

Medium Term Business Plan



SHINKA 2019

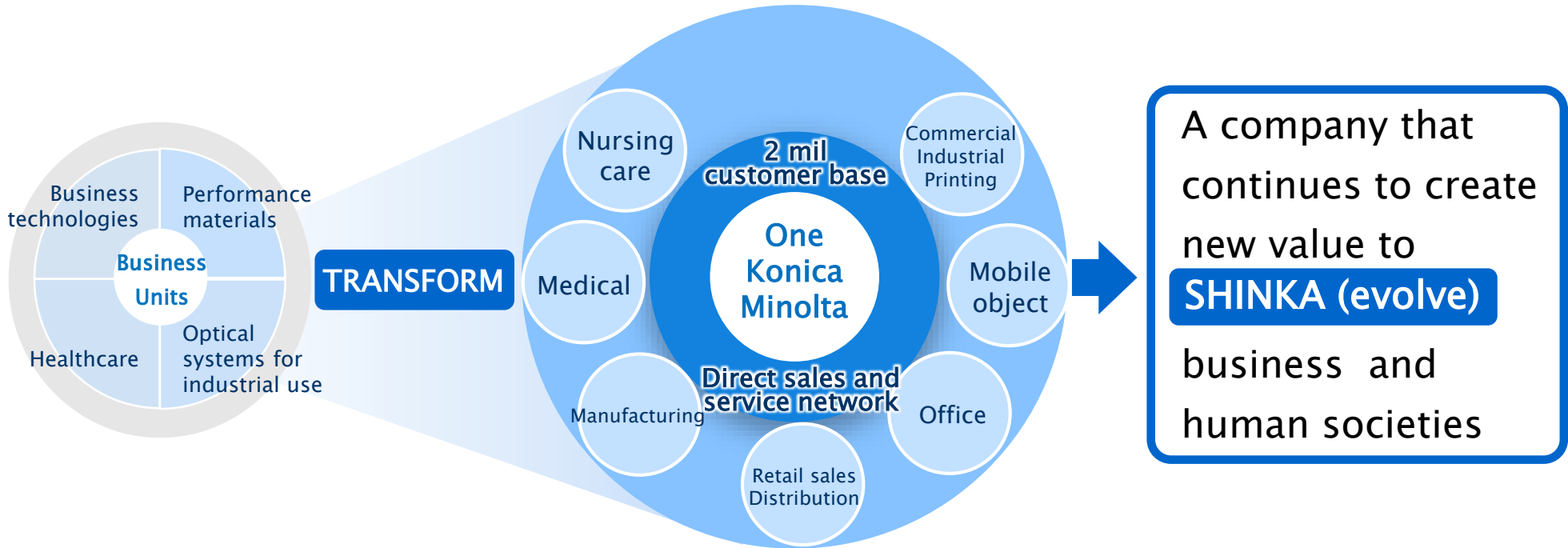
Evolution

President and CEO
Konica Minolta, Inc.

Shoei Yamana

May 11, 2017

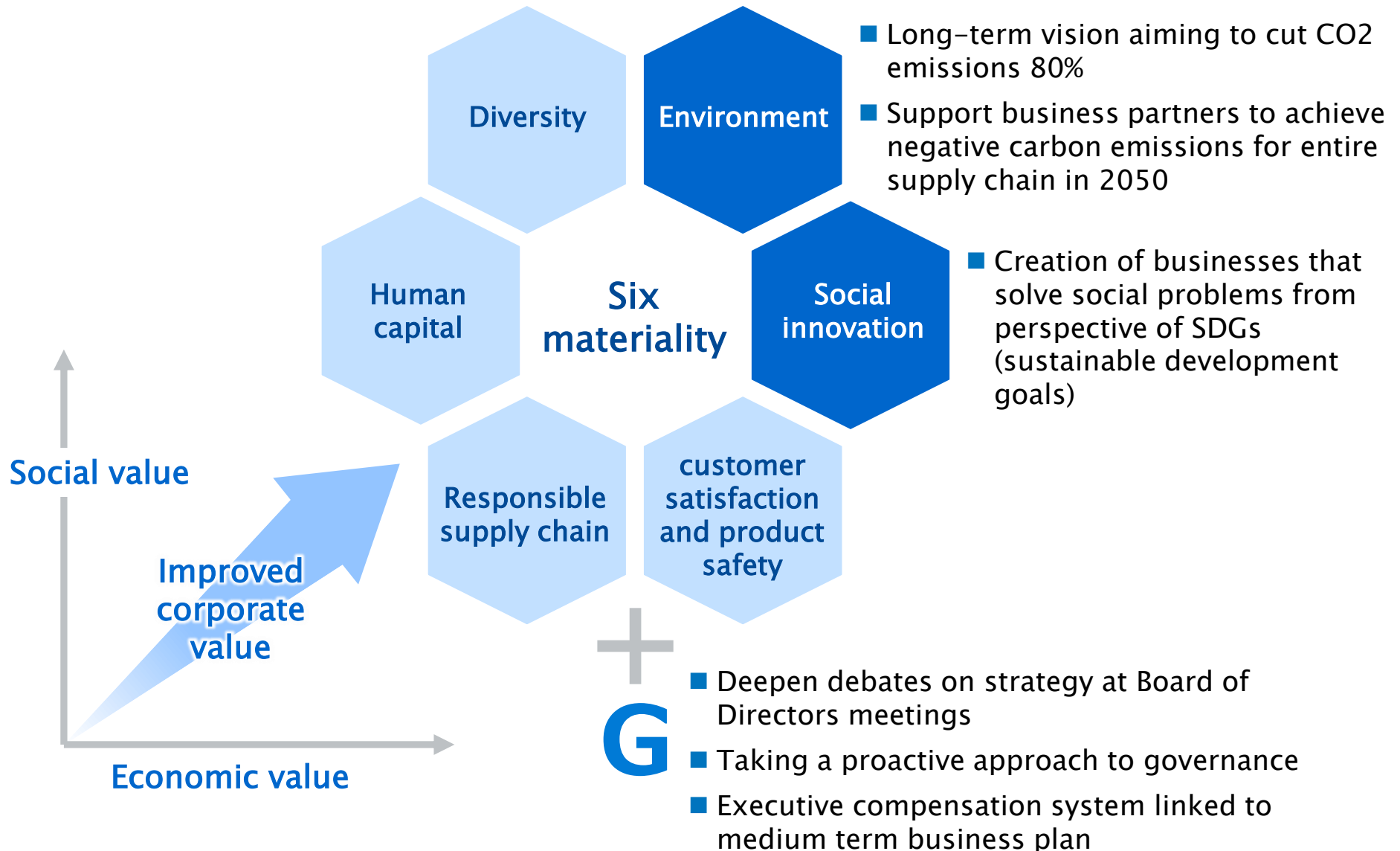
Vision: To become a digital company with insight into implicit challenges



- 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

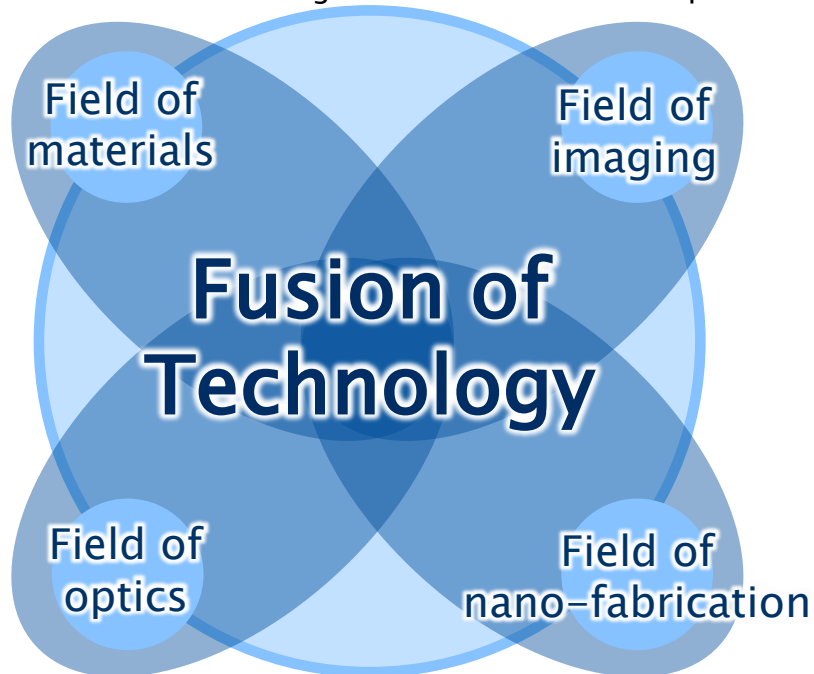
Reinforced ESG to raise medium- and long-term corporate value



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



- Optical design
- Optical measurement

- Precision molding
- Surface processing

Assets

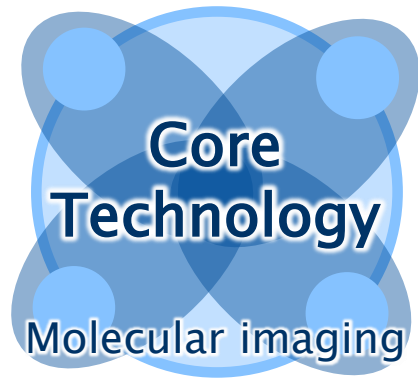
Customer base **2 million companies**

Direct sales and support system

Global expansion capacity

Sales service system
150 countries

Preparations during period of previous medium term business plan



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- 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

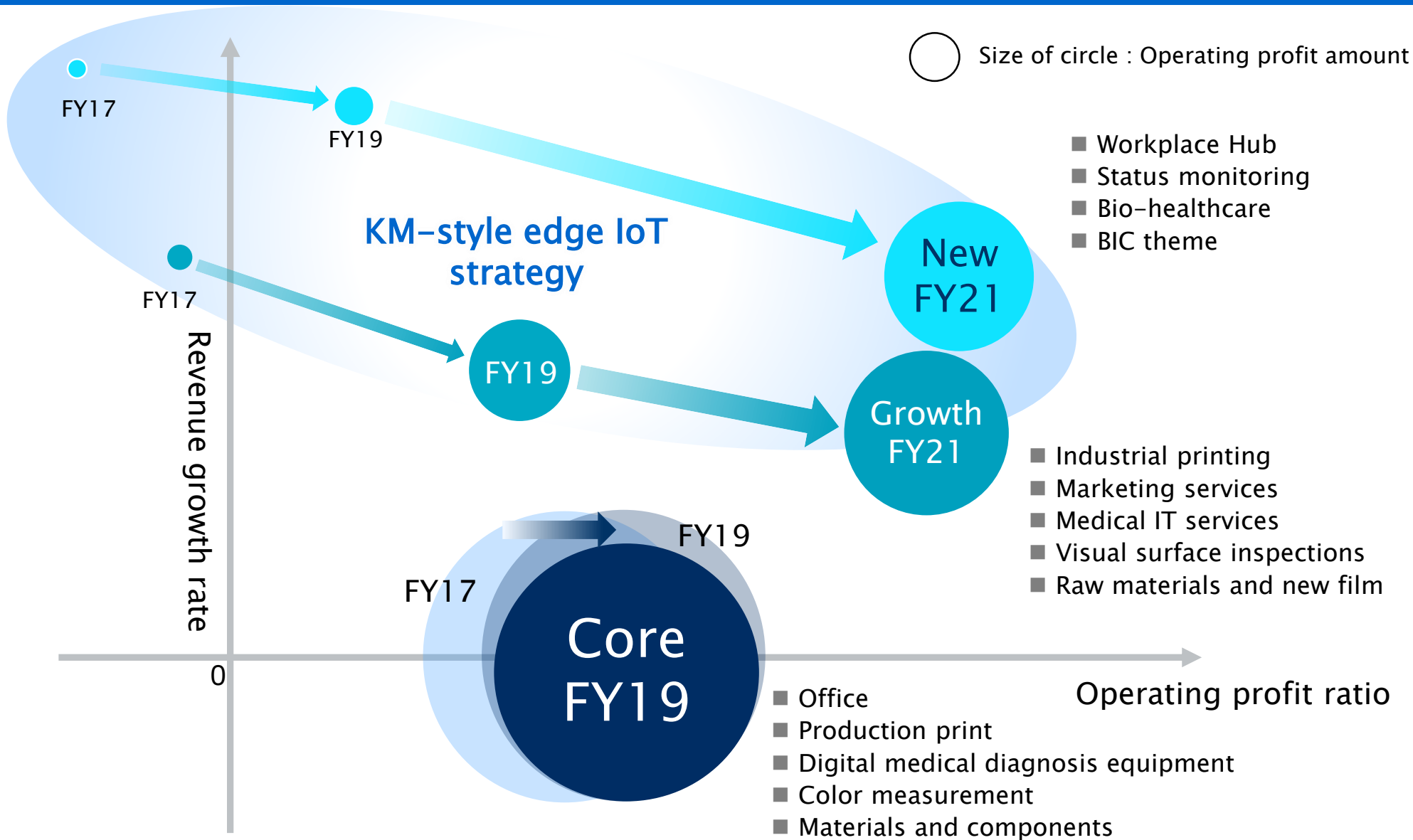
Reinforcement of capacity to propose solutions through acquisitions

Open Innovation

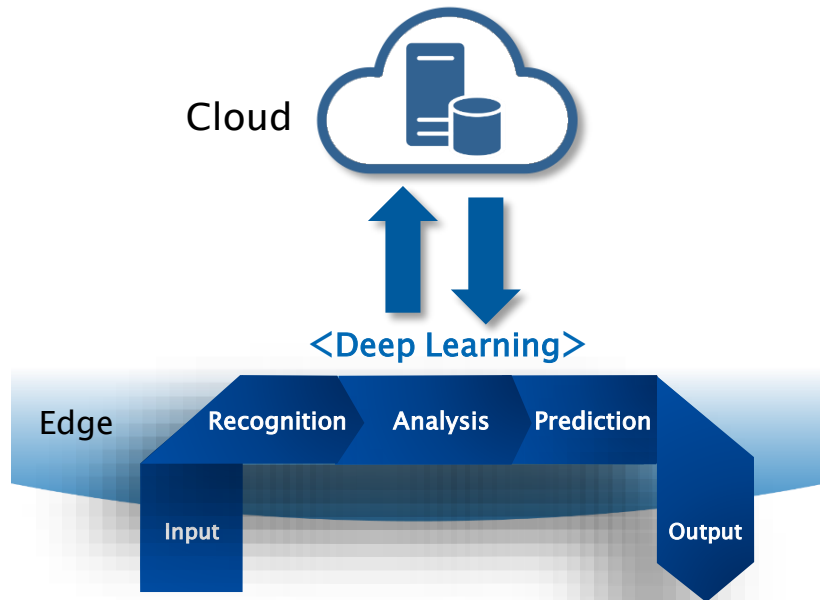


- Edge IoT platform “Workplace Hub”
- Agile development capacity
- Global partnership development capacity (Microsoft, HPE, CISCO, SAP, etc.)

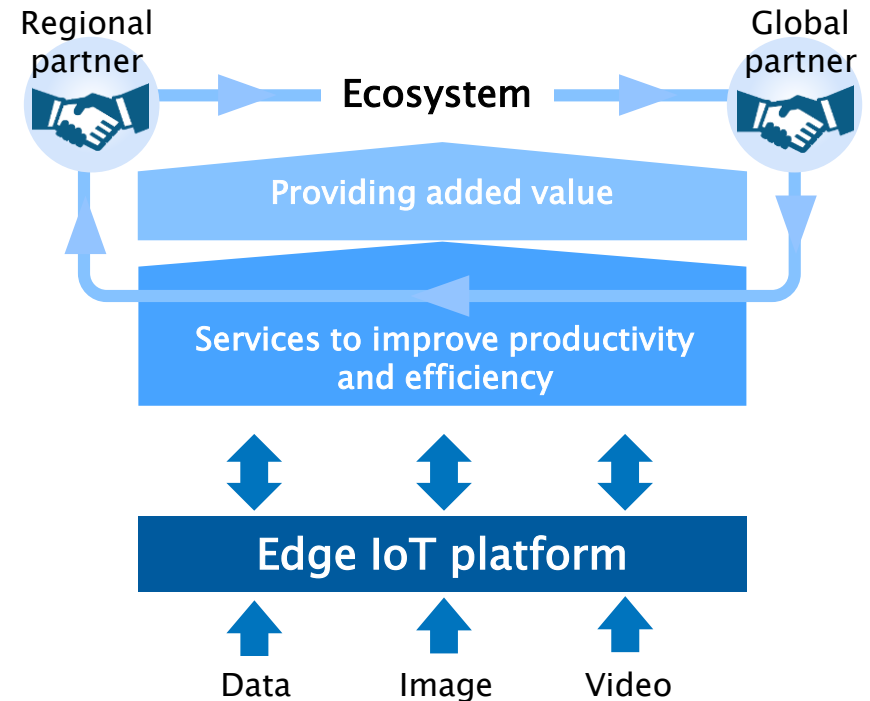
Shift to highly profitable system taking advantage of advance preparations



KM-style edge IoT/partner strategy



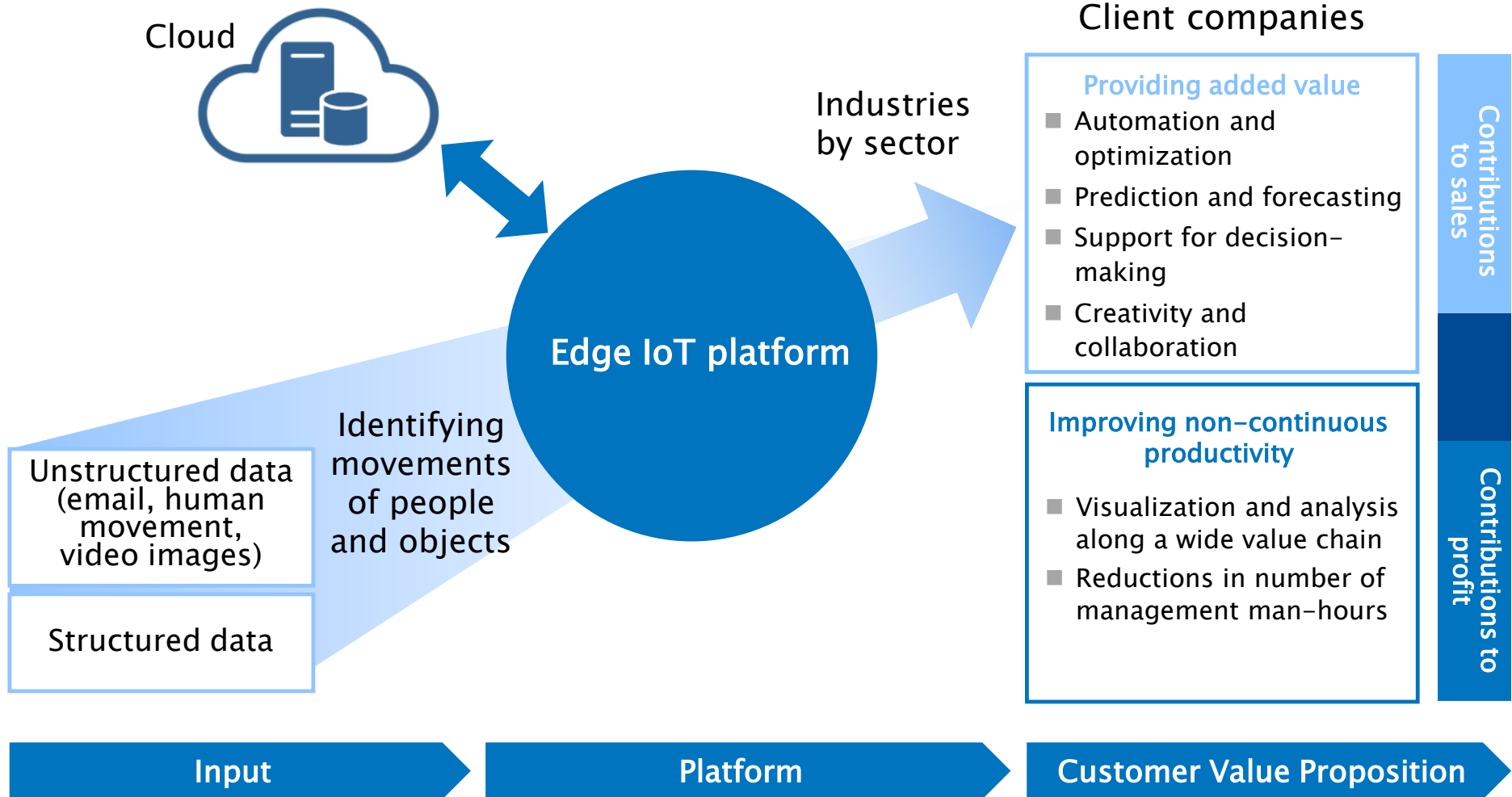
- Use of advanced input devices
- Real-time processing and issue solutions on site
- Genre-top in specific image and data area



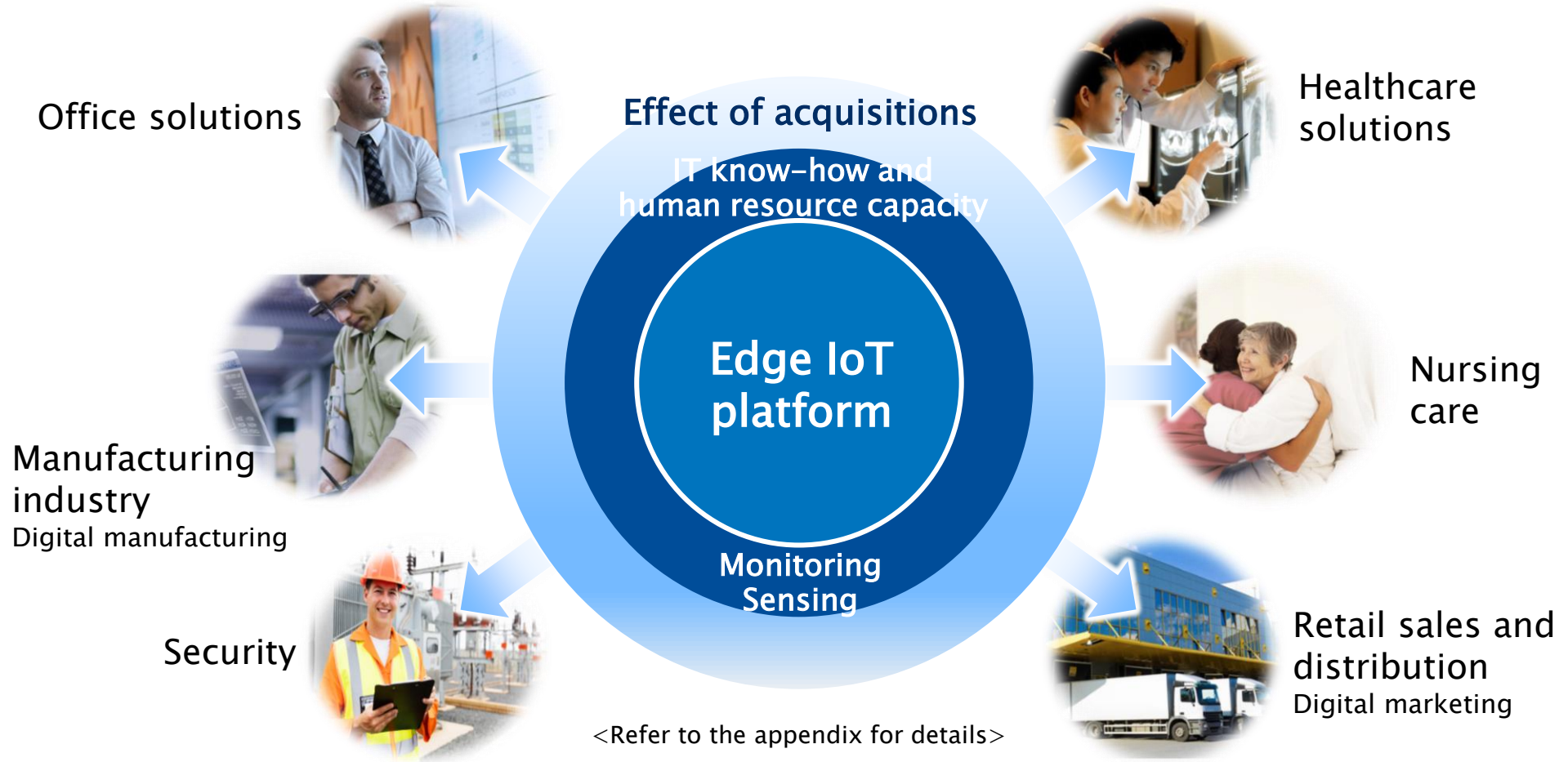
- Becoming a B2B edge platform provider for small and medium-sized and mid-sized customers in the vertical market

Providing value through edge IoT strategy

<Practice of innovation process driven by customer value proposition>



Expansion into industries and sectors through edge IoT platform



Development of Go-To-Market System

- Transformation of sales companies into an integral value provider
- Reinforcement of IoT business centers in five major regions

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.

Manufacturing costs



- Delivery of results and horizontal deployment of digital manufacturing, including business partners in Malaysia

-¥16.0 bn

Service costs



- Expansion of failure prediction and remote support
- Life extension for parts

-¥6.0 bn

Administration and indirect costs

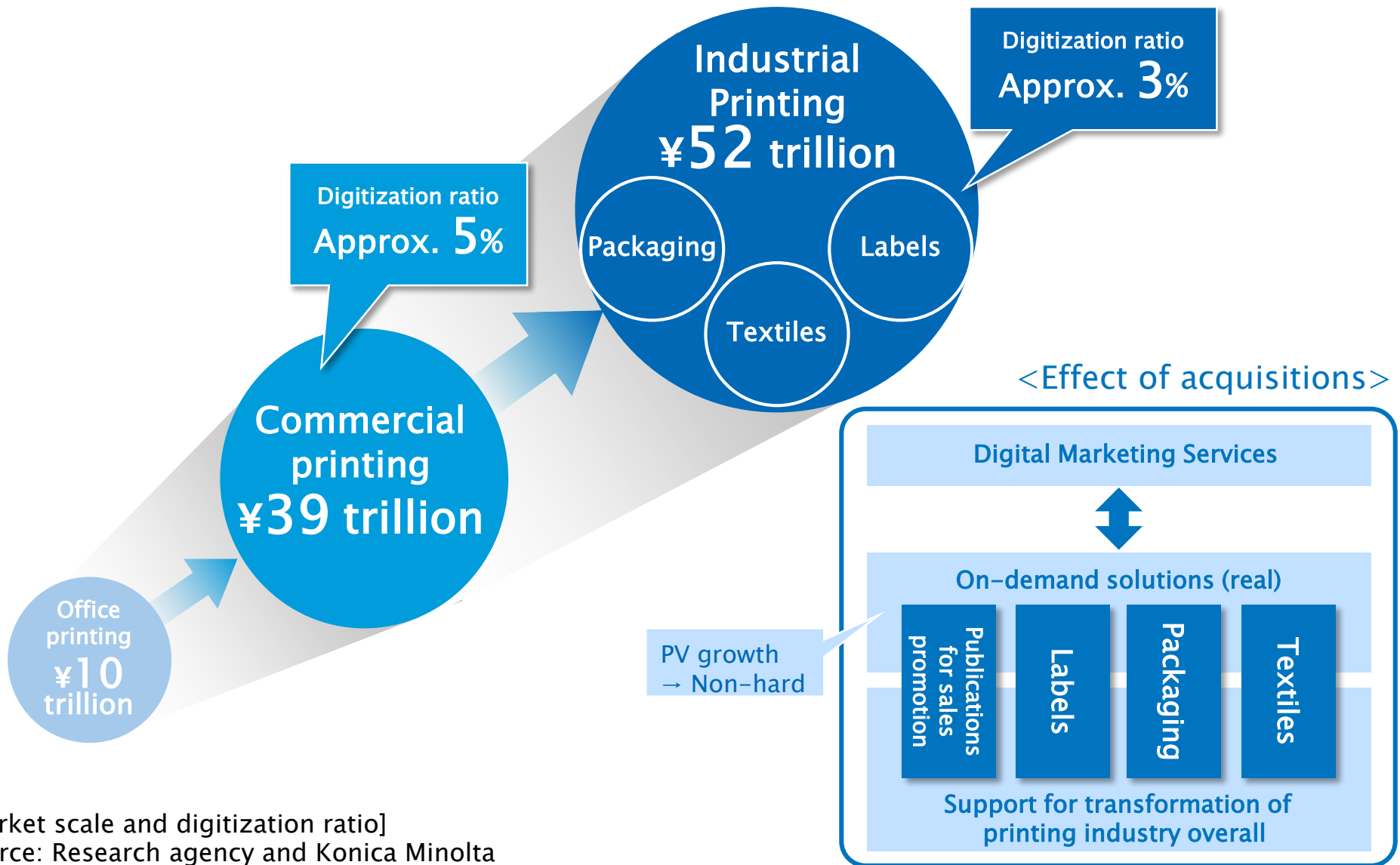


- Major simplification of Group indirect functions
- Working style reforms using IT and AI

-¥8.0 bn

- Measures to improve Forex sensitivity
- Reinforcement of ROIC management by business .

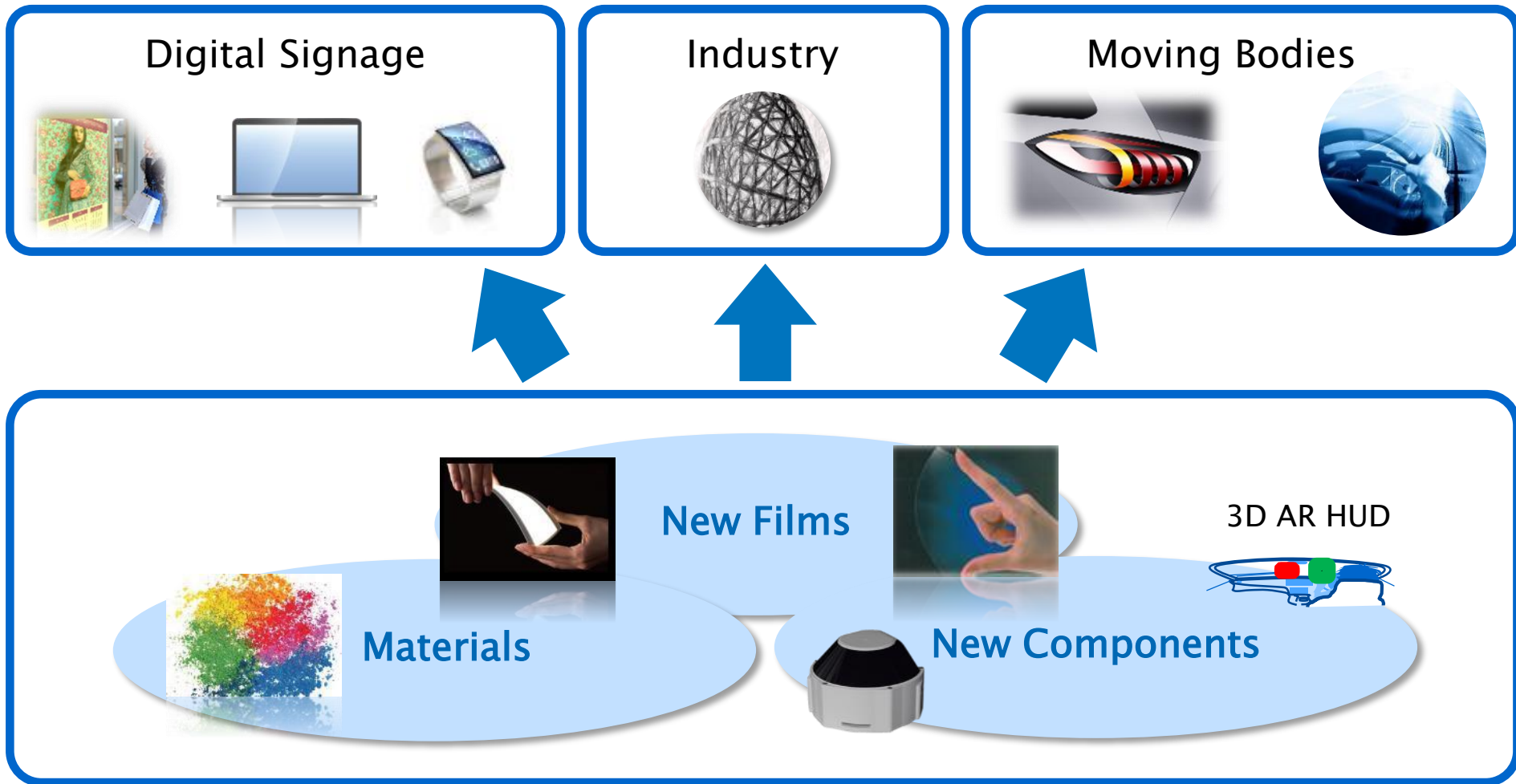
Expansion from commercial printing to industrial digital printing



[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>

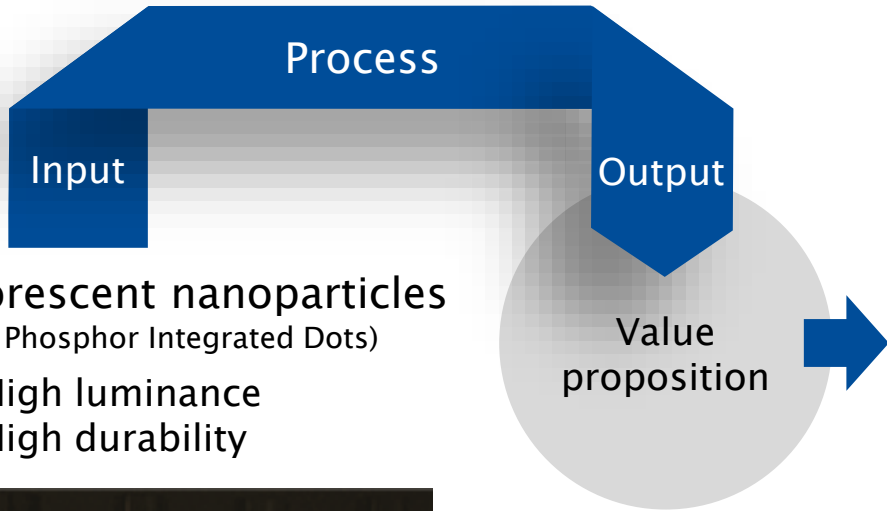


New

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

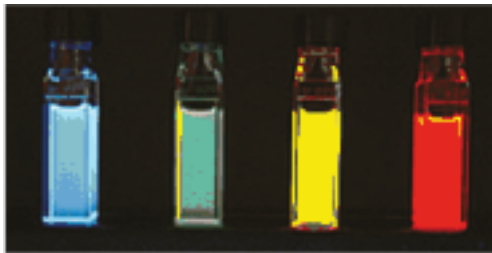


- Visualization of number and location of specific proteins in cancer cells



Fluorescent nanoparticles
(PID : Phosphor Integrated Dots)

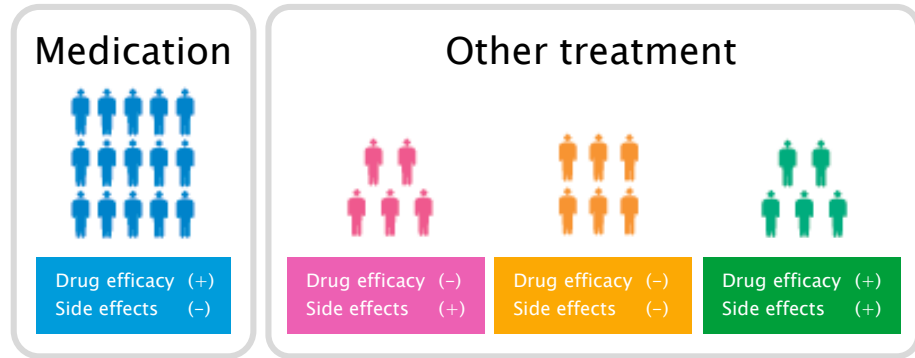
- High luminance
- High durability



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

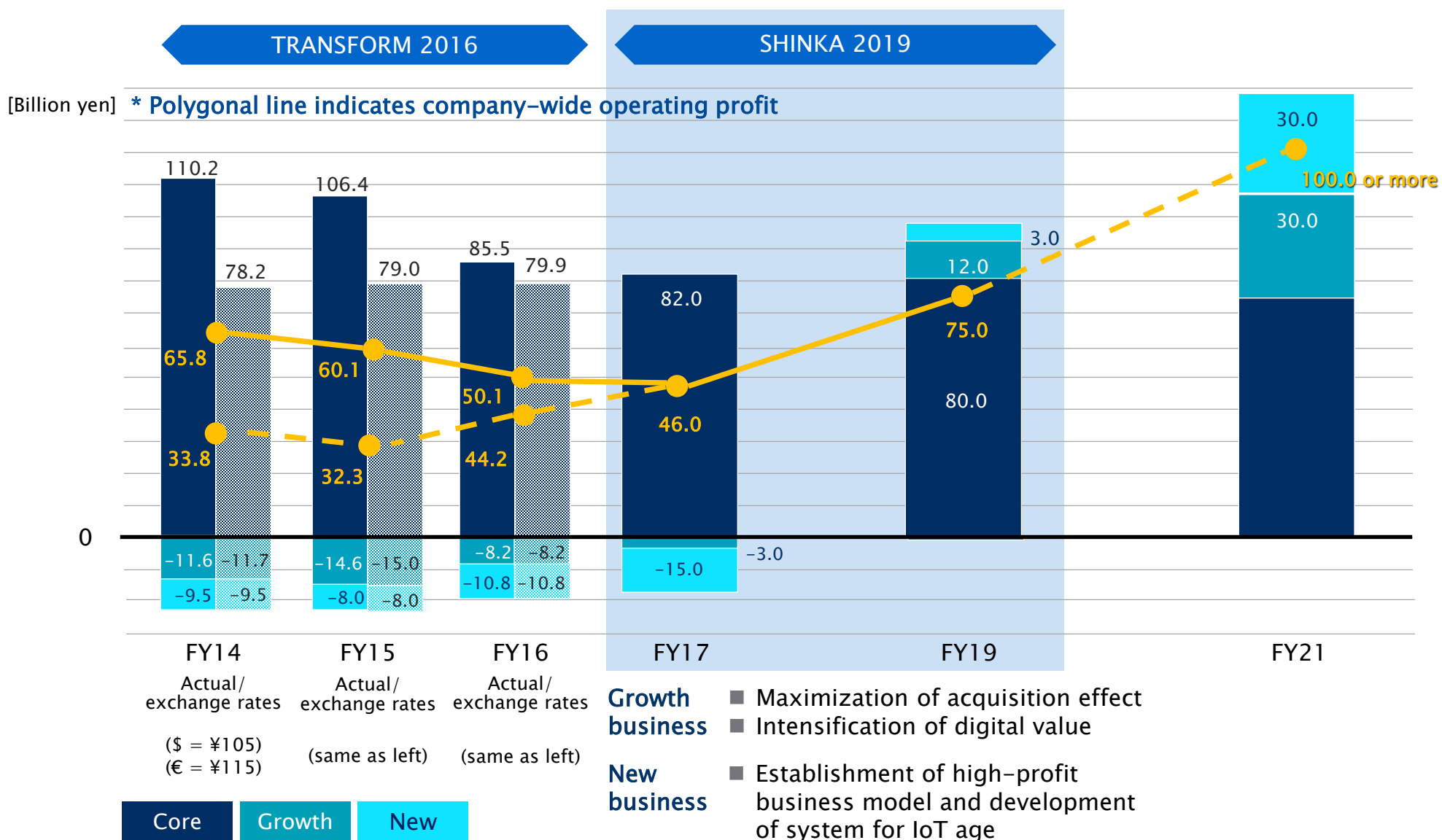


Patient classification



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



Management target

	Fiscal 2016 results	Fiscal 2017 estimates	Fiscal 2019 Management target	Fiscal 2021 Medium-term target
Operating profit (Operating profit ratio)	¥50.1 bn (5.2%)	¥46.0 bn (4.7%)	¥75.0 bn or more (7%)	¥100.0 bn or more (10%)
Profit attributable to owners of the company	¥31.5 bn	¥30.0 bn	¥50.0 bn	¥70.0 bn or more
ROE	6.3%	5.8%	9.5%	11%
Exchange rate	US\$ = 108 yen EUR = 119 yen	US\$ = 105 yen EUR = 115 yen	US\$ = 105 yen EUR = 115 yen	US\$ = 105 yen EUR = 115 yen

Targets by segment

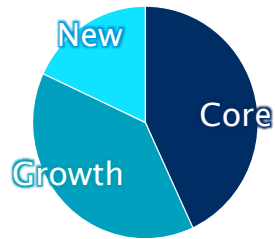
【¥ billions】	Fiscal 2016 results	Fiscal 2017 estimates	Fiscal 2019 management target
Revenue			
Office	558.2	545.0	540.0
Professional Print	204.0	220.0	250.0
Healthcare	89.9	95.0	100.0
Industrial	101.6	110.0	120.0
Optical systems for industrial use	29.3	35.0	35.0
Materials and components	72.2	75.0	85.0
New business / corporate, etc.	8.8	10.0	90.0
Company overall	962.6	980.0	1100.0
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

Growth investments and policy to return profits to shareholders

Growth investments

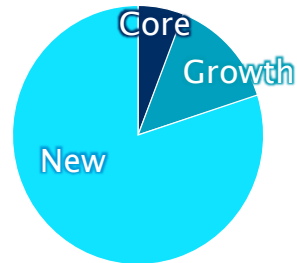
Investment and lending

Fiscal 2014–2016



¥124.5 bn

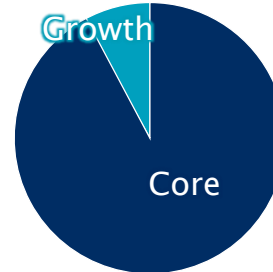
Fiscal 2017–2019



¥130.0 bn

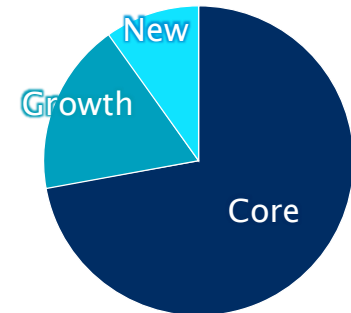
Capital investment

Fiscal 2014–2016



¥147.7 bn

Fiscal 2017–2019



¥150.0 bn

Return of profits to shareholders

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

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

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

Office

- Improve business profitability and repeat-customer rate by expanding hybrid-type sales
- Raise average selling price and expand print volume by concentrating on selling high-end color segment models
- Full-scale development of platform-based business through start up of Workplace Hub

Professional print

- Production print: Bolster product competitiveness by introducing new LPP/MPP products
- Industrial printing: Expand sales of KM-1 and MGI products, reinforce specialist sales network
- Marketing services: Strengthen marketing network for major brand owners

Healthcare

- Ensure steady contribution from the business by strengthening DR/ultrasound/medical IT
- Commercialization of SPFS, start-up of bio-healthcare business

Optical systems for industrial use

- Measuring instrument: Expansion of business with major customers, commercialization of visual surface inspection business for major IoT customers
- Status monitoring: Build platform that combines KM products with Mobotix technology

Materials and components

- Performance materials: Bolster earnings power by concentrating on product areas of strength
- Industrial inkjet components: Expand profits with new products (micro droplet printheads, MEMS printheads)

Appendix

Office solutions

workplacehub



Process

Input

Output

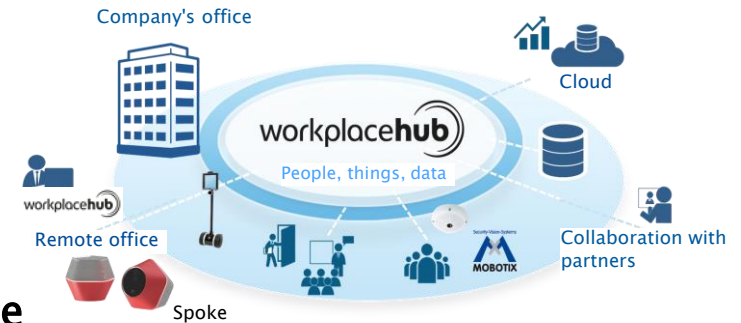
- Structured data
- Unstructured data (mail, human movement, video images)

Value proposition



■ Improved creativity and workstyle reforms

- Collaboration tools
- Remote work support through connections to Spoke and other devices

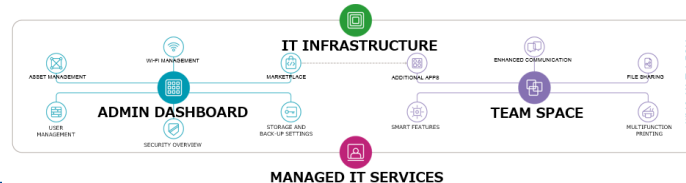


■ Providing added value

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

■ Efficiency

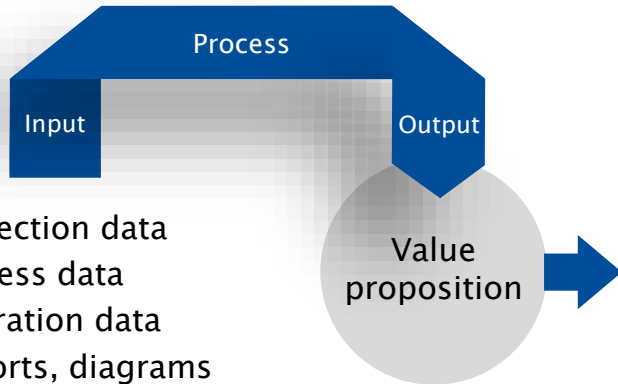
- Efficient use of facilities (camera + conference reservation system links)
- Overall operational efficiency (including automation of Robotic Process Automation links)
- One-stop access to all solutions



Digital manufacturing

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

workplacehub

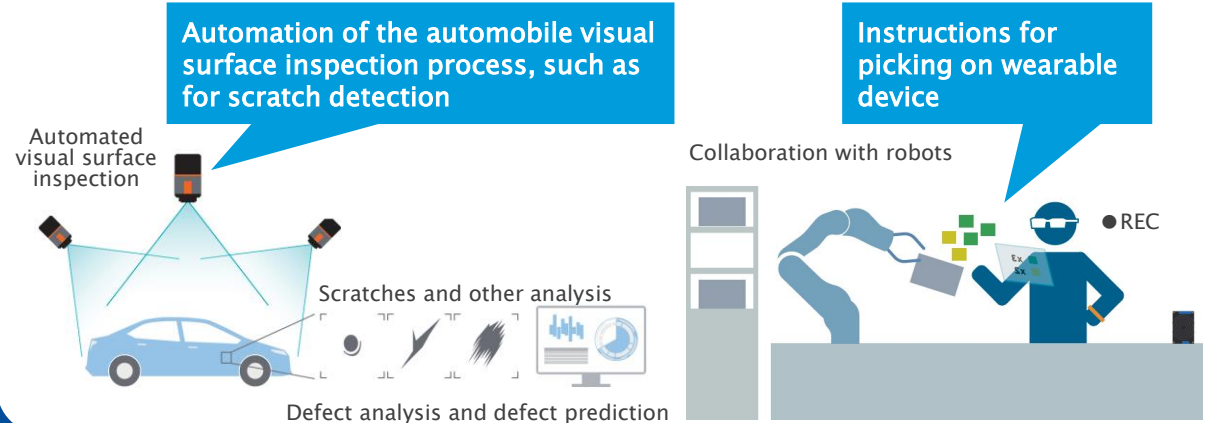


- Inspection data
- Process data
- Operation data
- Reports, diagrams



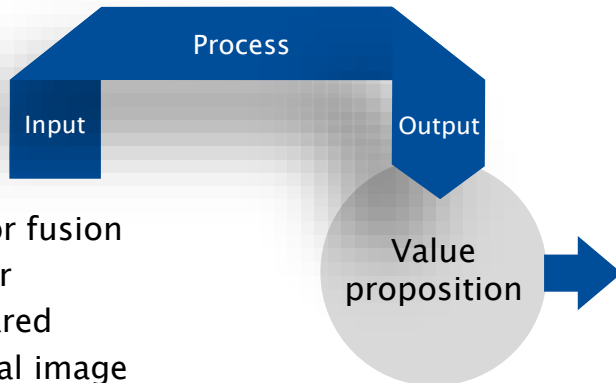
■ Support with an integrated manufacturing process covering every step from shipping and receiving to inspection, assembly, and management

- 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



Security solutions

Image processing / object identification /
behavior analysis



- Sensor fusion
- Laser
 - Infrared
 - Visual image



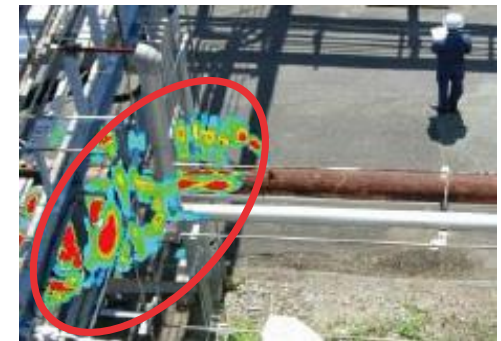
■ Safety and security of society

- 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



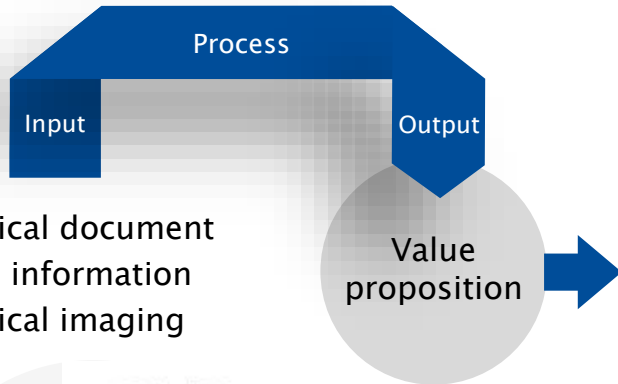
■ Mobile object detection for advanced driver assistance system

- 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)



Healthcare solutions

workplacehub + VIZTEK



- Medical document
- Vital information
- Medical imaging



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

Movement detection / sleep analysis

Process

Input

Output

Sensor box
Vital equipment

Value proposition

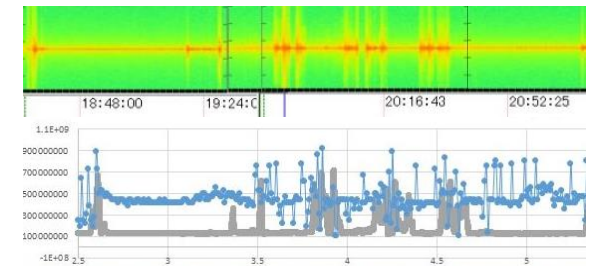


Creation of added value by enabling visibility using infrared sensors, micro sensors, and DL technology

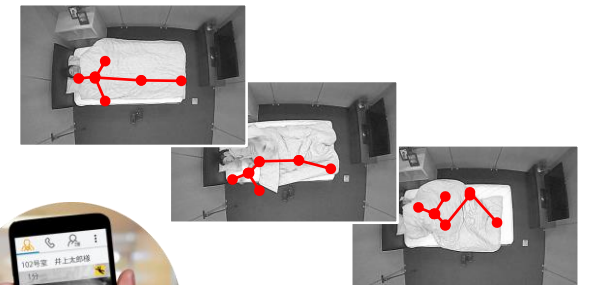
■ 30% increase in work efficiency of caregivers

- “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



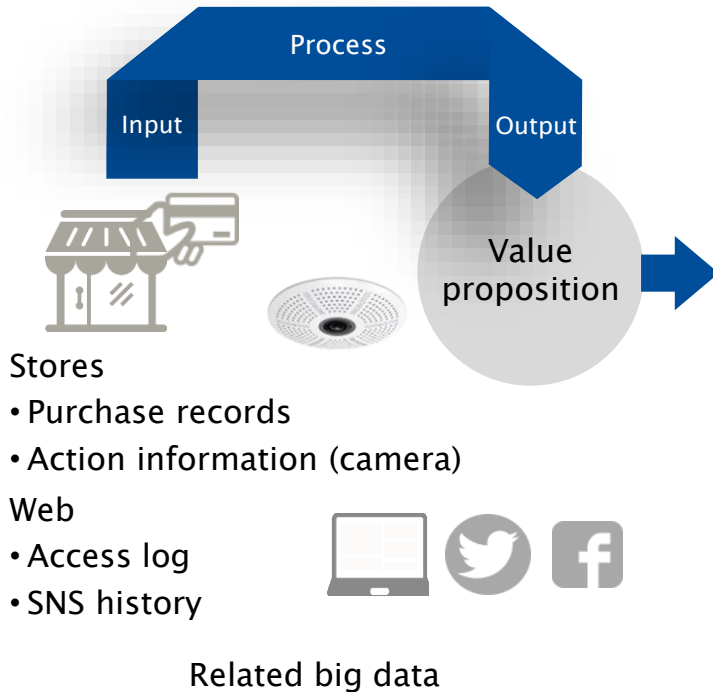
■ Avoid risk of litigation

- Avoid risk of litigation by saving video of accident



Digital marketing solutions

Data accumulation and analysis

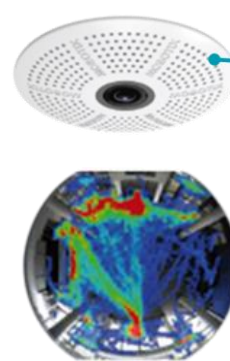


■ Provision of mass customization and content through on-demand printing



■ 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



Count of number of people in a specific field

Visualization of frequency of movement via heat maps

Specify arm position (indirect position) with deep learning





KONICA MINOLTA

Cautionary Statement:

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

Remarks:

Yen amounts are rounded to the nearest 100 million.