

Long-term Management Vision (2030) and Medium-term Business Strategy (FY20-22)

November 27, 2020

Shoei Yamana
President and CEO

Long-term Management Vision : Looking Ahead to 2030

Macro environment

World population growing

Depending on region, aging population with declining birthrate

Digital revolution advancing

Accelerates due to coronavirus crisis

Expanding use of biotechnology in industry

Multipolarization of global structures

Global economy deteriorates due to coronavirus crisis

Climate change & global warming

Konica Minolta's view of the world to come

Organizations and individuals make use of explosively growing data to create diverse value for sustainably developing, autonomous and distributed societies

Realize prosperity through individualization and diversification

- Satisfy the different individual needs of consumers and corporations (working people)
- Increase the number of work style options

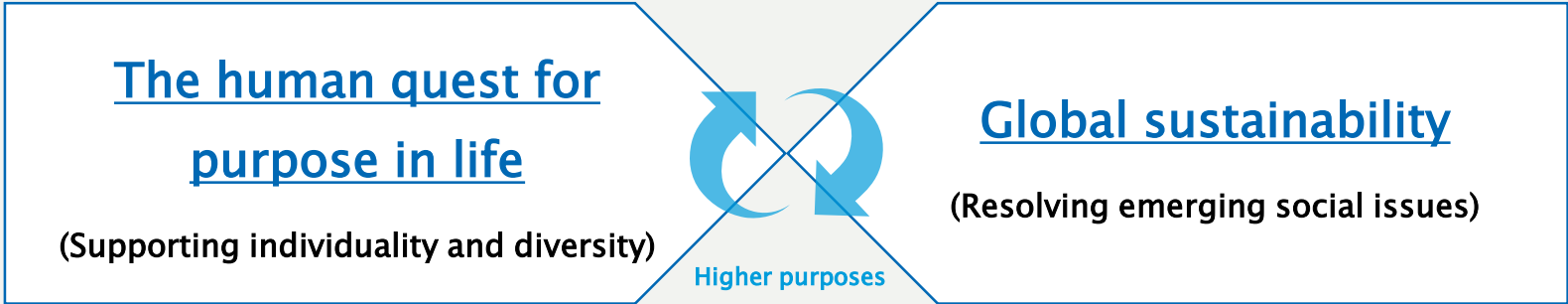


Trade-off resolution by evolved technology

Social issues

- Insufficient resources, negative impacts on global environment
- Growing cost of social security
- Disparity in opportunities for employment, creation
- Risk of accident/disaster, information leaks

Why
Social
significance



How
Method for
providing
customer value

- Visualize issues that even customers haven't noticed and respond to customers' desires for what they "want to see" by discerning optimal resolution.
- Gain a comprehensive view of the workflow and value chain and provide customer value on the "as a Service" model.

Who we are
Differentiation

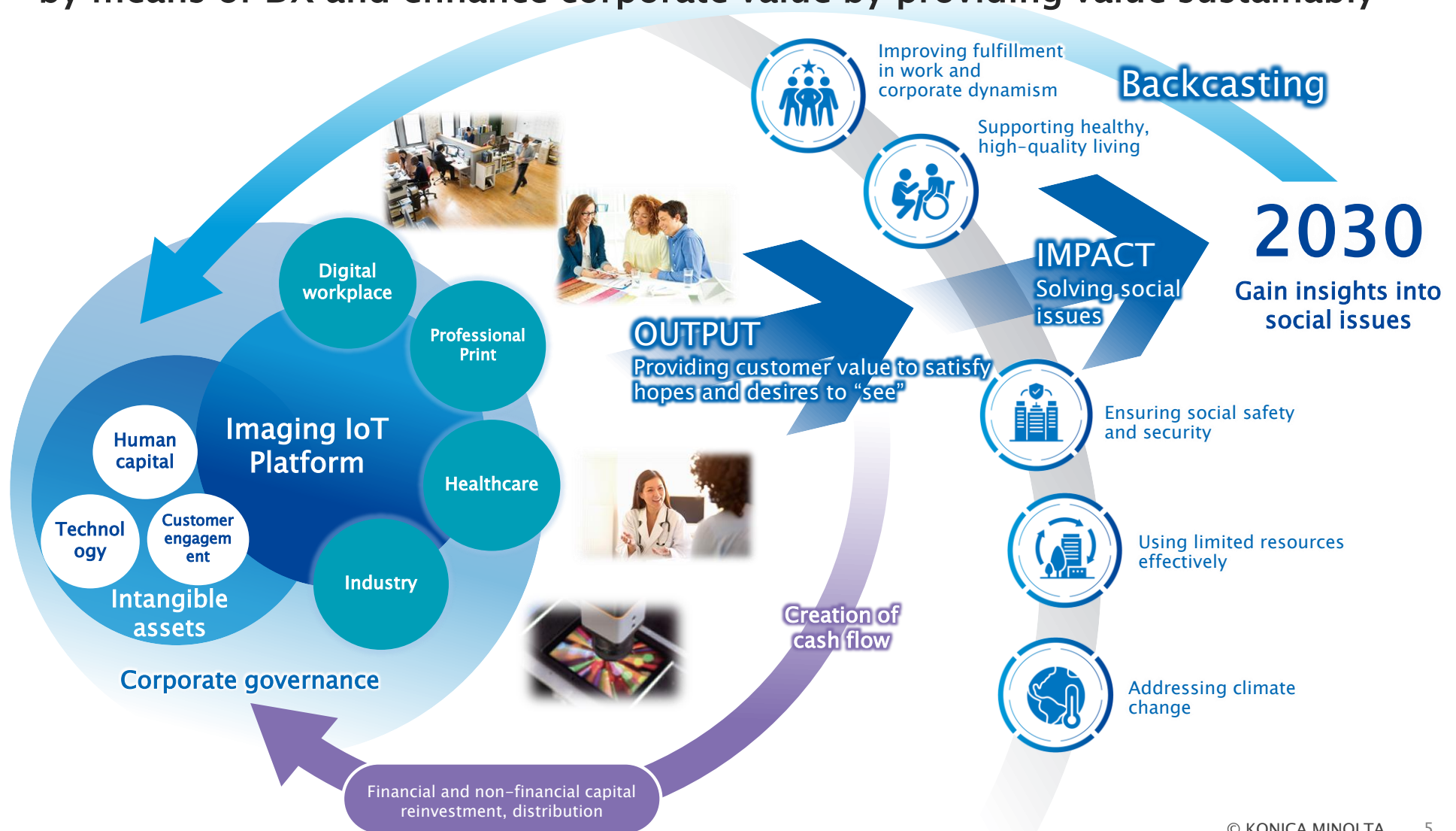
Satisfy hopes and desires to “see”
Uncompromising commitment to Imaging as it changes with the times +
on-site value creativity

Imaging to the People

Using our proprietary **Imaging** technology, we have responded to our clients' desires to "see" as they changed with the times, and so we have been realizing people's **purpose in life**.



Engaging with social issues, strengthen intangible assets and business competitiveness by means of DX and enhance corporate value by providing value sustainably



Medium-term Business Strategy DX2022 (FY20-22)

Review of Previous Medium-term Business Plan SHINKA 2019: Recognition of Issues



KONICA MINOLTA

Issues revealed during period of previous medium-term business plan

Status as of November 2020

Core businesses

Office

- With delay in ramping up production of new MFP product bizhub i-Series, production profit and loss deteriorated, and cost-reduction activities were delayed.

Office

- Problems during ramping up production were resolved in first half of FY2019 and variable expense reduction activities yielded effects in second half.
- Finished replacing all color and monochrome MFP models with i-Series in first half of FY2020.

Workplace Hub

- Due to insistence on dedicated basic system (OS) for purpose of differentiation, setbacks occurred in development and the development schedule was delayed.
- Time was also required to build capability to provide value to customers and create delivery system.
- Response in area of customer value is shown by increase in amount of monthly subscriptions.

Workplace Hub

- The aim was to secure the capability to respond flexibly and rapidly to customer needs even while reducing development expenses with the switch to a Windows-based OS.
- The capability to provide value to customers in the major countries and establishment of basis for delivery systems was completed.

New businesses

Bio-Healthcare

- Genetic testing: Extent of Ambry's technological capabilities is greater than estimated at the time of acquisition. Building the management infrastructure and systems to realize scalability of the business required time.
- Drug discovery support service: Invicro's strong relationships with major pharmaceutical companies are as envisioned. Due to a downturn in the brain and central nervous system, which are its strengths, 10% or more of sales has been lost.

Bio-Healthcare

- Genetic testing: Differentiation was achieved by RNA testing, making use of technology capabilities, and this is driving growth in test sample orders. Management basis strengthened by executive reshuffling and new hires. Preparation of structure for full-scale CARE program deployment is complete.
- Drug discovery support service: Development of new Alzheimer's-type dementia drug and clinical trial has been revitalized. Backlogs have been growing significantly, including in oncology fields that are being reinforced.

Changes brought by Covid-19

Work style

Communication

Lifestyle

Threat

Declining percentage of office staff coming in to work

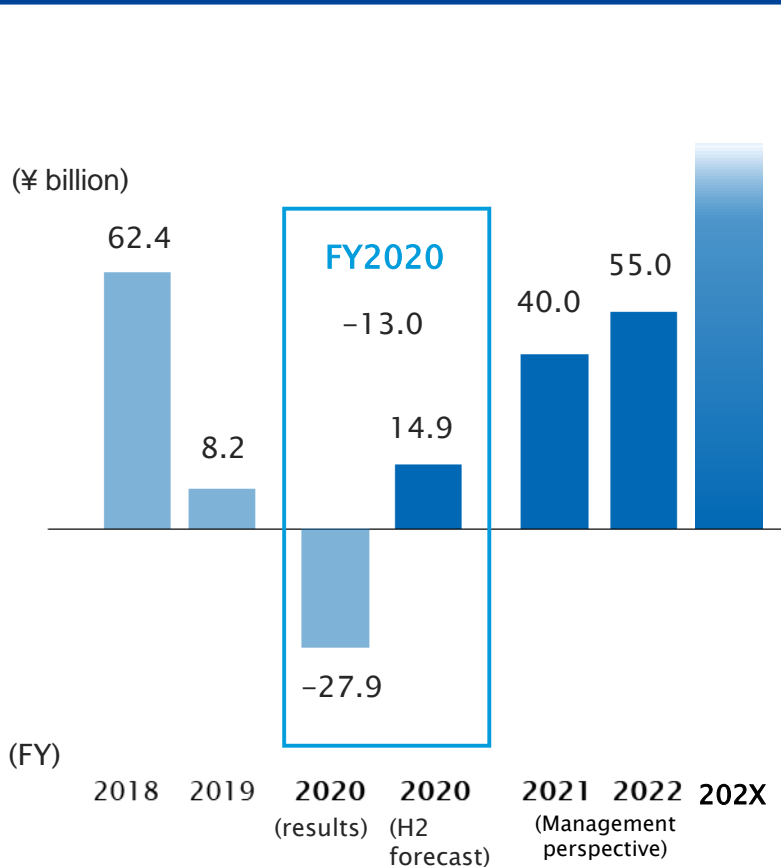


Accelerating shift to printless

Opportunities

- Non-contact ● Distributed
- Individualization
- Remote ● Real time
- On demand
- Security and safety
- Work style reform

Company-wide operating profit



<Official medium-term business plan slated to be finalized and announced in spring of 2021 >

Priority policies for FY2020

- 1 Improvement and strengthening with sustainable profitability ⇒ Effects of previous year's structural reforms are on schedule
- 2 Securing liquidity ⇒ Operational cash flow improved, borrowings partially repaid
- 3 Comprehensive reduction in fixed costs ⇒ Reduced ¥45.0 billion in first half, will maintain level in second half
- 4 Improving capital productivity ⇒ Major reduction in inventory at end of first half. Target three months or less at the end of FY2020.
- 5 Transformation of organizational structure ⇒ Shift of human capital into growth areas is progressing

Priority policies oriented to FY2022

- 1 Restore Office Business operating profit to FY2018 level
- 2 Maintain overall fixed cost level of FY2020
- 3 Accelerate profit improvement in new businesses
- 4 Accelerate building businesses as mainstay next to Office Business

Obtain results in FY2021

Obtain results in FY2022

(Looking toward medium to long-term)

- ✓ Achieve growth and contribute to profits by strategic new businesses
- ✓ Carry through on portfolio conversion

(1) Restore Office Business operating profit to FY2018 level

<Sales assumptions>

- Work style changes become established, FY2021 non-hard sales will reach 90% of FY2019 pre-COVID-19 level.
- With MFPs replacement cycle lengthened, new installation opportunities reduced, market for used equipment expanded, and other such factors due to reduced office printing opportunities, FY2021 hard sales will reach 92% of FY2019 pre-COVID-19 level.

¥32.0 billion profit increase breakdown

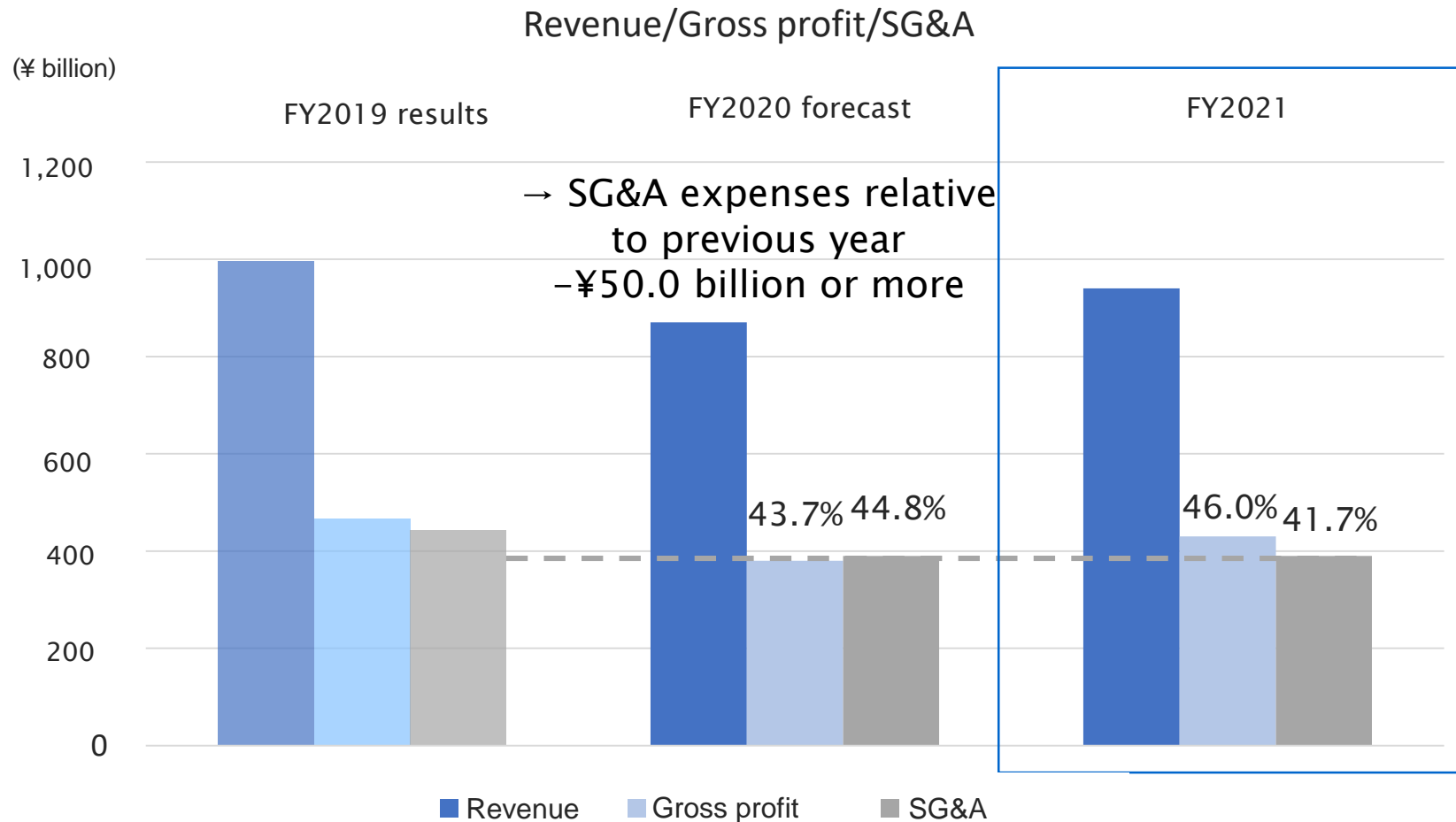
| (¥ billion) | FY2020 | FY2021 | Fixed costs | Structural reform costs peel away | Development costs | Sales increase |
|------------------|----------------|----------------|-------------|---|-------------------|--|
| Sales | 390.0 | 430.0 | | | | |
| Gross profit | 187.5 48.0% | 207.5 48.2% | -6.0 | Service & production | | 14.5 (7.5 billion of this is cost reduction effect) |
| SG&A expenses | | | -9.0 | Marketing, administrative and indirect expenses | -2.5 | 6.5 |
| Other expenses | | | | -6.5 | | |
| Operating profit | 8.0 | 40.0 | 15.0 | 6.5 | 2.5 | 8.0 |

When foreign exchange impact is excluded, the figures are at the FY2018 level

(2) Maintain Overall Fixed Cost Level of FY2020

Show a year-on-year reduction in FY2020 of ¥50.0 billion or more in SG&A expenses, centered mainly on fixed costs, making the second half profitable.

Maintain fixed cost structure in FY2021, as well, and generate profit even on the assumption sales will not return to pre-COVID-19 level.



(3) Accelerate Profit Improvement in New Businesses



KONICA MINOLTA

| Workplace Hub and IT Services | FY20 to FY21 improvement | FY21 to FY22 improvement |
|--|------------------------------|-------------------------------|
| <ul style="list-style-type: none"> SG&A reduction: Change server OS from dedicated Linux-based OS to Windows OS. Improve cloud connectivity, simplify installation of associated applications. While heightening product competitiveness in these ways, also compress system development costs. | +¥2.0 billion | |
| <ul style="list-style-type: none"> Gross profit increase due to sales expansion: Sales increase due to strengthening and expansion of MIT/WPH as IT infrastructure-related product options, sales increase due to strengthening of approaches tailored to functional and industrial categories using MCS/BPS, and efficient deployment of upscaling by means of "service factory." | +¥2.0 billion | +¥4.0 billion |
| Precision medicine (Bio-Healthcare) | | |
| <ul style="list-style-type: none"> Sales increase due to the increase in test samples and new platforms Maintain growth investment at annual ¥5.0-¥6.0 billion level while employing the effects of RNA testing and the CARE Program to expand genetic diagnostics and bring about 35 to 40% annual sales growth from FY2020 to FY2022. | +¥2.5 billion | +¥3.5 billion |
| <ul style="list-style-type: none"> Gross profit improvement by raising genetic testing accuracy and efficiency: Achieve balance of reduced analysis time and cost reduction by new high-speed genetic analysis equipment and move to the cloud. | +¥1.5 billion | +¥2.0 billion |
| Imaging IoT solutions | | |
| <ul style="list-style-type: none"> Increase gross profit by sales expansion: Expanded business in the United States in FY2021 by using "Made in Germany" as a tactic, and in FY2022, the effect of tie-up with strategic partners in Japan will contribute. By making use of imaging IoT platforms, the top line will be expanded while curbing the rise in SG&A expenses. | +¥1.5 billion | +¥2.0 billion |
| New business | +¥9.5 billion or more | +¥11.5 billion or more |
| Total bottom line improvement amount | | +¥11.5 billion or more |

(4) Accelerate building businesses as mainstay next to Office Business

Expand sales in growth fields near core businesses producing results to drive profit growth from FY2021 to FY2022.

| | Profit-generating driver | | FY2020 to FY2021 profit improvement | FY2021 to FY2022 profit improvement |
|----------------------------------|---|--|--|-------------------------------------|
| | Core business fields | + Growth business fields | | |
| PP/IP | <ul style="list-style-type: none"> Profit recovery from COVID-19 impact Strengthen competitiveness by means of new products in second half of FY2020 and first half of FY2021. Reduce service costs by means of remote maintenance. | <ul style="list-style-type: none"> Expand business with mid-size and large printing companies (HPP models, B2 digital printers). Expand business further in the labeling field. | (+¥9.0 billion) | +¥4.0 billion |
| SE | <ul style="list-style-type: none"> Expand sales of testing equipment for development and production applications, such as materials for new displays (micro LEDs), expansion of applications (AR/VR), products for 5G support, etc. Expand profit from recurring services | <ul style="list-style-type: none"> Expand Visual Inspection business Expand applications for recycling, food, and pharmaceutical industries by means of hyperspectral imaging (acquire by M&A) | (+¥1.0 billion) | +¥2.0 billion |
| Materials and components (PM/IJ) | <ul style="list-style-type: none"> Expand business for large TVs by means of TAC and new SANUQI resin in performance materials. | <ul style="list-style-type: none"> Performance materials: Spread over into new and growth fields, such as OLED, touch sensors, and other areas of TV and mobile fields, and expand scale. Inkjet components: Expand IJ head business into industrial applications (such as packaging). | (+¥5.0 billion) * For Materials and components as a whole | +¥2.5 billion |

Heighten cash generating capability comprehensively by profit restructuring and business portfolio conversion, secure resources for shareholder returns and strengthened financial soundness, and at the same time execute rigorously selective growth investments.

Two years of cash flow in FY2021 and 2022

Cash in

Sales of businesses, assets
Utilize other parties' capital

Maximum enhancement
of operating cash flow

¥150.0 billion

Cash out

Execute rigorously
selective growth
investments

Restrain capital
investment

¥90.0 billion

Strengthen financial
soundness and actively
pursue shareholder
returns

¥55.0 billion

DX-related
investment

- Comprehensive review of capital investment in office printing

- Enhance internal reserves, reduce interest-bearing debt

For FY2022, net Debt/EBITDA (for rating purposes) of 2.0 or lower and equity ratio (for rating purposes) of 44% or higher.

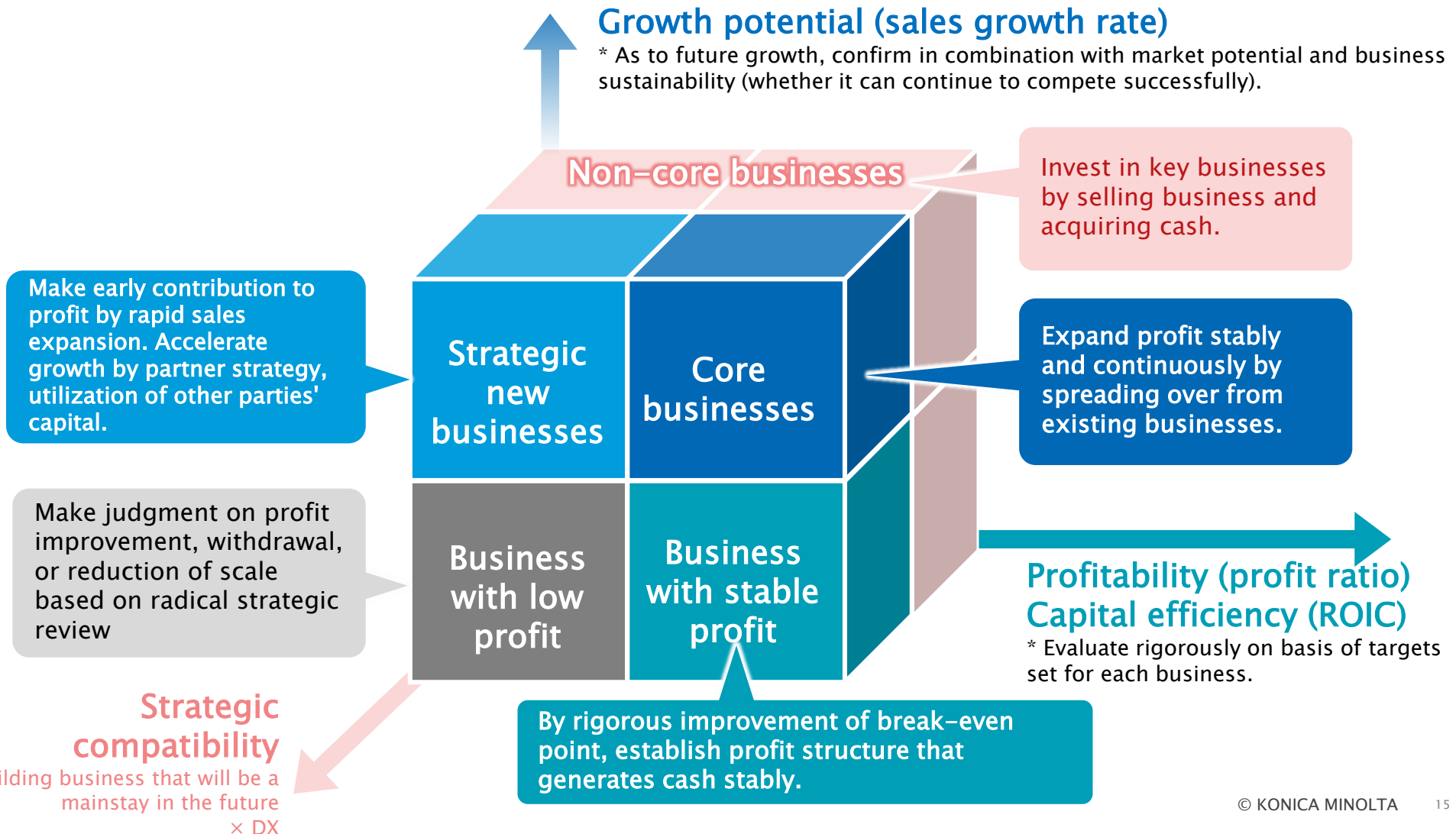
- Actively pursue returns. Maintain and/or raise dividends.

- Procure new funding in precision medicine
- Capital tie-ups and so on

- Generate operating profit
- Thoroughgoing improvement of CCC

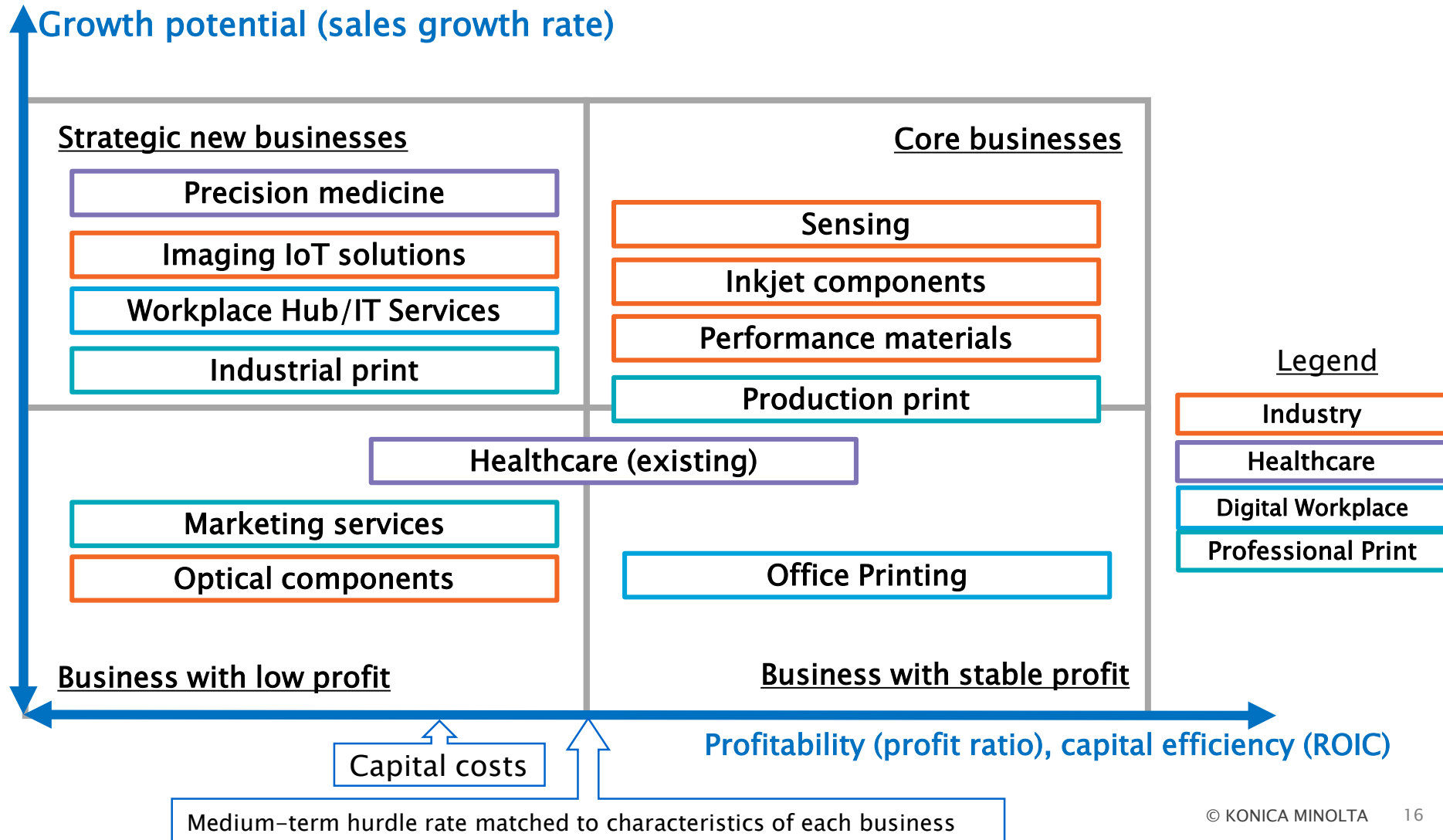
Business Portfolio Management Evaluation Axes

Based on rigorous evaluation with defined evaluation axes, define individual significances and roles, and when that cannot be carried through, judge the situation promptly and channel it into action.



Strengthen Business Evaluations with Awareness of Capital Costs

We consider KM-ROIC and return from invested capital to be important management indicators. We set hurdle rates for each business unit to strengthen judgments on improvement, withdrawal, scaling down, and so on. These are also reflected in compensation for executive officers and managers.



Restructuring of Office Business profit

Transform structure to continue generating profit even though tough business climate by the progressive shift to paperless environment.

- Convert to profit structure that is not dependent on sales.
- Further increase sales and gross profit.



Build businesses to become next mainstay after Office Business

Digital Workplace Business

Growth in Digital Workplace field

Make thoroughgoing use of customer base developed in Office Business and support customers' conversion to DX and decentralization that is deeply cultivated as business categories.

Professional Print Business

Establish business foundation in measurement, inspection, and diagnosis fields

Evolve imaging technology to transform value and supply chains in industry.

Healthcare Business

Industry Business

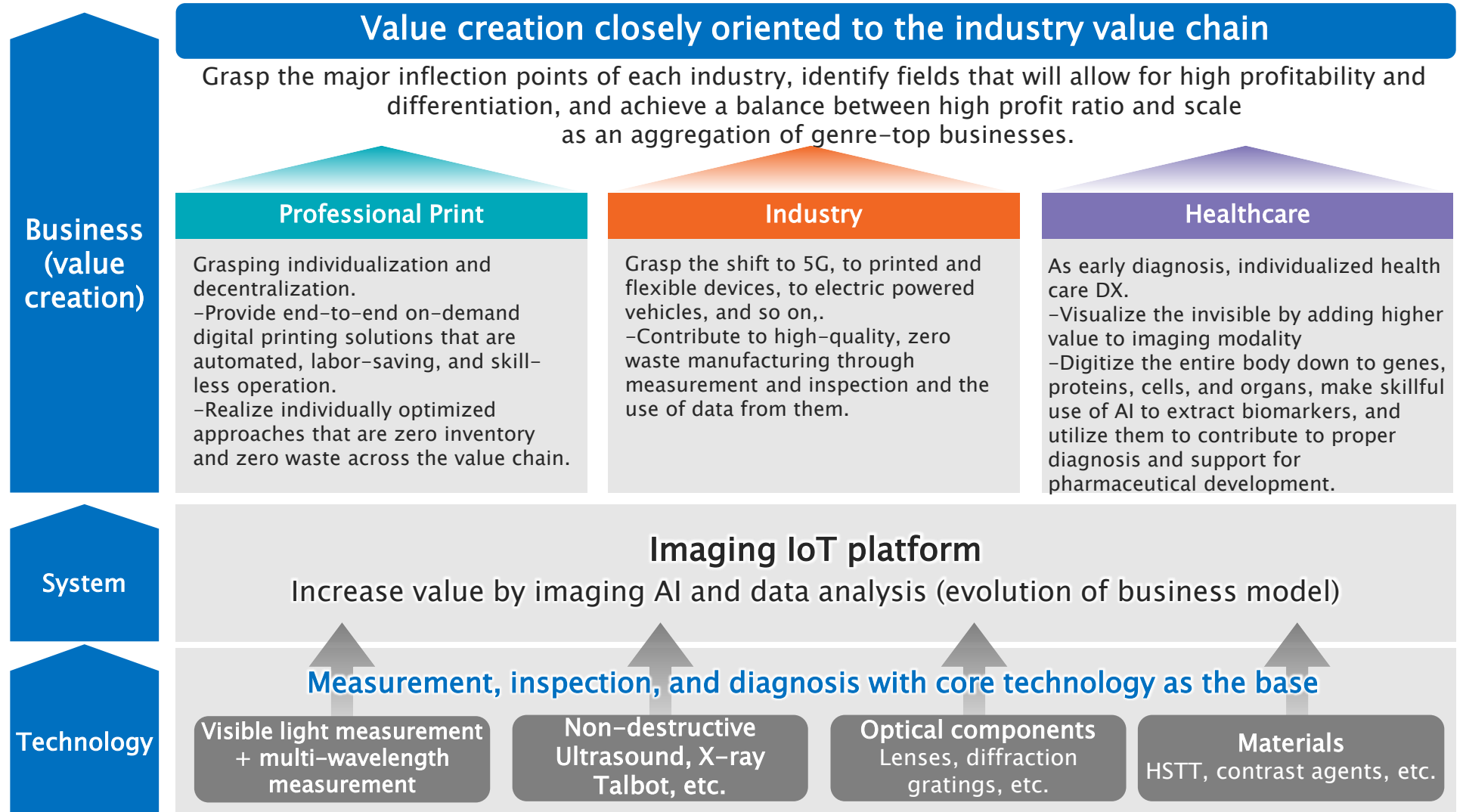


Business model evolution by DX

With edge and cloud platforms as a base, build sustainable business while linking to diverse players.

Build Businesses that Become Mainstays: Establish Business Foundation in Measurement, Inspection, and Diagnosis Fields

Evolve imaging with the times and expand business in the measurement, inspection, and diagnosis fields.



Business Model Evolution by Means of DX



KONICA MINOLTA

Based on a Konica Minolta-style imaging IoT platform, build an ecosystem for linking together diverse customers and partners, and evolve into a business that continuously supports transformation of customer workflows.

Business model
(as a Service)

Digital Workplace

- Package and deploy workflow solutions with higher added value for specific business categories.
- Package basic business applications and deploy them in an ecosystem that transcends business categories.

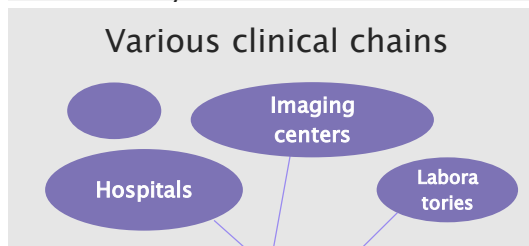
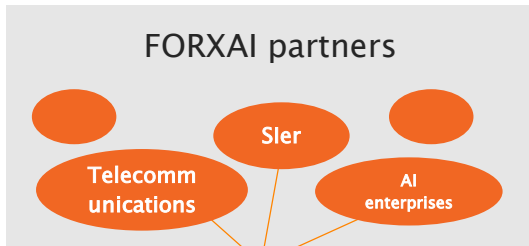
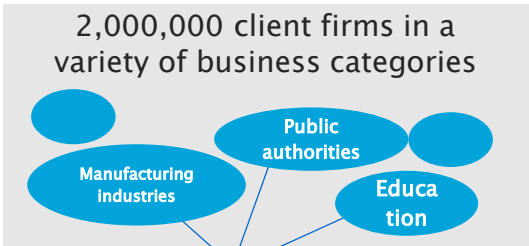
Industry

- Open up the platform so that partner enterprises can provide solutions to end customers in a variety of industries.
- Making advantageous use of imaging technology, create and provide our own testing, measurement, and diagnosis solutions for a variety of industries.

Healthcare

- Add various high value-added services to the IT platform, such as AI diagnostic support, a patient portal, and so on, and develop this on a subscription basis.
- Develop business in the primary care and individualized healthcare areas providing services for clarifying disease mechanisms by data analysis.

Ecosystem construction



Konica Minolta-style platform (edge and cloud types)

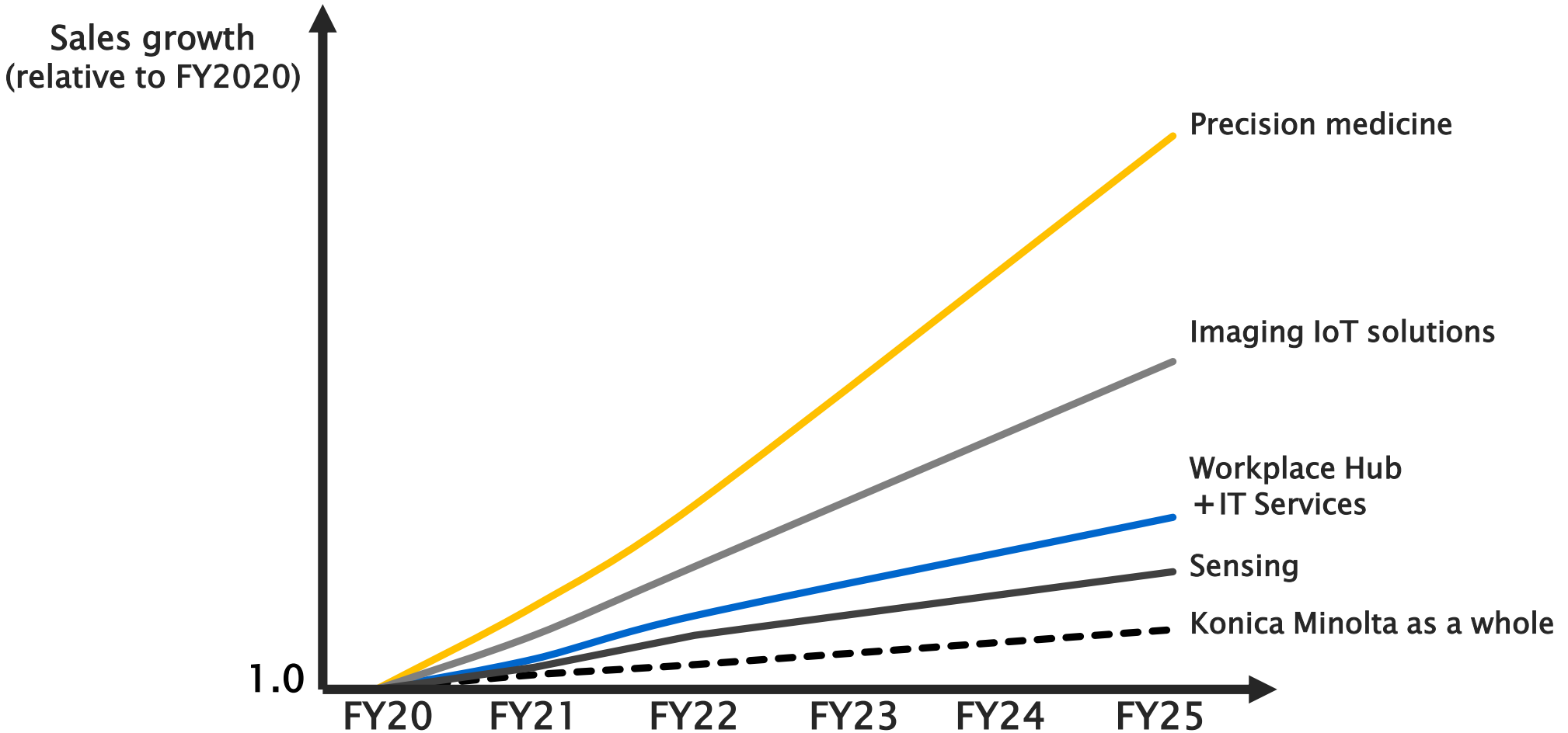


Konica Minolta-style imaging IoT



Sales Growth in Businesses that will Drive the Whole Company in the Medium to Long Term

Achieve major sales growth in strategic new businesses and sensing business. Use that to drive company-wide portfolio conversion and business model conversion.



Goal Setting: Business Portfolio Conversion (Business Composition)

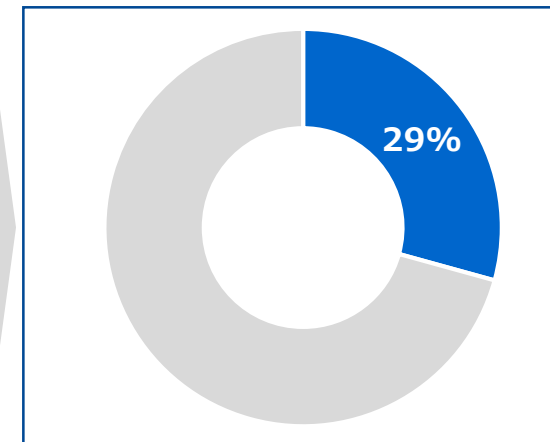
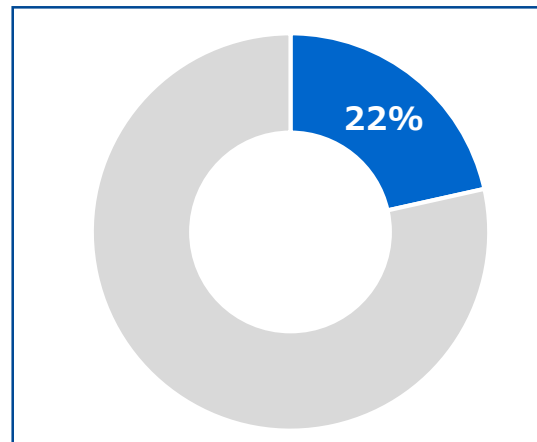
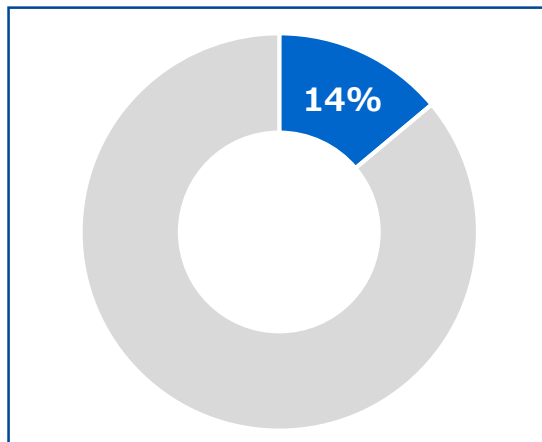
While expanding sales in strategic new businesses to progressively convert them into high profit businesses, reduce dependence on the Digital Workplace Business, which made up half of operating profit in FY2019.

FY2019 results

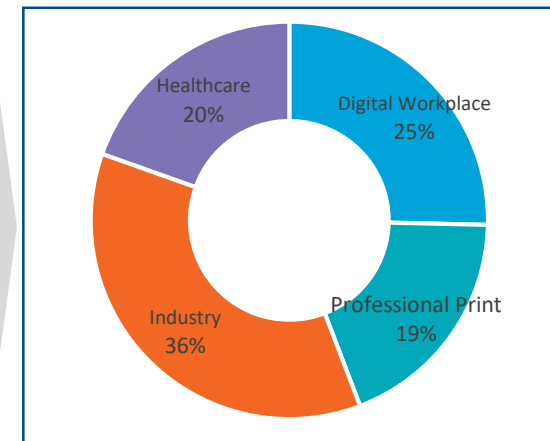
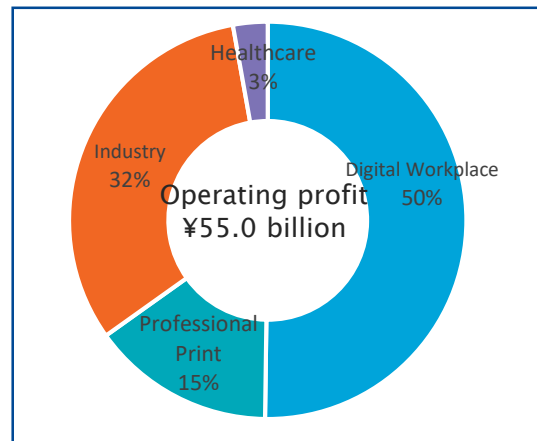
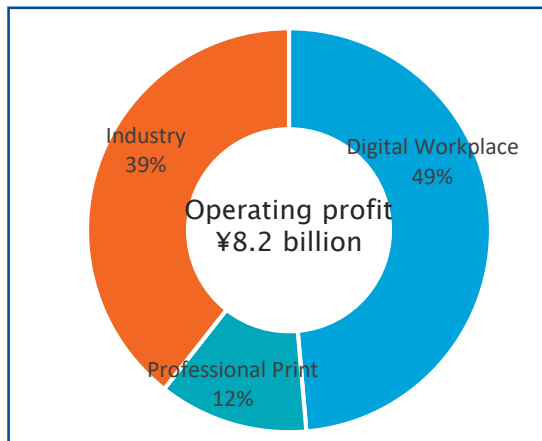
FY2022

FY202X

* Ratio of strategic new businesses (sales)



Segment-specific composition ratio (operating profit)



* Strategic new businesses: Precision medicine, Imaging-IoT solutions, Workplace Hub/IT Services, Industrial print

[Reference] Segment change

| Previous Segments | |
|---|---|
| Office Business | <ul style="list-style-type: none"> Office (OP) IT service solutions (ITS) |
| Professional Print Business | <ul style="list-style-type: none"> Production print (PP) Industrial print (IP) Marketing services (MS) |
| Healthcare Business | <ul style="list-style-type: none"> Healthcare (HC) Healthcare IT(HIT) |
| Industrial Business | Optical systems for industrial use |
| | <ul style="list-style-type: none"> Measuring instruments (MI) Imaging solutions (IS) |
| | Materials and components |
| | <ul style="list-style-type: none"> Performance materials (PM) Optical components (OC) IJ components (IJ) |
| | |
| <ul style="list-style-type: none"> New businesses: Bio-Healthcare (BHC), Workplace Hub (WPH), Status monitoring, QOL, etc. | |
| Corporate and other divisions | |



| New segments | |
|------------------------------------|---|
| Digital Workplace Business | <ul style="list-style-type: none"> Office (OP) IT service solutions (ITS) Workplace Hub (WPH) |
| Professional Print Business | <ul style="list-style-type: none"> Production print (PP) Industrial print (IP) Marketing services (MS) |
| Healthcare Business | <ul style="list-style-type: none"> Healthcare (HC) Precision medicine (APM) |
| Industry Business | Sensing |
| | <ul style="list-style-type: none"> Measuring instruments (MI) |
| | Materials and components |
| | <ul style="list-style-type: none"> Performance materials (PM) Optical components (OC) IJ components (IJ) |
| | Imaging-IoT solutions |
| | <ul style="list-style-type: none"> Imaging-IoT solutions (IIS) Visual solutions (VS) |
| Corporate and other divisions, QOL | |

| | | |
|---|---|--|
| <ul style="list-style-type: none"> Core businesses | <ul style="list-style-type: none"> Growth businesses | <ul style="list-style-type: none"> New businesses |
|---|---|--|



KONICA MINOLTA