

"Konica Minolta, Inc."

Q&A from Q1 /March 2023 Financial Results Briefing Session

Date and time: July 28,2022, 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. On P.5 in the material, factors of increase/decrease of operating profit, please let us know what you anticipated and what you did not anticipate at the beginning of FY2022.

A. Shanghai lockdowns and rising logistics expenses were not anticipated to have any impact.

Structural reform expenses were recorded ahead of schedule with our intention.

Q. Do you assume the impact of Shanghai lockdown recover from Q2? Also, do you anticipate the logistics expenses spikes will continue in the future?

A. The impact of the Shanghai lockdown will recover in terms of production, but there will remain a slight impact on Q2 in terms of supply to the market. While we will take necessary measures to deal with rising logistics expenses, the impact will not be significant as much as the amount of Q1. But we assume it will continue for some time.

Q. Regarding the earnings forecast, I think that Q1 operating loss of 11 billion yen was close to the level explained at the time of the financial results briefing session in May. Do you think Q2 will continue to be in the red of operating profit when considering the planned structural reform expenses and the current situation? Also, what are your plans for Q3 and Q4 in H2?

A. Some structural reform expenses were booked ahead of schedule. However, considering the inability to sufficiently supply equipment from China until the beginning of June due to Shanghai lockdown and the impact of adjustments in market inventories of performance materials, we expect Q2 to remain in the red. On the other hand, we expect we will be profitable in Q3 because the backlog of orders for offices and production print will recover as a slight upturn in logistics lead time. Originally, Q4 sales will increase due to seasonal changes, but our plan is not heavily weighted in Q4.

Q. Could you please let us know the expenses that will not be incurred in FY2023 but will be incurred in FY2022?

A. Structural reform one-time expenses of more than 6 billion yen will not be incurred from the next fiscal year onward. Air transportation expenses are required to stabilize in-market stocks of toners. However, in FY2022 H2, they will decrease compared to H1, and from FY2023 onwards, we plan to eliminate around 50-10 billion yen.

[Business]

Q. Please let us know about the impact of rising interest rates on Digital Workplace Business, including the impact of price increasing and changes in the competitive environment.

A. Interest rates have begun to rise, and our business negotiations have begun to be affected. However, as the industry as a whole is currently unable to provide sufficient supply to meet demand, we see increasing cases that customers continue to use leased-up equipment. In this point, it is not only a negative factor. For new orders, we will carefully explain the situation to customers and respond to prices.

Q. Regarding performance materials, how certain is a recovery from H2 during the current market-adjustment phase?

A. In the current market environment, demand is declining sharply due to accelerating suspensions on supply chain. Although we do not expect this to completely return to FY2022 H2, we assume that when purchases decrease to a certain extent and demand stabilizes after Q2, there will be a difference in recovery depending on the sales and service capabilities of each company. We will continue our activities to expand our market share so far and prepare ourselves to be able to supply them sufficiently.

Q. Please let us know about the forecast for the business environment for the Industry Business as a whole in the future.

A. As mentioned earlier, we assume that it is difficult to recover the market impact of performance materials in Q2, but we will recover through Q3 and Q4. We will continue our activities to increase our market share and accelerate our measures by making good use of this adjustment period and flexibly changing factory allocations in line with demand. In inkjet (IJ) components, although the Chinese market was affected by lockdowns, sales of printing applications for the U.S., Europe and India, and industrial applications for South Korea were higher than original plan. In the sensing in Q1, sales of measuring instruments for light source color were strong, although a slight rebound is expected in Q2. The demand of the business will be strong as a whole. Visual inspection, which was unable to sell instruments due to a shortage of components in Q1, has received a large order for automotive applications. Hyper spectral imaging is also developing applications in the recycled field and other areas, and we expect steady growth in H2. In terms of the overall landing of the Industry Business, we expect it to be in line with the plan at the beginning of FY2022.

Q. In Healthcare, the yen's depreciation had a negative impact. In particular, because precision medicine has a large amount of overseas transactions, will it not be positive due to the yen's depreciation?

A. Precision medicine, which mainly in the U.S. market, is still in the red. When we turn this into yen, we see an increase in losses. In order to improve these conditions, we have shifted business operations from expanding sales to the policy that emphasizes profitability, and have begun structural reform.

Q. Please let us know about 0.8 billion yen of other expenses in healthcare and 1 billion yen of increase in expenses in the factor analysis of the change in Q1 operating profit on P.23 in the material.

A. Other expenses included litigation-related expenses of precision medicine. Additionally, we have accrued increased expenses as a one-time expense for long term incentive in preparing for IPOs.

Q. Regarding P.43, the number of samples of genetic testing of precision medicine in Q1 is slightly decreasing compared to Q4 of FY2021, but why is revenue increasing? Also, is the reduction treatment of sales and accounts receivable implemented in Q4 of FY2021 not implemented in this Q1?

A. The number of samples which is tested, and eligible for insurance reimbursement has increased from 4Q of FY2021. Although sales are lower than originally planned, actual sales other than FOREX impact is increasing. In addition, regarding as the reduction treatment of sales and accounts receivable, the collection rate has already been reviewed, and the treatment including past ones had been completed in FY2021. As a result, it has not occurred in Q1.

Q. The company processed the reduction treatment of sales and accounts receivable in 4Q of FY2021, but the sample numbers for this Q1 are unchanged from the levels prior to the treatment, and sales are also increasing. Does it mean that sales are recorded properly for samples received from April onward? Also, are there any risk of a reduction in sales that is being recorded now?

A. Decreases in sales and accounts receivable processed in FY2021 were aggregated for those not expected to be paid based on actual collection rates paid from insurance reimbursements for testing. Regarding sales which have been recorded since April, we have strengthened our ability to thoroughly check reimbursements and their procedures. And we are changing to the process of incorporating the possibility that we will not be able to collect them from the outset. Therefore, there is no risk that we will revise the reduction of sales and accounts receivable in the future.

Q. Regarding the business classifications on P.15, will the positioning of precision medicine change in the future, for example, bolstering the business as a low-profit one?

A. This will be a key point for portfolio transformation toward FY2025. There has been no change in our stance that we are preparing for IPO at adequate time. I would like to address the matter when I can explain.

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