

Konica Minolta, Inc

Q&A from Q4/March 2022 Financial Results Briefing Session

Date and time: May 12, 2022, 18:00 to 19:15 JST

Method: Online/Telephone Conference

Cautionary Statement

This material was prepared for those who were unable to attend the financial results briefing in person and is intended only for reference purposes. Readers are asked to acknowledge in advance that the following text is not a verbatim account of everything that was said at the briefing but a basic summary whose content was determined by Konica Minolta.

Moreover, readers are asked to further acknowledge in advance that the business performance outlook and other content concerning future results in this document is based upon information that the Company has at present and upon a rational evaluation based on certain assumptions and, additionally, that actual business performance can greatly vary due to number of factors.

[Regarding results for the Company overall]

Q. Does the earnings forecast for FY2022 include one-time profit (such as profit from sales of asset)?

A: Not included.

Q. How is the forex impact on Operating profit?

A. The forex impact based on the latest results FY2021, the impact will be +¥400 million per ¥1 in euro, and it will be -¥300 million per ¥1 in US dollar.

Currently, the impact between euro and the US dollar will be canceled out. As the scale of revenue returns to its original state, we assume that the impact of € will be more large.

Q. Regarding P.9 in the material, achievable targets and indications of loss in the H1 of FY2022 can be understood as the new president's stance. Is it correct that both

Q1 and Q2 of operating profit are deficit? Also, please let us know what factors are you considering?

A. We are planning to aim for recovery by Q2, but we think that we should estimate the impact of the Shanghai Lock-down carefully. Q1 is assumed to be a challenging situation.

Q. When do you think the Company realizes to become a growth company after FY2023?

A. First, I will explain the office print. We make a conservative plan based on the assumption that the shortage of semiconductors and other components will continue and that the supply of hardware will not catch up with the production volume demanded by sales in FY2022. As it is difficult to anticipate when this shortage will be resumed, we assume that the range will be FY2022 to FY2023. However, as the Company overall, we believe that the businesses which will drive our earnings in the future are sensing, materials and components, industrial print, and healthcare (modalities) business areas. Accordingly, without waiting to rebuild the profitability of offices and production print, following FY2021, we will actively invest in the areas with aiming future growth diligently in FY2022.

[Business]

Q. Regarding P.10 in the material, what is the expected one-time structural reform cost and how much are the effects for Digital Workplace Business?

A. Its cost will be about ¥6 billion. And the effect will be approximately ¥6.5 billion in a year, and will be about ¥3.5 billion in FY2022.

Q. Do you think that structural reform of the ¥6 billion is enough?

A. Regarding the current structural reform is adequate or not, we will assess that the productivity per worker is adequate or not by current anticipation based on the trend of the rebound of demand for hardware. In FY2022, we will shift to efficient sales activities in the situation in which our supply does not catch up with demand. We would like to determine whether to implement further structural reform in the future by carefully assessing the circumstances.

Q. Could you please explain the specifics of structural reform?

A. Though we have been implementing the measures already, what we hope to implement during the current FY2022 are followings First, we will further improve the sales efficiency in office business by utilizing the data to review the deployment of some personnel. Second, we will also review the redundancy between the local layers and the head office. The objective is not only to reduce personnel, but also to create the capital for the promotion of DW-DX business in the future. Please let us refrain from commenting on specific measures such as size and region.

Q. Please let us know about non-hard sales status and outlook.

A. We assume that the demand for non-hard is expected to recover to 86% of FY2019 level by FY2021 through Q4, and it is expected to maintain this level in FY2022. As the volume of toner supply has returned to the level prior to the plant accidents, we will properly deliver it to customers while allocating it to production print business and office business. By region, it has been recovered in USA, and the supply situation in Europe has been resolving, although some models are insufficient. In addition, we will increase supply volume currently insufficient by utilizing procurement from external partners to, and aim to achieve an appropriate level of inventory.

Q. Looking at IDC's market share data, your market share of office hardware has declined significantly. However, is this correct to understand that though the share on the shipment basis has declined, the share on the installation basis has not declined? If your company's supply volume is insufficient compared to other companies, are there any concerns about dealers' defection?

A. What we are closely monitoring as data is the loss of our installed-based contract equipment. Although carefully checking by region, we have not lost contracted equipment. We need to clear our backlog as soon as possible, but we do not see any significant changes in our customer base, and our fundamental basis remains unchanged. Dealer channel includes exclusive dealers and concurrent sales dealers. If we are unable to supply products to exclusive dealers, we will temporarily lose them to other companies' products,

but there are some opposite cases. The market situation has not yet changed much.

Q. Regarding as the reduction in accounts receivable precision medicine in P.12, does this mean that sales representatives sell testing that are not approved by insurance companies?

A. This does not mean that they sold testing which were not approved. As the insurance company's approval process has changed to an application from doctors and hospitals, the actual situation is that the hospital has not been able to respond to the application.

Q. For FY2022 prospects, is it correct to understand that there will be no reduction in accounts receivable due to the same reason in the future?

A. No similar events will occur in the future. We have revised this forecast based on the actual collection results, but we will continue to implement a system to revise it while closely monitoring the collection rate as appropriate. Other companies in the same industry also use the same accounting scheme.

Q. Please let us know about the future outlook for materials and components segments in the Industry Business.

A. In materials and components segment, our basic approach is to act as an influencer for upstream in the industrial supply chain. Performance materials offers long and wide-range films that change the manufacturing process of polarizer films for display, and supports customers to make them more efficient including environmental considerations. Regarding as inkjet components, we focus on changes in manufacturing processes in the areas where inkjet systems used for production are increasing. For example, shifting the solder mask process to the inkjet method. We will take advantage of these shifts to change the industry's supply chain. In addition, optical components will shift from the field of selling interchangeable lenses such as entertainment-related lenses to the direction of responding to the diverse customers' needs of components for industrial applications, which are expected to grow. In FY2022, each unit is expected to grow with almost the same extent.

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