

Management policies briefing session



SHINKA 2019

Evolution

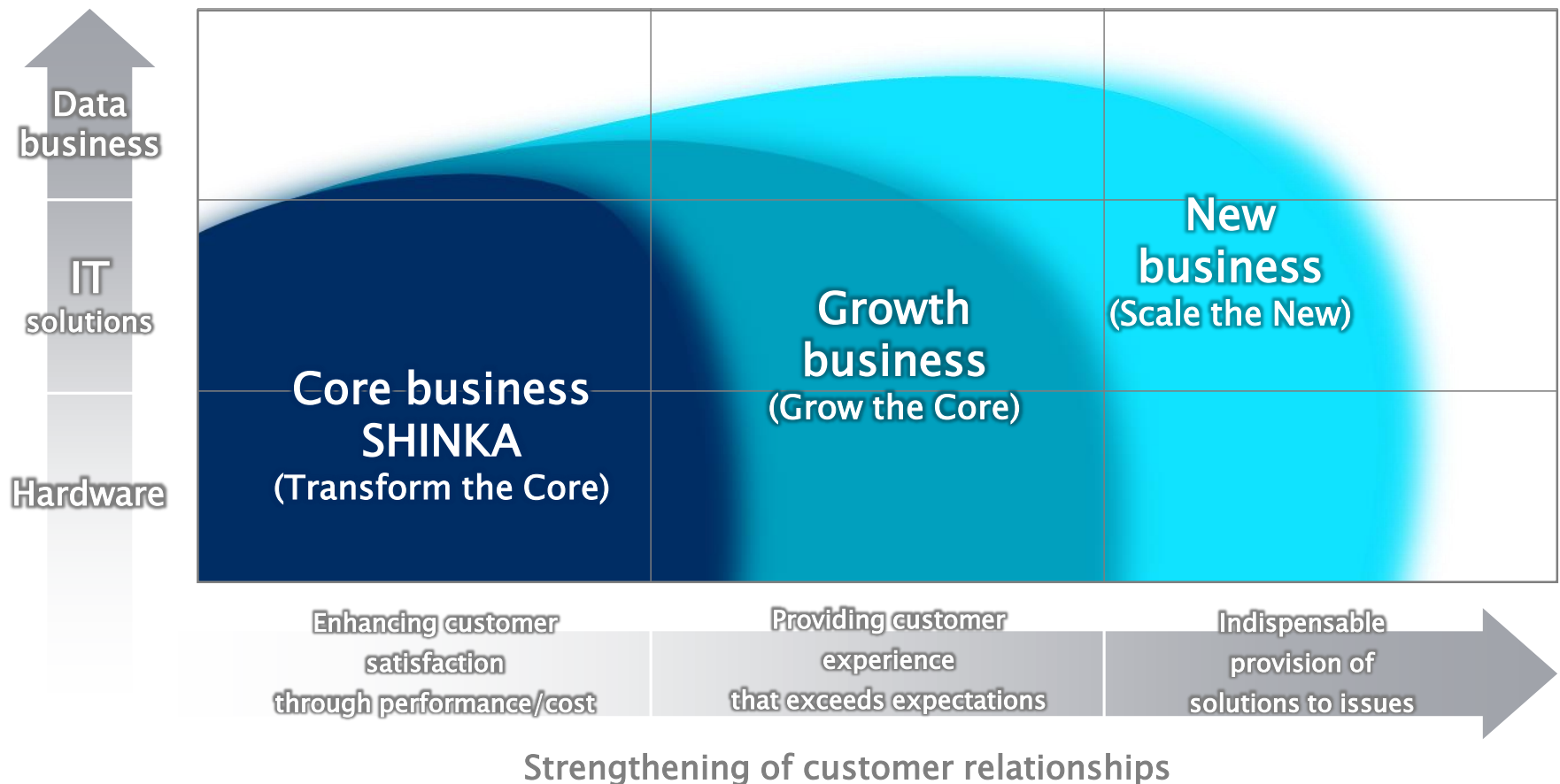
September 27, 2018

Shoei Yamana
President and CEO
Konica Minolta, Inc.

Stay in Strategic Direction to Enhance Added Value and Strengthen Relations with Customers by Digital

By building up “Growth” and “New” on top of our Core business, we sustainably generate a large “surface”

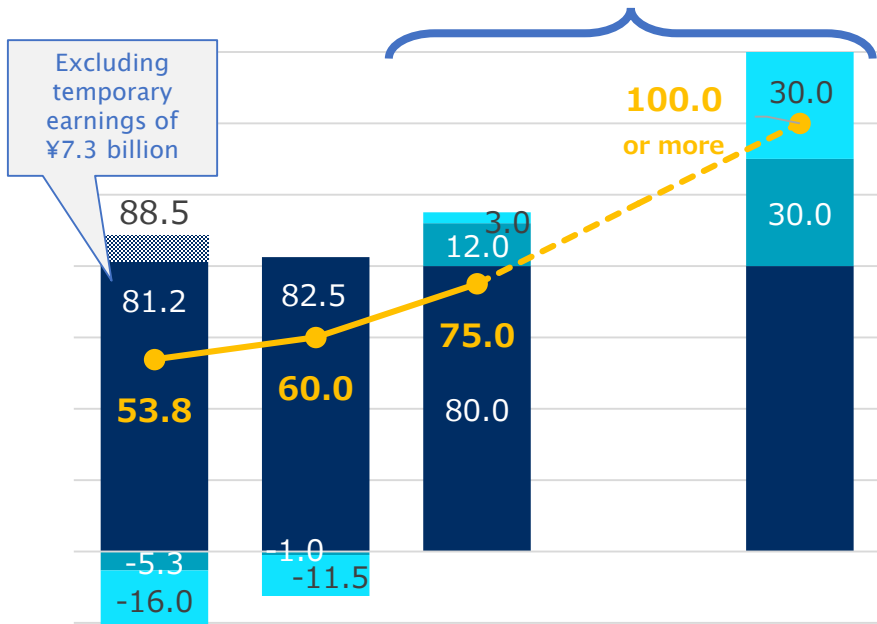
Added value increased by digital



FY19 Operating Profit: Uncompromising Commitment to Management Targets

Further expand core business profitability so that growth and new businesses can be given the full resources they need as we look ahead to FY21.

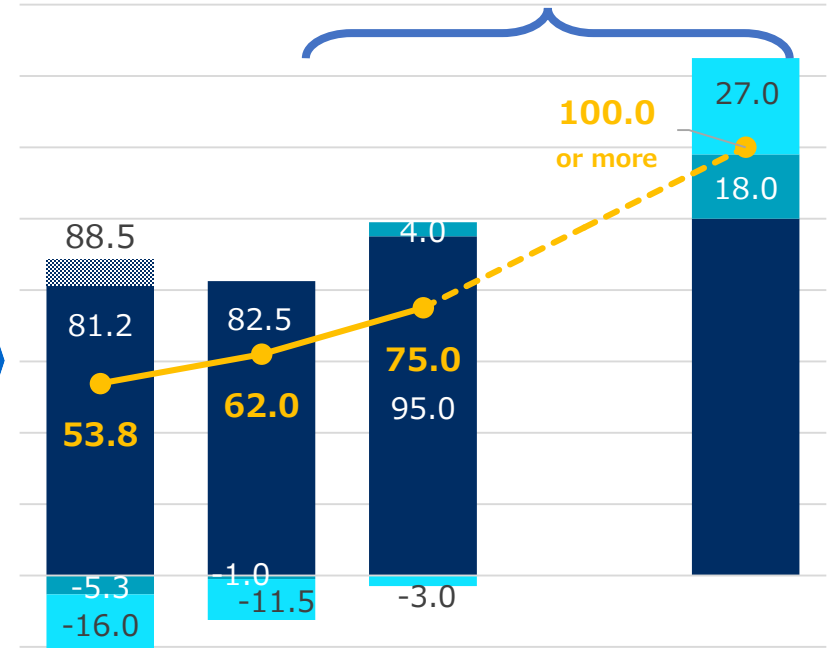
Figures announced May 11, 2017 [¥billions]



FY17 FY18 FY19 FY21
Result Forecast

Core Business Growth Business New Business Total OP (w/ Corporate)

Reviewed this time [¥billions]



FY17 FY18 FY19 FY21
Result Forecast

Core Business Growth Business New Business Total OP (w/ Corporate)

Portfolio Evolution to Enhance Corporate Value

Improvement of the Clarification of the roles assigned respectively to Core, Growth, and New businesses, and the capability to realize them

Priority measures oriented to achievement of management targets

Core business

- Pursue higher added value and appeal factors to raise the gross margin ratio in each business
- Harvest the effects of measures to cut manufacturing, service, and SG&A costs
- Although in a mature phase, regional strategies (Office and PP) together with expansion of applications and broadening of the customer base (Industrial Business) capture growing demand and establish it firmly

Growth business

- Accelerate expansion of business by strengthening industrial printing's capability to execute sales
- Marketing services shifted to higher added value and medical IT strengthened profitability by structural improvement

New business

- WPH realize earlier contribution to profits and accelerate shift to higher added value
- Bio-healthcare expand business and strengthen profitability by consolidating business fields and merging technology of three companies
- Made QOL business profitable growth

Priority Areas to Explain Today

Core business

Businesses that strengthen profitability by cost structure reform and that support profit during the Medium-Term Plan

Growth business

Businesses that aim for higher profit around the core by using resources that we made upfront investments in under the previous Medium-Term Plan

New business

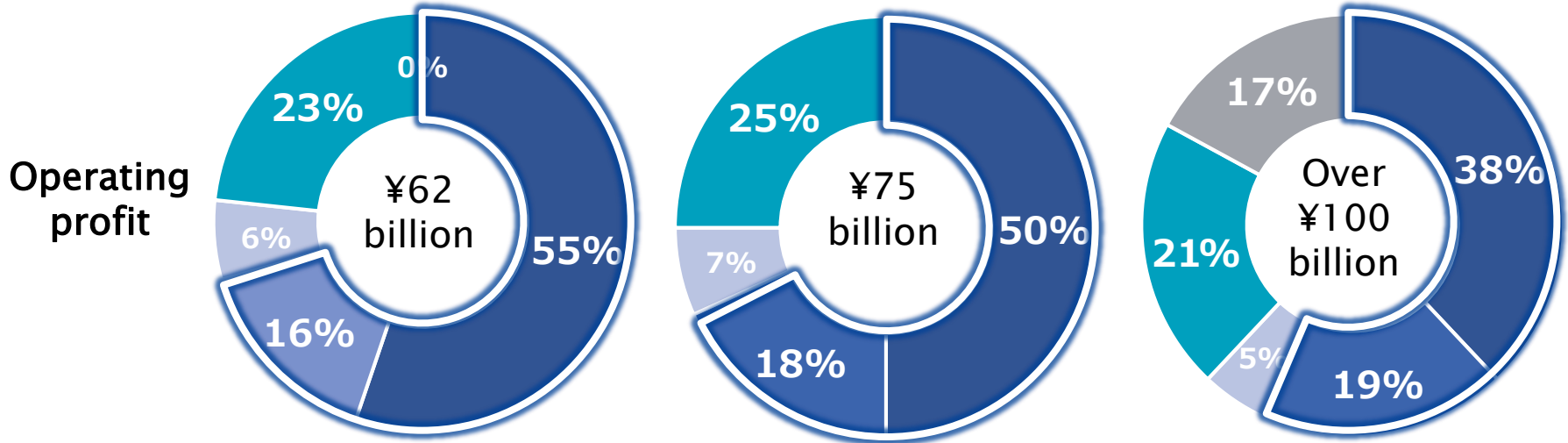
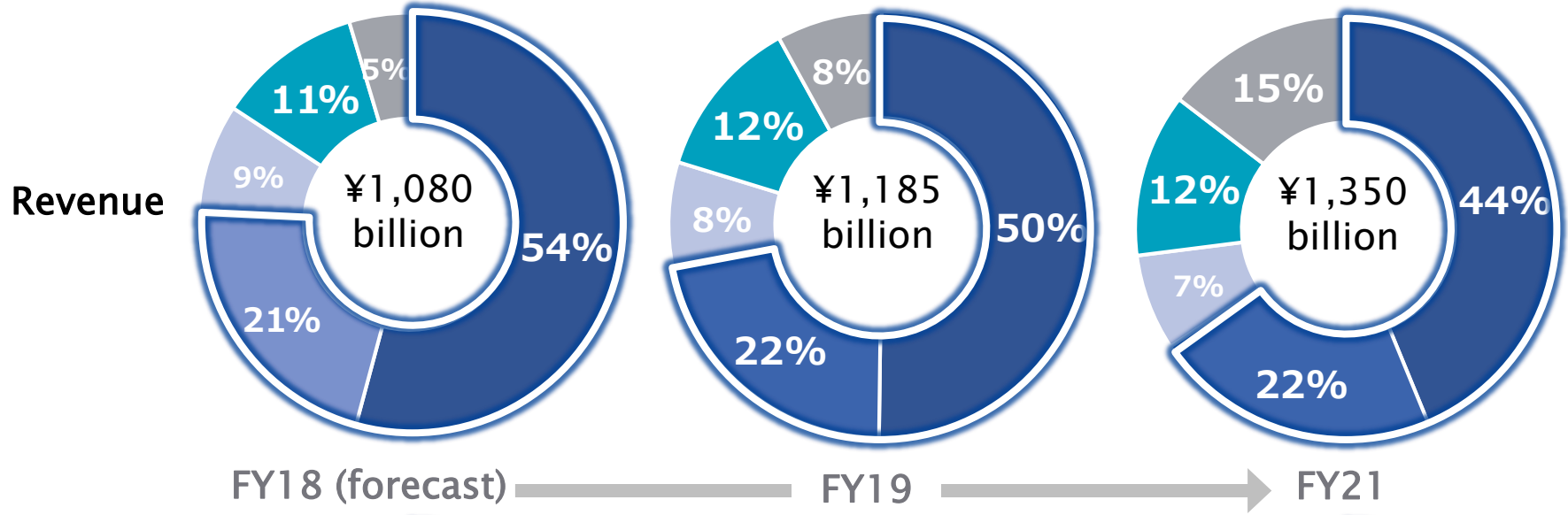
Businesses that aim to achieve high profits by establishing new business models for the IoT era

*Healthcare, Measuring Instruments, and some other business units include cases of growth businesses being cultivated inside their business divisions in addition to their main businesses.

Business headquarters	Core business	Growth business	New business
Office	Office ITS		WPH
Professional Print	Production Print (PP)	Industrial printing (IP) <small>Textile printing</small> Marketing services	
Healthcare	Healthcare	Ultrasound Medical IT	Bio-healthcare
Industrial optical systems	Measuring Instruments	Visual inspection Imaging solutions	QOL Status monitoring Digital manufacturing
Materials and components	Performance materials	New films	
	IJ Component Optical Components	Materials OLED	

Evolution of Earnings Portfolio

■ Office ■ Professional Print ■ Healthcare ■ Industrial Business ■ New business



*Excluding losses in the corporate and others from the above composition

Office Business progress and forecast

Progress of measures

Strengthen hybrid sales systems in Europe and North America	○
Color Seg4+* sales expand	○
Sales expand in growth markets (such as China)	○
Scientific approach to sales	○
Reduce cost of goods sold	△



Results

- Hybrid sales rate 25%
- FY17 2Q on, color sales expansion continues
- FY17 2Q on, average sale prices in developed countries rise, unit sales in countries with growing markets expand greatly
- Most recently, expanding trend in non-hard revenue
- Appear likely to catch up on reduction of production costs

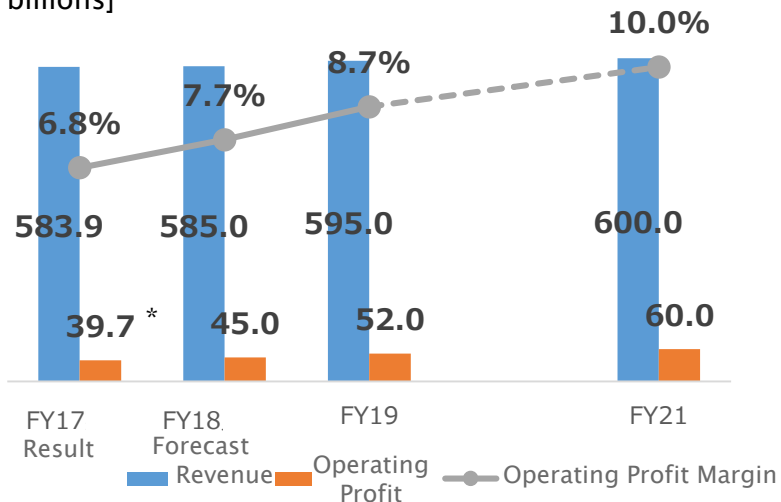


*Seg4+ : A3 color 65 / 75 ppm models

FY19 oriented priority measures

- Non-hard revenue continues year-on-year increase
- Differentiation centered on security solutions, provision of appeal factors
- Launch of full model change A3/A4 new color products expands unit sales and reduces cost
- Suppliers deploy digital manufacturing and strengthen development & manufacturing collaboration to reduce costs
- “Shift left” accelerates service cost price reduction

[¥ billions]



*Excluding CRE income and expenses

Workplace Hub (WPH)

Progress of measures

Verification of customer value by PoC*	○
Strengthen application robustness and customer support capability	○
Test marketing at trade fairs	○
Improve IT service sales system	○
Strategic concept for higher added value business model	△

* PoC : Proof of Concept



Results

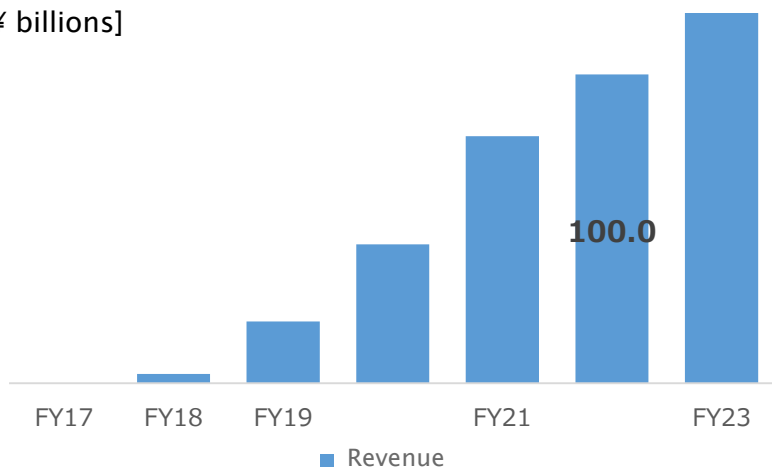
- Exhibited solutions for manufacturers at Hannover Messe, received 600 business inquiries
- Ascertained price acceptability to customers in each region and created pricing model suited to region characteristics
- Created structure with approximately 1,700 system engineers worldwide



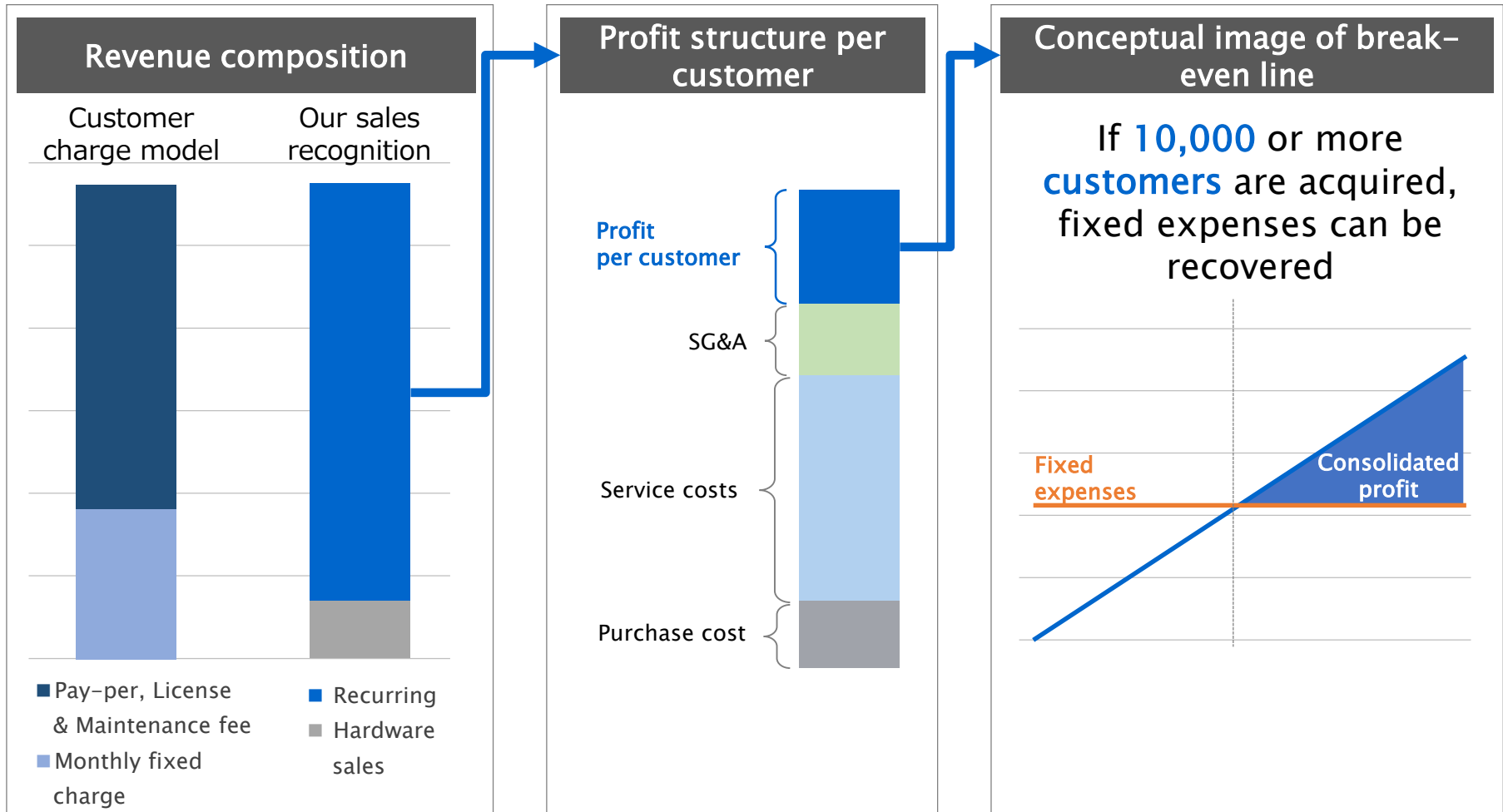
FY19, FY21 oriented priority measures

- Expand sales regions: Cross-deploy know-how and customer case examples from four leading countries
- Expand customer base: Expand range of services offered to major customer divisions, to specific types of industry, and to small-scale customers, and create demand
- Expand sales channels: Realize cooperation with major ICT partners to develop new customers

[¥ billions]

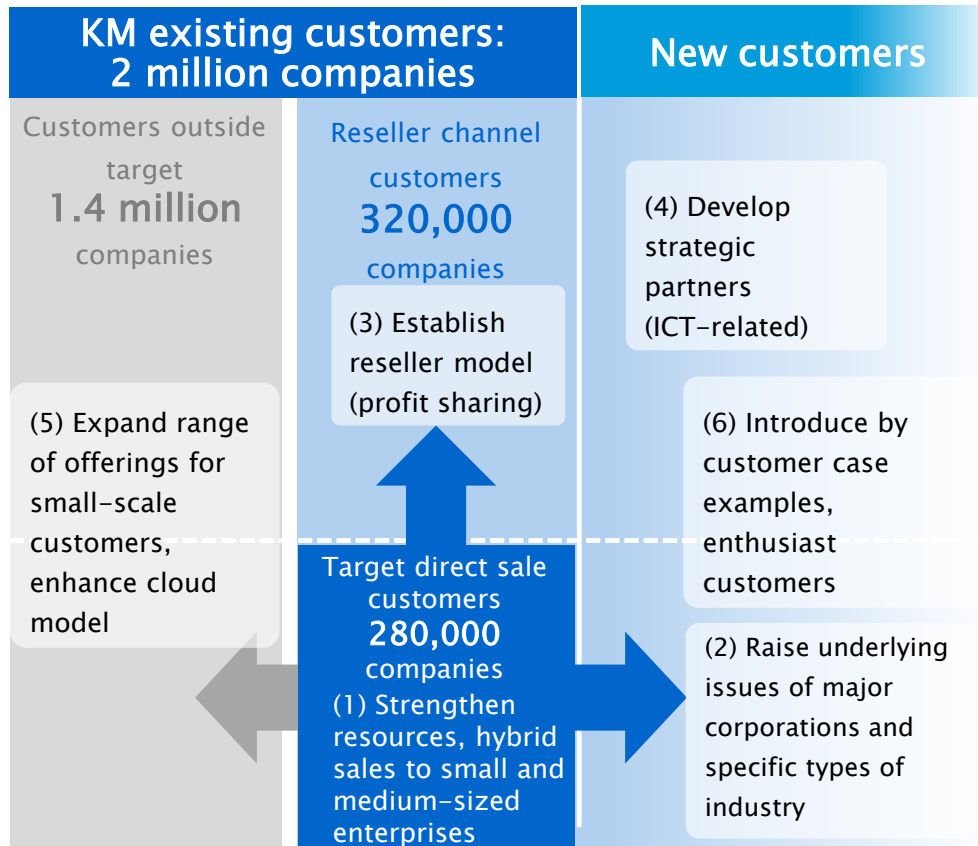


WPH Customer Lifetime Revenue and Business Model Creation

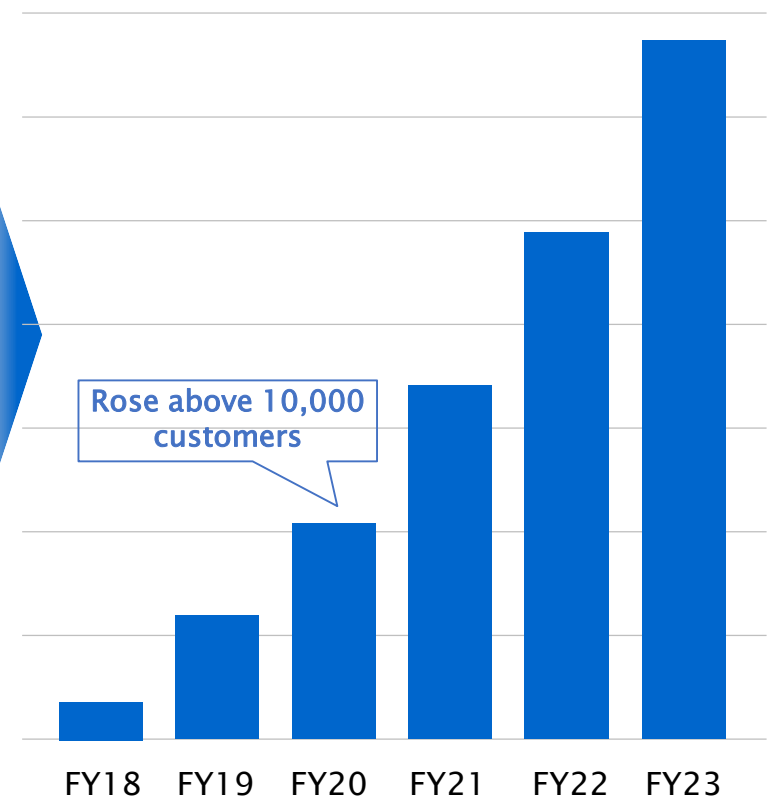


WPH Targets for Number of Customers

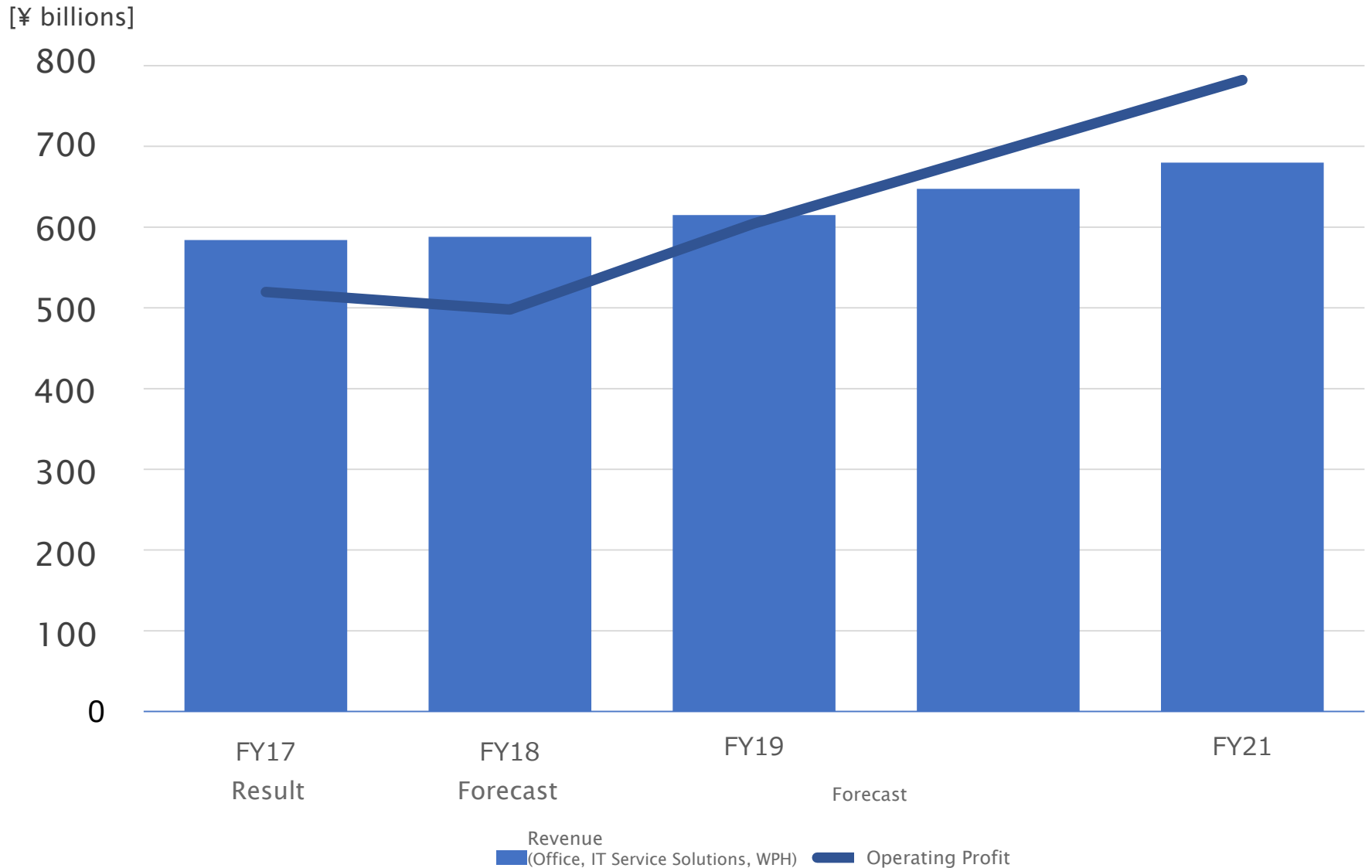
Aim for genre top in small to medium-size enterprises and in specific industry categories as a platformer for the "Connected Office"



Cumulative number of direct sale customers acquired



Combine Office, IT Services, and WPH to Sustain the Expansion of Revenue



Professional Print Business (PP)

Progress of measures

Strengthen competitiveness by introducing new products	○
Expand PV to continue increase in non-hard revenue	○
Strengthen MPP sales	○
Expand color model sales in growth markets	○
Provide value oriented to raising printing operation efficiency	○

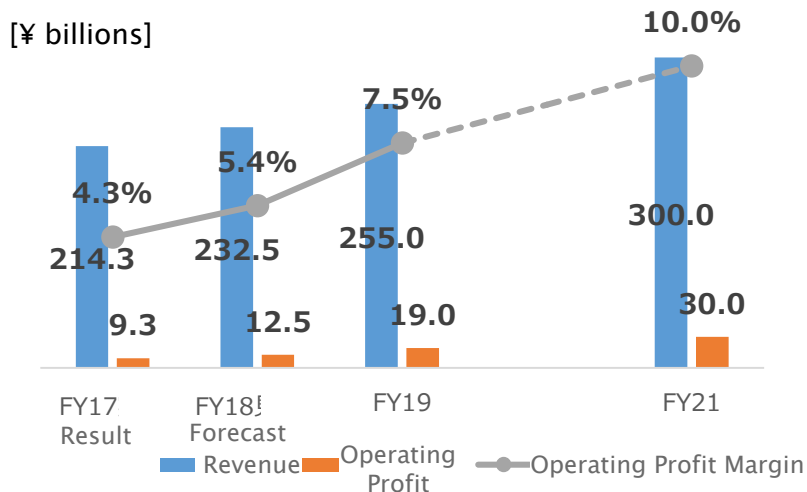


Results

- MPP expand their top share
- Non-hard revenue growth rate expanded
- Significant growth in growth countries
- IQ-501 installation raises average sale price
- IQ-501 provides automated color adjustment and front-to-back registration control for improving utilization rates and raising PV



Professional Print Business



FY19 oriented priority measures

- Expand business by new entry in HPP field
- Expand share by introducing new LPP/ELPP products
- Provide value through IQ-501 to continue expanding non-hardware revenue
- Further improve utilization rates and raise PV by data utilization services originating in IQ-501

[HPP: Heavy Production Print
MPP: Mid Production Print
LPP: Light Production Print
ELPP: Entry Light Production Print]

Professional Print Business (IP)

Progress of measures

Full-scale KM-1 launch, strengthen sales system	○
Strengthen label printer product appeal, sales system	○
Strengthen MGI product selling power, expand synergy	△
Expand textile printer sales	△

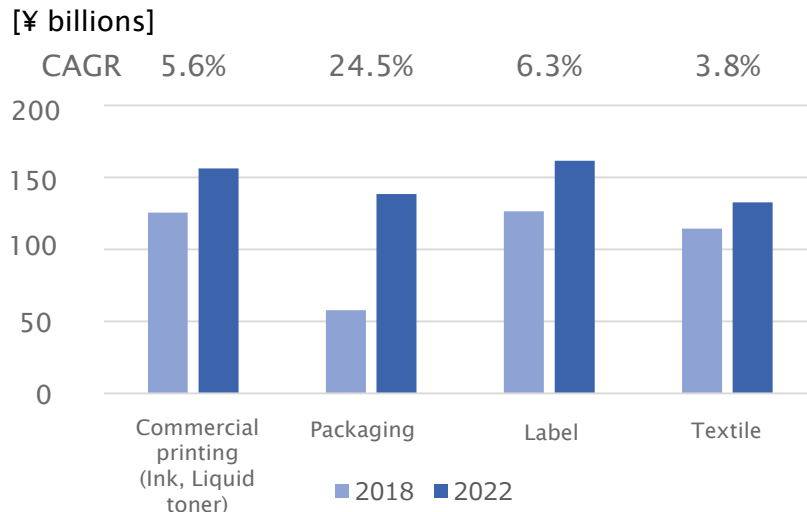


Results

- KM-1: Captured 20% share of B2 digital printer market in FY17
- Label: Realize genre top in middle range (cumulative sales of 250 units)
- Expansion in digital decorative printing (sales growth rate 15%) and establishment at genre top



Projected Industrial Printing Market



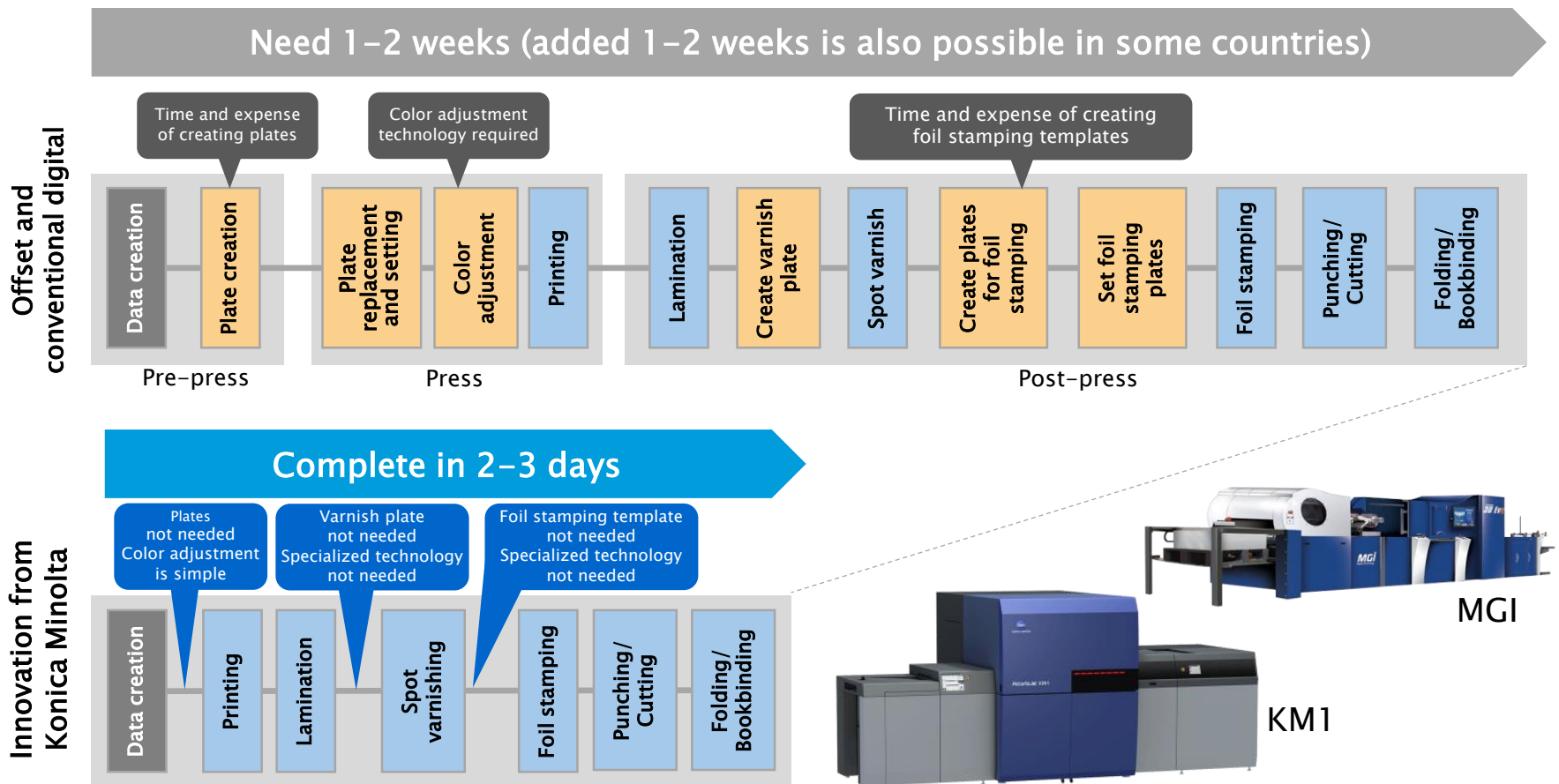
FY19, FY21 oriented priority measures

- KM-1: Deploy in paper container and packaging field
- Increase non-hardware earnings from installed MIF and reduce costs by manufacturing ink in-house
- KM-1 /label: Automate printing pre- and post-processes and create and expand PV by integrating decorative printing functions
- Raise selling price by incorporating the economic value from process automation and waste loss reduction
- Textile: Accelerate sales of high-speed one-pass products

* In-house projection based on research firm data
Printer vendor (digital products) sales basis

Value Provided to IP Customers: Change in Printing Enterprise Workflow

By the integration of decorative printing functions that is a unique capability of Konica Minolta, pre- and post- processes are automated so that commercial printing realizes significant shortening of production lead time together with on-demand production capability



Industrial Business (Measuring instruments)

Progress of measures

Absorb demand that accompanies technical innovation in industry	○
Strengthen business foundation by expanding customer base	○
Collaborate with InS GmbH and Radiant strengthen customer-oriented approaches	○
Support diversification in object color needs	○
Launch visual inspection utilizing Radiant technology	△

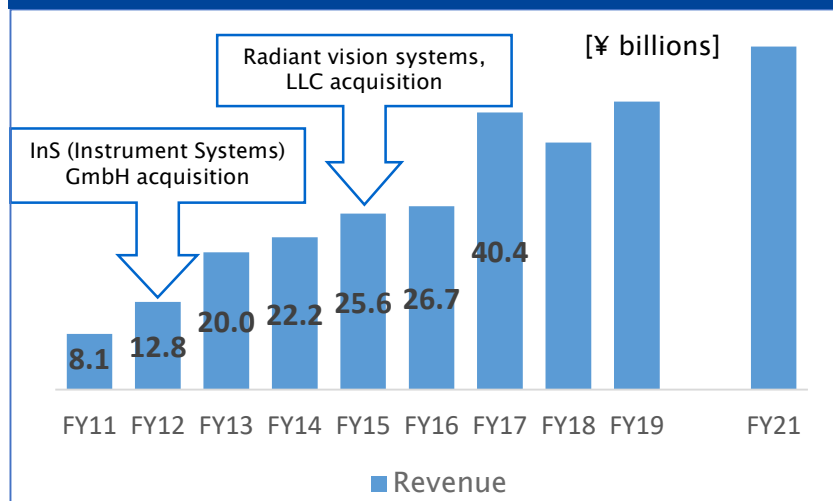


Results

- Expanded revenue by leveraging demand that accompanied spread of OLED applications
- Successfully developed major customers in China and South Korea
- Steady progress in demonstration tests done with major customers with a view to launch of visual inspection business



Changes in Measuring Instruments unit revenue



FY19, FY21 oriented priority measures

- Light source color: Make use of robust display investment to return to growth track
- Object color: By strengthening capability to offer solutions, expand business from color to appearance field and increase share in automobile-related markets
- Visual inspection: Steadily place on business footing, full-scale contribution to profits from FY19

Industrial Business (Performance materials)

Progress of measures

Shift from general purpose goods to higher added value products	○
Develop customers in China, strengthen business foundation	○
Expand production capacity through production collaboration	○
Develop new products by anticipating customer needs	○
Develop customers for small to medium-sized mobile products	△

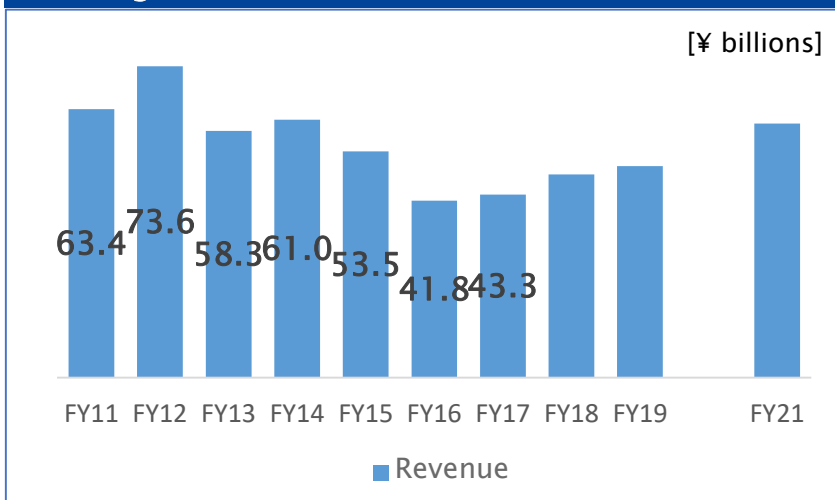


Results

- Sales volume of higher added value TAC film products for new type VA and IPS expanded greatly
- Acquired new customers for higher added value products
- Customer certification of production partners
- Completed preparations to launch new product using new resin
- Expand sales of thin films for small to medium-sized panels



Changes in Performance Materials Unit Revenue



FY19, FY21 oriented priority measures

- Existing field: Further expand sales of TV-oriented products by supporting large panels
- Existing field: Strengthen capability to support customer needs by introducing new resin materials and expand scale of business
- New field: Expand business in unpolarized substrate field by means of new resin products

Polarizers for TVs and small to medium-sized displays		New field
Existing customers	New customers	
TAC		
New resin		

Healthcare

Progress of measures

DR: Strengthen cooperation with X-ray system manufacturers	○
Ultrasound: POC* to expand genre top position in diagnostics field	○
Medical IT to expand US business	△
Reduce costs, shift to common platform	○

*Point of care: Testing conducted immediately in the clinical setting



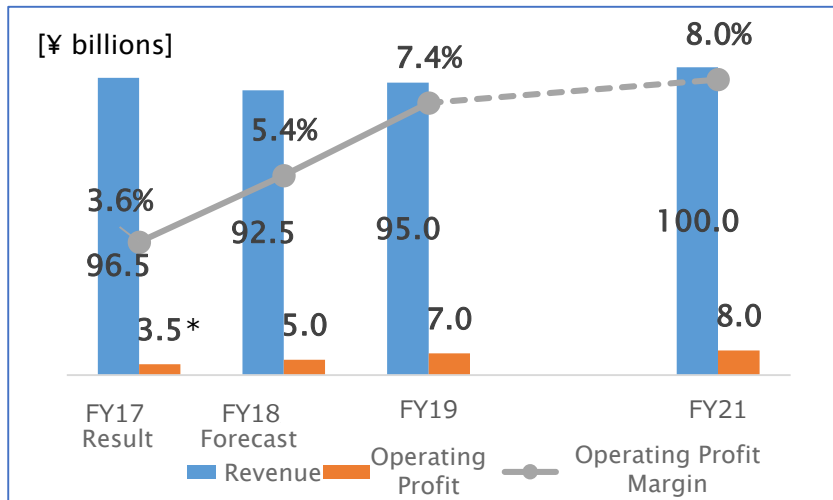
Results

- DR: Sales increased with a focus on the US
- Ultrasound: In addition to reaching the top of the orthopedic genre, a foundation has been established in obstetrics and anesthesiology
- Medical IT: Carried out management system reform in the US
- Production: Accelerate parts procurement cost reductions



FY19 oriented priority measures

- DR: Expanded cooperation with X-ray system manufacturers
- Ultrasound: Expanded share in new diagnostic field and accelerated deployment overseas
- Medical IT: Shifted to higher added value by expanding from PACS to medical workflow solutions



*Excluding CRE income and expenses

Konica Minolta's Vision for Precision Medicine

Ambry Genetics Corporation

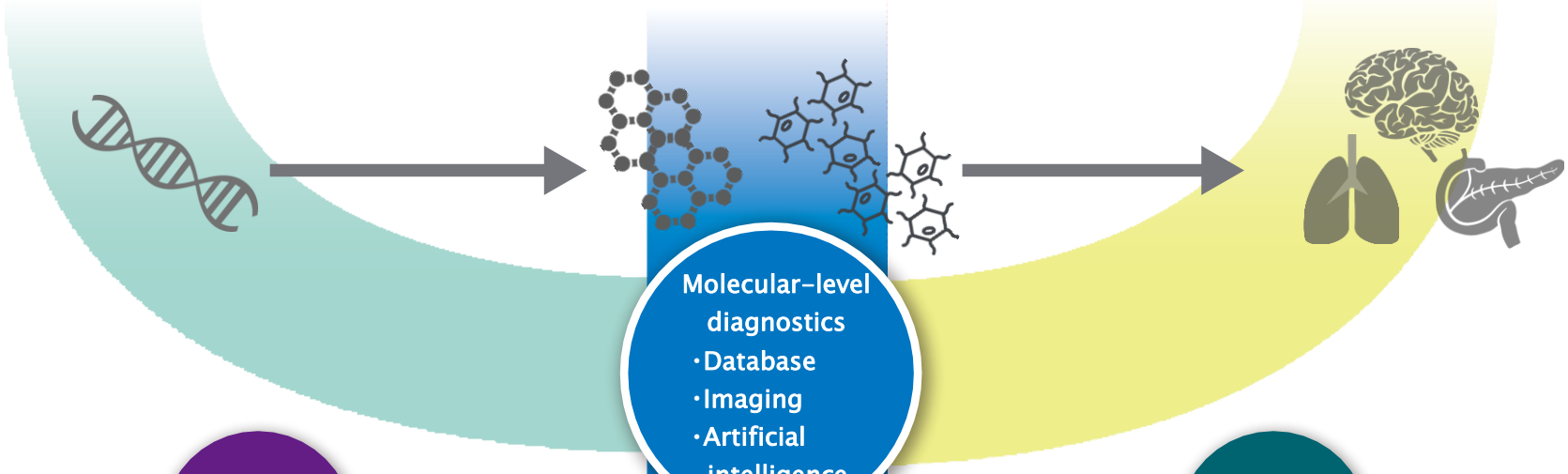
Technology for diagnosis of **genes**, the design drawings for the human body

Konica Minolta

Precision quantification technology for **protein**, one of the materials that make up the human body

Invicro LLC

Technology for image analysis of **internal organs**, the finished product



Patients

- Prevention
- Medication
- Treatment

Pharmaceutical company

- Biomarker discovery
- Clinical trial efficiency
- Improve success rate of new drug development

- Disease analysis
- Patient analysis
- Efficacy analysis

Reduction of Medical Expenses

Bio-healthcare Business Progress and Forecasts

Progress of measures

Strengthen sales capabilities under new sales executives (genetics)	○
Strengthen sales channels for cancer specialist doctors (genetics)	○
Acquire new cancer area projects (pharmaceutical development)	○
Strengthen digital pathology functions (pharmaceutical development)	○

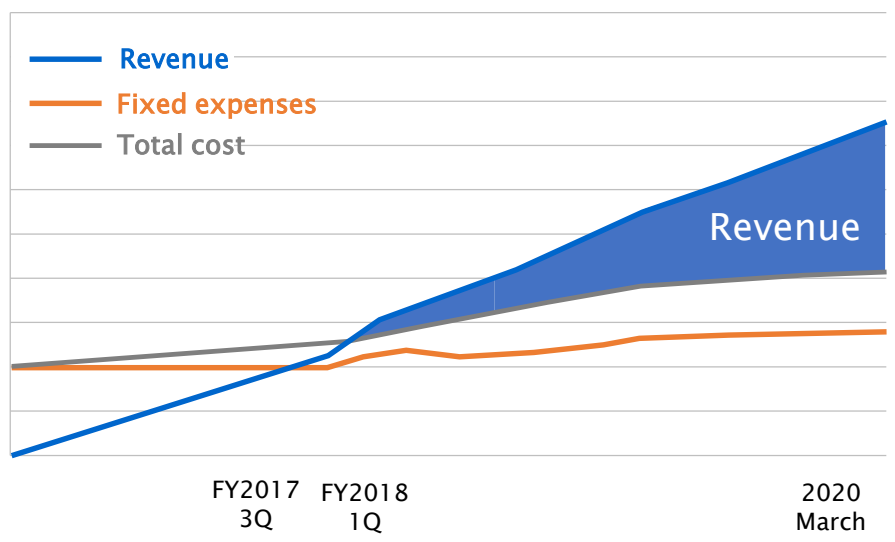


Results

- Sample volume increased 5% QoQ
- Concluded comprehensive cooperation and partnership agreements in R&D and sales
- Acquired long-term projects in clinical trial support with genetic testing
- Established Scientific Advisory Board and installed the former president of the American Association for Cancer Research as chair



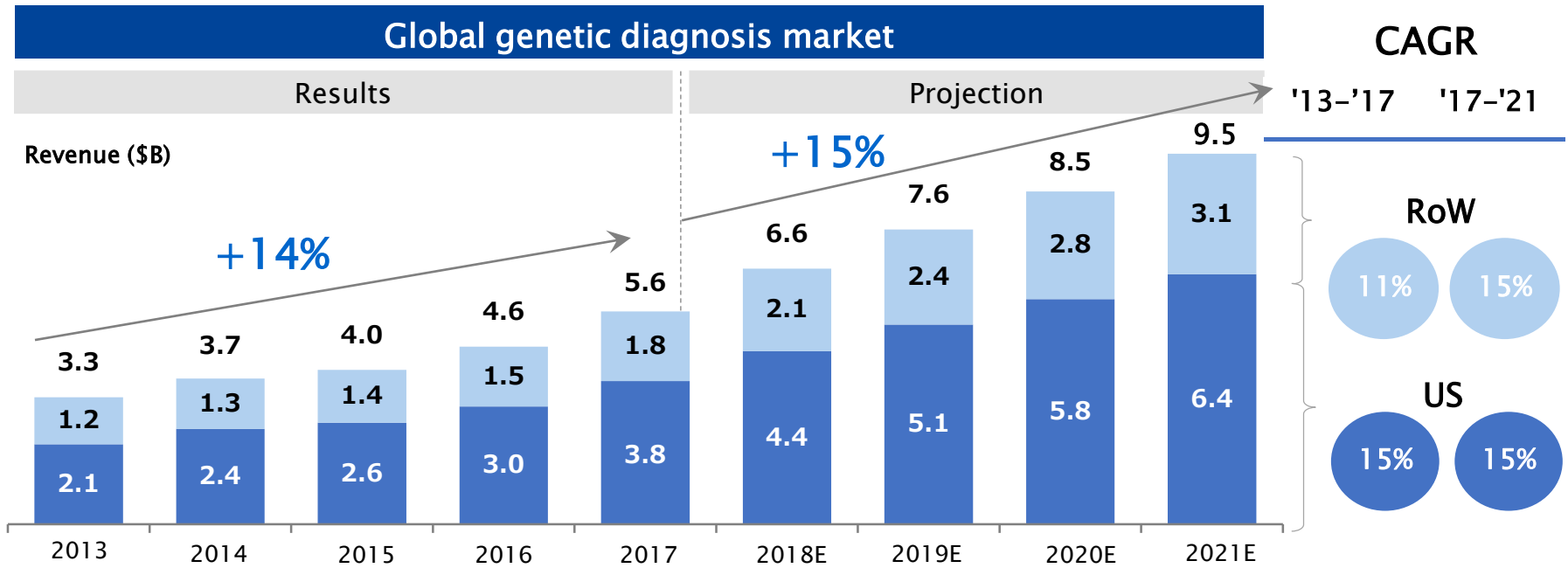
Image of AG Corporation business structure



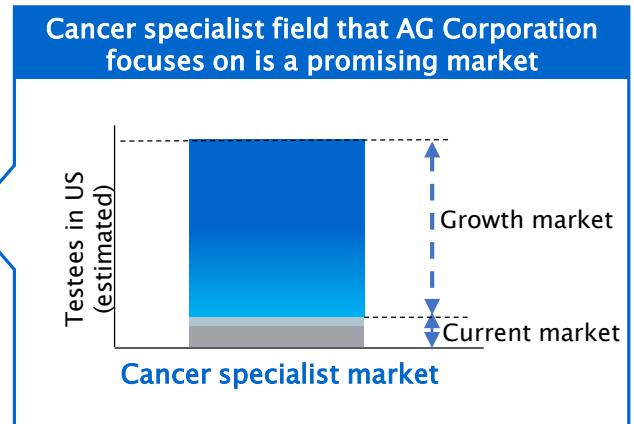
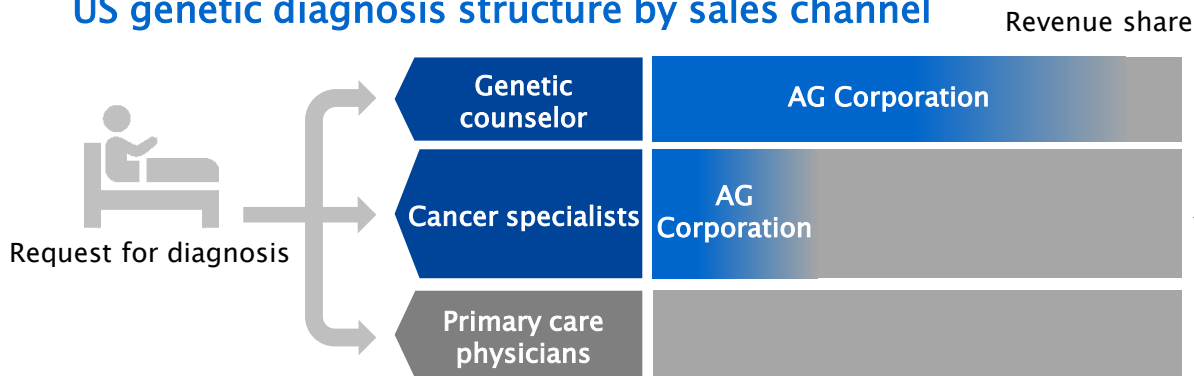
FY19, FY21 oriented priority measures

- Strengthen pharmaceutical-oriented genetic testing business
- Create gene database originating in Japan and accelerate the genetic testing business
- Full-scale participation in pathological examination using HSTT
- Deploy to genetic testing market (medical work not covered by health insurance) in Asia and Pacific region
- Full-scale participation in pathology testing

Genetic Diagnosis Services: Global Market Trend Projection



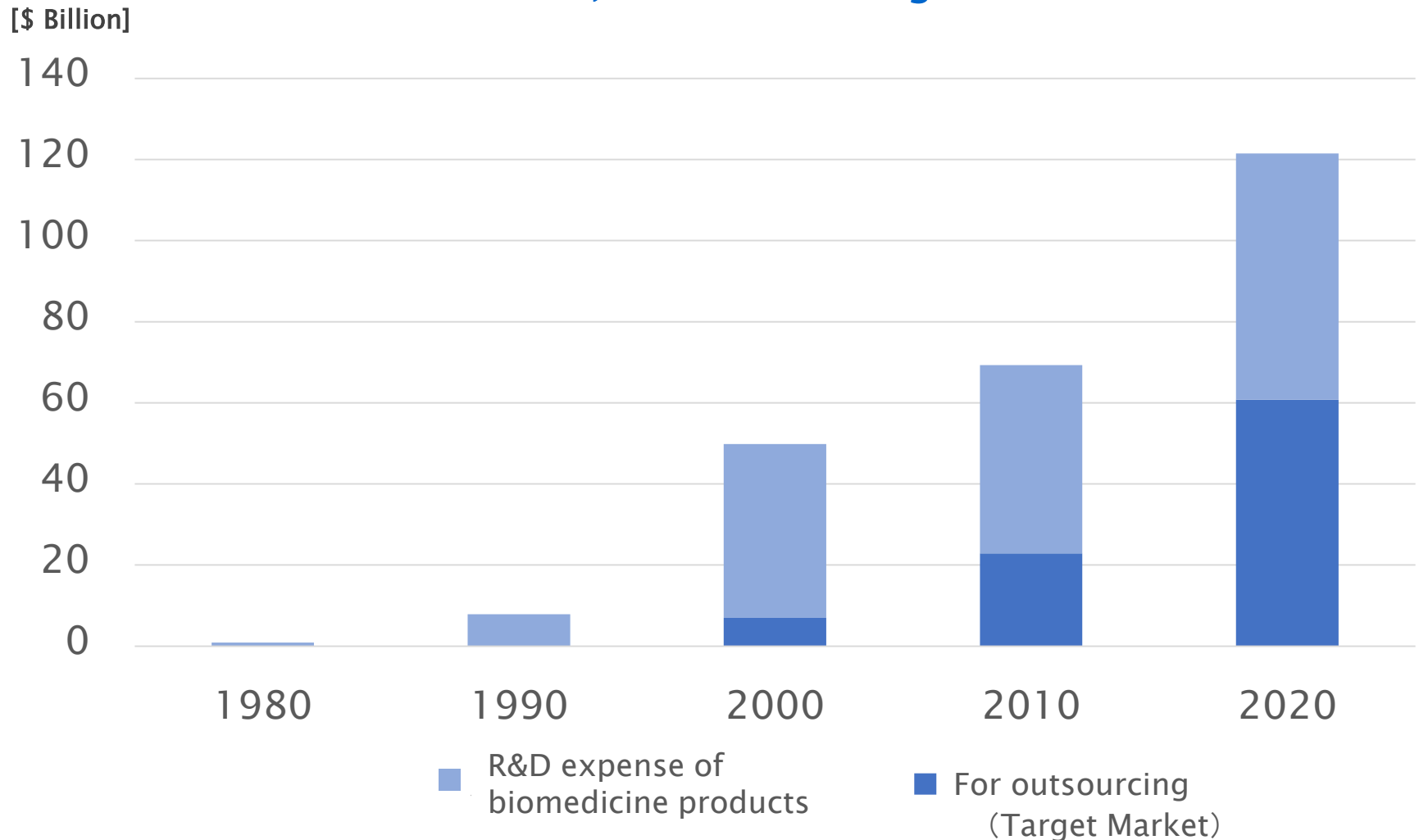
US genetic diagnosis structure by sales channel



* In-house projection based on research firm data

Pharmaceutical Company Development Investment Trend Projections

Rapid expansion of development investment and of outsourcing ratios in biomedicine, which is the target market



Reinforcement of US Sites and Expansion of Japan Market

By a fusion of leading-edge genomic, imaging, and AI technologies, drive individualized medical care in cancer, Alzheimer's, and other fields worldwide

In light of global scientific, pharmaceutical, and cultural trends, a holding company is to be incorporated (President: Kiyotaka Fujii) in the United States to serve as the core of the Bio-healthcare business. The acquired Ambry Genetics Corporation and Invicro LLC are being combined in a business promotion system, and activities for expansion originating in the US are being strengthened.

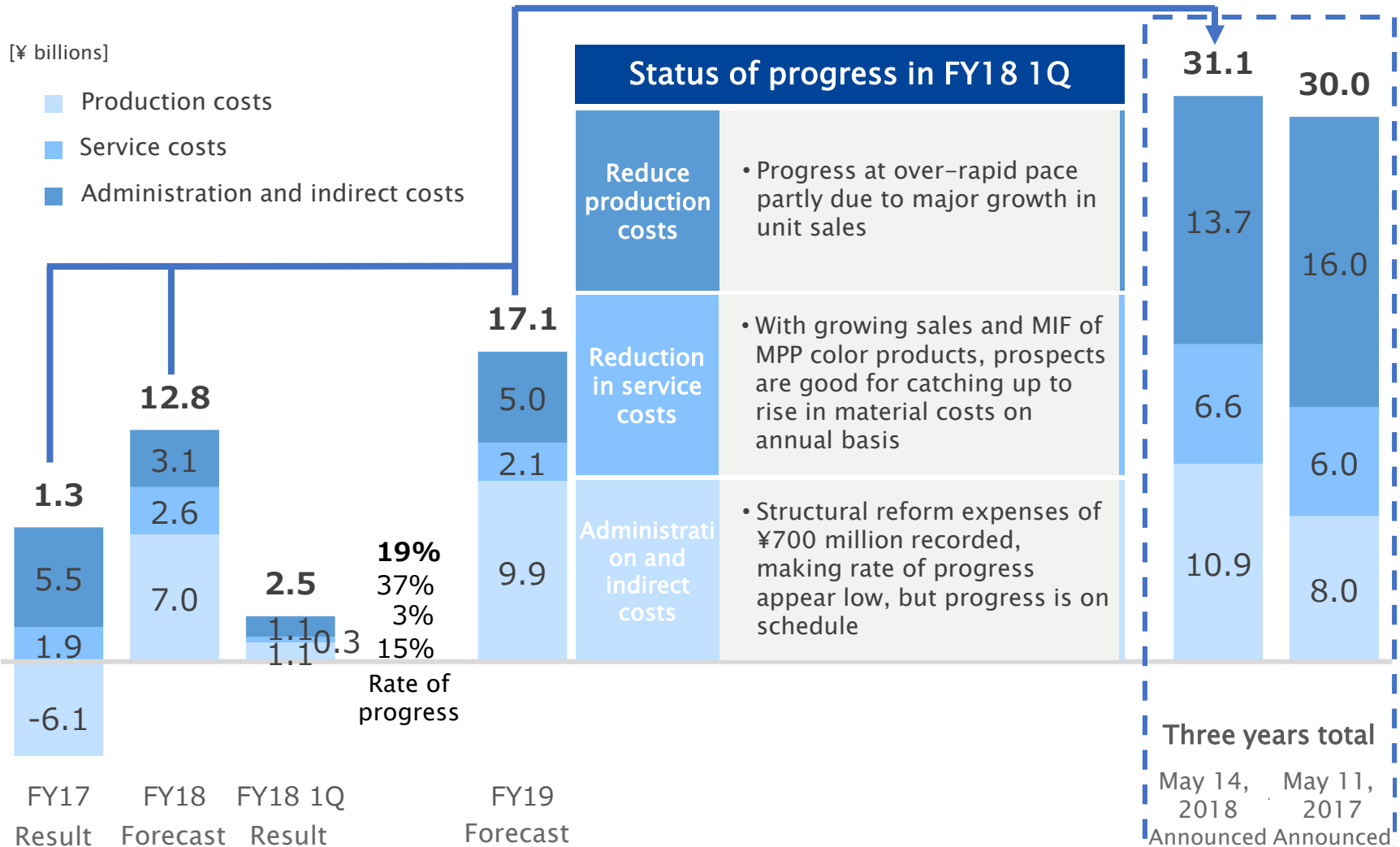
KONICA MINOLTA PRECISION MEDICINE JAPAN, INC.

In order to promote precision medicine by pharmaceutical companies and medical institutions, a new company will be in operation in October: Konica Minolta Precision Medicine Japan (President: Ken Masuo).

Provision of molecular level diagnostic services oriented toward precision medicine will begin. Methods of therapeutic intervention of projection of recuperation matched not only to segmentation groupings of individual patients but to the stages of their disease will become possible.

Strengthening Core Business Profitability: Progress of Improvement in Costs

In light of progress up to FY18-1Q, FY18/FY19 forecasts remain unchanged



Upside and Downside for the FY18 Present Period

Upside

- A weaker yen against the euro (our forex assumption ¥125)
- Accelerating adoption of color machines centered on countries with growing markets and increase in non-hardware due to PP IQ-501
- Expanding capital investment by display panel manufacturers
- Expanding effects of production cost cuts

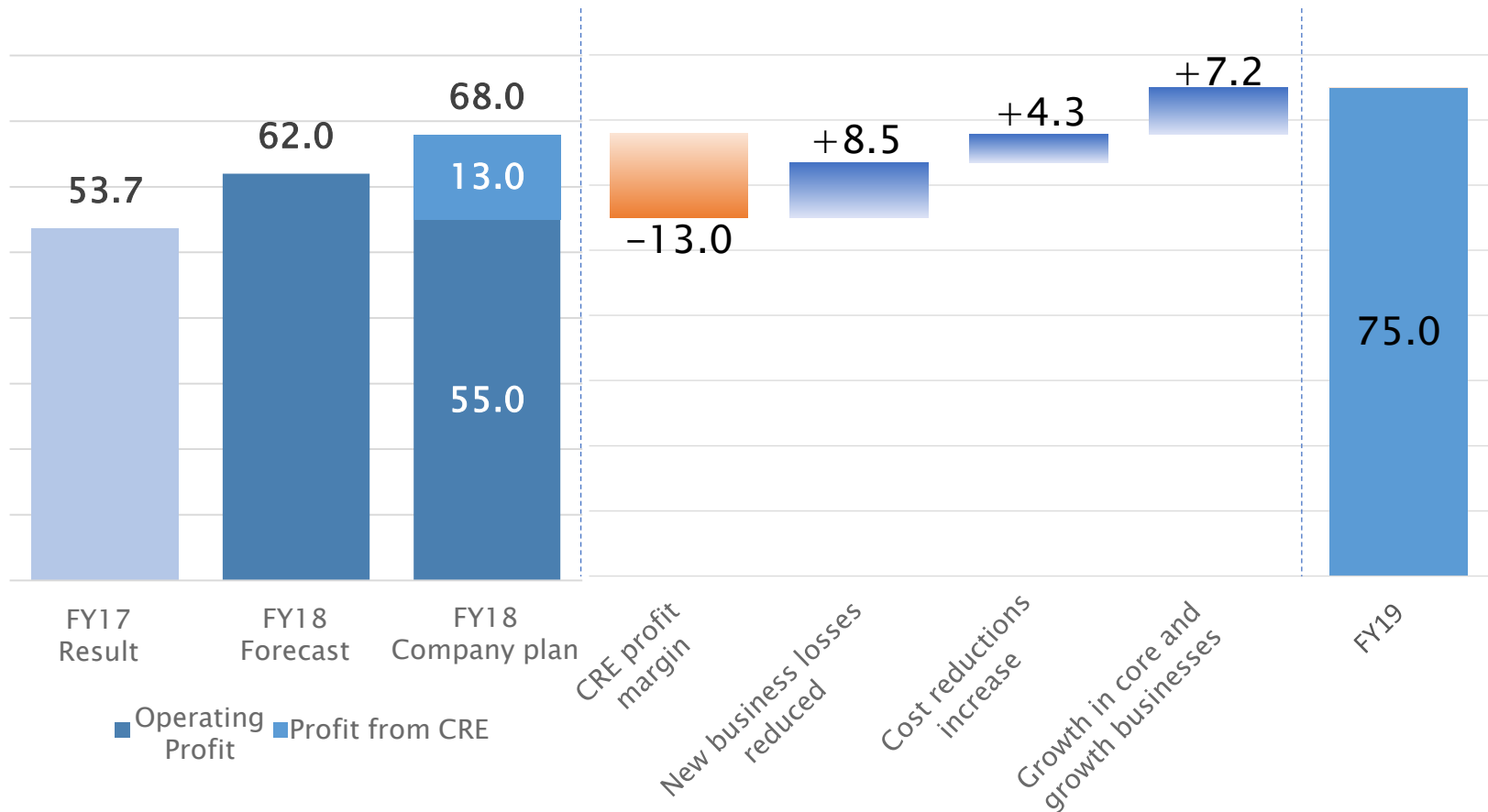
Downside

- Deterioration of the economic environment due to increasing aggravation of trade friction
- Similarly, a broadening range of items subject to tariffs

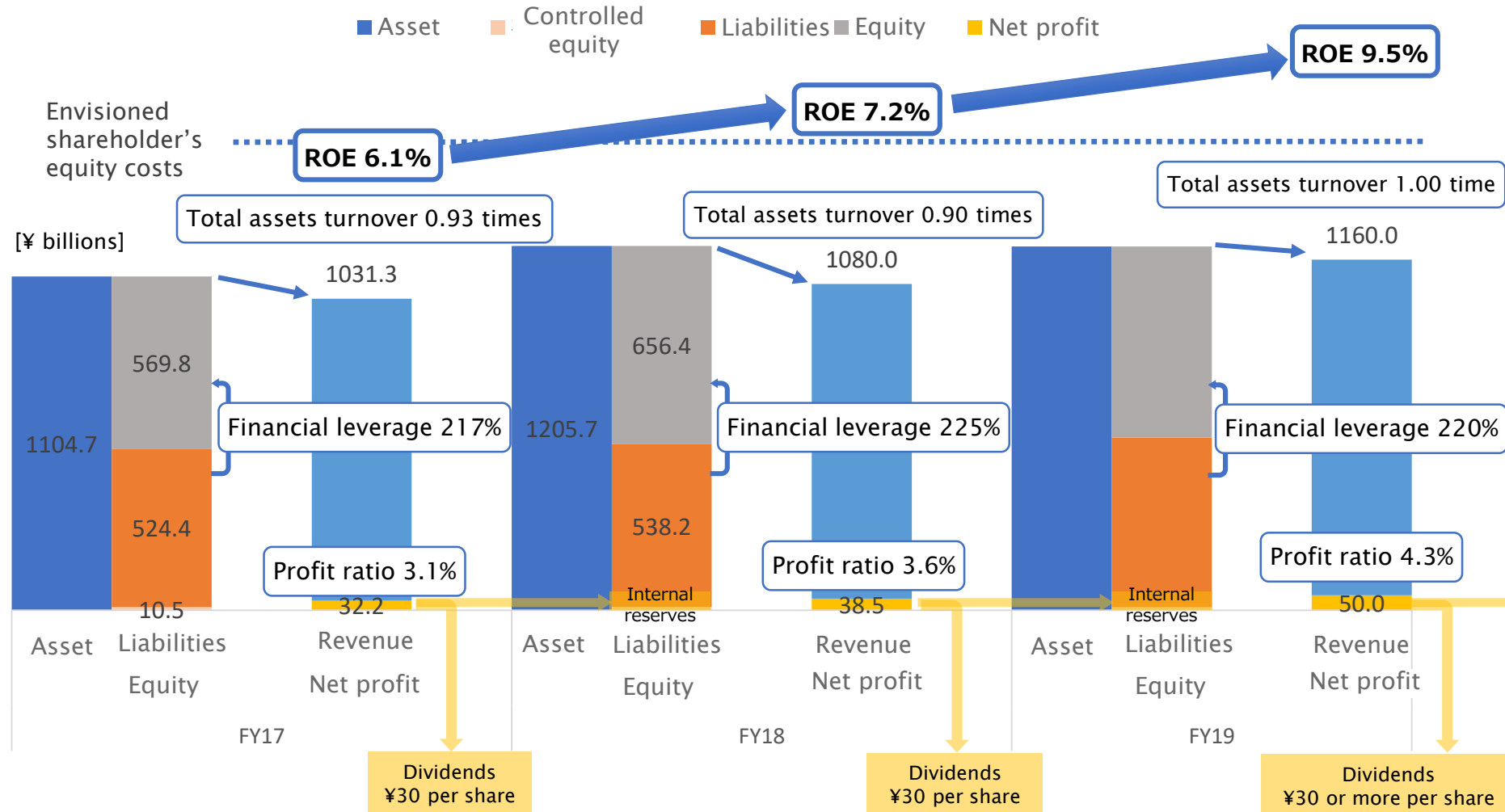
Profit Growth Heading into FY19

Internal plans for this period are to be achieved while losses in new business will shrink in the next period, the benefits of cost reductions will be realized, and higher profits in core and growth businesses will yield ¥75 billion.

[¥billions]



Capital Policy



Return of profits to shareholders

Calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements to promote strategic investments in growth fields while seeking to implement proactive shareholder returns. The Company strives to enhance shareholder returns through higher dividends as well as a flexible acquisition of the treasury shares.

*Assets, liabilities, and equity are averages of figures for the beginning and end of the period



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.