

### Konica Minolta, Inc. Medium Term Business Plan

- Announced on May 9th, 2014 -

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#### New Medium Term Business Plan





### 1-1. Basic Policy

### Realize sustainable profit growth

Evolve the "genre-top" strategy and create value

### Transform into a customer-centric company

Have customer insight and understand their needs
All actions and business processes of Konica Minolta should be based
on pursuing customer value

### Establish a strong corporate structure

Build a strong corporate structure by pursuing sturdy production operations and restructuring of corporate administration



# 1-2. Financial Targets

	FY2013 results	FY2014 outlook	FY2016 targets	
Net sales	¥943.8bn	¥1 trillion	¥1.1 trillion or more	
Operating income	¥58.1bn	¥62.0bn	¥90.0bn	
Operating income ratio	6.2%	6.2%	8% or more	
ROE	4.6%	5.6%	10% or more	
Assumed FOREX	U.S. dollar = $$100$ euro = $$134$	U.S. dollar = $$100$ euro = $$135$	U.S. dollar = $$100$ euro = $$135$	
	(Japanese Generally Accepted Accounting Principles, J-GAAP )	(Japanese Generally Accepted Accounting Principles, J-GAAP )	(International Financial Reporting Standards, IFRS)	

Giving Shape to Ideas



# 1-3. Financial Targets -by Segment

Net Sales	FY 2013 results		FY 2014 outlook		[¥billions] FY 2016 targets			
Business Technologies		729.8		800.0		917.0		
Office Services		567.1		600.0		680.0		
Commercial/Industrial print		162.8	200.0			237.0		
Industrial Business	116.1		110.0		140.0			
<b>Performance Materials</b>	58.3		58.3			49.0		60.0
Industrial Optical Systems		57.8		61.0		80.0		
Healthcare	82.4		82.4 90.0		100.0			
Group Overall		943.8		1,000.0		1,100.0		
Operating income	FY 2013 results		FY 2014 outlook		FY 2016 targets			
Business Technologies	63.9	8.8%	72.0	9.0%	90.0	9.8%		
Industrial Business	15.2	13.1%	12.0	10.9%	17.5	12.5%		
Healthcare	4.5	5.5%	7.0	7.8%	10.0	10.0%		
Group Overall	58.1	6.2%	62.0	6.2%	90.0	8.2%		

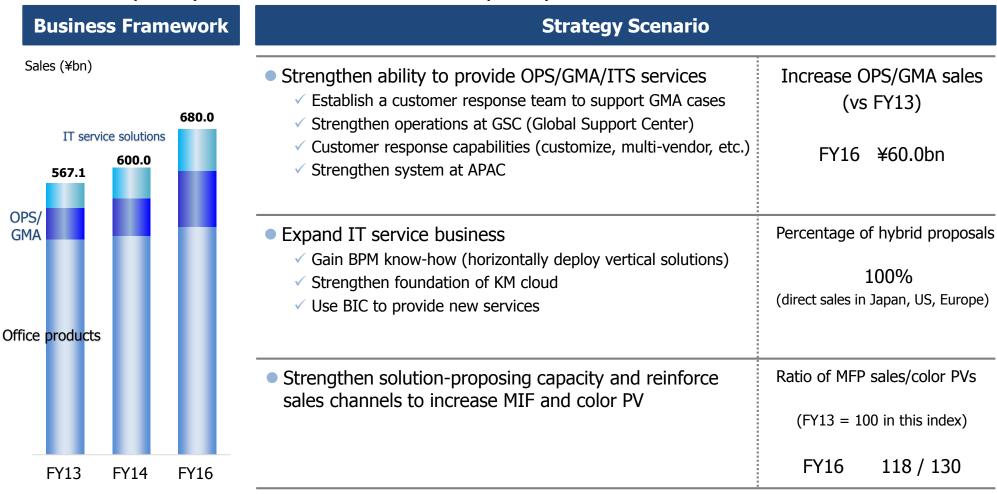


# Strategies and Policies for Each Business



### 2-1. Strategy Overview for Office Services Business

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





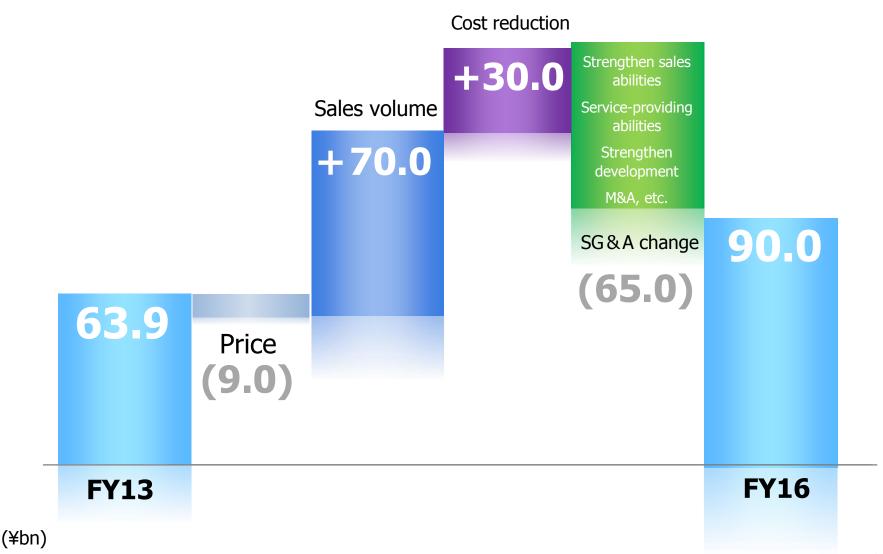
### 2-2. Strategy Overview for Commercial/Industrial Print Business

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

#### **Business Framework Strategy Scenario** Sales (¥bn) Ratio of PP machine sales/color Develop and launch new production printing products 237.0 **PVs** ✓ Get mid-size and up Commercial Print customers with MPP **Industrial Printing** (FY13 = 100 in this index)machines FY16 125/150 Expand KM PV with High Volume users 200.0 162.8 Global development of MPM service Increase MPM sales (vs FY13) ✓ Expand to US and AP region MPM ✓ Use Charterhouse's know-how and M&A FY16 ¥20.0bn (MPP) Increase industrial printing sales Full-scale launch of industrial printing business Production Print (vs FY13) √ Gain "Genre-top" applications √ Show synergy with capital tie-up partner MGI ✓ Enter industrial printing market by using electrophotographic FY16 ¥20.0bn technology ✓ Bring KM-1 to market, cultivate customers **FY13** FY14 FY16



### 2-3. Operating Income Growth in Business Technologies Business





### 2-4. Strategy Overview for Healthcare Business

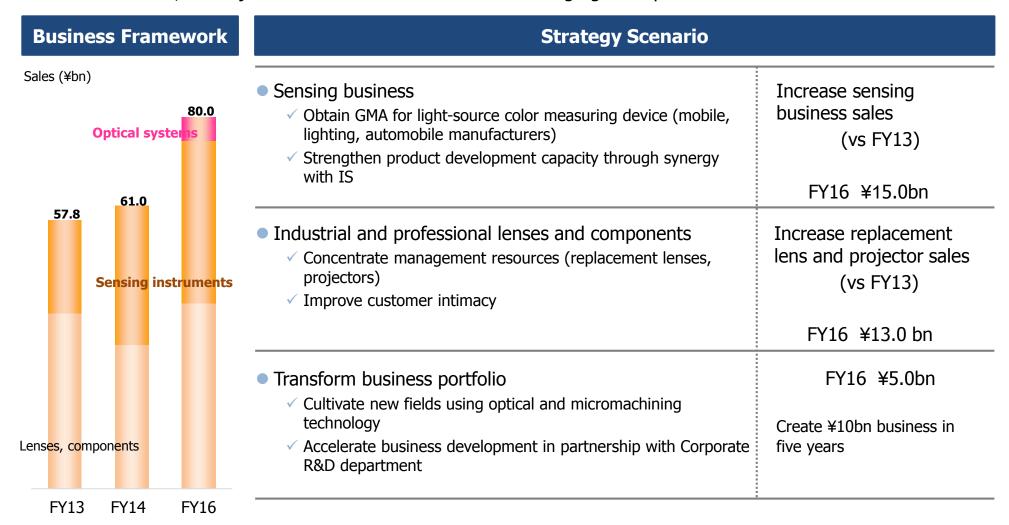
- Increase MIF by providing integrated solutions combining advanced diagnostic performance modality (DR and ultrasound) and medical information (diagnostic information and medical documents)
- Provide one-stop locally connected solutions to small- and medium-sized hospitals and clinics





### 2-5. Strategy Overview for Industrial Optical Systems Business

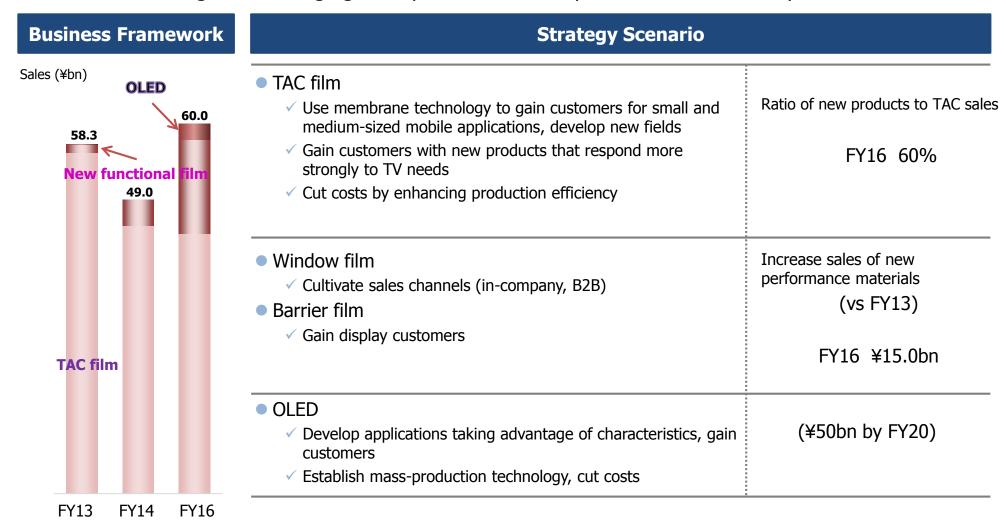
Evolve proposal capabilities cultivated in the sensing business and create new value through devices and systems, including solutions and services, for major customers in industrial fields with high growth potential





### 2-6. Strategy Overview for Performance Materials Business

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





### 3-1. Manufacturing Reform, SG&A Expenses Reform

### Transform to a strong corporate structure

### **Manufacturing reform**

Maximize profitability of product by implementing PLM

Reduce production costs

Consolidated gross margin ratio

Target 50% or more +2% over FY13

### **SG&A** expenses structure reform

Increase efficiency of business SG&A expenses

**Corporate reform** 

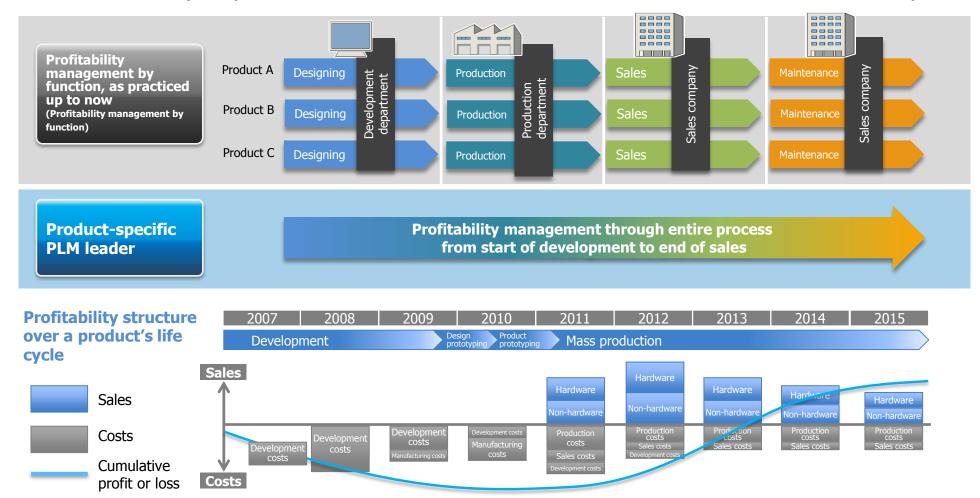
Consolidated SG&A expense ratio
Target 40% or less
-2% over FY13

Reduce ¥5.0 bn



## 3-2. Maximize Profitability of Products by Introducing PLM

- Maximize profitability throughout each product's life cycle, with a view to total optimization.
- Calculate life cycle profit or loss for each model and link it to the business's overall plans.





### 3-3. Reduce Production Costs Through Manufacturing Reform

Achieve cost competitiveness and restore our strength as a manufacturer by leveraging innovative technical capabilities and practicing all-out global procurement.

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Strategy	Major Policies				
<ul> <li>Enhance productivity and lower costs through process innovation</li> </ul>	<ul> <li>✓ Establish design-in and front-loading processes in collaboration with R&amp;D divisions and suppliers</li> <li>✓ Boost work efficiency and reduce loss by using ICT</li> </ul>				
<ul> <li>Strengthen manufacturing through production technology capabilities and disruptive technical innovation</li> </ul>	<ul> <li>✓ Greatly reduce component costs through new production technologies</li> <li>✓ Cut costs by letting suppliers use our internal technologies (strengthen technology procurement capabilities)</li> </ul>				
<ul> <li>Expand global procurement and optimize business locations</li> </ul>	<ul> <li>✓ Reduce costs by practicing optimal purchasing worldwide</li> <li>✓ Achieve the best production efficiency of any Japanese company based in China and stabilize procurement and production by not overly focusing operations on China</li> </ul>				



### 3-4. Corporate Reform

Make fundamental changes to the corporate functions necessary to survive the intense global competition

#### Strategy Scenario

- Enhance management mechanisms and optimize from a global perspective
- Increase efficiency of functions and work, reduce costs by optimizing system scale
- Build up global platform
- Transform corporate functions so they can contribute directly to business

#### **Major Policies**

- ✓ Optimize responsibilities and authorities associated with function and localize appropriately, and practice borderless organizational collaboration
- Achieve efficiency by standardizing work and reconsidering functions
- ✓ Unify (build) foundations and mechanisms, e.g., IT infrastructure, global HR system, and project management
- ✓ Maintain foundation for global management analysis
- ✓ Build and promote innovation mechanisms
- ✓ Carry out a Group HR enhancement program
- Carry out program to transform corporate culture and organization
- ✓Increase brand value

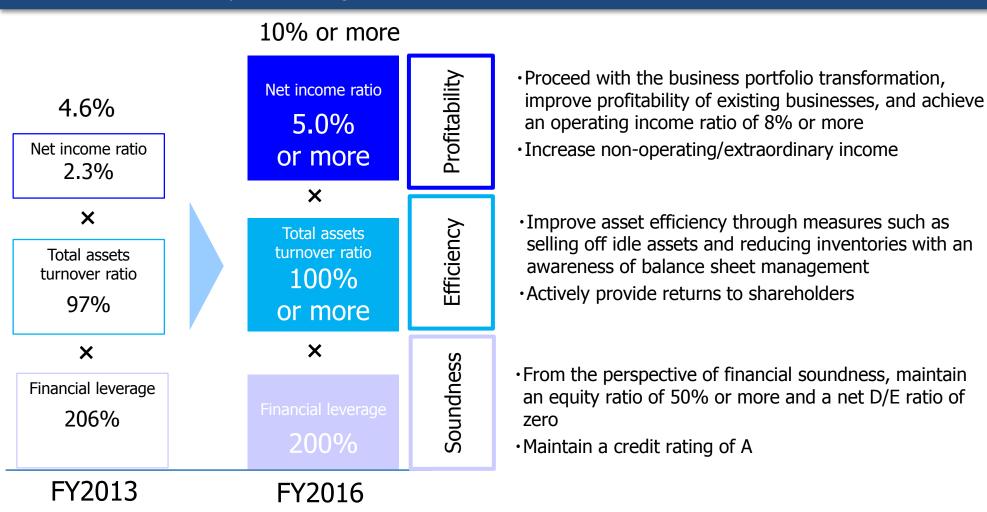


# Key Points of the New Medium Term Business Plan



### 4-1. Aiming for 10% ROE

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



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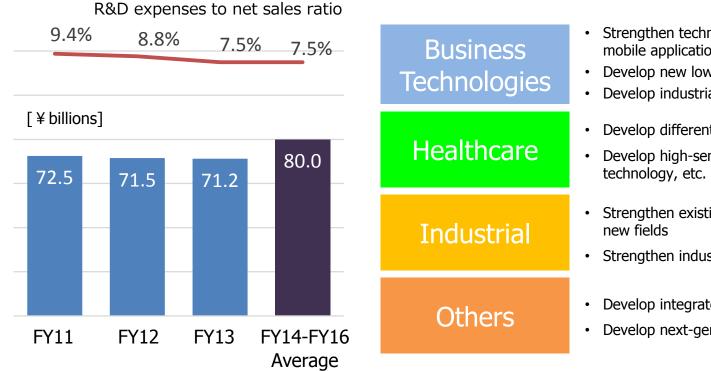
### 4-2-1. Investment Plan for Achieving Transform (R&D Expenses)

#### R&D expenses

Results

#### ¥240bn (three-year cumulative total)

Keeping these expenses at 8% or less of net sales, work to strengthen existing businesses and cultivate new ones



- Strengthen technologies which compliment cloud and mobile applications
- Develop new low-cost engine
- · Develop industrial inkjet hardware, ink, etc.
- Develop differentiating functions for DR/ultrasound
- Develop high-sensitivity detection (sample, pathology)
- Strengthen existing performance materials business, develop
- Strengthen industrial/professional optical units, etc.
- Develop integrated sensor/image processing systems
- Develop next-generation office systems, etc.

New Medium Term Business Plan

TRANSFORM 2016



### 4-2-2. Investment Plan for Achieving Transform

(Capital expenditure/Investment and financing)

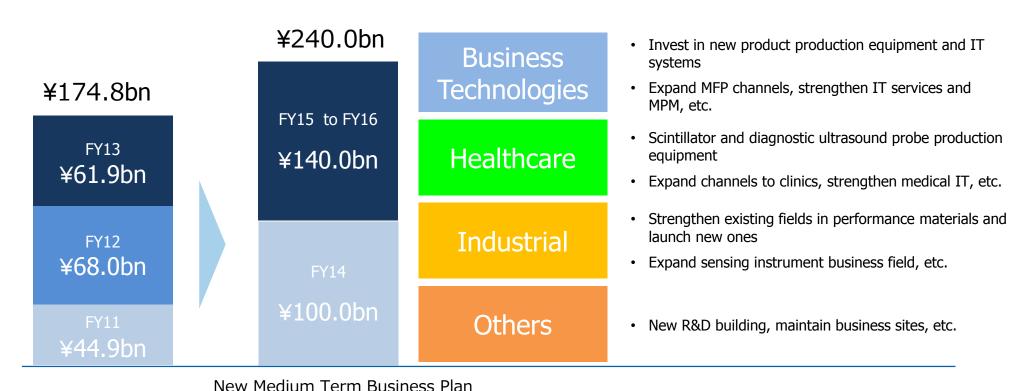
#### Capital expenditure/ Investment and financing

#### ¥240bn (three-year cumulative total)

Make priority investments in FY14, produce results by FY16.

TRANSFORM 2016

Concentrate investment in growth fields and new business areas to swiftly transform businesses.



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Results

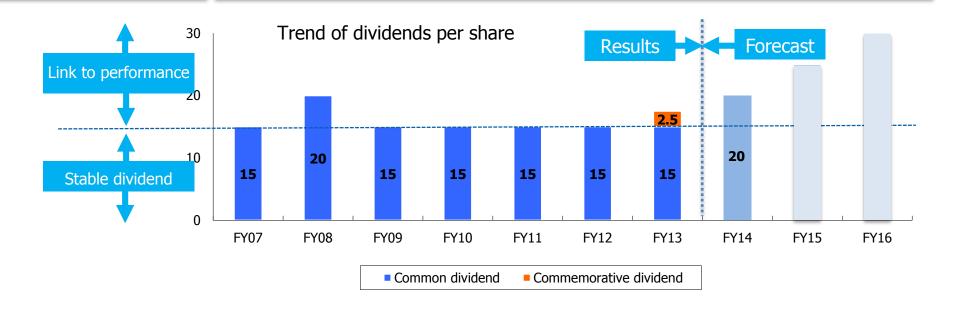


#### 4-3. Stance Towards Returns to Shareholders

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 treasury stocks

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



### 4-4-1. March 2015 (FY2014) Forecasts

■ Net sales : ¥1 trillion (YoY +6%)

Operating income : ¥62.0 bn (YoY +7%)

■ Net income : ¥26.0 bn (YoY +19%)

▶ FOREX assumption: 1 US\$ = \$100 1 euro = \$135

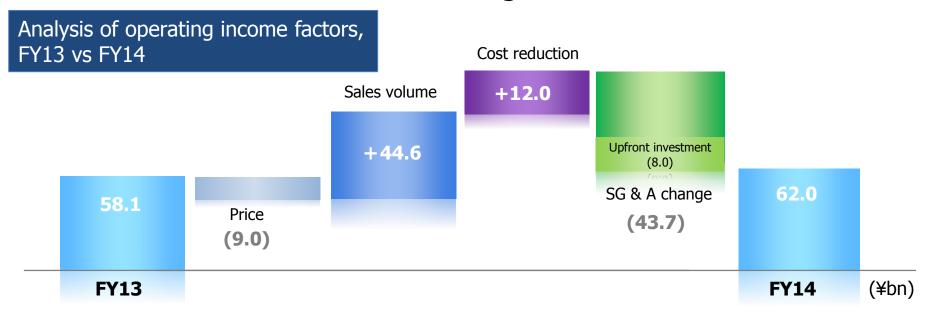
Dividend forecast: Increase by ¥2.5 per share on a year-on-year basis for a total of ¥20 per share (total annual)

\*Interim and year-end dividends: ¥10 per share each



### 4-4-2. Key Points of FY2014 Performance Forecast

Achieve increased profitability while investing to speed up our transformation and achieve sustained growth.



#### Breakdown of ¥8bn in upfront investment

Provide service	¥4bn	Human investment in service businesses, building GMA support system, strengthening OPS growth countries, strengthening BIC
R&D	¥2bn	Strengthening next-generation engine, developing technology that coexists with the cloud and mobile applications, developing high-picture-quality probes
New business	¥2bn	Developing new performance materials businesses



# **Supplementary Information**



# Full-Year Forecasts for Year Ending March 2015(FY2014)

### Group Highlights

			[¥billions]
	Forecasts	Results	
	Mar 2015	Mar 2014	YoY
Net sales(a)	1,000.0	943.8	6%
Operating income	62.0	58.1	7%
Operating income ratio	6.2%	6.2%	
Ordinary income	57.0	54.6	4%
Net income	26.0	21.9	19%
Net income ratio	2.6%	2.3%	
EPS [Yen]	50.49	41.38	
CAPEX	60.0	47.4	
Depreciation	55.0	47.4	
R&D expenses	75.0	71.2	
FCF	2.0	34.2	FOREX impact per 1yen movement
Investment and lending	40.0	14.5	(Full year/billions of yen)
			Net sales Operating income
FOREX [Yen] USD	100.00	100.24	USD 3.0 0.3
euro	135.00	134.37	euro 1.6 0.8



### Full-Year Forecasts for Year Ending March 2015 (FY2014)

### Segment Highlights

					[\ billions]	
Net Sales	Results			Outlook		
	Mar 201	4	Mar 2	YoY		
Business Technologies		0.008		729.8	10%	
Office Services		600.0		567.1	6%	
Commercial/Industrial print		200.0		162.8	23%	
Industrial Business		110.0	58.3		-5%	
Performance Materials		49.0		58.3	-16%	
Industrial Optical Systems	61.0		57.8		6%	
Healthcare		90.0	82.4		9%	
Group Overall	1,000.0		943.8		6%	
Operating income	Results Mar 2014		Outlook Mar 2015		YoY	
Business Technologies	72.0	9.0%	63.9	8.8%	13%	
Industrial Business	12.0	10.9%	15.2	13.1%	-21%	
Healthcare	7.0	7.8%	4.5	5.5%	56%	
Group Overall	62.0	6.2%	58.1	6.2%	7%	

