



Shoei Yamana
President and CEO

Message from the CEO

Our aim is to continue growth over the long term by transforming to businesses with high added-value that contribute to solving issues faced by society.

Focusing on expansion of earnings and acceleration of growth strategies under a harsh business environment

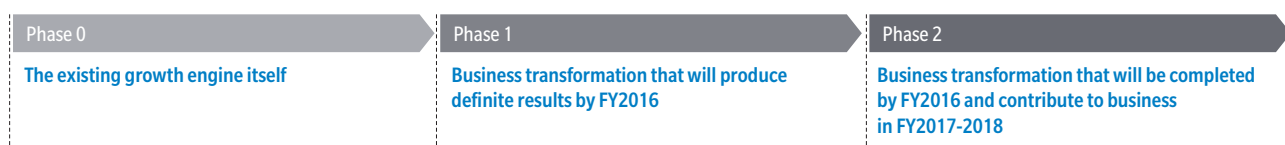
In fiscal 2015, the second year of our Medium Term Business Plan TRANSFORM 2016, revenue increased from the previous fiscal year following increased sales of high-end models for commercial printing, the positive effects of revenue from mergers and acquisitions (M&As), and a stronger dollar against the yen. On the other hand, expenses in the areas of sales and general administration rose in the wake of business transformation and structural reform, while the appreciation of the yen against the euro had a negative impact on foreign exchange transactions. These negative effects more than offset the increase in revenue, hence a fall in operating profit.

Konica Minolta's largest business, Business Technologies, is sensitive to the euro/yen rate as revenue in the European market accounts for as much as 40% of total revenue of the

segment. The targets set forth in the current Medium Term Business Plan, which was introduced in May 2014, were based on the assumed exchange rate of €1=¥135 at the time of formulating the plan. Since then, the yen has continued to fluctuate, reaching €1=¥120 by the start of fiscal 2016. The difference in exchange rates had a strong effect on operating profit, to the amount of approximately ¥18 billion. This was a major factor behind the discrepancy of the fiscal 2016 targets set forth in the current Medium Term Business Plan and the fiscal 2016 earnings estimates published in May 2016.

The earnings structure was built to protect the Company from the influence of yen-dollar exchange rate fluctuation, it has become evident that ensuring measures for protection against the Euro is an important future management issue.

Three Phases of Medium Term Business Plan TRANSFORM 2016



Progress in TRANSFORM 2016

		Fiscal 2015 results	Fiscal 2016 estimates (Published May 2016)	Fiscal 2016 targets (Published May 2014)	Fiscal 2016 estimates (Revised July 2016)
KPIs	Revenue	¥1,031.7 billion	¥1,060.0 billion	¥1,100.0 billion	¥1,030.0 billion
	Operating profit	¥60.0 billion	¥66.0 billion	¥90.0 billion	¥55.0 billion
	Operating margin	5.8%	6.2%	8%	5.3%
	ROE	6.5%	8.7%	10% or more	7.2%
Assumed forex rates		\$1=¥120.1 €1=¥132.6	\$1=¥105.0 €1=¥120.0	\$1=¥100 €1=¥135	\$1=¥105.0 €1=¥115.0

Fiscal 2016 is expected to see the continuation of a harsh business environment. Even so, we are focusing on the “expansion of earnings.” While strengthening “earning power” drastically, we are committed to accelerating our growth strategies towards the next generation.

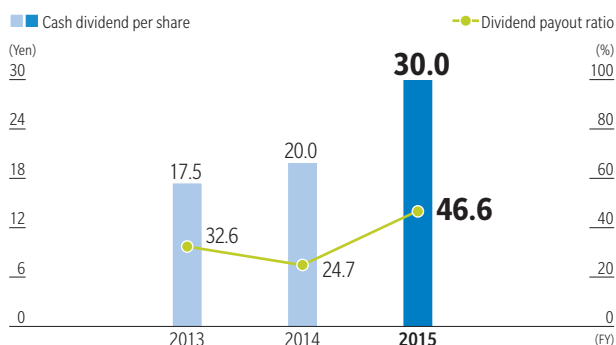
The most important task to expand earnings is to quickly turn the group of more than 40 companies added through M&As in the last few years into profit contributors. The next issue of importance is cutting the cost of production through manufacturing reform, eliminating costs arising from waste, and substantially reducing lead times. We will ensure that the Business Technologies plant in Malaysia that became operational last year will start contributing to profits as a labor-saving automated factory making the most of state-of-the-art ICT. We will also ensure that expertise gained at the Malaysian plant will be shared with our Chinese plant and other bases. Yet another important point is “expanding gross profit per employee” by improving the productivity of business processes. While reinforcing a workforce that supports business transformation through corporate acquisitions, we will speed up the Company’s ‘metabolism’ as an organization and proceed with the optimal deployment of human resources.

Through these initiatives, we are hoping to take control of rising fixed costs and improve productivity per employee; that is, the power to generate gross profit.

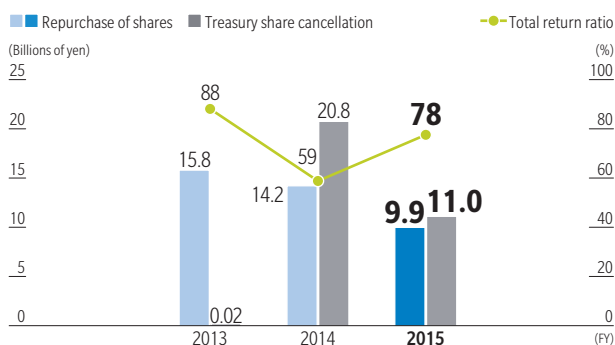
In order to meet shareholders’ and investors’ expectations, sustained corporate growth is paramount. With activities such as the UK’s decision to leave the EU, the global economy has become even more uncertain. Despite the unclear outlook, Konica Minolta will work to faithfully implement the above initiatives to improve its earning power. At the same time, we are planning to continue aggressive strategic investments for future growth.

While using profits and cash generated from business activities for strategic investments, we are also hoping to return as much as possible to shareholders. In fiscal 2015, we increased the total annual dividend by ¥10, to ¥30 per share. Reflecting on profit allocations to shareholders, the Company conducted share buybacks totaling ¥9.9 billion (or 6.57 million shares) from May to July 2015, as well as cancelling a previously acquired 9 million shares in June 2016. Partly due to the difficult business environment, we are expecting the fiscal 2016 annual dividend to remain at ¥30 per share, the same level as the previous term.

Cash dividends, Dividend payout ratio



Repurchase of shares and Treasury share cancellation/ Total return ratio



Medium Term Business Plan TRANSFORM 2016 Phase 1

Increasing added-value for all businesses through business reform to become a customer-centric company

In order to improve business competitiveness, Konica Minolta has been consistently promoting “genre-top” strategies since management integration between Konica and Minolta in 2003. These fundamental strategies remain unchanged, but in addition to them, we are now pressing forward with “business transformation,” an initiative to evolve all of our operations into businesses with high added-value that contribute to resolving customers’ issues.

One major asset of the Konica Minolta Group is its strong direct sales and services network, which has a customer base of two million companies throughout the world. Taking advantage of this huge customer base and engaging in direct dialog with them, we are helping our customers to solve management issues that vary by industry.

We are quickly shifting away from the traditional sales

style of building relationships with a specific division, such as the General Affairs Department, towards a “multiple contact-point approach” that encompasses targeting various divisions at customer companies. Some specific examples highlighting how we have transformed our business are shown below for each business area.

First of all, in the office services area of the Business Technologies Business, we consider our customers’ information and content flow as a business process. By automating and optimizing this business process, we resolve a number of operational issues faced by the customer, such as how to improve productivity and enhance security. In this service, digital multi-functional peripherals play a role as a hub on the network and transform customers’ offices into digital workplaces. While the size of the market for offices printing

Road Map to Next-Generation Growth and Creation of Customer Value

	Phase 1	Phase 2
Office Services	<ul style="list-style-type: none"> • Penetrate hybrid sales • Solutions by each industry and business 	<ul style="list-style-type: none"> • Provide new-generation office services platform
Commercial and Industrial Printing	<ul style="list-style-type: none"> • Enter major commercial printer business with KM-1 • Additional investments in MGI 	<ul style="list-style-type: none"> • Comprehensively streamline and maximize input/output equipment within printing companies • Digital marketing services
Healthcare	<ul style="list-style-type: none"> • Diagnostic ultrasound systems • Medical IT services 	<ul style="list-style-type: none"> • Expand to high added-value medical diagnostics imaging • Local comprehensive medical support services
Measuring Instruments	<ul style="list-style-type: none"> • Enter manufacturing testing field 	<ul style="list-style-type: none"> • Services to resolve issues using monitoring <ul style="list-style-type: none"> • Advanced security • Sales promotion support • Driving-assist support
Optical Systems	<ul style="list-style-type: none"> • Expand optical systems for industrial use field 	
Performance Materials	<ul style="list-style-type: none"> • New film for displays 	<ul style="list-style-type: none"> • Enter materials business such as organic light-emitting diodes (OLEDs)

with paper is estimated to be around ¥10 trillion, the 'digital workflow services' market enjoys potential demand that outstrips the paper printing market. We regard this business as a driving force in the office services area.

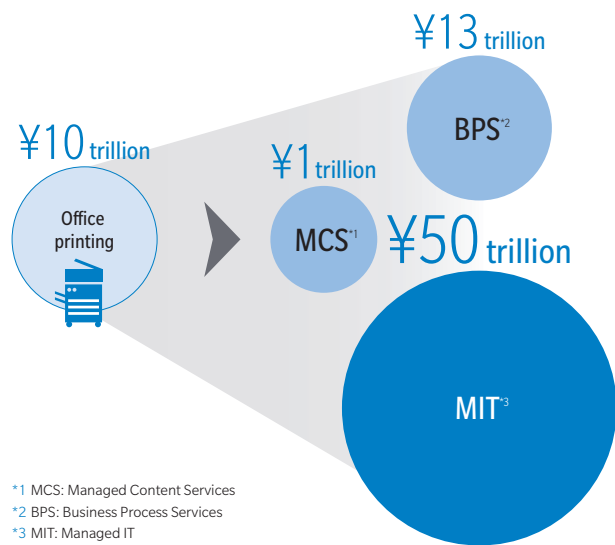
In the area of commercial and industrial printing, we are proposing a shift to 'on-demand digital' for commercial printing using paper as the main medium and industrial printing on packages, labels and textiles. In the commercial printing market, of which the size is estimated to be ¥39 trillion globally, digital printing accounts for a mere 3.5%, and it constitutes a meager 2.7% of the global industrial printing market, worth ¥52 trillion in total. However, digital printing has an advantage for small-lot or quick-delivery printing as it does not require plates. Today, an increasing number of printing companies are still introducing digital printers to be used together with offset printers, which are the major production facilities for commercial printing companies. Moreover, digital printing is suited for "printing when needed, where needed and only as much as needed," and thus helps reduce environmental impact throughout the value chain. From this perspective, latent needs for digitalization are considered extremely high, and I believe that the digitalization of printing will gather momentum worldwide. Through the additional investment in MGI Digital Technology (headquartered in France), which has strengths in digitalization in the label and packaging area, Konica Minolta's aim is to enhance its competitive edge in the digital printing market.

In the Healthcare Business, we are intensifying our efforts to propose innovative changes in hospital workflows, replacing the use of X-ray film with 'digital x-ray image diagnosis.' The "SONIMAGE HS1" ultrasound image diagnosis system Konica Minolta introduced last year has received excellent evaluations from a number of doctors, mainly orthopedic surgeons. We are planning to expand the business, with this system as a strategic product.

In the field of optical systems for industrial use, Konica Minolta provides a system that uses digital technologies to measure the color and light of items such as productions and advertising and sales promotion tools. This enables its customers to conduct unified quality control and brand management beyond regional and national borders, where its digital measurement system ensures the same quality assurance around the globe.

As mentioned above, Konica Minolta will enhance its earning power, by expanding solution proposals in all the business areas that utilize digital workflows tailor-made for different industries and business conditions. In doing so, our aim is to continue improving corporate value indefinitely.

Office Services — Market Size

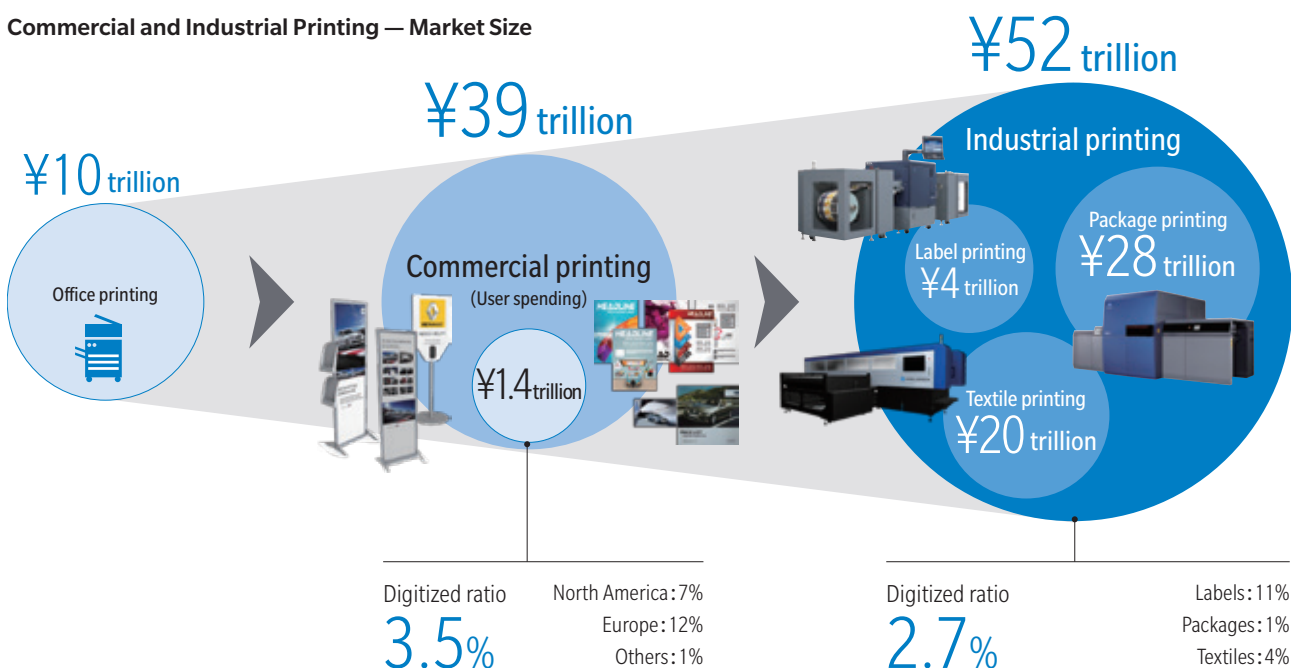


*1 MCS: Managed Content Services

*2 BPS: Business Process Services

*3 MIT: Managed IT
(see pg.146)

Commercial and Industrial Printing — Market Size



Medium Term Business Plan TRANSFORM 2016 Phase 2

Evolving into a problem-solving digital company

We are also implementing measures for Konica Minolta to achieve sustained growth in the medium- to long-term. One of the most important measures is to utilize ICT—which continues to evolve at a dizzying speed—for management. In particular, I am focusing on three technological areas: namely, “Internet of Things (IoT),” in which everything is connected to the Internet; “artificial intelligence (AI),” centered on deep learning; and “robotics.”

Konica Minolta is pressing forward with a shift in its business focus from “product-out” manufacturing to “market-in” high added-value businesses. The three technologies mentioned above hold the key to creating solution services that match customers’ needs. Analyzing data and images connected by IoT and adding meaning to the analysis enables the creation of various solutions. Konica Minolta’s original “Cyber Physical System” (see pg. 27) is a combination of analytical technologies and input/output devices where the Company excels. I am convinced that this system will lead to business solutions in various areas. In particular, utilizing this system to improve our ability to propose and offer business solutions for departments responsible for marketing and IT budgets, which comprises the bulk of a company’s expenses, we hope that it will be able to drive our sustained growth.

One of the areas where we can take advantage of the system is digital marketing. Many companies previously used mass advertising in their marketing plans. However, that is changing today as they switch to new marketing methods that employ the use of “big data” and target individuals. We have been aware of this trend and already have the ability to offer

efficient marketing services for each type of diverse media as the result of our aggressive M&A activities in recent years.

The “One-to-One Marketing” service analyzes various user data and supplies feedback regarding planning customized for individual customers, creating a business that offers high added-value. Konica Minolta’s unique strength lies in its ability to provide “one-stop services,” seamlessly combining digital services and analog sales promotion such as storefront displays and product packaging. By providing these total solutions, our aim is to become a partner who improves our customer’s return on investment and subsequently contributes to enhancing their corporate value.

Additionally, ‘digital manufacturing’ is designed to thoroughly automate manufacturing processes, logistics, warehousing, and administrative and indirect operations, and save labor too. By digitally connecting the entire supply chain from development design to manufacturing, this is initiative aims to prevent loss in all the aspects of operations.

We are also planning to introduce a new service that will automate the appearance testing process, which has heavily relied on human vision until now. By analyzing the data and images captured, the service will be able to help determine the causes of problems, and eventually increase non-defective product rates.

One of the examples of using ICT is the “Care Support Solution” recently launched in Japan. This system uses smartphones as a platform. The combination of multiple technologies, including digital image processing, sensing and voice inputs, on that platform enables the system to watch

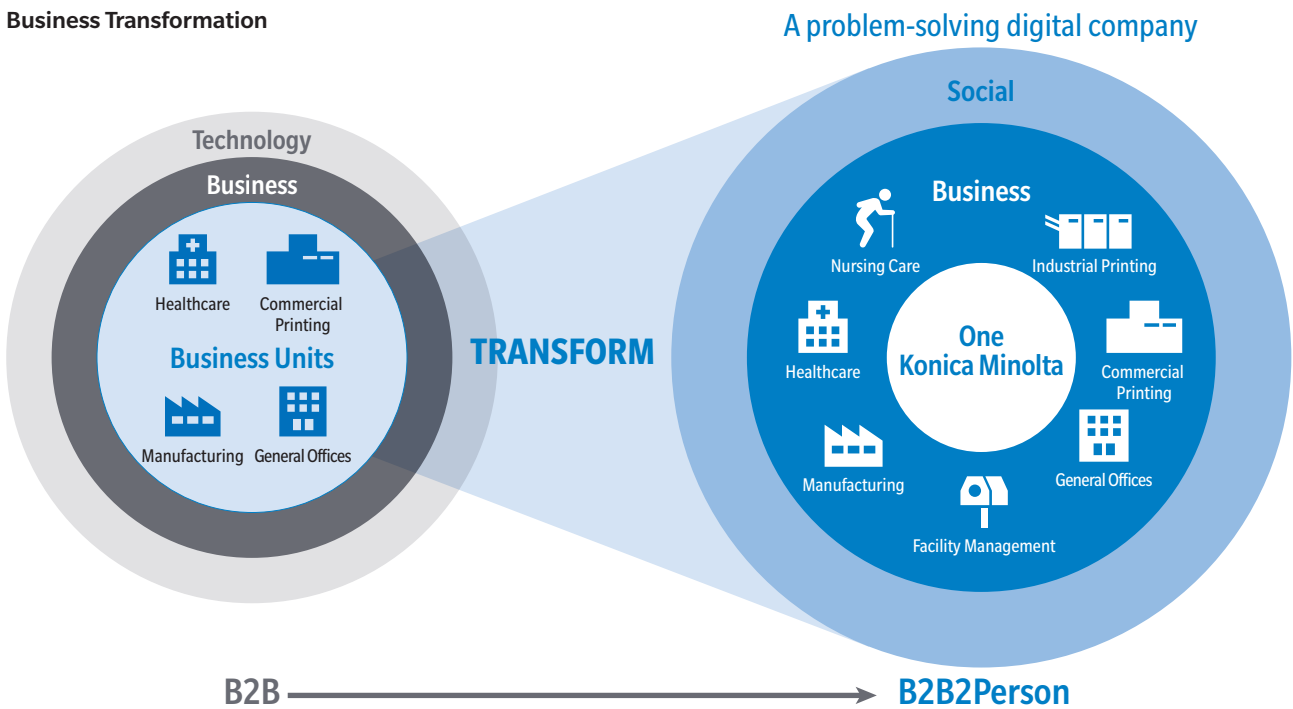
users at nursing homes. This system is helping to substantially reduce the load on nursing care staff, as overwork is becoming the most serious problem for care providers in Japan.

Our new approaches also include the use of three-dimensional (3D) laser radar. We expect they will be useful in high-security areas, for leak detection at gas plants, the automatic operation of heavy machinery, and behavioral analysis in sports. Not only sold as a new cutting-edge optical sensor component, but also packaged with a video management software (VMS), the products will hopefully help solve issues through the analyses of the data and images

captured by the VMS. The main purpose of our acquisition of majority shares in MOBOTIX, a German surveillance camera manufacturer in May 2016, was to obtain the company's high level of technological prowess in this area.

As mentioned above, we are simultaneously improving our existential value in society and moving towards businesses with high added-value. By doing so, we will accelerate our transformation from a "business-to-business (B2B) company" to a 'problem-solving digital company' that reaches the right person, that is to say a "B2B2Person" company.

Business Transformation



Speedy innovation through ecosystem construction

I think that unprecedented innovation is now required for humankind, a type of innovation that inspires one's fundamental creativity and is essential for improving the quality of society.

Konica Minolta has developed a wide range of technologies since the establishment of the respective founding companies. Integrating the two companies in 2003 gave way to the introduction of an enhanced lineup of technological areas, including optics, sensing, image processing, materials technologies and microfabrication techniques. In 2005, the Company withdrew from its camera and photographic film operations, which had been the mainstay businesses of the two companies since their establishment. Nonetheless, the extensive technologies accumulated were inherited as valuable assets of Konica Minolta and still remain with the Company. We will integrate

and evolve these technological assets in the development and proposal of innovative hardware. At the same time, we intend to create solutions for various social issues by incorporating image information and data into diverse platforms, and by analyzing them. These are future growth strategies for the Company. I am sure that we can contribute to realizing a more creative society through such efforts.

Meanwhile, competition continues to intensify in the global market and customers' needs are becoming increasingly more diversified at a faster pace every year. In order to cope with such situations, we must leave behind the product-out approach and utilize new business innovation to quickly create businesses in the global market that produce real customer value.

Based on these factors, approximately three years ago Konica Minolta set up "Business Innovation Centers (BICs)"

(see pg. 33) in five major regions around the world to promote open business incubation. At the BICs, top professionals in the ICT field have been recruited, and are now displaying their significant empowerment in strategic domains. This has made

it possible to speed up the development of new services and solutions. As a result, a business ecosystem comprised of burgeoning alliances with start-up companies, universities and corporate partners has formed.

Aiming to maximize cash flow by improving management efficiency

In addition to expanding sales together with profits and non-continuous improvement in productivity, I believe that maximizing cash flows is a vital management issue to contend with in order to drastically strengthen earning power. In order to achieve more efficient and leaner operations, the Konica Minolta Group is carrying out common balance sheet management at all Group companies around the world.



For example, in the management of current assets and liabilities, the sizes of receivables and inventories, and the collection periods vary greatly from one company to another within the Group. Therefore, we strive to seek the best suited balance sheet management for each business, such as checking cash conversion cycles (CCCs) for each operation. In addition, not only treated as numbers, CCCs must also be incorporated into specific improvement actions in everyday work as part of an important mission of the employees so that all divisions are working on the initiative.

We are aggressively engaging in the advanced investments required for future growth. At the same time, in addition to streamlining facilities by removing as many assets as possible from the balance sheet, we will continue to sell idle assets. We are also proactively working to remove cross-shareholdings that have little meaning or rationality.

Going forward, we will thoroughly conduct evaluations using net present value (NPV) indicators for investment projects, partly because the accounting standards have changed to international financial reporting standards (IFRS). We will also increase post-acquisition NPV through the pursuit of group synergies in order to avoid incurring impairment losses. It is Konica Minolta policy to use financial leverage appropriately with consideration for management stability. It should be no more than double, even when the Company is stepping up its growth investment.

Becoming a company that is vital to society

I believe that business growth and contributing to society are exponentially interrelated in business. To clarify, I mean that multiplying a company's economic activities by its social contribution results in creating new value that serves society in real terms. In order for Konica Minolta to continue growing as a global company, its products and services have to be needed by society and the Company's activities supported by society.

In my fundamental view, I place emphasis on two aspects of a company's *raison d'être* in society: namely, contributing to solve global environmental issues and contributing to improving the quality of life for all people. These are both essential for achieving a sustainable and affluent society. With these two points at the core, I believe that Konica Minolta will create new innovative values that motivate and vitalize society,

and thereby becoming a company that is vital to society.

The products and services I have mentioned are all solutions that contribute to improving people's quality of life: the monitoring system that helps resolve issues in the workplace for care services, the healthcare IT system that contributes to preventive care through shared information, and laser radars that contribute to security and safety. We will endeavor to continue developing and offering solutions that help solve various issues faced by society now and in the future.

Regarding global environmental issues, we have set the medium-term target of reducing CO₂ emissions by half and are promoting activities that aim to realize more green factories, green products and green marketing. For example, we are using recycled PET bottle materials in the outer packaging

materials of our core digital multi-functional peripherals. In addition, the construction of an open recycling system is underway, which includes recycling used milk bottles and turning the materials into toner bottles for printers. Various measures towards reducing environmental impact have been implemented in our production lines, too.

I think that activities to reduce environmental impact and spur economic growth can, and should be simultaneously achieved naturally. For example, reducing CO₂ emissions and resource inputs at the time of production can eventually lead to lower total cost and create economic value.

Konica Minolta is also offering environmental impact reduction know-how gained through its own experiences to customers and suppliers. In doing so, and subsequently supporting their environmental management, we are

ultimately contributing to environmental preservation; one beyond the scope of our own activities.

One such example is the proposal for digital printing and digital textile printing. On-demand printing anywhere in the world can help to reduce transportation, inventories and wastes, thereby greatly contributing to the global environment.

As the president of a global company, I recognize that my mission is to plan how we wish to be seen by society, and set the direction of business in order to establish ourselves as irreplaceable in the eyes of society. With original technologies at one axis and alliance and cooperation at the other, we will contribute as a corporation and global citizens in order to maintain the global environment, which is vital for all of us from a global and long-term viewpoint, in good health.

Aiming to become a company that continues sustained profit growth by combining the wisdom of diverse human resources

Today, all corners of the world are connected by the Internet. In such a 'connected' society, creative destruction is occurring in various scenes, with barriers between industries disappearing and new business models emerging. As we shift from a traditional war of scale towards a war of wisdom, companies cannot survive without shedding their familiar coat and aiming to evolve to ever-higher levels.

In order to increase the generation of ideas and connective power required to evolve, a diverse range of human resources is paramount. This includes those who can come up with ideas free from the restrictions of traditional commonsense, and those who are familiar with the cultures and values specific to each region. To this end, the Konica Minolta Group is aggressively recruiting people regardless of nationality or gender, with the ultimate aim of enhancing business competitiveness under our common "6 Values." As part of this initiative, Richard Taylor, the CEO of a US Business Technologies subsidiary, is the first foreign national to be

appointed as an executive officer in the Company. He always speaks frankly, doing so looking on from the position of the customer, and is clearly demonstrating leadership towards our transformation into a customer-oriented company.

Up until now, Konica Minolta has grown by integrating IT services with its existing businesses, creating new products and services with high added-value, and employing new technologies and know-how gained through aggressive M&As. We are currently drawing up a new Medium Term Business Plan that will start in fiscal 2017. The direction of the plan was disclosed in April 2016, but we are hoping to be able to unveil a more detailed outline in the fall of 2016, and the entire picture officially in April 2017.

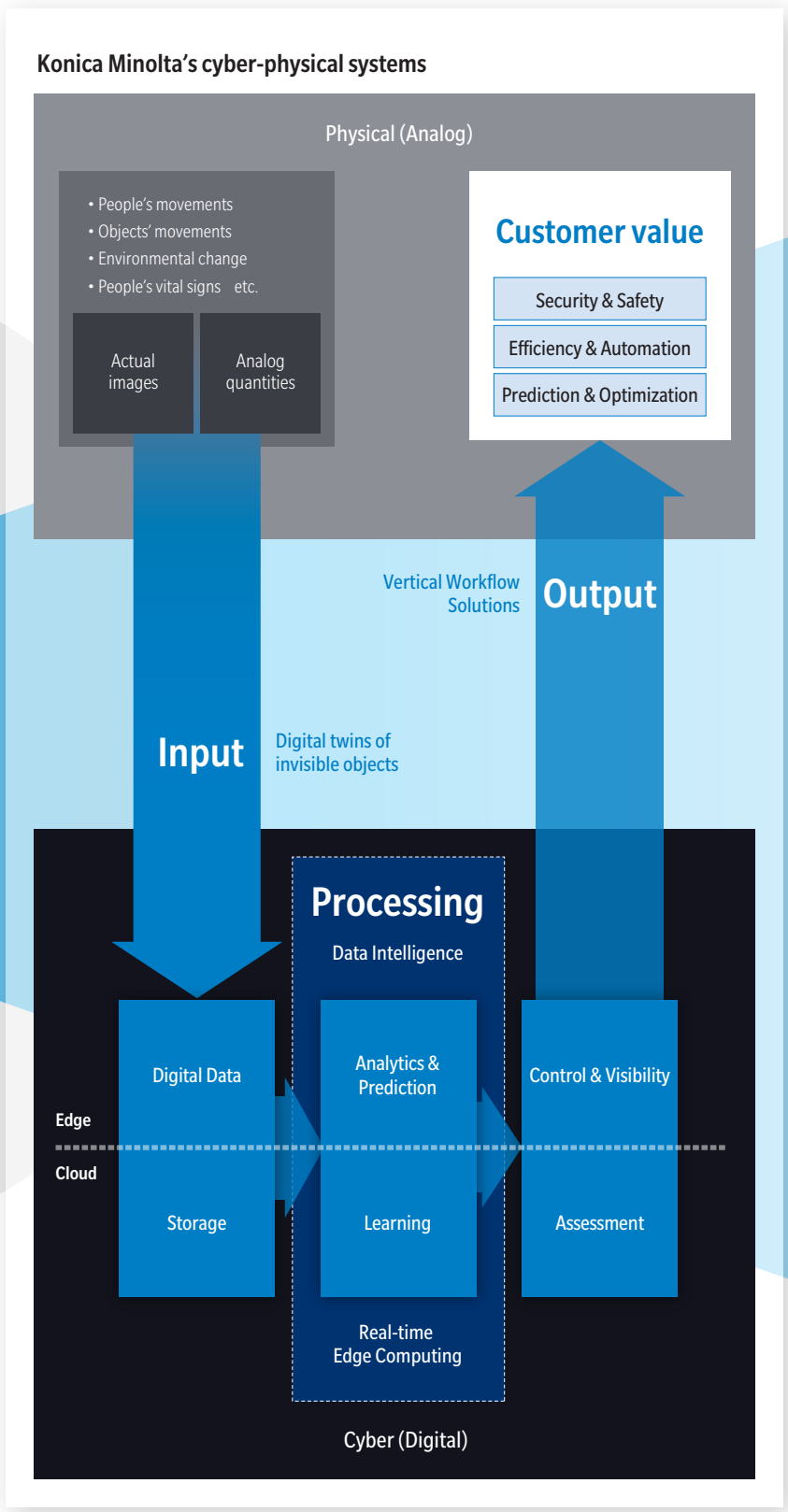
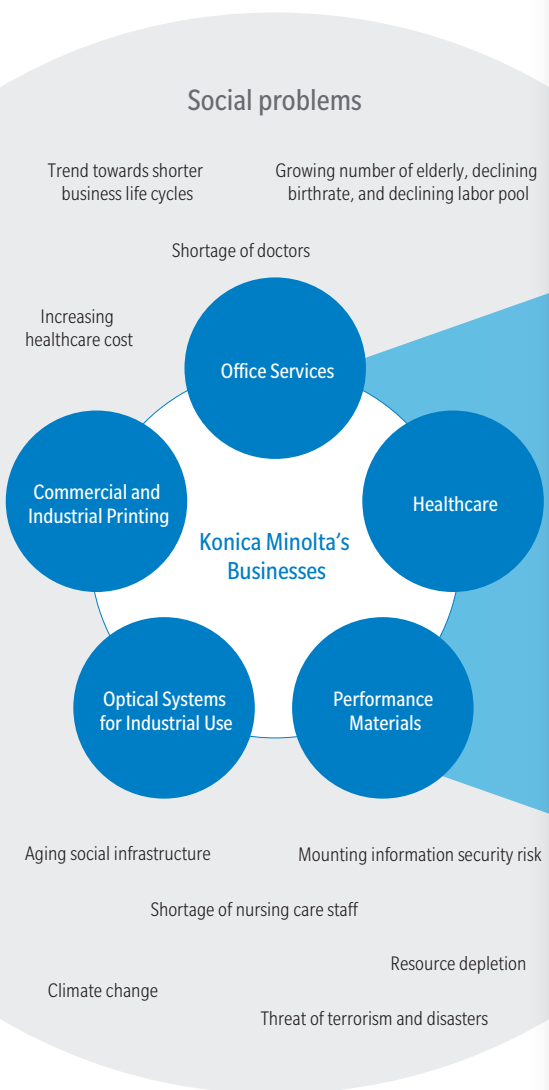
As a part of the 'connected' society, we are committed to continuing our transformation by combining the wisdom and strengths of the Konica Minolta Group in order to grow industries and contribute to the creation of a more affluent world.



Shohei Yamana
President and CEO
Konica Minolta, Inc.

Value Creation Process

Utilizing cyber-physical systems to offer effective means of solving social problems





Value created

Preventing social infrastructure accidents

Reducing environmental impact

Improving public security

Improving corporate competitiveness

Solutions

Condition monitoring support

Decision-making support

Eliminating loss in the production process

Improving work-life balance

Predictive maintenance support

Workflow improvement support

One Konica Minolta

Shortening production lead times

Improving ROI of marketing activities

Manufacturing revamp support

Marketing innovation

Value chain

➤ P.71

Improving manufacturing quality and productivity

Improving nursing care service quality

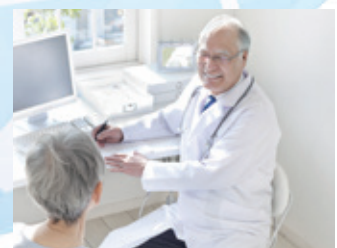
Diagnostic efficiency improvement support

Nursing care support

Improving quality of life

Further promoting home-based care

Improving diagnostic and medical care quality



TOPICS

Acquisition of Germany-based MOBOTIX’s technologies and speeding up deployment of solutions-based services in the condition monitoring segment

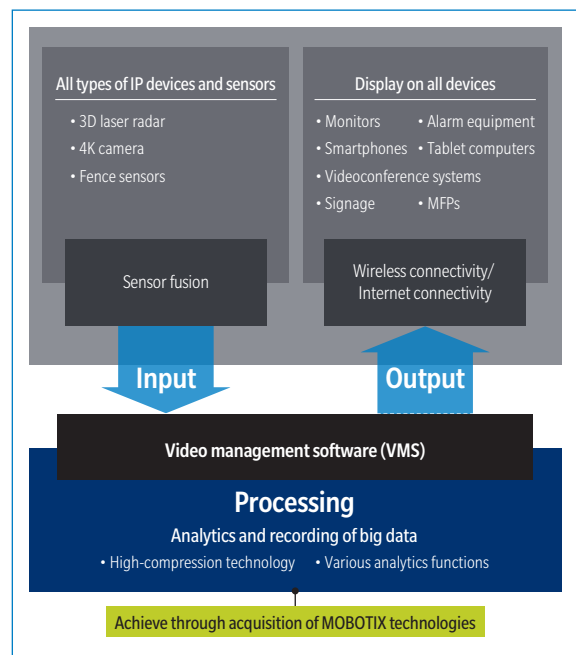


The key to solving a wide range of social problems — building safe and secure communities and eliminating labor shortages, for example — is utilizing “condition monitoring” technologies that monitor a variety of things in real time using technologies that include sensing technologies, optical and imaging technologies, and ICT. With its focus on achieving technological innovation in this field, Konica Minolta has developed proprietary optical and sensor components such as its 3D laser radar, which detects objects in a wide field of view with high precision. By further refining these technologies and packaging them with VMS (video management software) that manage and analyze the data and images produced, we hope to be able to provide the solution-based services that address our customers’ business problems.

As a part of these efforts, in March 2016 we acquired a 65% stake in Germany-based MOBOTIX, a company with first-rate technologies in the network camera and VMS fields. The cameras in MOBOTIX’s monitoring systems are capable of processing images and sending only the necessary image data to the server via a technology known as decentralized processing (edge computing). This allows for smaller server capacities and reduces overall costs. These systems are now being sold in 80 countries around the world, primarily in Europe.

With this stock acquisition, we will be acquiring not only MOBOTIX’s decentralized processing network

Direction of Konica Minolta business in the condition monitoring segment



Value created

Improvement of security	Workflow transformation in Manufacturing & Logistics	Improvement of retail store sales
Detection of gas leaks	Hospital, nursing care and human services	Support for automatic vehicle operation

cameras but also advanced technologies including image data compression and analysis technologies. Synergy between these cutting-edge technologies and Konica Minolta’s proprietary technologies such as 3D laser radar will allow us to develop next-generation distributed network security solutions. Konica Minolta will continue to propose new value in a range of fields that span not only security, where customers demand strong monitoring performance, but also monitoring of residents at elderly care facilities; detecting anomalies at gas plants, etc.; automated operation of automobiles, heavy machinery, etc.; and human activity analysis at places such as shopping facilities and in sports.

Special Feature

TRANSFORM to Achieve Sustainable Growth

To achieve growth for the medium- to long-term, Konica Minolta is working to transform its businesses and become a customer-centric company as outlined in its Medium Term Business Plan TRANSFORM 2016.

This feature looks at efforts being made in the U.S., which is leading the way in transforming the core Konica Minolta segment that is the Business Technologies Business, as well as by Business Innovation Centers (BICs), specialized organizations in charge of creating new business. Below are interviews with executives from these organizations.

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Innovation Driving Value

Meet New Executive Officer

Keeping ahead of the competition by being first with new ideas and staying innovative

Richard K. Taylor

Executive Officer
CEO, Konica Minolta Business Solutions U.S.A., Inc.

2

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Business Innovation Centers

Meet the Innovators

The BICs are all about changing technology and product-oriented companies into market-oriented companies.

Yuji Ichimura

Executive Officer and General Manager, Business Development Headquarters

Dennis Curry

Director, BIC Europe

Ekta Sahasi

Vice President, BIC United States

Special Feature

1

Innovation Driving Value

Meet New Executive Officer

Keeping ahead of the competition by being first with new ideas and staying innovative

President and CEO of Konica Minolta Business Solutions U.S.A., Inc., Richard Taylor, shares his perspective on how to keep the company on track as a key innovator and industry leader by being innovative in all areas of corporate operations, from business strategies and employee education to creating new values that will drive growth and profitability in the future.

Q1 | What is driving Konica Minolta's growth in the North America today?

Introducing new services and a motivated vertical sales force.

The key word for us is "services." What services we can provide that really make a difference to the customer and really change the way they look at us. This is done by carefully listening to them, and the market in general, and gathering information vital for developing new products and services, and improving current ones.

Important is to provide services in a way that leaves a lasting impression, one that makes the customer feel good about choosing Konica Minolta as their provider. This is the foundation of building customer loyalty, which is the seed for sustainable corporate growth.

The way people think of Konica Minolta when they see or hear the name is changing. They no longer simply relate it to a manufacturer. We are a full-service provider, providing services to multiple industries.

We often talk about *The Road to Tier One*. I made reference to my perspective of it at a conference three years ago. I spoke following the keynote speech of my good friend Yamana-san, president and CEO of Konica Minolta, Inc. My message to everyone was, *To get to Tier 1*, we must change who we are competing against. We shouldn't be competing with other companies in the multifunctional peripherals business, we should be competing against the best companies in the world, like Apple and Starbucks.

Fast-forward to today, the Forbes 500 List of 500 Best Companies to Work for in the U.S. listed us at No. 132. So we made the top 500 list for the first time, and there is nobody else in our business sector on this list of who's who of U.S. business. This is no small accomplishment, and that achievement started out by having engaged employees. Employees that understand and believe in what the company is doing and reflect it in their work. That is what our customers see too.

Our salespeople have always been exceptional at customer relations on an individual basis. But the transition to selling IT-based services has changed the technical aspect dramatically. We have therefore introduced a team sales

Richard K. Taylor

Executive Officer

CEO, Konica Minolta Business Solutions U.S.A., Inc.

Richard Taylor is the first non-Japanese executive officer appointed at Konica Minolta, Inc. His career began at a well-known brand in the industry, after which he moved on to high-level positions at major competitors before joining Konica Minolta Business Solutions U.S.A., Inc. in 2008, where he recently became president and CEO. His leadership is an integral part of the company's strategies and global growth policy.

approach where each member apply their special expertise. For example, there is a leader who handles the relationship aspect, a vertical market member who understands the customer's business and speaks the language. Depending on what a customer's needs are, we bring in professional resources with great credibility and expertise, and fully networked with references.

Once talented generalists, we could sell anybody a multifunctional peripheral system. But now our sales representatives are each knowledgeable in a specific industry, and are trained to understand the business environment in that field.

So, a big part of our success has been educating our workforce. In the U.S., if employees need a skill set they don't have to advance in the company or want to learn more for personal development, we offer them the opportunity to do it. We also offer an executive education program through a third party that we partner with. It's a very credible source that does leadership. Probably more than 500 people have been trained through them so far.



Q2 | In what ways are you using these highly skilled employees to transform the company?

They are now capable of communicating with customers on the same level, showing them that we understand their needs.

Traditionally, the customer purchased a machine and their satisfaction was based on how well the machine performed. However, customers now have diverse needs that need to be met simultaneously. Many times they rely on us for 24/7 support to maintain business operations.

One aspect our sales teams also raise questions to ensure that the customer has fully thought out the request and is not missing anything, such as, "Can we help you in this area of workflow?" This type of special attention is effective in expressing our expertise and showing concern for covering all aspects of the service.

So as we start investing in contacting that customer during the service lifecycle, first of all they become much happier because we didn't cut off communications after the sale and wait until renewal to contact them again. Secondly, we are given the opportunity to propose another one of our products or services, at which time we become increasingly more valuable to them.

As part of the corporate transformation we're undergoing, we now utilize what has come to be called a "hybrid sales strategy." This involves combining the strengths of our multifunctional peripherals with IT services.

The entire customer engagement thing, focusing on the customer, is an ongoing process. It's a proactive approach to the customer, not reactive. In the past, we were a very reactive business. Now we are proactive, seeking ways to help customers, sometimes before they know they have a problem. They don't even know they have the problem, but you're looking around and see some file cabinets, and say, "Can you really find important documents easily... and are they safe?"

Q3 | How has the acquisition of All Covered served to fuel growth and create competitive advantages?

It opened the door for involvement in the area of ICT infrastructure, complementing our new business growth strategy and keeping us ahead of competitors.

About six years ago we were looking for businesses that would complement our growth strategy and make us invaluable to the customer. One area that we lacked specialization in but felt we could market successfully to customers was IT management.

This required us to bring more specialists into Konica Minolta, so we embarked on a strategic acquisition program, acquiring some 40 companies, including All Covered, one of the largest. Our stance was, if we acquired the best of breed in local areas, expand operations nationally, regionally, and then globally, we would distinguish Konica Minolta from the competition.

Fortunately, the president of All Covered was very interested in our plans when we acquired the company, and he came along as part of the package. In the IT business, people move around between companies a lot. So when we were able to keep senior management in a business completely different from ours—literally a different culture—the blend was both interesting and challenging, but it's really worked for us.

By the way, this year All Covered was named one of the top 10 MSP providers in the U.S., and No. 11 in the world.


Q4 | Has your appointment as Konica Minolta's first non-Japanese corporate executive benefited U.S. operations in any way?

Having direct access to the home office shortens the decision-making time and globalizes our potential.

We receive amazing collaboration from the global headquarters, and our dreams wouldn't become reality without it. We definitely make decisions faster than a majority of our U.S. competitors. And now I have an even closer relationship with Yamana-san, so there's no excuse to not get information to someone quickly, which in my opinion, shortens the decision-making time.

The universal aim of the Konica Minolta Group is to become a truly global organization. With that as our goal, we must get as much accurate input as possible from those who are closest to the customer, and our customers are all over the world. I believe one of my obligations in view of my position is to ensure good information flow, making it as open and honest, and as customer-centric, as possible. Hopefully that's something that we can globalize, and other people across our global organization will use.

All of this requires staying ahead of the game and being the first to know what the next big thing is. This is where the investment in our Business Innovation Centers will pay off and create value. Even so, we believe that our U.S. operations, in view of its size and the complexity of the market, is obligated to provide leadership globally. In relation to this, I believe my appointment as the first non-Japanese executive officer of Konica Minolta, Inc., which is a huge honor for me, comes with the personal obligation to do everything I can to make that happen. Since we have proven that good ideas can come from any of Konica Minolta's worldwide operations, we'll certainly be asking for ideas from everyone and working to globalize them.



Yuji Ichimura

Executive Officer and Executive General Manager,
Business Development Headquarters

Dennis Curry
Director, BIC Europe

Ekta Sahasi
Vice President, BIC United States

Special Feature **2** Business Innovation Centers Meet the Innovators

The BICs are all about changing technology
and product-oriented companies
into market-oriented companies.

Konica Minolta has established a Business Innovation Center (BIC) in five major regions around the world, including Japan, Singapore, China, Europe and the United States. Each BIC is charged with a mandate to look into the future, combine innovative thinking and high technology, and apply it to new business potential. Yuji Ichimura, who spearheads the project from Japan headquarters, held a Q&A session with Dennis Curry of London-based BIC Europe, and Ekta Sahasi of Silicon Valley-based BIC United States.

Q1 | What is the thinking behind the hiring policy of BIC executive level staffing?

By bringing in top-notch innovators from outside of our industry, we can leverage expertise and knowhow Konica Minolta previously did not have.

Ichimura The aim of the BICs is to create innovative businesses that have never existed. As such, we decided to invite executives who have extensive experience in business incubation across a variety of industries. Also, we needed for each BIC leader to be steeped in the market of his or her region. This is why we recruited them locally.

Silicon Valley is the center of IT technologies and a lot of venture activities, investments and so on, so we wanted to be a part of it. Ekta's background is in consumer-based technologies and business models, so I wanted someone who could bring those perspectives to Konica Minolta. Europe is especially good at standardizations, insight on social issues, and developing platforms to solve those types of challenges, so we needed someone who could provide perspective on those dimensions. Dennis brings us those perspectives from his background in large enterprises and complex organizations.

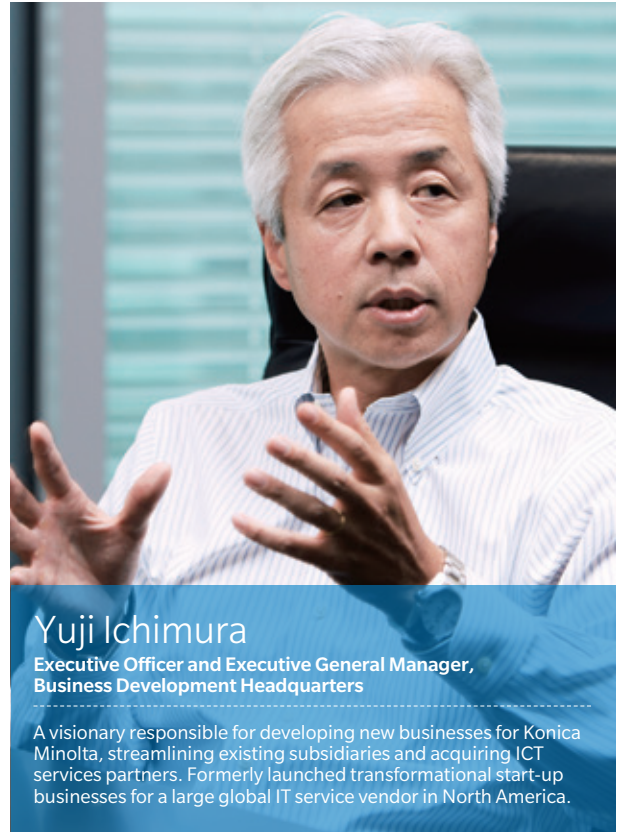
In Singapore we chose someone who is connected to the government and understands Asia at large, as regulations are frequently changed in order to make Singapore more valuable to other countries in the Asia-Pacific region. In China we needed someone on top of emerging Chinese business standards, in order to best orient Konica Minolta to the impending market potential there. We actually hired three experts to compete with each other, as I thought a competitive environment was the best way to leverage their individual capabilities and bring out the best in all of them.

In Japan I wanted to have someone who has done a lot of incubation and entrepreneurial activities, so we brought in a person who has founded two companies, developed them into successful enterprises and sold them, so he brings that buyout experience to our knowledge base.

So now our global BIC portfolio looks very good, and we expect to adjust it over time based on the activities and things happening within our customers or market. At the same time, each individual BIC may adjust their portfolio as market opportunities dictate. So altogether we can be efficient and effective in our BIC operations.

Sahasi I have been very happy to participate in the global transformation that Konica Minolta is going through. It's inspiring to be able to help the company write the next phase of its heritage. Having come from Silicon Valley, I wanted to bring a lot of the technological advancements that we are seeing there, and seeing how we can apply those to a company like Konica Minolta to help drive this change that they are embarking upon. The ability to have an impact at a global level, too, is what I found intriguing, plus the company's recognition that such a transformation is necessary.

Curry From a personal perspective, I was looking to do something very different, and the thing that impressed me about Konica Minolta was that there was a real clear intent, not just to transform itself, but more importantly, to do bigger and greater things for its customers. And the potential areas we were looking to move into were of great interest to me, so that was the main driving force, that we could make larger impacts for our enterprise customers. Ultimately what I would like to do is transform Konica Minolta in the marketplace, making it a



Yuji Ichimura

Executive Officer and Executive General Manager,
Business Development Headquarters

A visionary responsible for developing new businesses for Konica Minolta, streamlining existing subsidiaries and acquiring ICT services partners. Formerly launched transformational start-up businesses for a large global IT service vendor in North America.

company that is highly successful and one that provides the greatest value to its customers.

Sahasi What I bring to the BIC is a combination of key best practices and success factors that are required for Konica Minolta to engage in this kind of a global transformation. I also bring in key insights on where the market is shifting and how companies are leveraging technologies to fuel the next stage of growth for themselves and deliver value to customers.

Curry In my case, based on my experiences in very large companies, I work to bring the perspectives of many to a single point that can result in something that is very innovative and creative and has value. That is, focusing large organizations into smaller points that are going to result in significant value to the marketplace to customers and their shareholders.

Ichimura We see a BIC's business as the customer's business. Many companies have technology innovation centers or even a technical center in Silicon Valley, but our model is that we have to innovate the customer's business, and based on the new value or insights of the customer we develop the new business. And since 80% of our business is outside of Japan, it's very important to have five regional Business Innovation Centers in strategic locations globally.

Q2 | How did you build your BIC team?

We recruited people who are creative by nature, entrepreneurial, innovative, progressive and passionate.

Sahasi When I built my team, passion was a core tenet, so I looked for people who were extremely passionate about having

an impact and about making a profound change to a company that was going through this kind of transformation. One of the other things that I have a very strong belief in is creative destruction, so I also wanted people with a wide variety of backgrounds from large corporations to entrepreneurs who have had failed start-ups, and to bring them all together in the right framework for them to work together. To discuss and debate diverging ideas and then through that process distilling them down to something that could be meaningful for the company and then taking that forward aggressively.

Curry We had a pretty open book and were very fortunate that our leadership wanted to create a team that was very diverse so it would give us options where we would go wherever was appropriate, where we found opportunities in terms of our business and customers. The story and the intent of the company is a very attractive one, which appeals to people who are creative by nature, entrepreneurial, innovative, and progressive. And although the main headquarters of BIC Europe is in London, we're a global company so we can distribute our work to various facilities in the region. This distribution is very important as it allows us to leverage multiple perspectives and expertise.

Sahasi BIC US is in Silicon Valley, the de facto innovation hub. So what we have done is taken advantage of everything it has to offer and created ecosystems around venture capitalists and start-ups in areas that we are interested in, and then leveraged a lot of our partnerships to drive our work as well as bring in top-tier talent. So, we are less distributed than Europe is from that perspective. Our business unit is on the east coast and we of course effectively work with them as incubations are taken forward into the market.



Dennis Curry
 Director, BIC Europe

A highly experienced executive in launching innovation programs, with a successful track record as CTO at NATO, and Global Director, Account Strategy & Enterprise Innovation for Hewlett-Packard Development Company, L.P.

Q3 | What types of projects are in development now at your BIC?

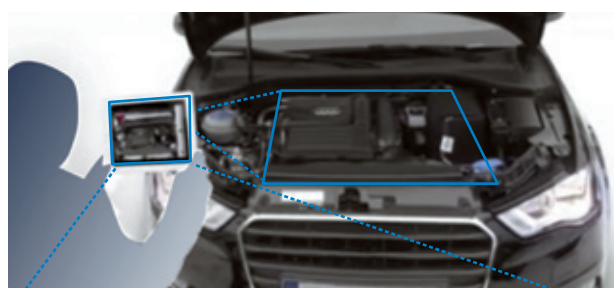
Robotics for the hospitality industry, and practical augmented reality oriented applications.

Sahasi At BIC US one key initiative is with a partner named Savioke, which is specifically within the hospitality robotic space, to bolster operations by augmenting the services staff. It's an offering that serves the hospitality vertical, the big hotel chains. We are resolving issues like, what are some novel services that can be provided that could be engaging for the customer, and in parallel how do we drive efficiency and cost reduction, as well as introduce differentiation among the hotel chains.

As we thought about the technology and why Konica Minolta might consider doing robotics, we realized there were a lot of synergies between what we do in our core business from the servicing side of the core technology perspective, and there was a lot of mutual interest to be in that space. So we look to pair that with what the hospitality sector is looking for and novelty aspect, and the ability to interact with robots to augment the hotel staff. This can drive efficiencies in terms of the services that can be delivered to the customer, which is our key challenge. To date we have got some successful deployments of Savioke robots in hotels in Silicon Valley.

Our goal is to have a firm understanding of how quickly this industry is emerging and how Konica Minolta may participate in robotics, and define for ourselves why the field makes sense for the company, where the company can contribute in the value chain through pilot programs, and in so doing, solidify our strategy and define our road map for the future.

Curry At BIC Europe we initially started looking at areas where we could extend content management and information displayed from static documents, and then started to focus on augmented reality as a sort of a neighbor to make those sorts of



An AR (augmented reality) application being worked on by BIC Europe. The program displays manuals on tablets and smartphones for automotive mechanics to improve the quality of the repairs



Ekta Sahasi

Vice President, BIC United States

An 'innovationist' with extensive experience in driving corporate innovation and new business in emerging area. Ekta has had an impressive career at large corporations like GE, Ebay, Vodafone and has had profound impact on several Silicon Valley startups where she has held leadership roles.

documents much more engaging, intuitive, and interactive, and in a way where one could quickly access information to enable people to make better decisions. But the really important thing is that it is not just the augmented reality as a platform or an application on its own, it's how it connects with other assets and innovations we have within Konica Minolta, plus also within the marketplace. For example, we are collaborating with a partner in the field of automobile maintenance called Wikitude, very sophisticated maintenance, where instead of having numerous manuals, a device can actually visually detect what is being worked on, and output audio instructions.

Ichimura This type of technology can make a non-professional worker perform like a professional worker.

Curry Another thing is that it can also then connect directly to a supply chain. So once you recognized that you know you need it, it can go into the system and then you don't have to take the time to go back and telephone somebody for that particular part. And beyond that, in the future, if additional help is needed a real technician can be accessed to answer questions.

Q4 | What types of future-oriented projects are in development?

Advanced concepts and technologies for healthcare, and for the future workplace.

Curry BIC Europe is focused on creating platforms in various different areas that we think can be of value from one industry to another, and this includes looking into increasing our presence within healthcare. Konica Minolta has a very

strong and growing portfolio in healthcare and especially the digitization of healthcare. For example, BIC Europe is seriously looking into inter-operative cancer detection, the enablement of surgeons performing an operation to be able to detect whether their procedures are working or not, or if all the cancer cells have been removed or not.

Often what happens is that there will be an operation and they will remove the element of cancer, but they may not remove enough, because there is always some delicateness about how much is cut away. And often in the case with breast cancer, prostate cancer, and stomach cancer, a sample must be taken, then it takes some time before it's clear if there are additional cancer cells or not.

The new procedure will enable, during the process of operating, the detection in real-time of exactly how much to cut away and whether or not any cancer cells are left behind. This is a great thing to do for the wellbeing of all of us. So it gives us added drive to know that this sort of incubation could have such a big positive impact on humanity.

Sahasi BIC US also focuses on healthcare, but something else that I would like to mention is, we have put a tremendous amount of effort into looking at what the future workplace looks like. Like the smart workplace, because fundamentally as the digital natives come to the workplace, the millennials, their expectations on how work gets accomplished and how they collaborate with their colleagues are different, and what they expect, on-demand anywhere, anytime, is having a profound impact on how workplaces will need to transform in the future.

So we have several incubations and initiatives and are looking to launch several of those in the not-too-distant future that gets at the heart of this issue in strengthening what the future of enterprises would look like with smart technologies to enable the future workforce to work in the fashion that they would like to work in. There's a host of things that can be done with the technological advances that are driving this collaboration and change within an enterprise. And so Richard Taylor, President and CEO, Konica Minolta Business Solutions U.S.A., Inc., and I are collaborating very closely on this smart workplace initiative.

Curry I think you will find that the enablement of a place or office will be a key strategic driver for Konica Minolta in the future. In Europe we're very interested on very similar topics and that is why we have some collaboration with BIC US going on there. But additionally, for us it is about the enablement of making better decisions during the day. That is, the transition through home to work to home, and how one can make better decisions with smart data and sophisticated analytics and even AI. But I think it is augmented intelligence through connected devices and what those connected devices can tell you or how they can help you make better decisions. That is another key area we will be driving forward.

Ichimura The world and society we now live in is very complex, competitive and fast moving, especially in terms of digital platforms and systems. To change technology and product-oriented companies into market-oriented companies requires that we create new businesses based on the customer's values instead of technology itself.