Medium Term Business Plan

SHINKA 2019
Evolution

President and CEO
Konica Minolta, Inc.  Shoei Yamana

May 11, 2017
Vision: To become a digital company with insight into implicit challenges

One Konica Minolta

Direct sales and service network

Business system by product / customer base

The entire company works together to support the transformation of client companies by sector and industry.

Predict potential issues for client companies and create solutions together

A company that continues to create new value to business and human societies

SHINKA (evolve)
Reinforced ESG to raise medium- and long-term corporate value

- Long-term vision aiming to cut CO2 emissions 80%
- Support business partners to achieve negative carbon emissions for entire supply chain in 2050
- Creation of businesses that solve social problems from perspective of SDGs (sustainable development goals)
- Deepen debates on strategy at Board of Directors meetings
- Taking a proactive approach to governance
- Executive compensation system linked to medium term business plan
Konica Minolta’s strengths

Core technologies
- Functional organic material synthesis
- Functional organic material design
- Functional fine grain formation
- Film formation and coating
- Image processing
- Imaging mechanical processing
- Feeding
- Precision processing

Fusion of Technology
- Field of materials
- Field of imaging
- Field of optics
- Field of nano-fabrication

Assets
- 2 million companies
- Customer base
- Direct sales and support system
- Global expansion capacity
- Sales service system
- 150 countries

- Optical design
- Optical measurement
- Precision molding
- Surface processing
Preparations during period of previous medium term business plan

- Intelligent network camera
- Medical image platform
- Visual surface inspections
- Digital decorative printing

Acquisition via M&A or investment

- Acquisition of IT service companies in major countries (about 30 companies)
- Acquisition of marketing service companies
- Acquisition of human resources very knowledgeable in workflows for individual industries

Reinforcement of capacity to propose solutions through acquisitions

- Edge IoT platform “Workplace Hub”
- Agile development capacity
- Global partnership development capacity (Microsoft, HPE, CISCO, SAP, etc.)

Open Innovation
Shift to highly profitable system taking advantage of advance preparations

KM-style edge IoT strategy

Size of circle: Operating profit amount

FY17

FY19

FY19

FY17

Core FY19

Operating profit ratio

Revenue growth rate

Office

Production print

Digital medical diagnosis equipment

Color measurement

Materials and components

Workplace Hub

Status monitoring

Bio–healthcare

BIC theme

Industrial printing

Marketing services

Medical IT services

Visual surface inspections

Raw materials and new film

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KM–style edge IoT/partner strategy

- Use of advanced input devices
- Real-time processing and issue solutions on site
- Genre-top in specific image and data area

Cloud

Edge

Recognition
Analysis
Prediction

Input
Output

<Deep Learning>

Ecosystem

Providing added value

Services to improve productivity and efficiency

Edge IoT platform

Data
Image
Video

Regional partner
Global partner

Becoming a B2B edge platform provider for small and medium-sized and mid-sized customers in the vertical market
Providing value through edge IoT strategy

<Practice of innovation process driven by customer value proposition>

Unstructured data (email, human movement, video images)

Structured data

Cloud

Identifying movements of people and objects

Edge IoT platform

Client companies

Providing added value
- Automation and optimization
- Prediction and forecasting
- Support for decision-making
- Creativity and collaboration

Improving non-continuous productivity
- Visualization and analysis along a wide value chain
- Reductions in number of management man-hours

Contributions to profit

Contributions to sales

Input

Platform

Customer Value Proposition

Industries by sector
Expansion into industries and sectors through edge IoT platform

Effect of acquisitions
IT know-how and human resource capacity

Edge IoT platform
Monitoring Sensing

Office solutions
Healthcare solutions
Nursing care
Retail sales and distribution
Digital marketing

Manufacturing industry
Digital manufacturing

Security

Development of Go-To-Market System
- Transformation of sales companies into an integral value provider
- Reinforcement of IoT business centers in five major regions

<Refer to the appendix for details>
Strengthening profit capacity of core business

- Expansion of profit in production print and measuring instrument business
- 30.0 billion yen improvement in costs over three years.

<table>
<thead>
<tr>
<th>Manufacturing costs</th>
<th>Delivery of results and horizontal deployment of digital manufacturing, including business partners in Malaysia</th>
<th>¥16.0 bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service costs</td>
<td>Expansion of failure prediction and remote support, Life extension for parts</td>
<td>¥6.0 bn</td>
</tr>
<tr>
<td>Administration and indirect costs</td>
<td>Major simplification of Group indirect functions, Working style reforms using IT and AI</td>
<td>¥8.0 bn</td>
</tr>
</tbody>
</table>

- Measures to improve Forex sensitivity
- Reinforcement of ROIC management by business.
Expansion from commercial printing to industrial digital printing

[Market scale and digitization ratio]
Source: Research agency and Konica Minolta
Profit increase in material and component business

<Co-creation of new value with end-product manufacturers>

Digital Signage

Industry

Moving Bodies

Materials

New Films

New Components

3D AR HUD

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Full-scale entry into precision medicine and support for pharmaceutical development

New Value proposition

Fluorescent nanoparticles
(PID : Phosphor Integrated Dots)
- High luminance
- High durability

• Visualization of number and location of specific proteins in cancer cells

- Effectiveness of medication tailored to individual patients
- Improvements to pharmaceutical development success rate

Patient classification

Contribution to improvement of survival rate and quality of life as well as reduction of medical expenses
Reliable achievement of results from preparations made during period of previous medium term plan

* Polygonal line indicates company-wide operating profit

[Billion yen]

<table>
<thead>
<tr>
<th>FY14 Actual/ exchange rates</th>
<th>FY15 Actual/ exchange rates</th>
<th>FY16 Actual/ exchange rates</th>
<th>FY17</th>
<th>FY19</th>
<th>FY21</th>
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</thead>
<tbody>
<tr>
<td>$ = ¥105</td>
<td>$(same as left)</td>
<td>$(same as left)</td>
<td>82.0</td>
<td>75.0</td>
<td>30.0</td>
</tr>
<tr>
<td>€ = ¥115</td>
<td>$(same as left)</td>
<td>$(same as left)</td>
<td>65.8</td>
<td>50.1</td>
<td>30.0</td>
</tr>
</tbody>
</table>

Growth business
- Maximization of acquisition effect
- Intensification of digital value

New business
- Establishment of high-profit business model and development of system for IoT age

Maximization of acquisition effect
Intensification of digital value
Establishment of high-profit business model and development of system for IoT age

Actual/ exchange rates
$(¥105)
€(¥115)
### Management target

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (Operating profit ratio)</td>
<td>¥50.1 bn (5.2%)</td>
<td>¥46.0 bn (4.7%)</td>
<td>¥75.0 bn or more (7%)</td>
<td>¥100.0 bn or more (10%)</td>
</tr>
<tr>
<td>Profit attributable to owners of the company</td>
<td>¥31.5 bn</td>
<td>¥30.0 bn</td>
<td>¥50.0 bn</td>
<td>¥70.0 bn or more</td>
</tr>
<tr>
<td>ROE</td>
<td>6.3%</td>
<td>5.8%</td>
<td>9.5%</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>EUR = 119 yen</td>
<td>EUR = 115 yen</td>
<td>EUR = 115 yen</td>
<td>EUR = 115 yen</td>
</tr>
</tbody>
</table>
## Targets by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Fiscal 2016 results</th>
<th>Fiscal 2017 estimates</th>
<th>Fiscal 2019 management target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>558.2</td>
<td>545.0</td>
<td>540.0</td>
</tr>
<tr>
<td>Professional Print</td>
<td>204.0</td>
<td>220.0</td>
<td>250.0</td>
</tr>
<tr>
<td>Healthcare</td>
<td>89.9</td>
<td>95.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Industrial</td>
<td>101.6</td>
<td>110.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Optical systems for industrial use</td>
<td>29.3</td>
<td>35.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Materials and components</td>
<td>72.2</td>
<td>75.0</td>
<td>85.0</td>
</tr>
<tr>
<td>New business / corporate, etc.</td>
<td>8.8</td>
<td>10.0</td>
<td>90.0</td>
</tr>
<tr>
<td><strong>Company overall</strong></td>
<td>962.6</td>
<td>980.0</td>
<td>1100.0</td>
</tr>
</tbody>
</table>

| **Operating profit**                         |                     |                        |                               |
| Office                                       | 40.3                | 45.0                   | 48.0                          |
| Professional Print                           | 9.2                 | 12.0                   | 18.0                          |
| Healthcare                                   | 3.0                 | 5.5                    | 8.0                           |
| Industrial                                   | 21.9                | 16.5                   | 18.0                          |
| New business / corporate, etc.               | -24.3               | -33.0                  | -17.0                         |
| **Company overall**                          | 50.1                | 46.0                   | 75.0                          |
Our basic policy is to actively return profits to shareholders, while comprehensively considering consolidated earnings and progress with strategic investment in growth fields.

We strive to return profits to shareholders by raising dividends and flexibly acquiring our own stock.
Fiscal 2017 Earnings Forecast
# Fiscal 2017 earnings forecast

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2016 results</th>
<th>Fiscal 2017 estimates</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>¥962.6 bn</td>
<td>¥980.0 bn</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>BCP</strong></td>
<td>¥43.3 bn</td>
<td>¥54.0 bn</td>
<td>+25%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>¥50.1 bn</td>
<td>¥46.0 bn</td>
<td>-8%</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of the company</strong></td>
<td>¥31.5 bn</td>
<td>¥30.0 bn</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>30 yen</td>
<td>30 yen</td>
<td>±0%</td>
</tr>
<tr>
<td><strong>Exchange rate</strong></td>
<td>US$ = 108 yen EUR = 119 yen</td>
<td>US$ = 105 yen EUR = 115 yen</td>
<td></td>
</tr>
</tbody>
</table>
Fiscal 2017 policy

“Major recovery in earnings power” and “Accelerating transformation”

Core Business

- **Focusing on high value-added products**
  - Further strengthen sales of high value-added products and improve customer satisfaction

- **Structural reform of global cost**
  - Reduce production costs, market quality losses, lead times
  - Shift human resources to growing/new businesses, rationalize and enhance productivity by leveraging IT

Growth Business

- **Achieving at least ¥100 billion in revenue**
  - Industrial printing, textiles, ultrasound, visual surface inspection, new films/materials

New Business

- **Creating value for customers and resolving social issues through IoT business**
  - Workplace Hub, bio–healthcare (cancer diagnostics), optical systems for industrial use
## Major initiatives in fiscal 2017 by business

<table>
<thead>
<tr>
<th>Business</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office</strong></td>
<td>- Improve business profitability and repeat-customer rate by expanding hybrid-type sales</td>
</tr>
<tr>
<td></td>
<td>- Raise average selling price and expand print volume by concentrating on selling high-end color segment models</td>
</tr>
<tr>
<td></td>
<td>- Full-scale development of platform-based business through start up of Workplace Hub</td>
</tr>
<tr>
<td><strong>Professional print</strong></td>
<td>- Production print: Bolster product competitiveness by introducing new LPP/MPP products</td>
</tr>
<tr>
<td></td>
<td>- Industrial printing: Expand sales of KM-1 and MGI products, reinforce specialist sales network</td>
</tr>
<tr>
<td></td>
<td>- Marketing services: Strengthen marketing network for major brand owners</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>- Ensure steady contribution from the business by strengthening DR/ultrasound/medical IT</td>
</tr>
<tr>
<td></td>
<td>- Commercialization of SPFS, start-up of bio-healthcare business</td>
</tr>
<tr>
<td><strong>Optical systems for industrial use</strong></td>
<td>- Measuring instrument: Expansion of business with major customers, commercialization of visual surface inspection business for major IoT customers</td>
</tr>
<tr>
<td></td>
<td>- Status monitoring: Build platform that combines KM products with Mobotix technology</td>
</tr>
<tr>
<td><strong>Materials and components</strong></td>
<td>- Performance materials: Bolster earnings power by concentrating on product areas of strength</td>
</tr>
<tr>
<td></td>
<td>- Industrial inkjet components: Expand profits with new products (micro droplet printheads, MEMS printheads)</td>
</tr>
</tbody>
</table>
Office solutions

- Improved creativity and workstyle reforms
  - Collaboration tools
  - Remote work support through connections to Spoke and other devices

- Providing added value
  - Use of AI to support decision-making
  - Behavioral analysis using cameras and DL technology
  - Security (Camera + IT security)

- Efficiency
  - Efficient use of facilities (camera + conference reservation system links)
  - Overall operational efficiency (including automation of Robotic Process Automation links)
  - One-stop access to all solutions

RPA: Robotics Process Automation

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Digital manufacturing

Visualization of operating conditions
Data on inspections and related IoT data analysis

Support with an integrated manufacturing process covering every step from shipping and receiving to inspection, assembly, and management

- Improvements to efficiency and precision of quality management along the entire supply chain through the Radiant automated visual surface inspection system and data coordination
- Process optimization and entry/dispatch management through status monitoring and remote sensing using LR and Mobotix cameras and sensor links from strategic partner SICK AG
- Optimization of assembly and picking process using WCc (Wearable Communicator)
- Real-time analysis and value provided on site through connections with Workplace Hub
- Efficiency of indirect operations

Value proposition

- Inspection data
- Process data
- Operation data
- Reports, diagrams

Automation of the automobile visual surface inspection process, such as for scratch detection

Collaboration with robots

Instructions for picking on wearable device

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Security solutions

- **Safety and security of society**
  - Security
  - Detection of abnormal behavior and intruders in various environments by integrating multiple cameras and sensors such as infrared light and thermostats
    - Gas leak detection
    - Improved maintenance services by making invisible gas visible

- **Mobile object detection for advanced driver assistance system**
  - 3D LIDAR
    - Real–time detection with no interruption
    - 180–degree viewing angle, maximum 200 meters
    - In both day and night and regardless of backlighting
  - 3D AR HUD (3D–augmented reality head–up display)

Image processing / object identification / behavior analysis

Sensor fusion
- Laser
- Infrared
- Visual image

Sensor fusion
- Laser
- Infrared
- Visual image

Value proposition

Input

Process

Output
Healthcare solutions

Creation of added value through the integration of medical documents and vital data platforms via Viztek’s medical imaging platform and Workplace Hub

- **Provision of added value (for medical practitioners)**
  - Use of AI to support decision-making
  - Telehealth

- **Efficiency (for back-office operations)**
  - Support for revenue cycle management
  - Medical document management
Care support solutions

Creation of added value by enabling visibility using infrared sensors, micro sensors, and DL technology

- 30% increase in work efficiency of caregivers
  - “Rush over immediately” ⇒ “Look and then rush over”
  - Support for verbal information recording

- Detection of chest movement from breathing using microwave sensors (Doppler effect)

- Automatic detection of movements such as waking up, getting out of bed, and falling
- Posture prediction

- Avoid risk of litigation
  - Avoid risk of litigation by saving video of accident
Digital marketing solutions

- Provision of mass customization and content through on-demand printing
  - Direct mail
  - Packaging
  - Labels
  - Textiles

- Marketing ROI improvements through behavioral analysis using cameras and DL technology
  - Optimal design for lines of movement in stores and improvements to customer interaction efficiency
  - Verification of effect of promotional materials

Stores
- Purchase records
- Action information (camera)

Web
- Access log
- SNS history

Related big data

Data accumulation and analysis

Input

Process

Output

Value proposition

Stores

Web

Related big data

Specify arm position (indirect position) with deep learning

Count of number of people in a specific field

Visualization of frequency of movement via heat maps
Cautionary Statement:
The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

Remarks:
Yen amounts are rounded to the nearest 100 million.