies

# At a Glance

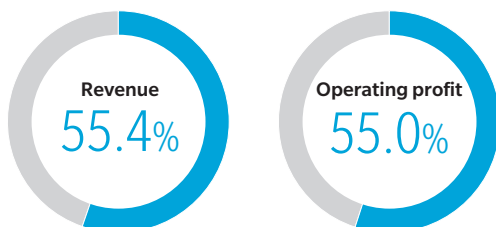
Konica Minolta had been using three business lines, namely core businesses, growth businesses, and new businesses. However, in order to enhance customer value by conducting these businesses as a single unit, reportable segment classifications were changed in 2Q 2020. By executing and achieving for projects and plans implemented or ongoing during the previous medium-term business plan, we will accelerate the speed of growth.

### Digital Workplace Business



- Office
- IT Service Solutions
- Workplace Hub

Revenue and operating profit composition by business



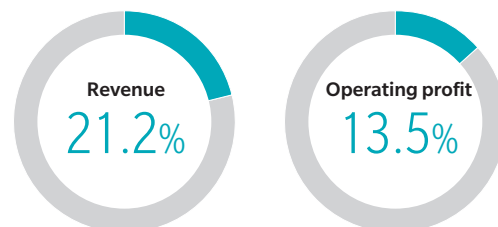
	(Billions of yen)		
	2018	2019	2020 (Forecast)
Revenue	587.9	549.0	465.0
Operating profit	40.1	17.7	0
Operating profit ratio (%)	6.8	3.2	-

### Professional Print Business



- Production Print
- Industrial Print
- Marketing Services

Revenue and operating profit composition by business



	(Billions of yen)		
	2018	2019	2020 (Forecast)
Revenue	227.7	210.0	180.0
Operating profit	13.8	4.3	-2.5
Operating profit ratio (%)	6.1	2.0	-

## Old Segment

## New business

Office Business	+	Workplace Hub
Professional Print Business		
Healthcare Business	+	Bio-healthcare
Industrial Business	+	Status monitoring / Digital manufacturing

## New Segment

Digital Workplace Business
Professional Print Business
Healthcare Business
Industry Business

\* The QOL Unit has been put into the Corporate & Other Business segment under the new segment system.

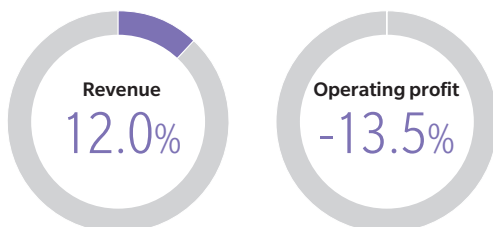
## Healthcare Business



- Healthcare
- Precision medicine

\* Bio-healthcare is called Precision medicine in the new segments.

## Revenue and operating profit composition by business



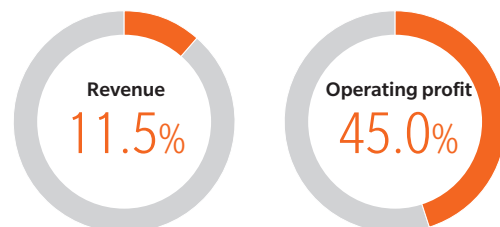
	(Billions of yen)		
	2018	2019	2020 (Forecast)
Revenue	116.8	118.5	107.5
Operating profit	-1.3	-4.3	-5.5
Operating profit ratio (%)	-	-	-

## Industry Business



- Sensing Field  
Measuring Instruments
- Materials and Components Field  
Performance Materials  
Optical Components  
IJ (inkjet) Components
- Imaging-IoT Solutions Field  
Imaging-IoT Solutions  
Visual Solutions

## Revenue and operating profit composition by business



	(Billions of yen)		
	2018	2019	2020 (Forecast)
Revenue	125.1	117.1	117.5
Operating profit	15.1	14.4	11.5
Operating profit ratio (%)	12.1	12.3	9.8



## Business Strategies

# Digital Workplace Business



## Value Creation Process

The Digital Workplace Business has put at the center of its customer base the SMEs that have established genre-top strategies in the Office Business. At the same time, it has met the needs of global companies and leveraged its accumulated expertise to improve service quality. Moreover, for close to 10 years, it has built up its capability for providing IT services and recruiting talent by acquiring close to 40 IT service providers that provide services tailored to SMEs in primarily the U.S. and Europe, or that excel in specific solutions and lines of business. Bringing these intangible assets together, in 2018 we began providing all manner of IT infrastructure, including MFPs, through the Workplace Hub platform service. Through this

business, we help customers achieve DX and use data and IT to visualize data internal and external to customers, including previously unnoticed inefficiencies and risks in each industry and business's processes. This enables us to provide services that facilitate better productivity and decision-making. By providing support aimed at enabling professionals working at our client companies to use their limited time in creative ways, we contribute to productivity improvement and business growth for our customers. We will continue to promote IT at SMEs as we strive to create social value by boosting customer satisfaction through the support we provide.

## Supporting our customers' DX as the Intelligent Connected Workplace platform provider

### Value only Konica Minolta can provide (for professionals)

#### Identifying issues

- Unnoticed inefficiencies in industry-specific workflows
- Ascertain demand trends and market trends
- Risk of data transmission leaks



#### Value provided to working professionals

- Reducing work time creates more time to interact and co-create with customers
- Supporting best decision making
- Achieving working styles free of time or place restraints

### Source of sustainable value creation (lifetime value)

- Closely studying customers' workflows and provide services tailored to the maturity of their working style
- Boosting customers' earnings by building ecosystems with partners in providing services tailored to the customer's sector and line of business

#### Intangible assets

##### Customer engagement

- Large companies operating globally
- Direct sales business to small and medium-sized client companies and government offices

##### Technologies

- Integrated platform centered around the Workplace Hub
- IT service provision backbone

##### Human capital

- Capacity to provide consulting services suited to each customer's sector and line of business
- Data analysis capacity

### Customer value

#### (for businesses)

- Improve business productivity
- Reduce information security risk
- Decision-making support via business information analysis and forecasting

### Social value

#### (for society)

- Eliminate the analog/digital divide and labor shortages among SMEs
- Eliminate hiring and entrepreneurship discrepancies through working style reform

#### (for people)

- Improve satisfaction among service receivers
- Improve individuals' purpose and well-being

## Market Environment

Companies, particularly those in developed countries, are increasingly using digital devices such as tablets and smartphones, replacing paper as a means to share information. At the same time, there is a risk that opportunities for printing things out on paper in offices will gradually decrease as working styles change. Moreover, the proliferation of teleworking due to the spread of COVID-19 is also likely to exacerbate this risk.

Given this environment, we anticipate increased demand

for managed IT services that include IT environment development to support teleworking, in addition to demand for business process improvement through content management services that support security, management, and information editing on top of MFPs.

In countries like China and India where color printing adoption is still low, we expect to see a continued increase in opportunities for color MFP sales.

## Basic Strategy of DX2022

By leveraging customer contacts that extend across a wide variety of regions and lines of business, we aim to share with our customers the goal of helping them achieve business success while providing timely and ongoing support for achieving the digital transformation that will make the goal possible. Through these efforts, we aim to increase our sales per customer and boost recurring revenue. We devised four levels of maturity with regard to our customers' working styles, and provide services according to each level to support our customers' business success. Level 0 companies are fettered by paper and ledgers, with restrictions on where people can work. At Level 1 companies, processes are connected via IT, digitalization has begun, and employees can work at any time. Level 2 companies have workplaces connected to one another digitally and employees can work from anywhere. Level 3 companies have established connections between all necessary talent and knowledge, with employees able to create value anytime, anywhere, with anyone. These level 3 workplaces are what we call "intelligent connected workplaces", and we will help all our customers to reach this level.

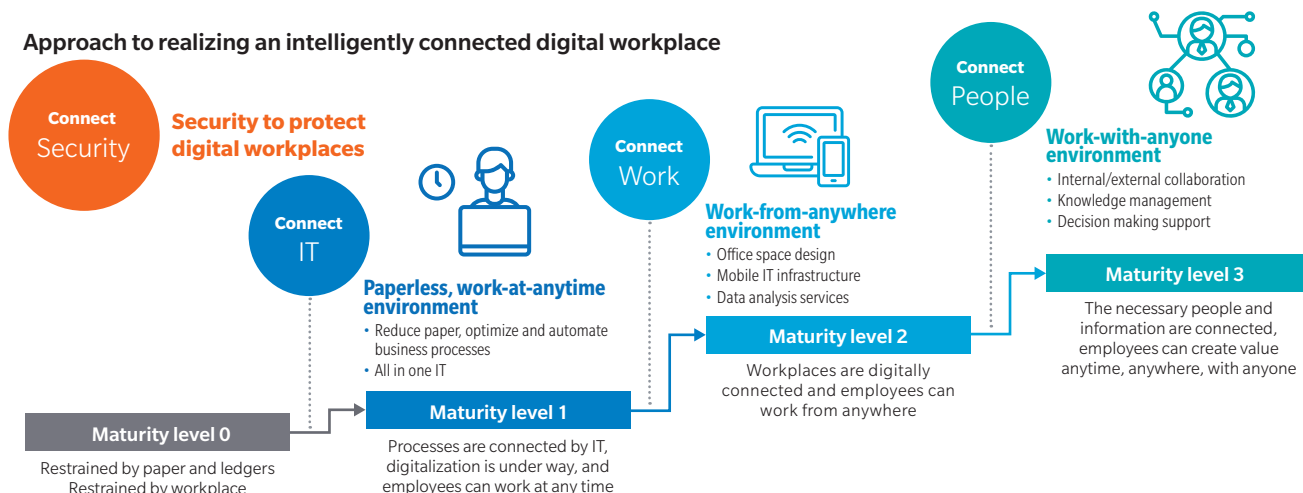
In concrete terms, we will conduct proprietary assessments to gauge each company's maturity level. For level 0 customers, we will optimize and automate business processes (Connect IT), and will build paperless, work-at-anytime environments. Level 1 companies will receive service solutions for building work-from-anywhere environments, which includes

Mobile IT (Connect Work). For level 2 companies we will provide data analysis services to prepare for attaining level 3, and to build an environment where it is possible to work with anyone (Connect People), we will furnish these companies with knowledge management solutions that utilize internal and external data and the cooperative base we share with organizations inside and outside the company. By providing these together with service solutions to facilitate good decision-making, we will boost customers' productivity and creativity. On top of this, we will help customers build businesses using data gathered through these activities.

Based on this customer strategy, we will also seamlessly combine our lineup of MFPs, which have undergone a full model change for the first time in seven years, with the Workplace Hub to provide IT services and a hybrid solution consisting of cloud and edge servers. By building ecosystems with our partners, we will provide application packages that include high-level security features.

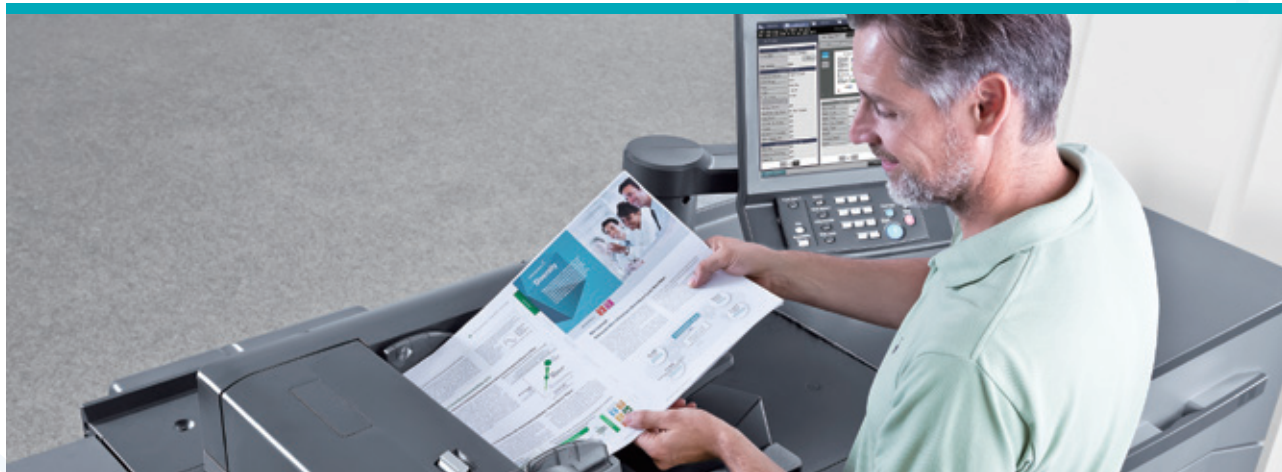
At the same time, in countries and regions that show promise for greater color MFP sales, we will be expanding sales while holding onto our market leader status. To this end, we will continue decreasing manufacturing costs while engaging our scientific sales approach utilizing data and digitalizing customer touchpoint. We will also promote business process automation while putting people in the right positions and better utilizing their capabilities.

### Approach to realizing an intelligently connected digital workplace



## Business Strategies

# Professional Print Business



## Value Creation Process

In the Professional Print Business, we combine toner and ink material technologies and image processing technologies with electrophotography and inkjet technologies, and staff well-versed in the printing business grasp the essence of customer needs accurately. We have also built a market by being able to provide products which enable small lots diversified printing with high quality.

During the period of the previous medium-term business plan, along with focusing on proposals concerning such things as value-added decoration printing, we worked to improve business efficiency at the printing companies we serve through efforts that include preventing printing errors and double-sided print position errors via automatic measurement of printed materials using optical measurement technologies.

While pursuing greater added value in printing, we will provide integrated production systems to handle both pre- and post-printing processes in order to boost business efficiency. And to support improving profitability, we will visualize workflows and propose optimized processes. As a part of providing value-added proposals, we will support printing companies with effective design creation using sensitivity evaluations. This will give further added value to printed materials and facilitate better proposals by printing companies, allowing the printing companies to build trusting relations with clients and increase orders.

The proliferation of small lots and distributed printing using Konica Minolta products will contribute to greater innovation in the printing supply chain and facilitate the reduction of waste and CO<sub>2</sub>.

## Supporting printing companies' supply chain reforms and their transitioning into value-added businesses

### Value only Konica Minolta can provide (for professionals)

#### Identifying issues

- Needless operating time and excessive waste
- Working environments built around machine operation by people
- Differences in marketing effectiveness based on printed material color, finish, and presentation

#### Continuous data acquisition



#### Continuous service provision

#### Value provided to printing professionals

- Boost efficiency through improvements of printed material production process
- Remote operation to improve working environments
- Enhance ability to propose solutions to customers by providing greater added value for printed materials

### Source of sustainable value creation (lifetime value)

- Continuously support to improve solutions proposal ability for customers through high image quality printing like decorations, etc., design support based on sensitivity evaluations, and mass customization
- Continuously support printing process improvements through the pursuit of automation, laborsaving, and skill-less operation

#### Intangible assets

##### Customer engagement

- Medium-sized and major commercial printing companies
- Label processing companies
- Brand owners

##### Technologies

- Possess both toner and ink technologies
- Automation and laborsaving technologies
- Optical measurement technologies

##### Human capital

- Printing industry knowledge from the time of lithographic film production age
- Ability to propose solutions for enhancing printing value

### Customer value

#### (for businesses)

- Enhance productivity and boost profitability by reducing waste loss
- Increase business opportunities by improving the ability to propose solutions to brand owners

### Social value

#### (for society)

- Reduce waste arising from distributed printing and CO<sub>2</sub> emissions generated through transportation
- Improve printing-related efficiency throughout the supply chain

#### (for people)

- Enhance satisfaction with appealing products
- Select products that match preferences

## Market Environment

Both the commercial and industrial printing fields are transitioning from conventional analog printing to digital printing. In commercial printing, industry participants are looking for ways to address the declining number of people skilled in analog printing, as well as environmental problems, the personalization and diversification of printing needs, the need to decrease shipping costs, and the COVID-19 pandemic. Thus, the pace is quickening with regard to the shift to digital on-demand printing, which will save energy and minimize

printed material inventories.

In industrial printing, we see promise of stable growth in label, package, and other types of printing common in everyday life. Printing companies are making improvements to their design capabilities with an eye to building trusting relations with clients. They are also working to simultaneously streamline production and achieve attractive printed materials that meet individual customer's needs, all while decreasing their environmental footprint.

## Basic Strategy of DX2022

In order to accommodate the growing field of digital printing, Konica Minolta plans to market high-speed digital printers in the commercial printing industry. In the industrial printing field, we will expand on and improve our lineup of inkjet printers and other products to meet the customer needs to print on labels, paper cartons, and other such media. At the same time, we will upgrade and build out our post-press system lineup for helping customers enable wide range of processing with printed materials.

We provide a combination of digital printers for specific applications, post-press machines, and testing systems, enabling us to help printing companies curtail laboring and eliminate the need for skilled operation – from printing to post-press operations – and transition from on-demand printing to on-demand production. We will also use a cloud-based color management system that ensures they achieve consistent print quality among different worksites and among their partners. In addition, we will rebuild our supply chain to enable printing that provides "what is needed, when and where it is needed, and the needed amount," minimizing waste disposal, transport, and other such costs. We provide environmental value to printing companies and their clients through efforts to reduce ink usage, water usage, waste products, and CO<sub>2</sub> emissions.

Furthermore, by applying to printing processes our digital

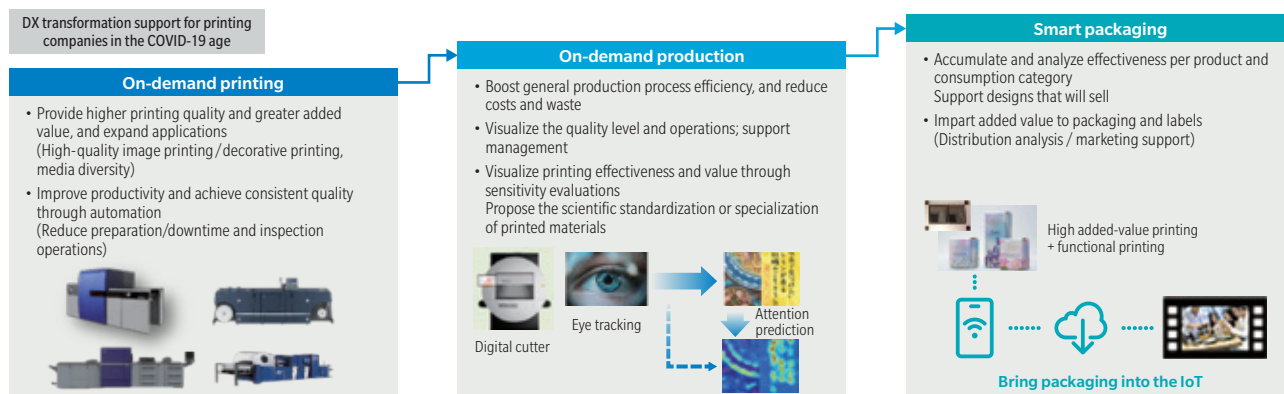
manufacturing know-how, which includes data utilization, we facilitate process standardization and better efficiency, visualize quality and equipment utilization, and support printing companies' sales operations and management activities.

Along with these efforts, we conduct sensitivity evaluations that incorporate behavioral economics knowledge into technologies such as image analysis and biometry, helping to create attractive packaging and labels in terms of qualities such as color, finish, and presentation. This involves applying the customer behavior analysis techniques developed through our marketing services business to gauge the effectiveness of printed materials, i.e., the impact of printed material designs on users' consumption behavior, and provide continued marketing proposals. This will give further added value to printed materials and facilitate better proposals by printing companies, allowing them to build trusting relations with clients and increase orders. At the same time, we accumulate data on design effectiveness and provide our Smart Package Service, which gives added value to printed materials.

Going forward, our goal will be to build a services business that brings together digital technologies with the product strength we have developed as a printer manufacturer to support printing companies' sales operations and management activities.

**Assisting printing companies in transforming into value-added businesses in addition to automating work, reducing labor, and eliminating the need for special skills.**

**Propose solutions that bring a combination of Konica Minolta process improvement expertise and high added-value solutions for marketing with genre-top automated testing functionality and integrated production system that handles from high image quality printing and decorative printing to post-press operations thoroughly**





## Business Strategies

# Healthcare Business



## Value Creation Process

In the Healthcare Business, we have provided healthcare professionals with diagnostic imaging services consisting mainly of X-ray and ultrasound devices, as well as IT services to go along with them, earning us the trust of many customers primarily in Japan and the U.S. Through diagnostic support that combines these diagnostic imaging techniques with AI, we contribute to more accurate diagnoses for clinics and other healthcare providers and will improve healthcare access for people in emerging nations. Currently, in the field of hereditary genetic disease testing, we aim to expand into precision medicine for specific diseases such as cancer. Offering these genetic testing services along with cancer screenings and occupational health checkups will bring about appropriate prevention, and furthermore, early detection of cancer,

therefore contributing to improved quality of life.

In the field of drug discovery support services, we are focused on central nervous system disorders and cancer-related drug development, and excel particularly in analyzing biomarker image data together with pathological and radiological data. By identifying new biomarkers using Q-cells and SPFS\* analysis techniques, we help improve detection accuracy and enhance the efficiency of customers' clinical trials. In the future, we will integrate our accumulated clinical data, image data, and genetic data to support further improvement of therapeutic efficacy and the development of more effective pharmaceuticals while contributing to both better quality of life and lower medical expenses.

Please refer to the Glossary (p. 98)

### Raising productivity of healthcare providers and contributing to the prevention, early detection, and early diagnosis of people's diseases

#### Value only Konica Minolta can provide (for professionals)

##### Visualizing issues

- Often-overlooked signs of illness
- Interpret genetic variants of unknown significance
- Burden on healthcare providers

##### Continuous data acquisition



##### Continuous delivery of services

##### Value provided to healthcare professionals

- Support diagnosis and treatment policies through a combination of high-performance diagnostic imaging with AI and genetic diagnosis
- Reduce burden by improving healthcare process efficiency

#### Source of sustainable value creation (lifetime value)

- Improve primary care diagnostic value through X-ray, dynamic image data, and ultrasound technologies combined with diagnostic support AI
- Continuously provide services to improve efficiency and support management for healthcare providers
- Achieve early detection and precision medicine through an integration of diagnostic imaging with pathology and genetic data

#### Intangible assets

##### Customer engagement

- Hospitals & clinics
- Collaboration with key medical opinion leaders
- Top pharmaceutical companies

##### Technologies

- Image analysis & dynamic image analysis
- Diagnostic support AI
- Genetic testing
- Protein analysis

##### Human capital

- Radiology & genetic medicine experts and counselors
- IT and bioinformatics experts

#### Customer value

##### (for businesses)

- Achieve simple, affordable diagnoses
- Reform medical workflows and value chains through patient coordination and business support
- Reduce the development costs of pharmaceuticals

#### Social value

##### (for society)

- Improve healthcare service quality and access
- Reduce social security costs

##### (for people)

- Reduce the financial burden through early detection and diagnosis
- Preventive measures and proper treatment tailored to the individual

## Market Environment

In developed nations, while diagnostic imaging is maturing in terms of performance, people seek auxiliary functions that use AI and other technologies due to the high-level skills needed to achieve accurate and quick image interpretation. Using medical resources effectively entails greater primary care significance and requires better coordination among medical facilities. Emerging nations are seeing the demand for healthcare rise to the level of developed nations as their economies develop.

Active drug development is underway for diseases currently difficult to treat, such as cancer. However, due to the long time needed to develop revolutionary drugs and to the low success rate for doing so, these drugs end up being very expensive. Moreover, these drugs sometimes only work well for patients with limited kinds of cancer, and it is not always possible with current technology to determine the patients, so there is the issue that they incur medical expenses and physical burden.

## Basic Strategy of DX2022

In the field of primary care and coordination among healthcare facilities, our first priority is to support initial diagnoses provided by doctors through X-ray and ultrasound imaging integrated with AI technologies. For X-ray imaging, using dynamic X-ray analysis launched during the period of the previous medium-term business plan, we will be conducting clinical research aimed at making it easier to detect diseases that have traditionally been difficult to detect. For the second priority, we will be focusing on the healthcare IT field, offering systems in Japan that facilitate cooperation between regional clinics and hospitals and provide remote diagnosis. In the U.S., meanwhile, we will be working to improve efficiency for healthcare providers as well as those in related industries through coordinating with insurance systems and other efforts.

In the area of genetic diagnosis, the deployment of simultaneous DNA and RNA tests has let us achieve peerless testing accuracy. Furthermore, concerning disease risk determination and early diagnosis, in the U.S. market we have been rolling out the CARE Program, which allows non-patients to receive genetic testing when they go in for cancer screening. Going forward, we will roll the program out in more locations in the U.S., as well as in Japan and other countries, with the goal of identifying specific disease risks and contributing to proper prevention and treatment.

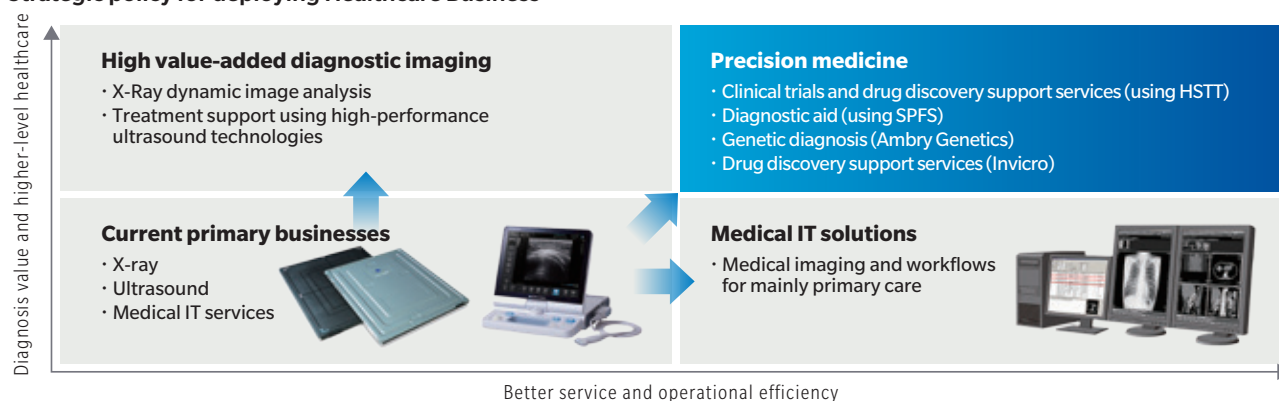
As contributions to advanced medicine, we will work with pharmaceutical manufacturers to shed light on drugs' mechanisms of action as a means to support drug discovery for serious diseases

such as cancer and Alzheimer's by further strengthening our ability to conduct diagnoses at the molecular level based on a combination of genes, proteins, and medical images, which are areas in which we have built up strengths. We expect this field to provide many business opportunities as new drug development progresses. In acquired genetic mutation diagnoses for cancer, we are working to commercialize a next-generation comprehensive gene panel test co-developed with the University of Tokyo and the National Cancer Center Japan. This will allow us to build a system for properly administering cancer drugs, normalize medical expenses, and help improve quality of life by controlling side effects.

In emerging nations, we are bringing together the above-mentioned diagnostic equipment and AI to enhance the diagnostic support provided to medical practitioners who are not experienced doctors. We will also be improving people's access to healthcare by providing a medical IT platform that we have already deployed in Japan and the U.S. We will tailor the platform to the individual characteristics of each country's healthcare system by improving and providing remote image interpretation and other functions.

Along with realizing these strategies through technological development and through active utilization of our alliances, we aim to boost our cost competitiveness through better production and sales operation efficiency while improving profitability by expanding and improving our subscription-based business.

### Strategic policy for deploying Healthcare Business





## Business Strategies

# Industry Business



## Value Creation Process

In the industry business, we have used the technologies in which we excel, namely materials, optics, nano fabrication, and images, to provide high value-added materials and key devices, along with measuring instruments for assessment and testing, to companies dealing in the input and output of images and information that are becoming increasingly sophisticated through digitalization. In numerous industries, we get deeply involved in the key processes at every stage of the supply chain and value chain, providing greater value based on high-quality information we glean from these processes. This allows us to support quality improvements for customers' products, better safety and security in workplaces, and innovation in each industry. Using such approaches, this business has greatly contributed to Konica Minolta's profit growth.

In our materials and components businesses, with products such as functional films for displays, inkjet printer heads, and lenses for projectors and lasers, we are building trusting relationships with customers by creating high added value of the sort that only our products can provide. Meanwhile, our measuring instruments business is developing products that demonstrate peerless levels of functionality and performance, especially products for displays, and is promoting industry standardization as the far and away top market share holder. In imaging IoT solutions, we are providing customers with new value in security for protecting people, which involves identifying changes and indications that are "invisible" or difficult for people to detect, in addition to value in the safety monitoring and product testing fields.

**Facilitating manufacturing optimization, safety, and security by providing value throughout the entire value and supply chains**

### Value only Konica Minolta can provide (for professionals)

#### Identifying issues

- Customers' conventional, unremarkable product roadmap
- Supply chain inefficiencies in development and production
- Testing quality disparities between different companies and workers
- Predicting and forecasting risk of problem occurrence

#### Continuous data acquisition and problem discernment



#### Continuous component and service delivery

#### Value provided to working professionals in manufacturing scenes

- High value-added components, testing equipment, and software to accommodate industry evolution and diversification
- Achieve stable quality in the supply chain without reliance on experienced workers
- Contactless and remote problem detection and risk prediction

### Source of sustainable value creation (lifetime value)

- Trusting relationships with customers built through the provision of value based on insight into unnoticed issues
- Capacity to develop high value-added materials and components in anticipation of customer roadmaps
- System for continuously selling devices and components through the supply chain via strong intellectual properties and standardization that incorporates industries

#### Intangible assets

##### Customer engagement

- The few large customers with industry influence
- Core players in the supply chain

##### Technologies

- Optical design and image analysis
- Film and high-precision processing
- Material processing and test analysis
- Imaging IoT technologies

##### Human capital

- Supply chain and production process expertise
- Capacity for project management with large customers

### Customer value (for businesses)

- Strengthen customers' influence and presence in the supply chain
- Boost profitability via defect reduction and improved productivity

### Social value (for society)

- Reduce the environmental impact through supply chain process innovations and defect reduction
- Reduce workloads
- Achieve a design/quality/price trifecta to accommodate diversifying needs

#### (for people)

- Inspire trust, a sense of safety, and excitement through high-quality finished products
- Improve quality of life and work through more sophisticated and diverse final products

## Market Environment

In recent years, it has become clear that society is in need of solutions to optimize manufacturing and ensure equipment security and safety. In response, input and output devices are becoming increasingly diverse, and ideas are needed for how to achieve things like better performance. In the field of displays, which is one type of input/output device, this growing diversity is seeing more and more start-up companies enter the market in different places in the supply chain. Continuous

technological innovation is therefore being sought with regard to different components to answer the multitude of needs.

Meanwhile, the domain of testing and monitoring technologies at factories and plants is seeing many companies embark on R&D and standardization for software that can use AI to quantify and visualize such things as work safety. Enterprising collaborative projects among government, industry, and academia are also under way.

## Basic Strategy of DX2022

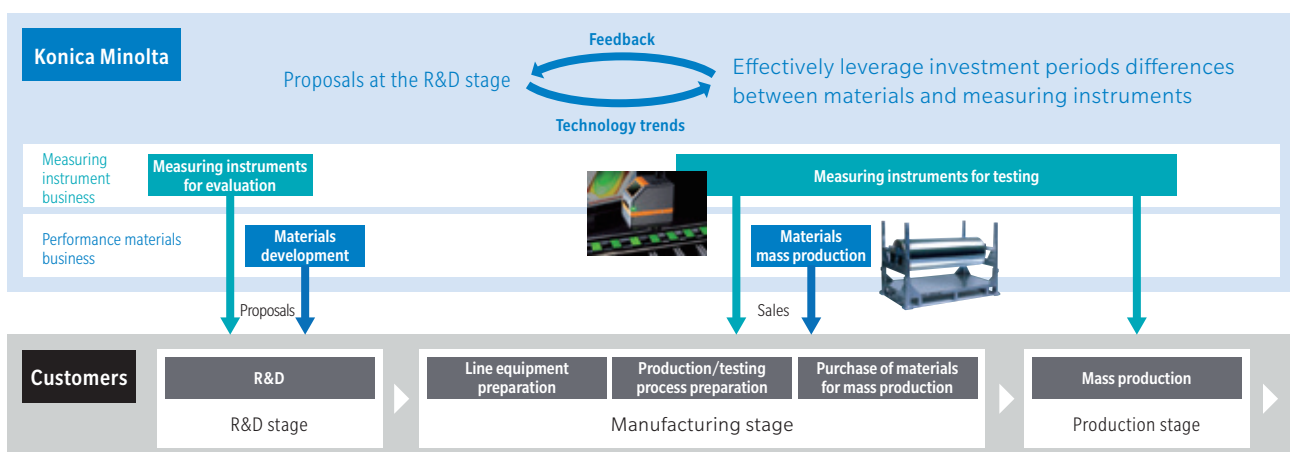
For measuring instruments, we have been achieving growth on the back of numerous innovations. This includes developing new technologies, among which has been accommodating changes in the materials used to make automobiles and the shift from LCD to OLED for displays, increasing production facilities and lines in the supply chain, and process improvements. Going forward, we will provide solutions to facilitate technological innovation and a greater range of applications in the display industry, while also providing more appearance measurement solutions to fully automate testing processes that currently rely on human visual inspection in the automobile industry. We will also further strengthen our formidable spectral imaging technologies and promote their application in the field of invisible light technologies in light of the evolution and increasing diversity of input and output devices, while at the same time expanding the range of the tests they are used for. This will see us provide greater value in the value chain and achieve further profitability. Through these efforts, we aim to make greater strides in an expansion from high-quality manufacturing to the business fields of health and safety to expand our business.

For materials and components, we will boost profitability by leveraging our core technologies and shifting to more high value-added products. For the few large customers of ours who have outsized influence in the supply chain and value chain,

personnel well acquainted with our customers' workflows will visualize unnoticed issues in their business processes and allow for providing components tailored to their various needs and seeds. In this way, we will help increase value in our customers' product roadmaps and contribute to input and output device evolution. In performance materials, along with TAC films, we will roll out new resin films such as the evolutionary COP-based SANUQI and acrylic-based SAZMA, while differentiating film functions using proprietary production methods. These efforts will see us strengthen our superiority in the evolving display industry. For IJ components, we will apply MEMS technology to industrial applications by utilizing them in high-definition heads and special inks. Efforts concerning optical components will focus on leveraging nano fabrication technologies to further visualize microscopic regions and wider wavelength regions.

The imaging IoT solutions field will see us make a number of efforts to expand our monitoring business. This will include strengthening sales of MOBOTIX's status monitoring cameras in Europe (our core market), along with other markets, and marketing products with AI functionality using a new platform. Meanwhile, we will utilize the imaging IoT platform we developed to offer even better solutions for ensuring safety and security for energy and production sites, and will expand our business globally in cooperation with our collaborative partners.

### Top value provider of the genre in a large industry supply chain



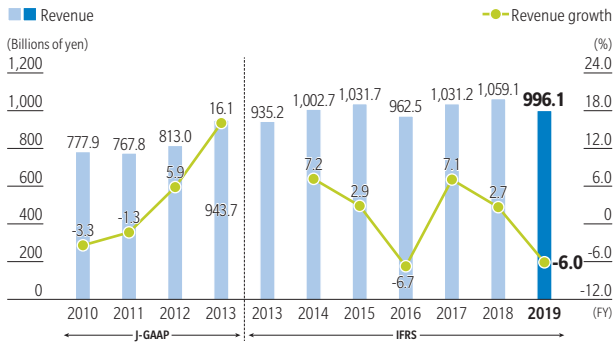
# Financial and Non-Financial Highlights

Pgs. 85-86 also show major financial data for the last 10 years.

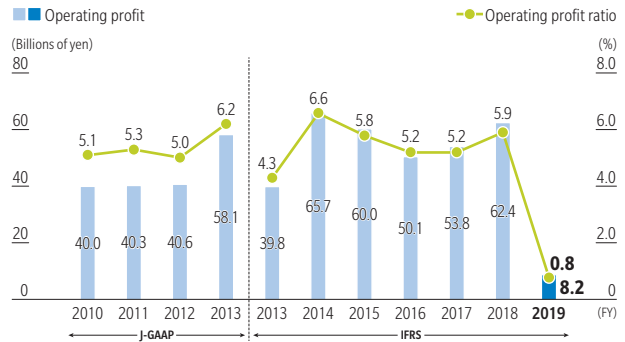
## Profitability

Fiscal 2019 continued fiscal 2018's trend towards economic stagnation in Europe and a stronger yen. Along with additional tariffs arising from trade friction between the U.S. and China, economic activity slowed significantly on the back of worldwide lockdowns implemented to prevent the spread of COVID-19. Amid this environment, revenue amounted to ¥996.1 billion (down 6.0% year on year) and operating profit was ¥8.2 billion (down 86.8% year on year), due in part to restructuring expenses, while the net loss attributable to owners of the company was ¥3.0 billion (fiscal 2018 profit was ¥41.7 billion).

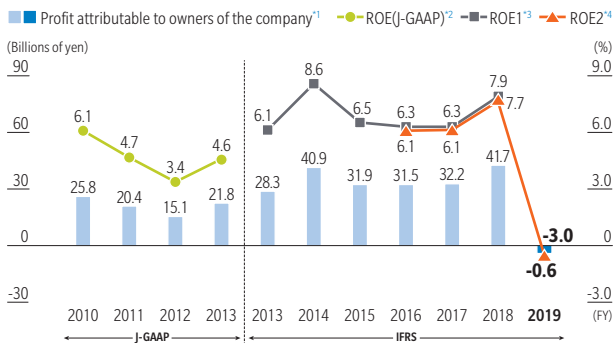
### Revenue, Revenue growth



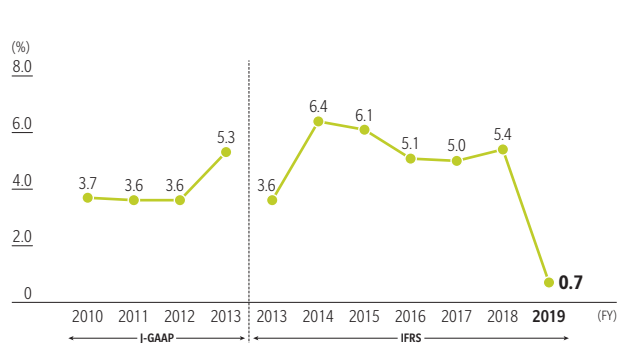
### Operating profit, Operating profit ratio



### Profit attributable to owners of the company<sup>\*1</sup>, ROE<sup>\*2,3,4</sup>



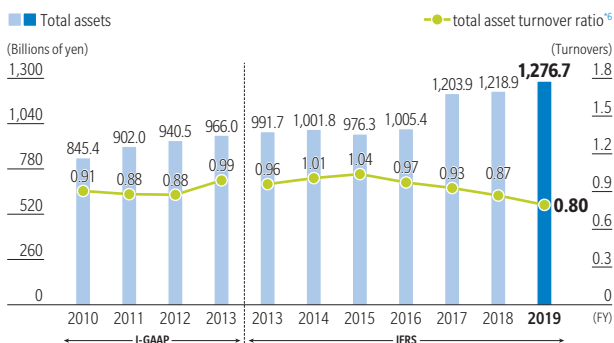
### ROIC<sup>\*5</sup>



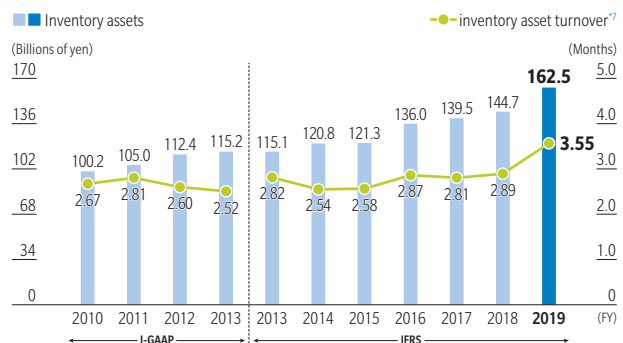
## Efficiency

Total assets at the end of fiscal 2019 increased by ¥57.7 billion, or 4.7%, over last fiscal year end to ¥1,276.7 billion. This mainly owes to an increase in tangible fixed assets attributable to the adoption of IFRS 16 Leases ("IFRS 16"). Inventory assets increased, especially for office equipment, due to a sudden drop in revenues up until period end due to COVID-19. These factors resulted in a temporary inventory asset turnover periods increase of 3.55 months.

### Total assets / total asset turnover ratio<sup>\*6</sup>



### Inventory assets, inventory asset turnover<sup>\*7</sup>



<sup>\*1</sup> Fiscal 2010–2013 (J-GAAP) = Profit for the year

Fiscal 2013–2019 (IFRS) = Profit attributable to owners of the company

<sup>\*2</sup> ROE (J-GAAP) = Profit for the year (cumulative total) / Average shareholders' equity x 100%

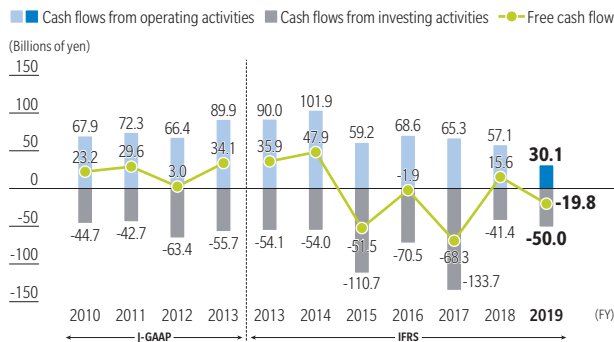
<sup>\*3</sup> ROE 1 (IFRS) = Profit attributable to owners of the company / (Share capital + Share premium + Retained earnings + Treasury shares (average at start of fiscal year and end of fiscal year)) x 100%

<sup>\*4</sup> ROE 2 (IFRS) = Profit attributable to owners of the company / equity attributable to owners of the company (average of beginning and ending balances) x 100%

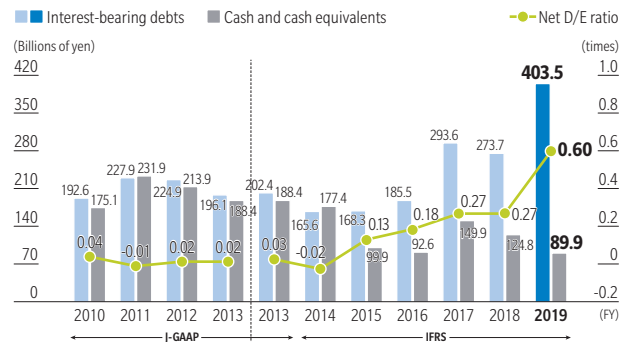
## Stability

Concerning fiscal 2019 cash flows, net cash provided by operating activities was ¥30.1 billion. Net cash used in investing activities was ¥50.0 billion (expenses of 50 billion, consisting of capital investment for new product molds, etc., as well as investment-related expenses concerning technology enhancement and distributor acquisition). This resulted in a free cash flow decrease of ¥19.8 billion. Interest-bearing debt increased to ¥403.5 billion over FY 2018 due to the adoption of IFRS 16 and other factors. Cash reserves decreased to ¥89.9 billion as a result of lower revenues toward the end of the period. The net debt-to-equity ratio stood at 0.60 (0.38 if excepting the effects of IFRS 16).

### Cash flows



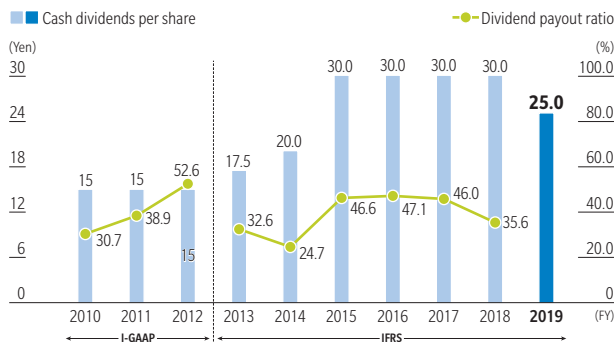
### Interest-bearing debts, Cash and cash equivalents, Net D/E ratio



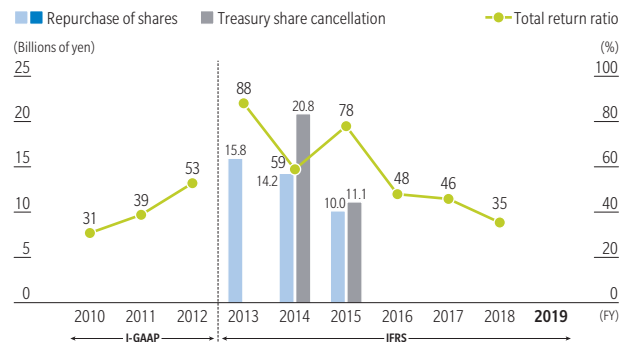
## Shareholder Return/Investment Indicators

The Company's basic policy regarding shareholder return is to proactively distribute earnings to shareholders after comprehensive consideration of factors including consolidated business results and strategic investment in growth areas. Regrettably, however, due to the effects of COVID-19, the year-end dividend paid for fiscal 2019 was ¥10 per share. Combined with the dividend of ¥15 per share already paid at the end of the second quarter, the total annual dividend was ¥25 per share.

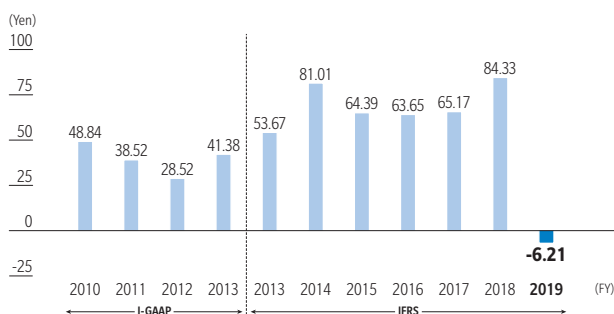
### Cash dividends, Dividend payout ratio (%)



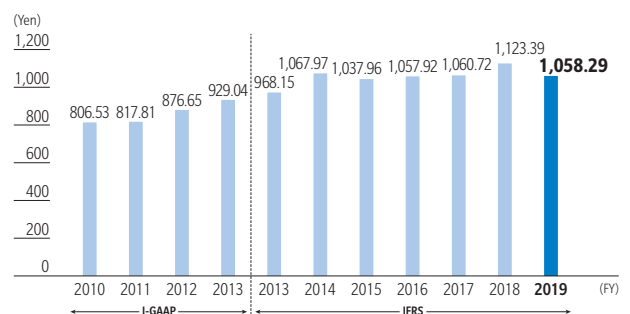
### Repurchase of shares and Treasury share cancellation, Total return ratio (%)



### EPS<sup>\*8</sup>



### BPS<sup>\*9</sup>



<sup>\*5</sup> ROIC = Operating profit after tax / (Share capital + Share premium + Retained earnings + Treasury shares + Interest-bearing debt (yearly average)) × 100%

<sup>\*6</sup> Total assets turnover = Revenue / Average total assets

<sup>\*7</sup> Inventory turnover period = Inventory balance at fiscal year end / Average cost of sales for most recent three months

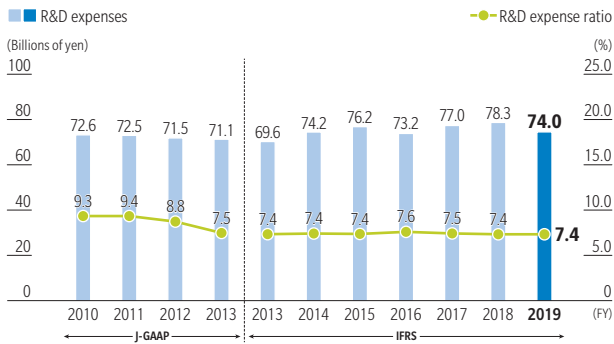
<sup>\*8</sup> EPS = Profit attributable to owners of the company / Average number of outstanding shares during the period

<sup>\*9</sup> BPS = Total equity / shares at fiscal year end

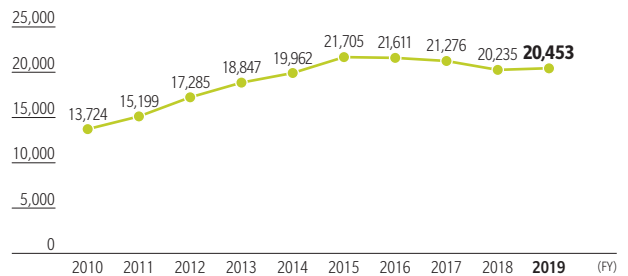
## Financial and Non-Financial Highlights

## Non-Financial Data

## R&amp;D expenses, R&amp;D expense ratio

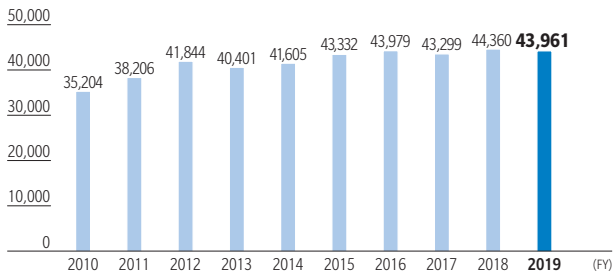


## Number of patent rights held\*

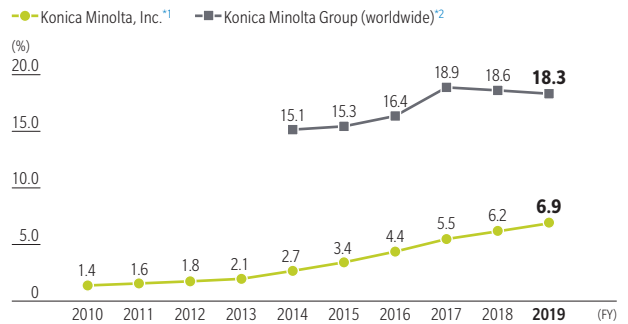


\* The number of patents is the total number of patents held in Japan, the U.S., and China.

## Group employees (consolidated)



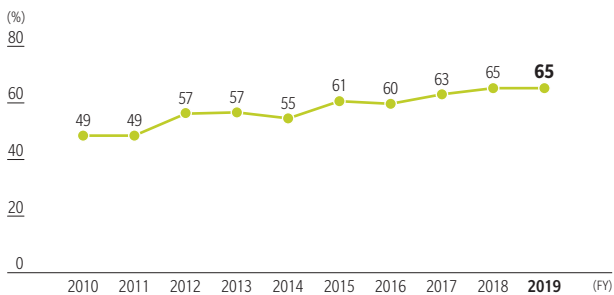
## Percentage of management positions held by women



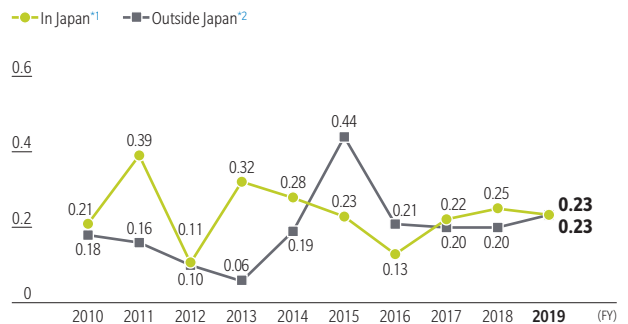
<sup>1</sup> Includes employees seconded to Group companies. Figures are as of April 1, the day after the end of each fiscal year.

<sup>2</sup> Konica Minolta, Inc. and consolidated subsidiaries representing at least 89% of the total workforce of the Group through fiscal 2015, at least 93% in fiscal 2016 and 2017, and at least 92% in fiscal 2018 and 2019. Figures are as of March 31 of each fiscal year.

## Local/foreign president ratio at foreign subsidiaries

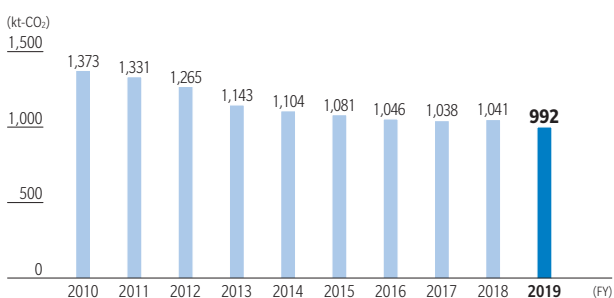


## Frequency rate of accidents causing absence from work



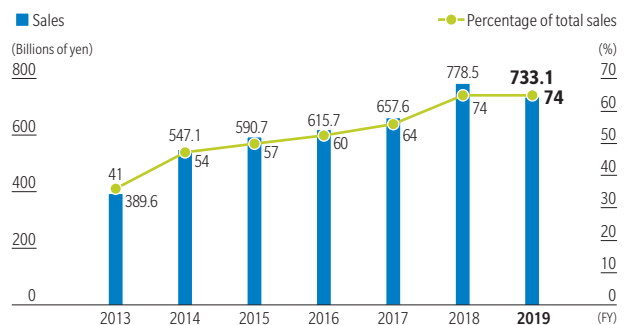
<sup>1</sup> Figures are employees of Konica Minolta Group Japan, including those dispatched from an agency

<sup>2</sup> Figures are for employees of major manufacturing companies in China and Malaysia, including those dispatched from an agency, through fiscal 2014. Employees of Group companies in China and manufacturing companies in Malaysia, including those dispatched from an agency, since fiscal 2015.

CO<sub>2</sub> emissions throughout product life cycle\*

\* CO<sub>2</sub> emissions throughout a product's lifecycle, from procurement to production, distribution, sales, service, and product customization.

## Sustainable Green product sales





## Regional Overview

Consolidated Subsidiaries\*

170

Global Sites\* (countries)

51

In Sales and Service (countries)

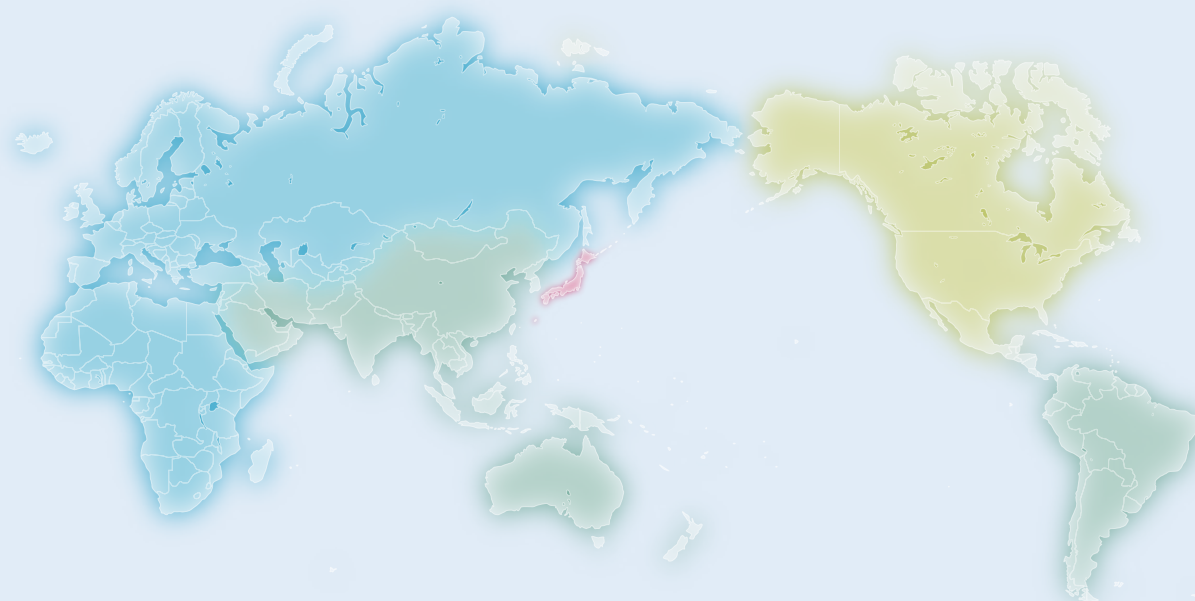
approximately

150

Employees\*

43,961

\* Data is compiled on a consolidated basis (as of March 31, 2020)



		Revenue* (Billions of yen)	Employees	Consolidated subsidiaries	CO <sub>2</sub> emissions (kt-CO <sub>2</sub> )	Total energy inputs (TJ)	Water consumption (km <sup>3</sup> )
Europe	2017	324.7	10,706	72	29	562	115
	2018	318.5	11,275	81	29	582	122
	2019	<b>294.2</b>	<b>11,020</b>	<b>78</b>	<b>29</b>	<b>542</b>	<b>112</b>
North America	2017	271.5	9,266	26	39	636	98
	2018	293.7	9,270	29	39	643	98
	2019	<b>279.7</b>	<b>9,227</b>	<b>29</b>	<b>35</b>	<b>572</b>	<b>97</b>
Japan	2017	196.3	11,291	17	229	4,871	2,905
	2018	197.6	11,278	18	229	4,859	3,046
	2019	<b>191.7</b>	<b>11,046</b>	<b>15</b>	<b>224</b>	<b>4,746</b>	<b>2,742</b>
Others	2017	238.4	12,036	48	80	1,107	555
	2018	249.1	12,537	46	69	977	566
	2019	<b>230.2</b>	<b>12,668</b>	<b>48</b>	<b>57</b>	<b>924</b>	<b>541</b>