

"Konica Minolta, Inc."

Q&A from Q2/March 2023 Financial Results Briefing Session

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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.

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[Regarding results for the Company overall]

Q. I think operating profit in the Q2 exceeded the previous forecast, were there any extra profits? Also, I assume that full-year operating profit will upward the forecast due to the elimination of the order backlog in the H2. How do you think about this?

A. The production situation, which was affected by the lockdown in Shanghai, was able to start up and recover faster than expected. The upside in operating profit is primarily due to the elimination of the order backlog for office, and there are no extraordinary factors. We have also been able to win new orders, and we are not pessimistic about the outlook for the H2. However, we consider the risk of temporary suspension of production because China's zero COVID-19 policy will continue. In addition, though the logistics transportation period has been shortened in terms of distribution, we are not optimistic and consider it as a risk.

Q. I think, in August, the forecast of operating was the loss of about 5 billion yen in the Q2, but it turned into a profit of 5.9 billion yen. It exceeded the previous

plan by about 10 billion yen. When breaking down it as factors, I understand as follows that performance materials of the Industry Business was lower than expected, but the depreciation of the yen and cost reductions in structural reforms contributed, and steady progress in production–supply in the Digital Workplace and Professional Print were higher than expected. Is this correct for understanding?

A. Roughly your understanding is correct.

Q. Regarding the forecast in the H2, you explained you consider the risks such as zero COVID–19 policy in China, does it incorporate any special expenses?

A. We believe that we have factored in reasonable levels of extraordinary expenses, such as rising logistics expenses and materials costs.

Q. In this annual forecast, revenue in DWP Business is planned to be around 340 billion yen in the H2. How much is revenue expected to grow in the H2 compared to the H1 in the office?

A. We expect office business to increase by about 30% compared to the H1, including the impact of forex.

Q. Regarding as hybrid loan refinancing of 100 billion yen at the end of this October, are there any changes compared to the previous one in 2017?

A. On October 31, we completed a hybrid loan refinancing of 100 billion yen, in which the lenders increase from the previous 19 banks to 22 banks. The other terms and conditions are almost the same, and the contents of the contract are basically unchanged from the previous one.

[Business]

Q. Regarding new MFP orders, are there any changes in the situation such as downward economic situation in your main European market? Could you also let us know about your thoughts on future orders?

A. In the office domain, the impact of COVID–19 has severely constrained demand over the last two years. On the other hand, during the recovery period, the industry as a whole did not make any progress in supply due to the effects of semiconductor shortage and other factors. As a result of these impacts, replacement demand, which had been stagnant in the past, is still ongoing, and

we do not consider the actual demand depends on only the economy situation. In production print and industrial print, however, customers are becoming more cautious and our negotiations are delayed, depending on the size of our customers particularly with respect to new investments. These prospects are also firmly incorporated in this forecast.

Q. In this forecast, how much are hard and non-hard revenue comparing with FY19 in office, and production print?

A. Compared to FY19, office hardware will return to 100% level. Non-hard will be around 83% as hybrid working between office and remote will take root. Regarding as Professional Print, non-hard will be about 95%. We are aiming for 100% for hardware, but if we include customers' restraint on buying presses as their CAPEX and so on, we think it will be slightly out of our reach.

Q. Please let us know the reasons why you expect non-hard of office to be lower than the beginning of the fiscal year?

A. Regarding as office, we have lowered our outlook this time from the initial assumption. Looking at the entire industry, I think A4 printers are on the decline as restrictions on activities such as staying at home or working remotely disappear and people return to the office. I would like to expect that the demand for office printing will increase as more people return to the office, but the reality is that the practice of working without printing during remote work has taken root to some extent. From this point of view, the installation of the hardware will not decrease drastically, but we assume that the print volume per machine will decrease slightly.

Q. Your productivity seemed to have been recovered in the Q2. Competitors' productivity has also been improved, but was not well than expected. How did it work well compared to other companies?

A. We have one production site in Wuxi near Shanghai. We used to collect parts into Shanghai and transport them to the site. However, during Shanghai Lockdown in the Q1, we built a direct route for sending parts into the plant without going through Shanghai. As a result, we can resume production as soon as possible after July, and we were able to achieve full-swing production.

Q. There are changes in the order backlog of the H1 and the forecast of the H2. How do you expect the order backlog to be changed at the end of this fiscal year?

A. At the Q1, it was difficult to predict how the restart of production will proceed after the impact of the Shanghai lockdown and I thought there was a risk that order backlog would remain at the end of this fiscal year. After that, based on the status of the start-up of production by July and the recovery status of the toner factory that had the accidents last year, we are trying to return the order backlog to a normal level during this fiscal year. This is the change for the order backlog at the end of this fiscal year from the previous forecast.

Q. Regarding as the deterioration of the economic situation, you are seeing an impact on production printing and industrial printing. From what point of view do you feel this? Also, how will be the balance between structural digitization market growth and economic deterioration? Please let us know whether the market growth will be weakened due to the deterioration. Also, if the medium-sized companies are affected by the economy, DW-DX's IT solutions will also be affected?

A. In high-end of production print and industrial print, there are signs that negotiations have been prolonged since around August. It is not that the negotiations in commercial printing field is uniformly prolonged. The cautiousness for investment is changing between small- and medium-sized printing companies and large-scale printing companies, so we expect the polarization to continue for the time being. On the other hand, industrial print, including textile has recognized the advantages of digital printing anew through experiencing COVID-19. Because they require to reduce inventory in the circumstance of a lack of manpower. Therefore, in the medium- to long-term, I think the trend toward digitization will not stop. Currently, large printing companies with financial resources will proceed digitization without hesitation, but we assume that companies below-medium-sized companies may stop the digitization for a while. On the other hand, in DW-DX, there are many businesses, which are not limited to large customers, are experiencing lack of people. There are demands for solutions that can lead to automation and so on, regardless of economic situation.

Q. Regarding as P.6, mobile X-ray system with Dynamic Digital Radiography, I think that sales of mobile X-ray system have progressed special demand due to COVID-19. What do you aim for continuing to promote sales of this field in the future?

A. We are enhancing digitization in the area of X-rays. Regarding as the mobile X-ray digital system, we have been appealing for the superiority of being able to take pictures immediately on the beds without having to move the patient to the X-ray room. Previously, it was only a static image, but by dynamic imaging and image analysis, it is now possible to diagnose functions such as blood flow in the lungs. This is a value which only we can provide in the world, and we can greatly differentiate from other competitors in the future. This is the mobile X-ray system with Dynamic Digital Radiography. We have begun selling it since this year, so you can understand that it differs from COVID-19 special demands of the conventional one.

Q. Did precision medicine's deficit increase compared to the Q1?

A. Although we have refrained from disclosing the amount, but some structural reforms have been implemented since the Q1, and we are continuously improving the number of samples for genetic testing and the cost of sales for testing. This was in the red in the Q2, but the extent of the deficit was considerably reduced. However, under the current forex situation, the deficit will expand when converted to Japanese yen.

Q. Regarding as performance materials, considering the recent market environment, it seems inevitable that demand is lower than expected. Currently, panel manufacturers are suspending production lines, and is there a risk that earnings will decrease further in the H2?

A. There are some variations in the situation among panel manufacturers. For example, some manufacturers in China have suspended operating due to the severe environment, but others are in the different trend. Even as the market is declining, strong demand continues as inquiries from panel manufacturers for VA models, which we are focusing on in particular. Although there are both strong and weak conditions among manufacturers, this weak condition,

particularly in IT and mobile fields, is expected to continue in the H2. We will overcome this situation in the H2 by reviewing the allocation of production lines and replacing existing lines for small- and medium-sized fields with ones for TVs.

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