Konica Minolta Inc.
Management Policy Briefing

April 21, 2014

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President and CEO

Giving Shape to Ideas

Main Aims of KM Management Integration

1. **Surpass competitors as a top tier company amid intense global competition**

2. **Realize sustainable growth by continually gaining "genre-top" positions**

3. **Enhance the KM brand by evolving the our DNA (Become a company we can be proud of)**

My mission: Take the initiative and accomplish these three aims
Keywords: "Exceptional growth strategy," "Ability to take action" and "Strong corporate structure"

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Growth strategy

Boost high added value of business

Transform business portfolio based on a customer-centric approach
and make collective efforts to create added value

Ability to take action

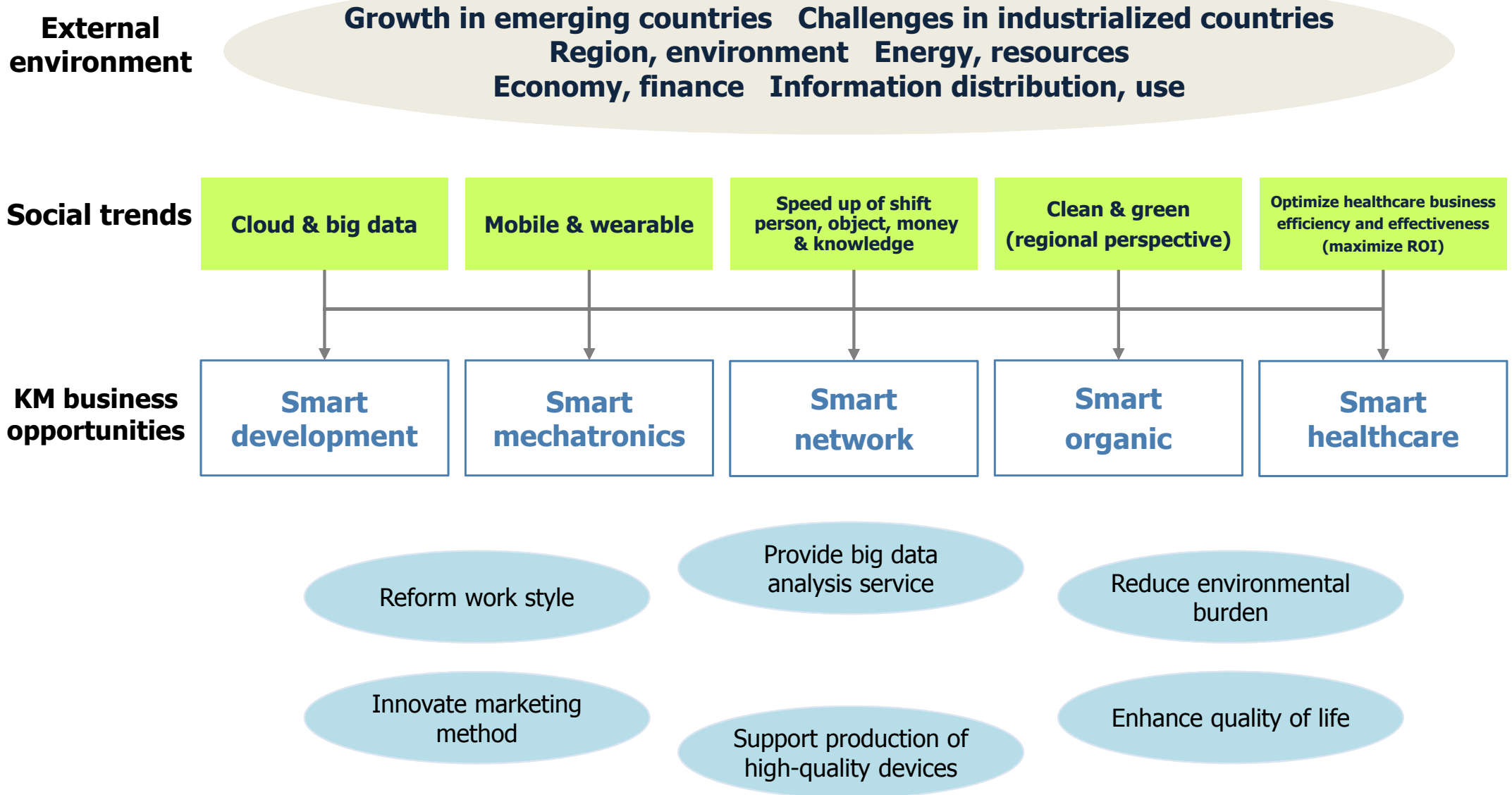| Understand customer intention	Combine collective efforts with One KM	Speedy ability to take action
▶ Know every detail about customers or customers' customers ▶ Pursue customer value with the customer used as the basis for the origination of and decisions behind all business processes	▶ Combine collective efforts with One KM ▶ Integrate KM technology and core competence as one company and create high-value-added solutions	▶ Form a "strong group that can surpass competitors " ▶ Conduct strategic alliances and M&As in areas of insufficient corporate management resources

Corporate structure

Establish a strong corporate structure

Create a strong corporate structure by
"creating sturdy production operations" and "conducting corporate reform"

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	After 3 years (FY2016)	After 5 years (FY2018)
Net sales	¥1.1 trillion or more	¥1.3 trillion or more
Operating income	¥90bn	¥130bn
Operating income ratio	8% or more	10%
ROE	10% or more	-
Assumed FOREX	U.S. dollar = ¥100 euro = ¥135	

2-1. Changes in Management Environment and KM Business Opportunities

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External environment

Growth in emerging countries　Challenges in industrialized countries
Region, environment　Energy, resources
Economy, finance　Information distribution, use

Social trends

| Cloud & big data | Mobile & wearable | Speed up of shift person, object, money & knowledge | Clean & green (regional perspective) | Optimize healthcare business efficiency and effectiveness (maximize ROI) |

KM business opportunities

| Smart development | Smart mechatronics | Smart network | Smart organic | Smart healthcare |

Reform work style

Provide big data analysis service

Reduce environmental burden

Innovate marketing method

Support production of high-quality devices

Enhance quality of life

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5

2-2-1. Desired Business Image After 5 Years (Structure/Scale)
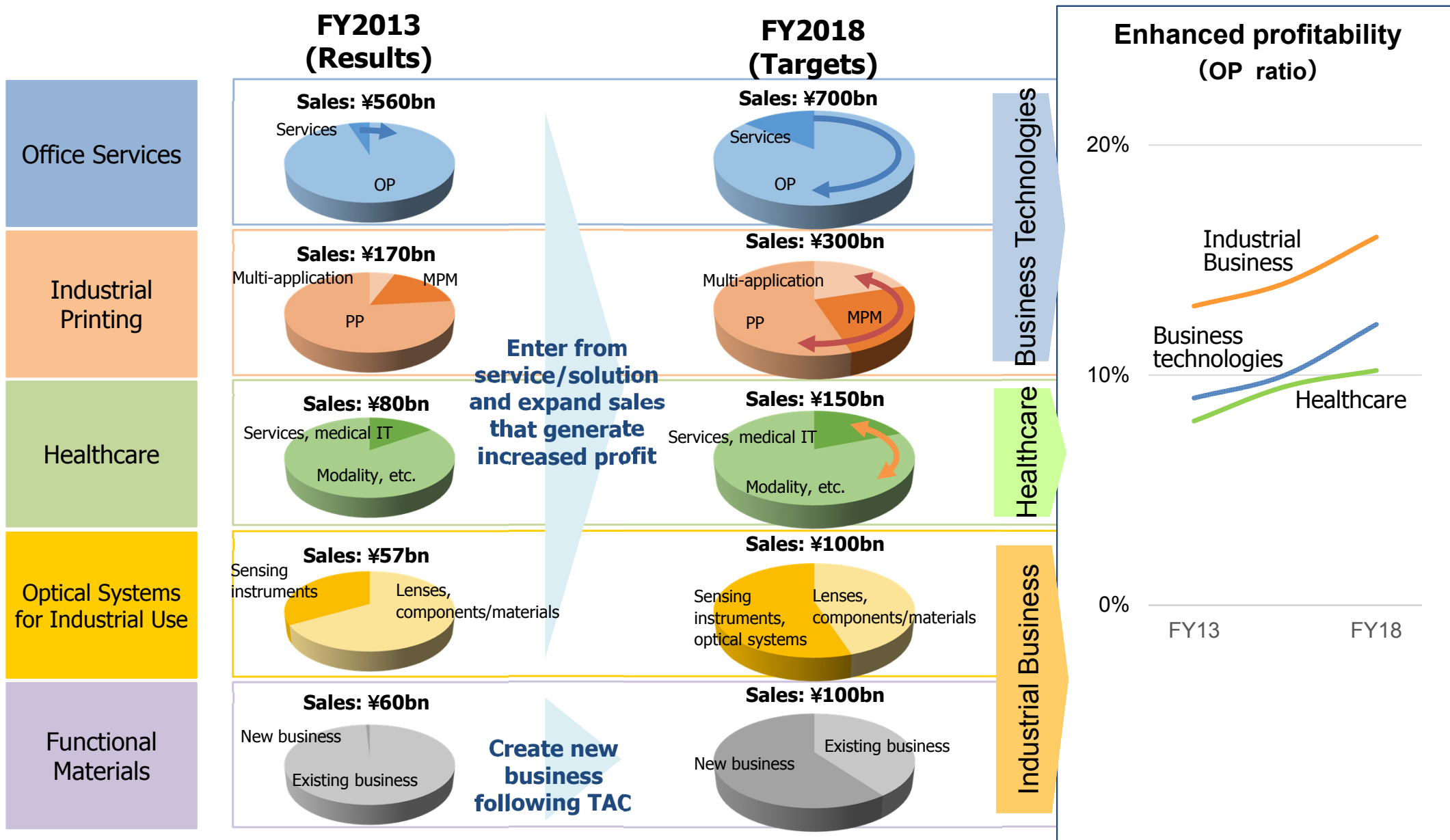
Note: Industrial printing includes production print and inkjet businesses
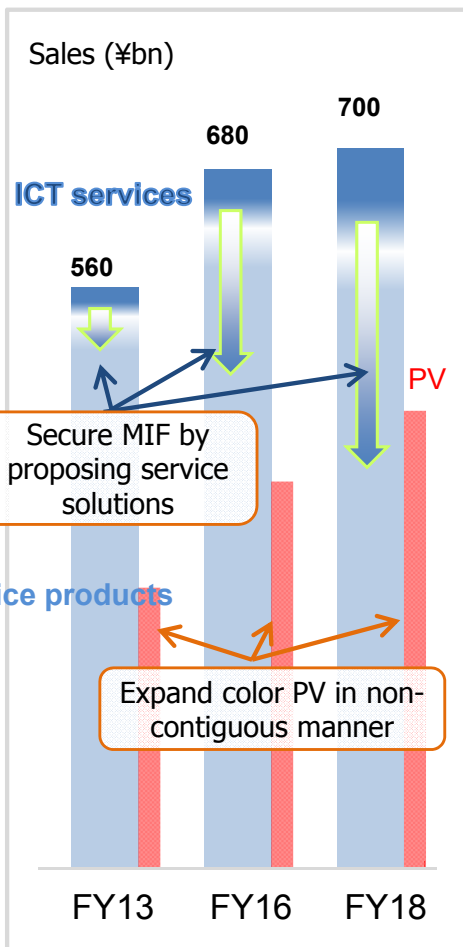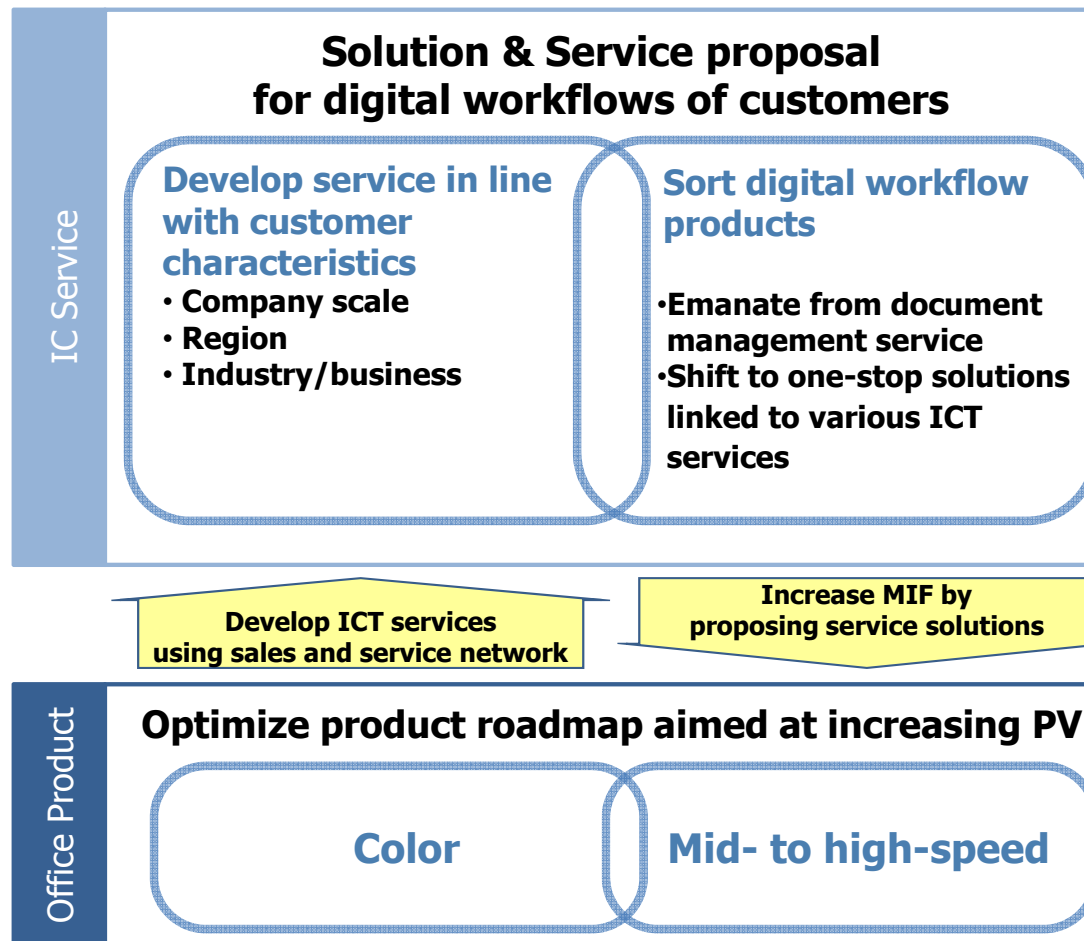
Office Services Business Strategy

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- Enhance solution proposal capabilities by providing services and solutions for digital workflows of customers
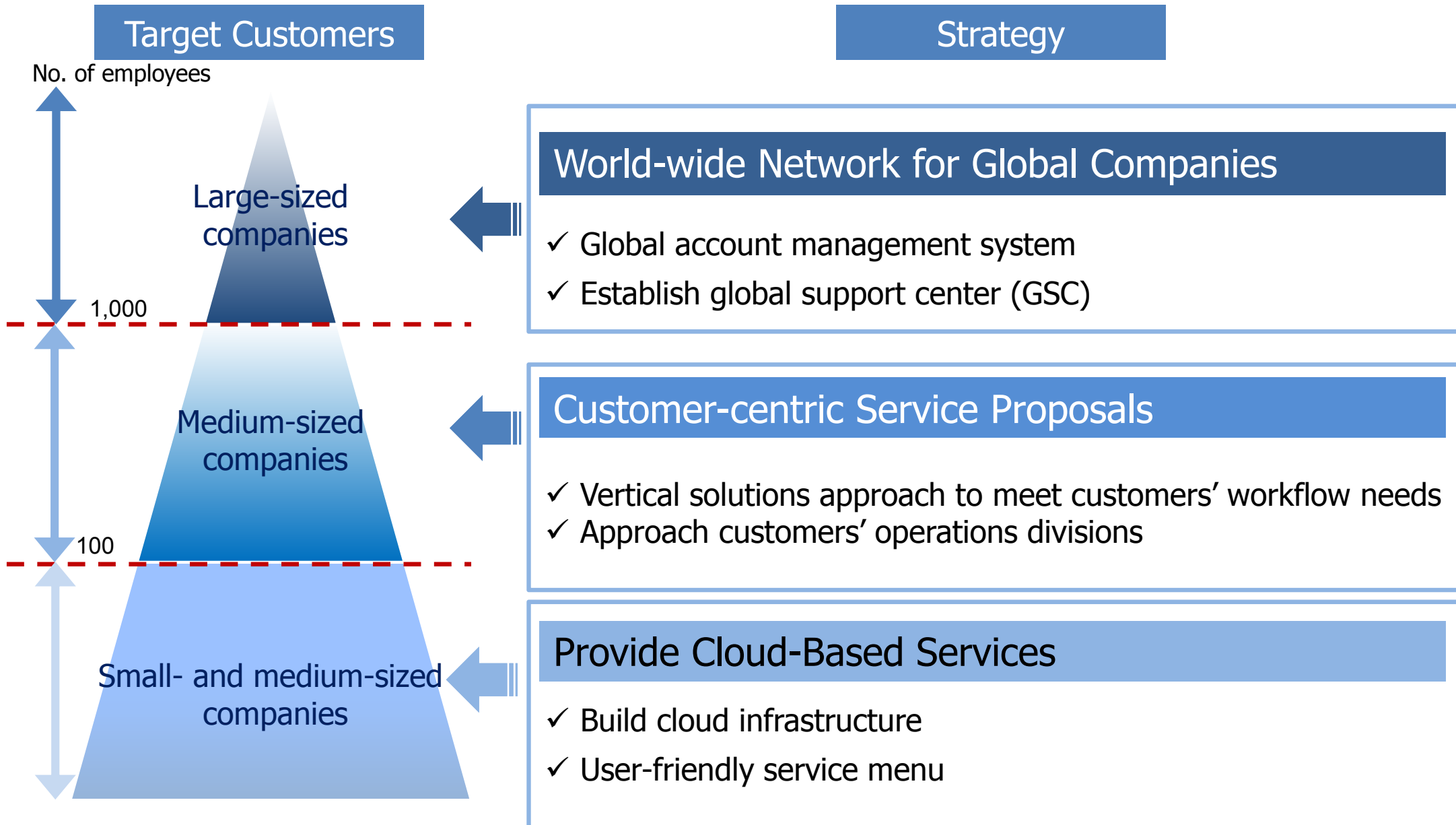- Consequently increase MIF and PV disruptively

Business Framework

Sales (¥bn)

ICT services

700
680
560

PV

Secure MIF by proposing service solutions

Office products

Expand color PV in non-contiguous manner

FY13   FY16   FY18

Strategy Scenario

IC Service

Solution & Service proposal for digital workflows of customers

Develop service in line with customer characteristics
- **Company scale**
- **Region**
- **Industry/business**

Sort digital workflow products
- **Emanate from document management service**
- **Shift to one-stop solutions linked to various ICT services**

Develop ICT services using sales and service network

Increase MIF by proposing service solutions

Office Product

Optimize product roadmap aimed at increasing PV

Color   **Mid- to high-speed**

Conditions for Advantage

- Utilize strong direct sales capabilities (from Europe to worldwide)
- Integrate operations and processes globally
- Develop new services combined with IT companies KM has acquired that are one step ahead of industry
- Maintain most powerful direct sales team mainly for medium-sized companies
- Be responsive to multiple vendors

- Differentiation in color domain using material and optical technologies

*MIF: Machine in Field, **PV: Print Volume

3-1-2. Office Business Strategy: For Each Customer Segment

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Target Customers

Strategy

No. of employees

Large-sized companies

1,000

Medium-sized companies

100

Small- and medium-sized companies

World-wide Network for Global Companies

✓ Global account management system
✓ Establish global support center (GSC)

Customer-centric Service Proposals

✓ Vertical solutions approach to meet customers' workflow needs
✓ Approach customers' operations divisions

Provide Cloud-Based Services

✓ Build cloud infrastructure
✓ User-friendly service menu

GSC : Global Support Center

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3-1-3. Office Business Strategy: Digital Workflow Service

Services and solutions tailored to each customer's operations

✓ Develop service for information input/output and the processing domain between them
✓ Provide a multi-vendor environment in line with customer needs rather than a production focus

Small- and medium-sized customers in the vertical market

Education
Student management system

Law
Contract management system

Manufacturing
Component management system

Large-sized customers

Human resource management system

Accounting management system

Contract management system

Logistics management system

KM Cloud

Content integration management, system connection

Input

Output

kinko's On Demand Solutions

KONICA MINOLTA OPTIMIZED PRINT SERVICES ™

Managed IT service

Systemized service business foundations

✓ Service menu/service level, service process/standardization, platform/infrastructure

Commercial/Industrial Printing Business Strategy

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Drastically increase PV at printing companies disruptively by transforming current printing order flows through KM's unique MPM and Kinko's

Business Framework

Sales (¥bn)

Multi-application

300

237

170

MPM

PV

PV and device sales increase with MPM

Production Print

Expand color PV in a non-contiguous manner

FY13   FY16   FY18

Strategy Scenario

Increase MIF/PV through MPM and Kinko's business model

Major companies

IT and purchasing divisions

Marketing division

Proposal & service

Marketing Proposal

Printing order

KM

Kinko's service
Proposal of optimum printing equipment + outsourcing service
⇒ **Increase PV**

MPM service
Proposal of printing service optimization (Enhance printing purchase efficiency, marketing ROI) + General contract for printing orders
⇒**Increase MIF/PV**

Solution befitting optimized printing order

PP/inkjet business

Industrial printing technology

Commercial printing companies

(Sales promotion materials such as pamphlet, photo, etc.)

Printing order

Digital printing solution

Industrial printing companies

(Textile printing, label package, etc.)

Conditions for Advantage

- **Be genre-top in LPP and MPP domains of PP**
- **Possess services for MPM and Kinko's model**
  - No competition in possessing such services among device vendors for commercial printing and industrial printing
  - Service for companies that are final printing customers of MPM, Kinko's
- **Global service capabilities** (being fostered)
- **Strong ability to create market with application from commercial use to industrial use**
- **PP/inkjet business foundations, industrial printing-related technology, inter-group synergy**
  - Proven record in textile printing business and photo business, MGI alliance, etc.
  - High-chroma toner, inkjet technology, etc.
  - Color management (synergy with sensing business)

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**MPM: Marketing Print Management (Provide optimal printing solutions, such as through CharterHouse, to marketing division of final printing customer company)

3-2-2. Inkjet Business Strategy

> Expand business to printing domains for "items" other than paper through digital photo technology accumulated in the office and production print domains, and inkjet technology honed in the component (head) and textile printing businesses

Expand business through printing of "permanent items"

Functional printing

► Create differentiated technology in next-generation business domains such as functional printing (Printed Electronics) and 3D Printing by integrating inkjet technology, materials technology and MGI know-how etc.

Textiles (textile printing)

► Introduce a genre-top strategy through advanced integration and coordination (*suriawase*) technology in terms of head, ink and process

Label, packaging, commercial printing

► Enter from low-cost, high-performance label printing by way of digital photo techniques
► Expand business in label and packaging domains through inkjet technology amassed in commercial printers (KM-1)

Components business
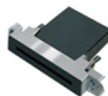
Applicable competence

Systems business

► **Integration and coordination (*suriawase*) technology**
  – Develop system products in domains requiring advanced integration and coordination. Realize the maximum combination of head, ink and process as a maker that can achieve this

Components business

► **Integrated technology**
  – Promote higher-performance and higher-quality heads by reducing cost and strengthening technology via component business
  – Introduce antenna function to next-generation domains that KM ought to challenge

Healthcare Business Strategy

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Increase MIF by providing integrated solutions combining advanced diagnostic performance modality (DR and ultrasound) and medical information (diagnostic information and medical documents)
Provide one-stop locally connected solutions to small- and medium-sized hospitals and clinics

Business Framework	Strategy	Conditions for Advantage

Business Framework

Sales (¥bn)

150
New domains

Medical IT

100

80

Modality: DR, ultrasound

CR, film, purchase

FY13   FY16   FY18

Strategy

New domains
- **Next-generation X-ray diagnostic imaging system (super X-ray)**
- **Diagnostic imaging support function and service**
- **In-vitro diagnostics**

Medical IT
- **Informity**
  Cloud-based diagnostic image storage/connection service for small- and medium-sized hospitals and medical
- **Integrated management service for medical information**
  Conduct integrated cloud-based management of diagnostic images and information on medical papers

⬆ **Synergistic effects**

Modality
- **Cassette-type DR**
  Maintain advantage in market with low radiation, lightest weight and high image quality
- **Diagnostic ultrasound systems**
  Differentiate through high-resolution probe, exceptional depth, mobility, user-friendliness and price

Conditions for Advantage

- Enhance image quality and diagnostic performance through image-processing technology
- Strong network with prominent doctors, research institutes and hospitals

- Steadily introduce medical IT to KM modality MIF (medical clinics in Japan: More than 10,000)
- Provide cloud-based shared data system capable of responding to multi-PACS vendors
- Provide integrated management solution for medical images and documents by leveraging collective strength as One-KM

⬆ **Synergistic effects**

- Modality development capabilities required by small- and medium-sized hospitals and medical clinic market (realize diagnostic performance enabling speedy diagnosis)
- Increase customer value through seamless connection with medical IT services (propose optimal digital diagnostic workflow)
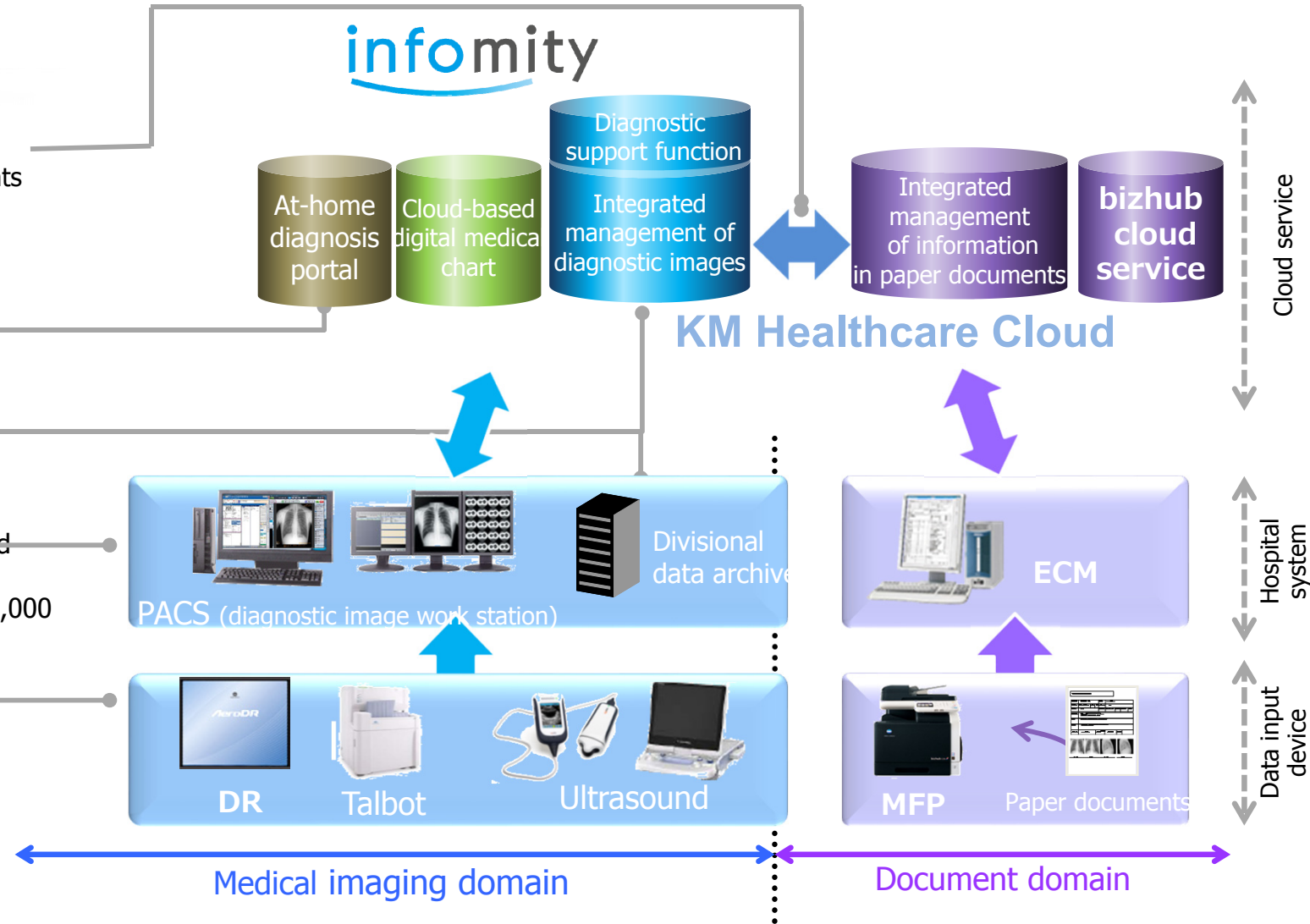
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infom**ity**

KM strengths

5 Ability to provide integrated management solutions for medical images and documents (Combine Business Technologies and Healthcare resources as One KM)

4 Ability to provide medical information cloud network (informity)

3 Data management/shared solutions enabling response to multiple vendors

2 Customer base (small- and medium-sized hospitals, medical clinics)
• Medical clinic customers: More than 10,000
• Strong domestic sales network

1 Ability to develop high-performance X-ray/diagnostic ultrasound systems in order to realize speedy detection

At-home diagnosis portal

Cloud-based digital medical chart

Diagnostic support function

Integrated management of diagnostic images

Integrated management of information in paper documents

bizhub cloud service

KM Healthcare Cloud

Cloud service

PACS (diagnostic image work station)

Divisional data archive

ECM

Hospital system

DR   Talbot   Ultrasound

MFP   Paper documents

Data input device

Medical imaging domain

Document domain

Business Strategy for
Optical Systems for Industrial Use

Strategy Overview for Industrial Optical Systems Business

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Evolve proposal capabilities cultivated in the sensing business and create new value through devices and systems, including solutions and services, for major customers in industrial fields with high growth potential

Business Framework

Sales (¥bn)

100

Optical systems

80

57

Sensing instruments

Lenses, components

FY13   FY16   FY18

Business Content/Strategic Point

Optical systems business (new)
- Non-destructive inspection system:
  Maintain and inspect aging social infrastructure
- Obstacle monitoring system:
  Detect surroundings and avoid danger
- Monitoring system:
  Safety and security service for nursing facilities and residences

Sensing instruments
- Sensing instruments for industrial application:
  Expand business in growth fields such as displays, automobiles and aviation in addition to growth in LED/lighting field

Lenses, components
- Projector lenses for digital cinema:
  Expansion in growing field of 4K cinema
- Replacement lenses:
  Expand all kinds of format, mirrorless fields

Conditions for Advantages

- Sensing technology:
  Magnetic sensors, laser radars, microwave sensors, X-rays, ultra-sonic wave
- Information processing technology:
  Sensor fusion integration processing, network, cloud connection

- Color measurement technology:
  Extensive line-up of high-precision measuring instruments
- Customer base:
  Position as top vendor in various industrial fields

- Projector lenses for digital cinema:
  Development proposal capabilities for high-precision optical systems
- Replacement lenses:
  Operational feeling of pro specs, high reliability

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Arrange a line-up of sensing instruments from high end to middle range to create a position as top vendor that customers requiring sensing instruments come to first in respective industrial fields

Secure top share from large-sized to medium-sized companies, beginning with research institutes that play a leading role in measurement standardization

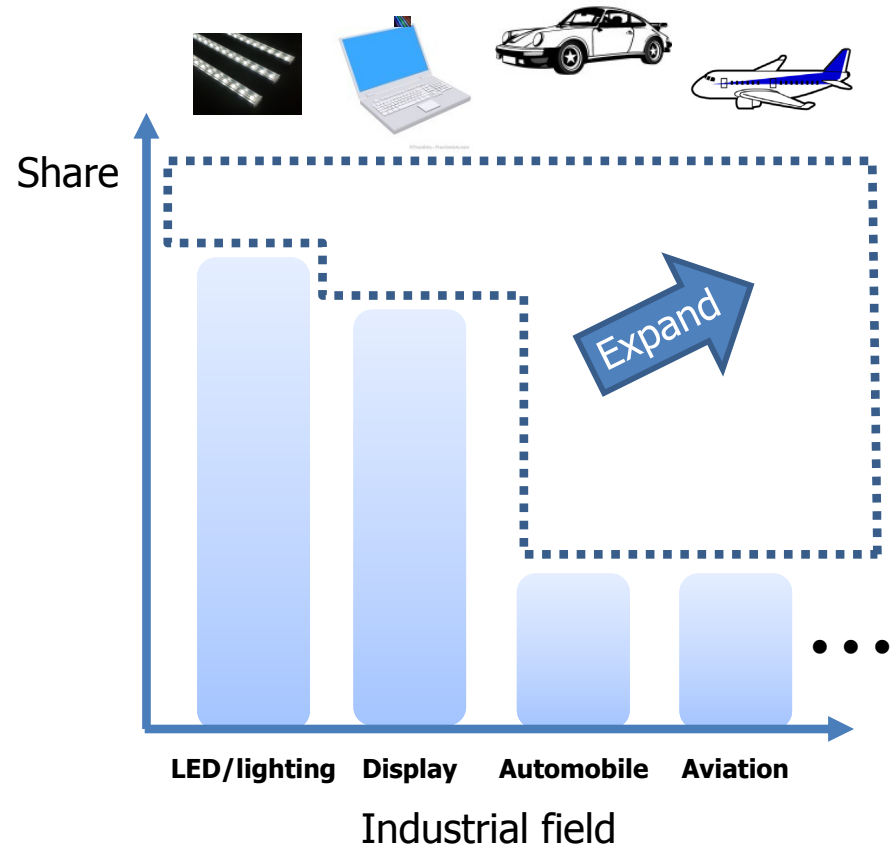**Realized position as top vendor through acquisition in FY12**

Built a position as top vendor in the LED/lighting field by acquiring a German sensing instrument manufacturer (Instrument Systems) in 2012
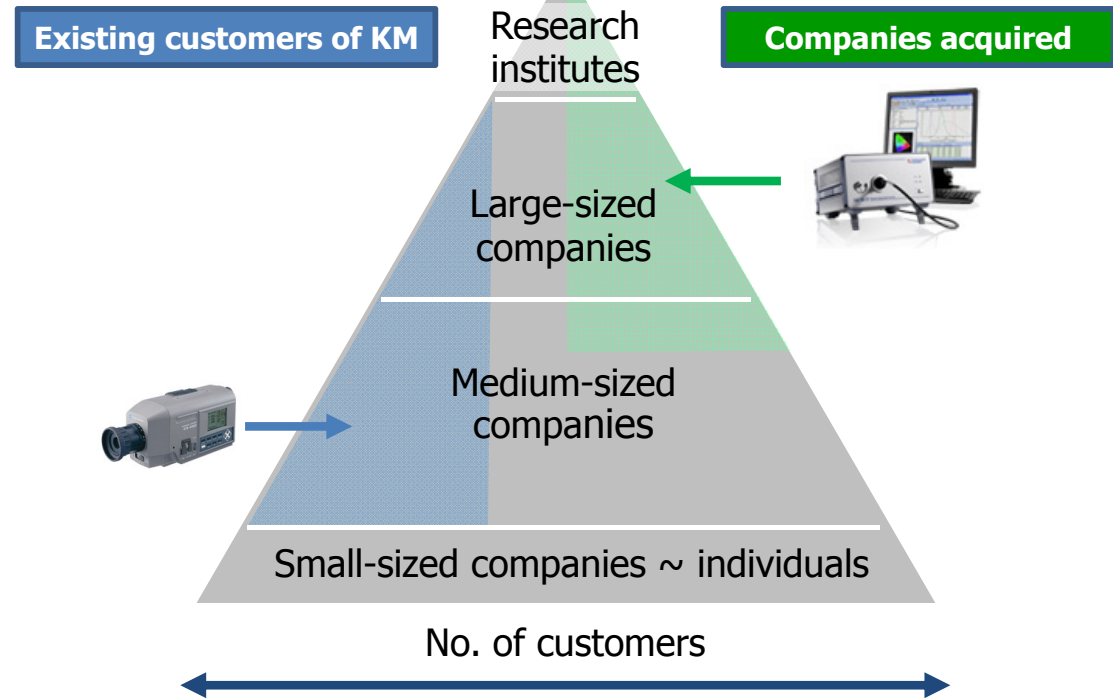
From FY14

Develop equipment and secure customer base in order to build a position as top vendor in other fields following LED/lighting

LED/lighting field

Existing customers of KM

Research institutes

Companies acquired

Large-sized companies

Medium-sized companies

Small-sized companies ~ individuals

No. of customers

Share

Expand

LED/lighting   Display   Automobile   Aviation

Industrial field

Functional Material Business Strategy

Anticipate customer needs in growth fields and create new businesses based on our unique technologies accumulated through areas ranging from photo film development to OLED development

Business Framework

Sales (¥bn)

100

Flexible organic EL lighting

60

60

New functional film

TAC film

FY13   FY16   FY18

Business Content/Strategic Point

Flexible organic EL lighting
Focus on domains that leverage OLED features, namely lightweight, bendy, as medium-term target

New functional film

- Window film

- Barrier film

Utilize core OLED technologies and KM's core technologies

TAC film
Exploit growth domain such as smartphones

Catch up in existing domains products

Conditions and Advantages

- Differentiate from the competition and establish unrivalled technology
  - Functional organic material synthesis technology based on advanced molecular measurement

  - Ultra-precise application technology incorporating unique evolution based on photo film

Approx. 3μm

- Conduct timely development that anticipates potential customer needs
  - VA-TAC, thin TAC

- Obtain ability to develop business for the proposal and sale of diverse product groups
  - Introduce internal and external resources

3-5-2. Core Competence in Functional Materials

Advance core technology and mass-production technology and cultivate market by leveraging new value
➡ Toward future "genre-top"

Flexible OLED lighting

Mass-production line for the world's first plastic substrate flexible OLED lighting panels

Integration and coordination

Core technologies

Functional organic material synthesis technology
Functional organic material design technology
High-speed film-forming technology
Optical design technology

Unique technologies/devices for OLED lighting

Transparent electrode
Blue-light emitting material
Light out-coupling structure
Sealing material
Roll to roll

Barrier film
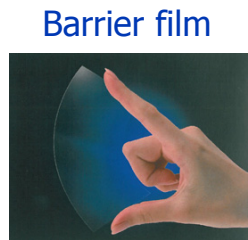
Develop components and materials business for other applications

Display field
Energy field

Utilize core OLED technologies and KM's core technologies
➡ Commercialize new functional film business

TAC film

Window film

Strategy for TAC Film and OLED Lighting Business

TAC film

1. Worsening notebook PC market condition
2. Diversification of materials

Thinner, more sophisticated

FY13 sales volume (forecast)

FY16 sales volume (target)
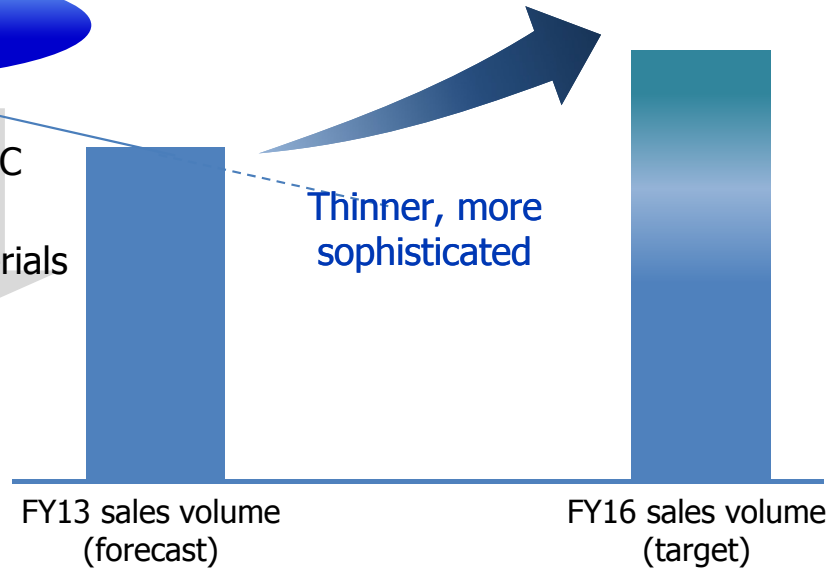
Exploit growth domain such as smartphones

Catch up in existing domains through new products

OLED lighting

¥50bn

Constantly innovate and expand market
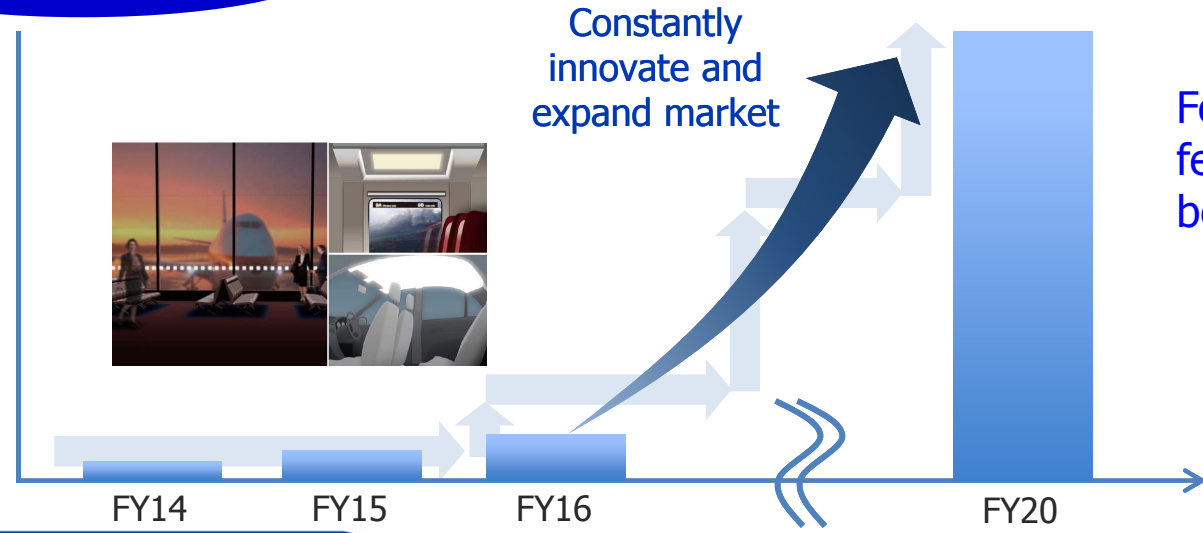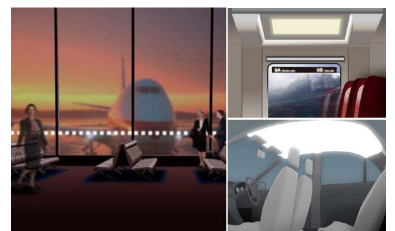
Focus on domains that leverage OLED features, namely lightweight, slim and bendy, as medium-term target

FY14   FY15   FY16   FY20

Enhance Added Value in Businesses

4-1. Customer-Oriented and Customer-Focused Business Processes

Customer

Printing	General office	Medical	Manufacturing industry	...

Customer-oriented, KM depth ↓

Local company
- **Evolve from a sales company into a locally-operating company**
- **Possess a strong direct sales system with direct sales ability (team selling) and field engineers who know the customer well**
- **Carry out consulting related to a customer's business, implementation/management of business reform**

Business Innovation Centers in 5 regions worldwide
- **Develop business in conjunction with the customer and in accord with market and customer characteristics**

BIC BUSINESS INNOVATION CENTER

Business partner, academic-industrial alliance
- **Alliances with promising partners, open innovation and speedy ability to take action**

One Konica Minolta (secure business opportunities unique to KM)
- **Combine capabilities as One KM and expand added value and strengths in accord with shared foundations and businesses**

BUSINESS INNOVATION CENTER

Objectives of BIC
- Develop new products & service locally to customer & market
- Create new corporate culture and develop human resources

Function of BIC
- Marketing, specification of customer value proposition
- Development and incubation of new business (New service planning ,development and investment, Open innovation, Proof of concept with customer

BIC, Europe

BIC, China

HQ

BIC, Japan

BIC, Americas

BIC, Asia Pacific

Development process of service business

Operation

Commercialization

R&D

Customer

Productization

Business development

Incubation

Concept proof

*Locally recruit management and key staff from heterogeneous business fields
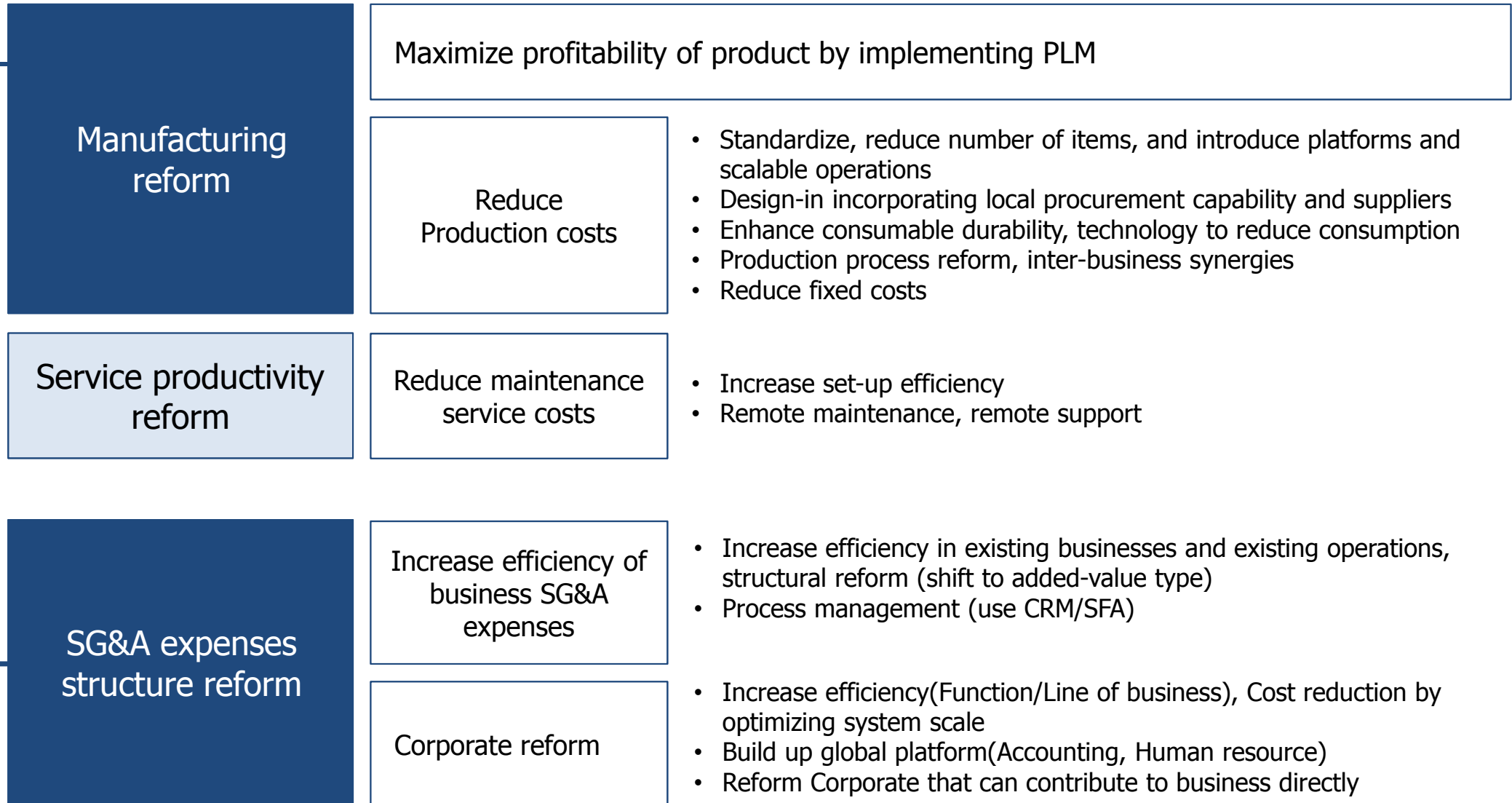
4-3. Realize One Konica Minolta

Customer	Commercial, industrial printing		General office	Medical	Manufacturing industry	Other (logistics, etc.)
Sales/service platform	Sales network that can be connected globally Usage-based charging platform (shared authentication infrastructure)					
Network platform	Cloud-compatible	Color management	KM cloud	Diagnostic medical information solution		Cloud-compatible
Solution/ service			Intelligent office	New diagnostic service		Content service
			Digital workflow			
			Managed IT service			
			OPS	Medical ICT service		
			MPM ● MMS			
Hardware	Digital printers for industrial use		OLED lighting	Modality		
			Next-generation device			
	T-POD	PP	MFP			
Component	Inkjet head	Built-in color measurement sensor			Optical system for industrial use	
					Optical components/ materials for industrial use Functional materials	
R&D/core technology	Material technology Optical technology Micro-processing technology Imaging technology					

Strong Corporate Structure

Transform to a strong corporate structure

Manufacturing reform	Maximize profitability of product by implementing PLM	
	Reduce Production costs	• Standardize, reduce number of items, and introduce platforms and scalable operations • Design-in incorporating local procurement capability and suppliers • Enhance consumable durability, technology to reduce consumption • Production process reform, inter-business synergies • Reduce fixed costs
Service productivity reform	Reduce maintenance service costs	• Increase set-up efficiency • Remote maintenance, remote support
SG&A expenses structure reform	Increase efficiency of business SG&A expenses	• Increase efficiency in existing businesses and existing operations, structural reform (shift to added-value type) • Process management (use CRM/SFA)
	Corporate reform	• Increase efficiency(Function/Line of business), Cost reduction by optimizing system scale • Build up global platform(Accounting, Human resource) • Reform Corporate that can contribute to business directly

Performance Targets

Achieve sustained growth and mark the highest profits within five years

The new Medium Term Business Plan
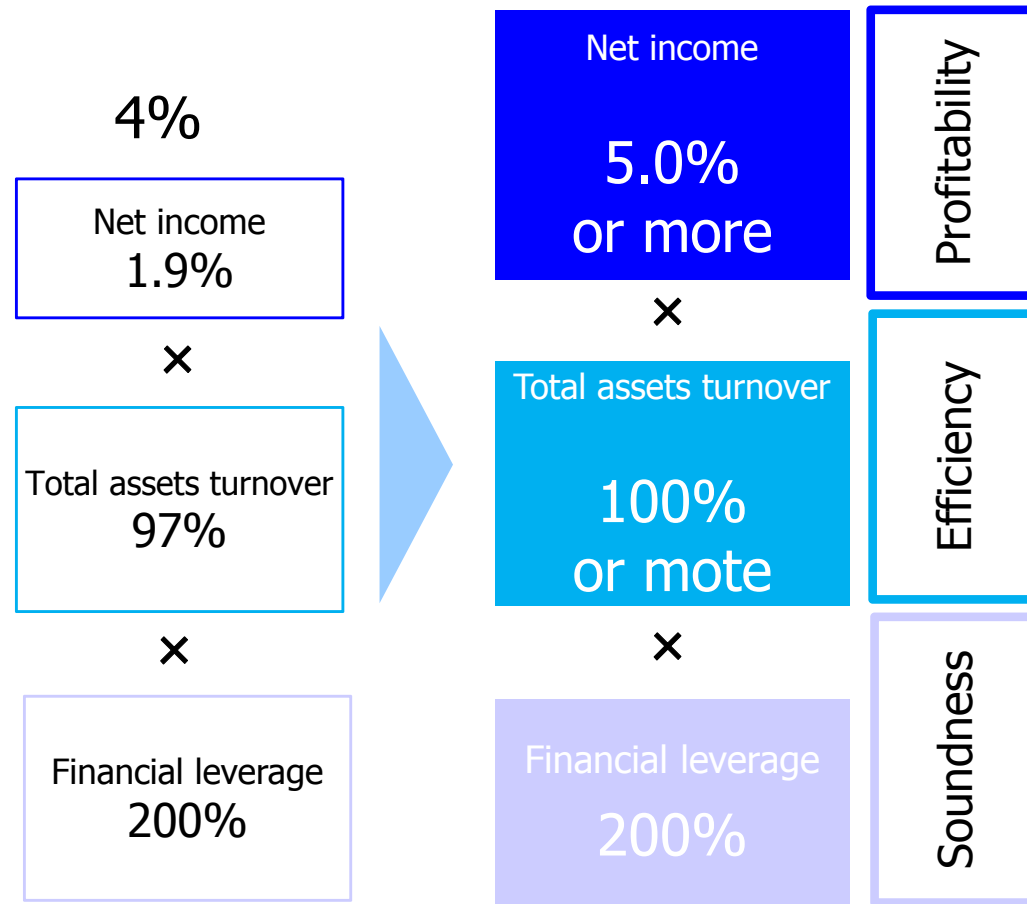**Complete transformation of business portfolio**

Net sales
¥930 billion
(Published figures)

Operating income
¥58 billion
(Published figures)

Net sales
At least
¥1.1 trillion

Operating income
¥90 billion
Operating income ratio
of at least
8%

Net sales
At least
¥1.3 trillion

Operating income
¥130 billion
Operating income ratio
10%

FY2013
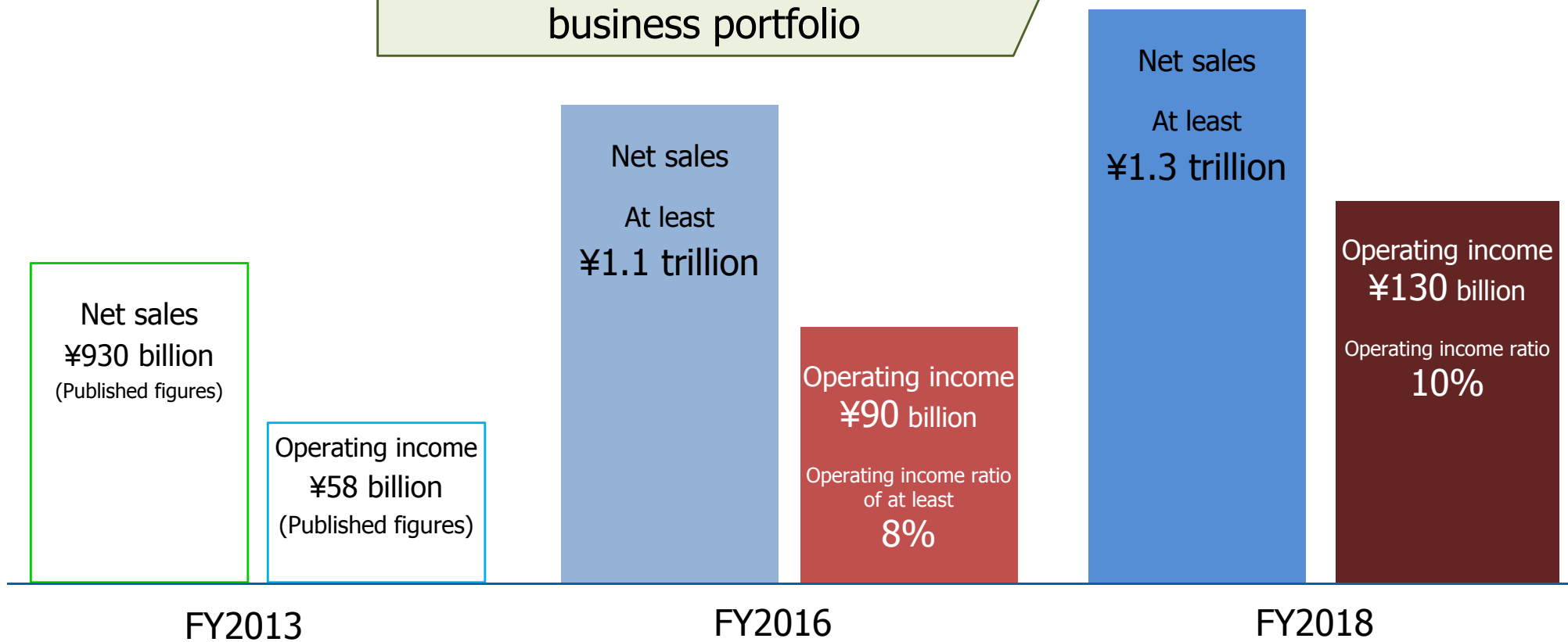
FY2016

FY2018

*Japanese GAAP

*FY2016 and FY2018 based on IFRS standards

6-2. ROE

Focus on ROE as an important management benchmark and aim to achieve an ROE of 10% or more by FY2016

10% or more

4%

Net income 1.9%
×
Total assets turnover 97%
×
Financial leverage 200%

Net income **5.0% or more**	Profitability
×	
Total assets turnover **100% or mote**	Efficiency
×	
Financial leverage **200%**	Soundness

FY2013
(published figure base)

FY2016

- Proceed with the transformation of business portfolio, improve the profitability of existing businesses, and achieve an operating income ratio of at 8% or more
- Improve non-operating/extraordinary income

- Improve asset efficiency through measures such as selling off idle assets and reducing inventories with an awareness of balance sheet management
- Actively provide returns to shareholders

- From the perspective of financial soundness, maintain an equity ratio of at least 50% and a net D/E ratio of zero
- Maintain a credit rating of A

R&D expenses	¥240bn (three-year cumulative total)
Capital expenditure Investment and financing	¥240bn (three-year cumulative total)

# 6-4. Stance Towards Returns to Shareholders

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Consider returns to shareholders as an important management issue
and work towards expanding and improving these returns

Dividend policy	Aim to increase dividends while working towards the certain attainment of the goals in the new Medium Term Business Plan
Acquisition of own shares	Proper judgments will be made in consideration of factors such as the progress of investment for growth, the free cash flow outlook, and stock prices

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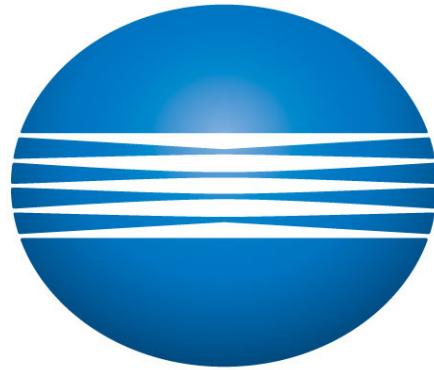
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