KONICA MINOLTA, INC.

Mid-Term Management Plan Progress Briefing

April 24, 2025

Event Summary

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[Participants]	
[Number of Speakers]	6

Toshimitsu Taiko	Director, President & CEO, Representative Executive Officer
Noriyasu Kuzuhara	Director, Executive Vice President & Executive Officer Responsible for Industry Business
Toshiya Eguchi	Executive Vice President & Executive Officer Responsible for Technologies
Yoshihiro Hirai	Executive Vice President & Executive Officer Responsible for Corporate Accounting, Corporate Finance, Legal, Risk Management and Compliance
Norihisa Takayama	Executive Vice President & Executive Officer Responsible for Business Technologies Business

	Miwa Okamura	Senior Vice President & Executive Officer Responsible for Corporate Communications & IR
[Analyst Names]*	Masahiro Shibano	Citigroup Global Markets
	Ryusuke Katsura	SMBC Nikko Securities
	Masahiro Nakanomyo	Jefferies
	Mie Yamazaki	Morgan Stanley MUFG Securities
	Takashi Shimamoto	Okasan Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Okamura: We will now begin the KONICA MINOLTA, INC. Medium-term Business Plan Progress Briefing. Thank you very much for taking time out of your busy schedule to join us today.

Prior to today's briefing, two releases were disclosed at 11:30 AM as well as one briefing document. We hope you will check them out on the website or other sources.

I would now like to get down to business. Today's speaker is Toshimitsu Taiko, President & CEO, Representative Executive Officer of KONICA MINOLTA, INC.

The following members will assist Taiko with the Q&A session. Noriyasu Kuzuhara, Director, Executive Vice President & Executive Officer Responsible for Industry Business; Toshiya Eguchi, Executive Vice President & Executive Officer Responsible for Technologies; Yoshihiro Hirai, Executive Vice President & Executive Officer Responsible for Corporate Accounting, Corporate Finance, Legal; Norihisa Takayama, Executive Vice President & Executive Officer Responsible for Business Technologies Business; and Okamura, who is responsible for Corporate Communications and IR, will serve as moderator.

After this, we ask that everyone please turn off camera functions and mute audio during Taiko's explanation. After Taiko's explanation, we will answer your questions.

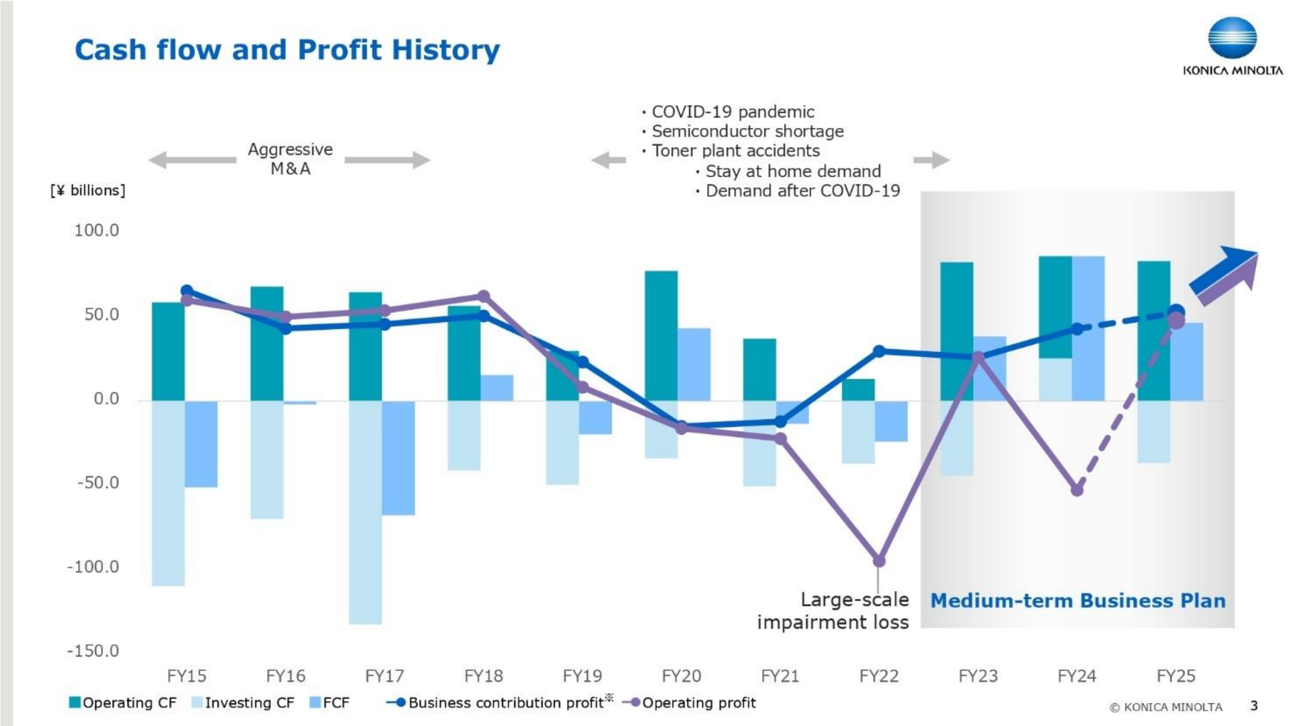
We have set aside a maximum of one hour for the Q&A session, but since we understand that you will be busy today with financial announcements, etc., we would like to proceed as efficiently as possible and move the session forward. For the Q&A session, we would like to have questions first from those involved in the capital market, followed by those from the media. Thank you very much for your cooperation.

Mr. Taiko, please begin.

Taiko: Hello, everyone. Let me quickly explain the contents of today's announcement.

I will explain the revision of the FY2024 forecast, the progress of the medium-term business plan behind it, as well as the current outlook for FY2025 and our efforts for further growth in FY2026 and beyond.

The first part is the second year review of the medium-term business plan. At the start of the FY2023 medium-term business plan, we have set a goal to break away from the past and promote business selection and concentration. Now that we have completed our second year, we will look back at the past and discuss how far we have come in promoting reforms.

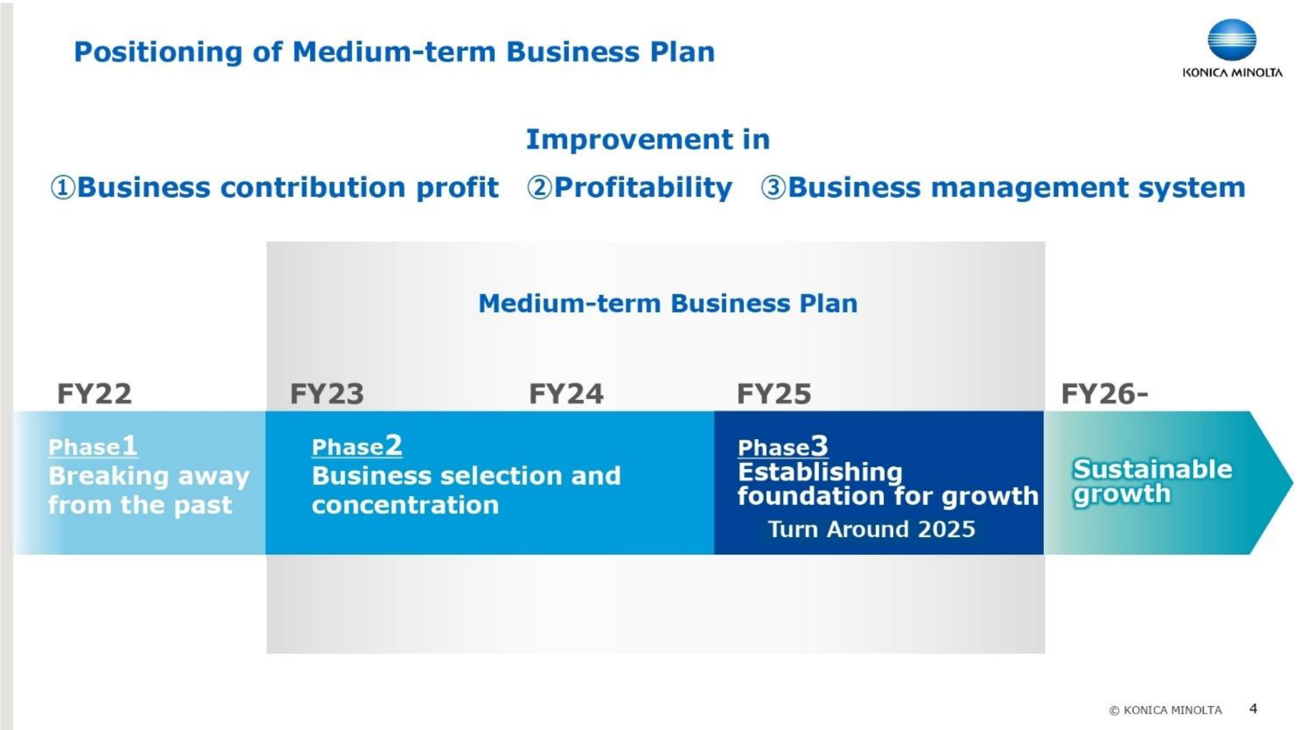


This is a look back over the past 10 years. In the three years from FY2015 to FY2017, in anticipation of the peak out of office print business, we have conducted aggressive M&A activities in order to build a new earnings pillar, and invested more than our operating cash flow.

Since FY2020, the Company has faced a challenging business environment due to the COVID-19, a shortage of semiconductors, and an accidents at the toner plant. Due to these external and internal factors, both business contribution profit and operating profit have fallen into the red in FY2020.

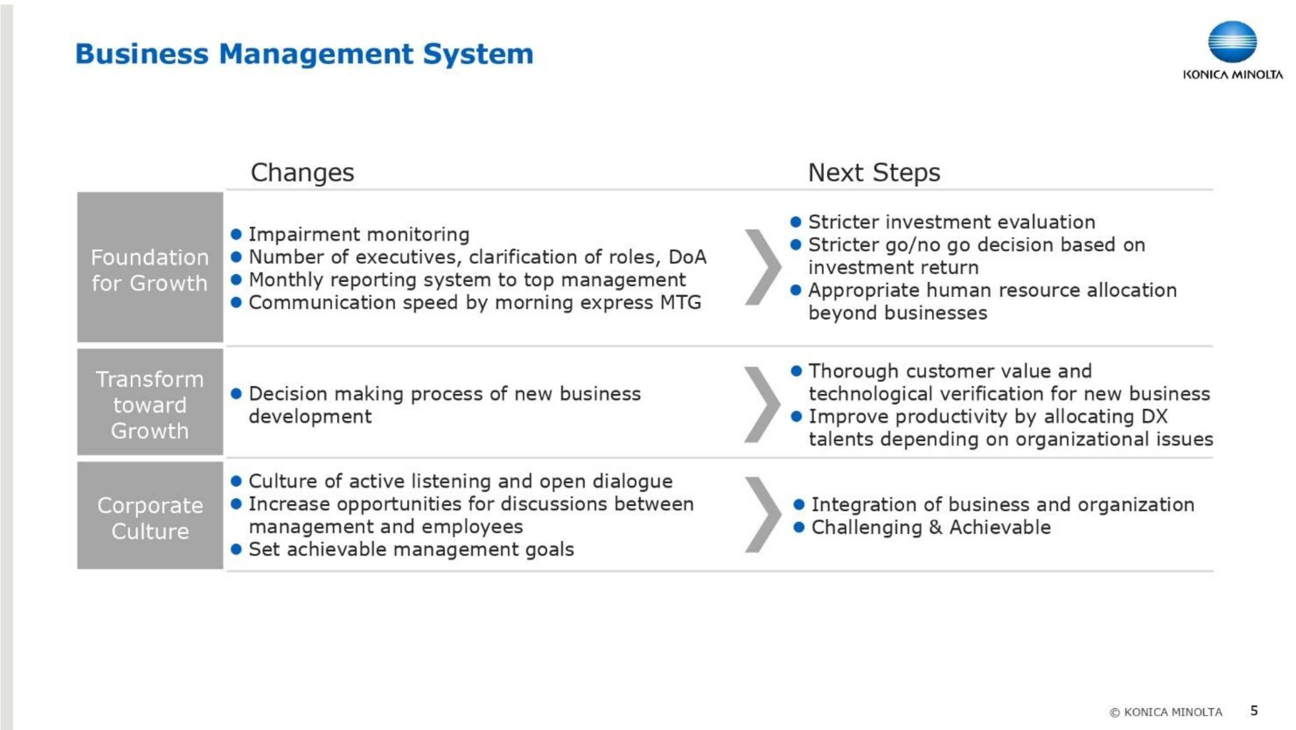
When I took office as president in FY2022, I myself took the decision to post a major impairment loss, and in order to return to a highly profitable company as soon as possible, I reviewed the positioning of strategic new businesses and made the decision to proceed with business selection and concentration.

Until FY2024, we have been determined to complete this business selection and concentration.



In FY2023 and FY2024, the first two years of the mid-term plan, in addition to the implementation of business selection and concentration, we are also implementing global structural reforms.

Moreover, the final year FY2025, which we have named Turn Around 2025, will be a year for establishing a growth foundation for sustainable growth in FY2026 and beyond.



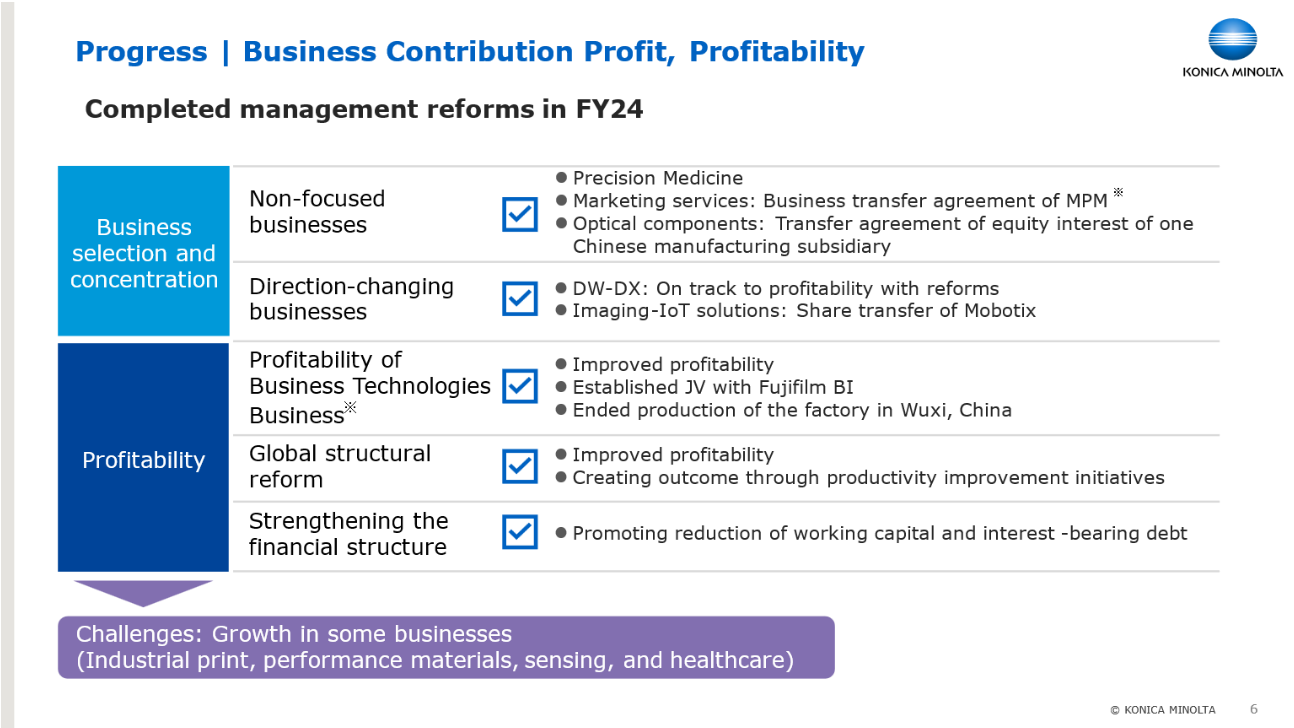
The slide is organizing in terms of strengthening the business management system. Based on past reflections, we are working to strengthen the business management system as a measure to improve management from the inside.

To build a foundation for growth, we are strengthening our predictive impairment monitoring and reviewing our investment evaluation and go/no go decision, etc. We have already started these strict operations as well.

As part of our transformation toward growth, we have also reviewed our decision making process of new business development and plan to conduct more thorough customer value and technology verification than in the past. With regard to DX promotion, we will further improve productivity through bottom-up problem solving and top-down deployment.

We also believe that corporate change and reform cannot be implemented through short-term initiatives alone, but must be accompanied by a change in corporate culture. To date, we have held internal briefings, including Q&A sessions, and town hall meetings at each site for each quarterly financial closing, believing that dialogue with employees is of the utmost importance first.

In the future, we would like to further increase dialogue between management and employees and promote efforts to integrate cultures across business and organizational boundaries.

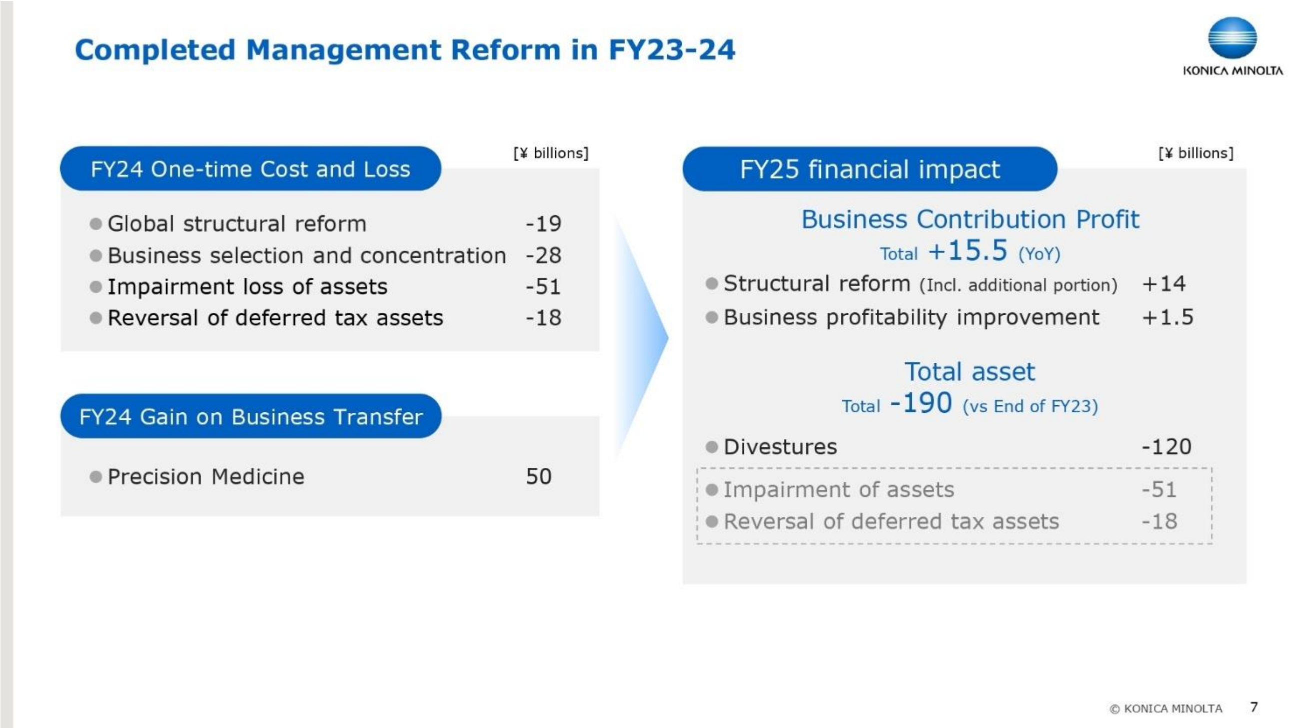


This slide organizes the results of the past two years. In FY2024, we worked on a number of management reforms and believe we were able to complete all the measures we set out to do.

With regard to business selection and concentration measures, a business transfer agreement for overseas MPM services in marketing services, which was positioned as a non-focused business, and a share transfer agreement for Mobotix in imaging-IoT solutions, which was positioned as a direction-changing business, were signed in Q4 of FY2024, respectively.

In addition, efforts to strengthen the earnings base have resulted in a steady recovery and expansion of office and production print revenues. Global structural reforms are also expected to be more effective than originally planned. With the cash obtained mainly from the business transfer, reduction of interest-bearing debt is underway, and the strengthening of the financial structure is progressing as planned toward the end of FY2025.

On the other hand, we continue to recognize the deteriorating profitability and slow growth in some business units, which we positioned as strengthened businesses in the medium-term business plan, as management issues and recognize that we must accelerate our efforts to improve them.

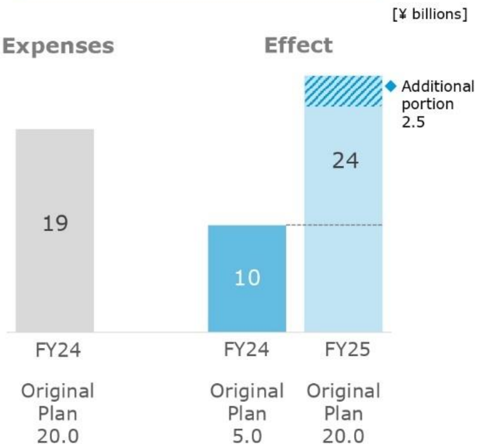


The next slide illustrates the selection and concentration I just mentioned including a few numbers. With the completion of the project in the past two years, along with the effects on business contribution profit, the total asset reduction effect from the FY2024 measures will be JPY190 billion toward FY2025. Furthermore, business contribution profit is also expected to improve by JPY15.5 billion for FY2025.

Global Structural Reform and Business Selection and Concentration

- Besides the original plan, additional measures implemented in some functions and regions
- Further improvement of efficiency and profitability with business selection and concentration

Global Structural Reform



Decreased Number of Group Employees

Global Structural Reform (incl. temporary and contract workers)	Plan	Result
Total	2,400	2,700

◆ Including additional measures (After Oct 2024) : 300 (Business Technologies sales subsidiary in US, optical components Dalian, healthcare, sensing, etc.)

Business Selection and Concentration (incl. temporary and contract workers)	Result
Precision Medicine Marketing services MPM business Mobotix Optical components Shanghai Partial business transfer of DW-DX	2,800

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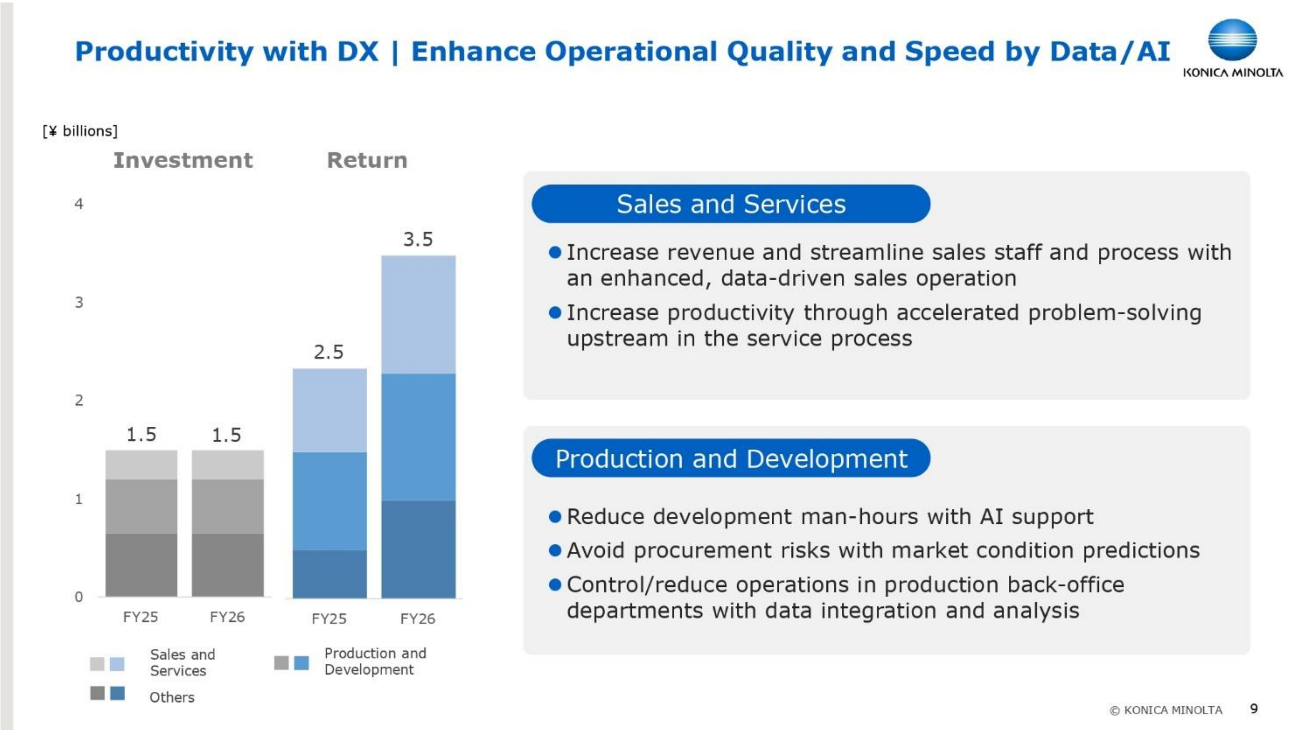
This is a summary of the global structural reforms that have been implemented. This is in terms of personnel. The decreased number of group employees as we implement global structural reforms and business selection and concentration is shown on the right side of the slide.

Additional measures were also implemented in some functions and areas against initial assumptions. As for global structural reforms, we expect to record one-time expenses of about JPY19 billion in FY2024, including additional measures, but the profit-boosting effect of these measures is estimated at JPY24 billion, of which about JPY10 billion has already materialized in FY2024. In FY2025, it is expected to increase and improve by about JPY14 billion from FY2024.



While promoting these structural reforms, we are also working to improve productivity through the use of DX. This is explained on this slide.

We are already making use of data and other forms of AI in areas such as sales services and production development. Based on the needs of the field and the projects we are working on, we will improve productivity in our operations and, in addition to that, improve the value we provide to our customers by utilizing this kind of information. This is the kind of vision we are striving for, and I am confident that we are getting closer to it.

From FY2025, among the many DX promotion themes, we plan to actively promote mainly those that provide a return on investment.

It is important, of course, not to rely solely on the output of AI, but more than that, the quality of discussions and examinations can be enhanced depending on the utilization, leading to quicker decision-making, which is a significant effect. I myself will take the lead in promoting the use of AI within the Company.

FY24 Earnings Forecast Revision

[¥ billions]

	FY23	FY24	
	Result *1	Previous forecast (As of Feb 2025)	Forecast
Revenue	1,107.7	1,134.0	1,125.0
Business Contribution Profit	33.3	42.0	43.0
Operating Profit	27.5	-14.0	-53.0
Profit attributable to owners of the Company	4.5	0.0	-38.0
FOREX [Yen]		*2	
USD	144.62	151.93	152.58
EUR	156.80	162.37	163.75

*1 : Figures excluding discontinued operations
*2 : Weighted average of Q3 cumulative actual rate and Q4 expected rate

Changes from February

- **Business Contribution Profit**
  Exceeded forecast in Digital Workplace Business

- **Operating Profit** [¥ billions]

Loss from transfer of all shares (Business selection and concentration)	Amount
Marketing services MPM business	-9.8
Imaging-IoT solutions Mobotix	-10.4
Impairment loss	
Healthcare	-5.5
DW-DX	-2.5
Industrial print MGI	-14.0

- **Profit attributable to owners of the Company**

Profit from discontinued operation (Transfer of Ambry Genetics)	Amount
Gain on evaluation of Tempus shares, etc.	+8.0
Reversal of deferred tax assets	
Overseas subsidiaries	-14.0

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Next, FY2024 forecast revision. Based on the results of the reforms implemented to date, we have revised our full-year forecasts for FY2024.

Business contribution profit, which is used as an indicator of earning power of the business and an indicator that is not affected by transitory factors, is seen to have shown steady improvement while steadily meeting the forecast made at the beginning of the fiscal year. The Company expects to exceed its earnings forecast at about JPY43 billion.

Secondly, we have revised our operating profit forecast downward by JPY39 billion from the previous forecast by incorporating the operating loss from the business transfer and the impairment loss from the impairment test, which reviewed future business plans, due to the completion of the business selection and concentration in Q4.

In addition to these effects, the Company expects to record an adjustment to profit for the gain on the sale of shares of Tempus, the consideration for the transfer of Ambry Genetics, in profit attributable to owners of the Company. In addition, a reversal of deferred tax assets of overseas subsidiaries is expected to be recorded, resulting in a downward revision of profit attributable to owners of the Company by JPY38 billion from the previous forecast.

FY2025

- Turn Around 2025 -

Next, in Turn Around 2025, we will discuss FY2025.

Turn Around 2025

- Aim for ROE of 5% through business growth and management reform effects
- Aim to resume dividend of 10 yen

[¥ billions]

	FY24 Forecast	FY25	FY25 Mid-term plan (As of Apr 2024)
Revenue	1,125.0	1,050.0	1,050.0
Business Contribution Profit	43.0	52.5	Ratio over 5%
Operating Profit	-53.0	48.0	-
Profit attributable to owners of the Company	-38.0	24.0	-
ROE	-	5%	Over 5%

FOREX [Yen]			
USD	152.62	145.00	135.00
EUR	163.70	150.00	140.00

- The impact of US reciprocal tariffs is approx. ¥16.0 billion yen (estimated based on information released by the US government as of April 23rd JST) and is not included in the table above
- Aiming to absorb the impact by reevaluation of Go-to-Market strategy, additional cost reduction, utilization of low-tariff countries in SCM

First, this will be an explanation for FY2025 based on the results of these management reforms through 2024. For revenue, the foreign exchange rate assumption is based on a stronger yen than in FY2024. Also, due to the impact of business transfers and other factors, revenue is expected to be down from the previous year. We will continue to grow our existing business firmly, especially in the Industry Business, but revenue is expected to decrease.

On the other hand, business contribution profit is expected to increase to JPY52.5 billion due to business growth and the effects of the management reforms just mentioned.

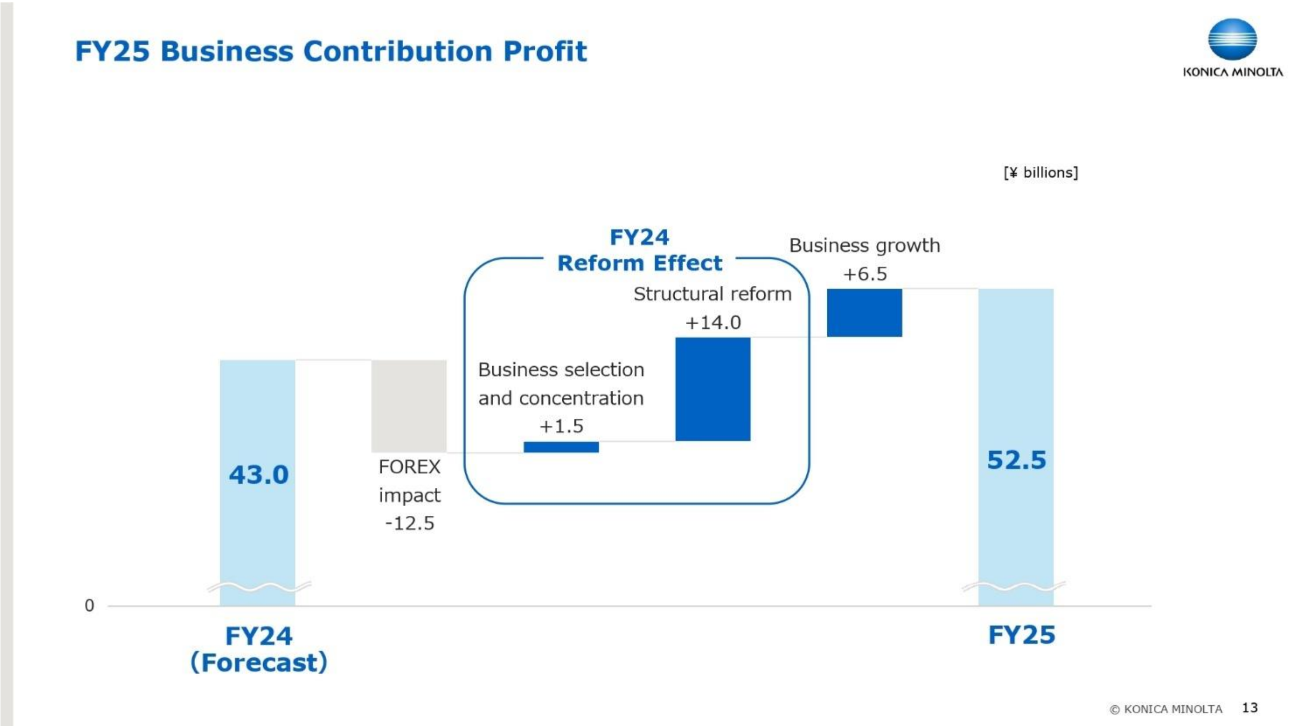
With the completion of management reforms, we expect operating profit of JPY48 billion and profit attributable to owners of the Company of JPY24 billion in FY2025, as transitory factors are virtually eliminated, and our current thinking is to target ROE of 5% or more.

Dividends will be reallocated to shareholders beginning in FY2025, with the aim to JPY10 per year.

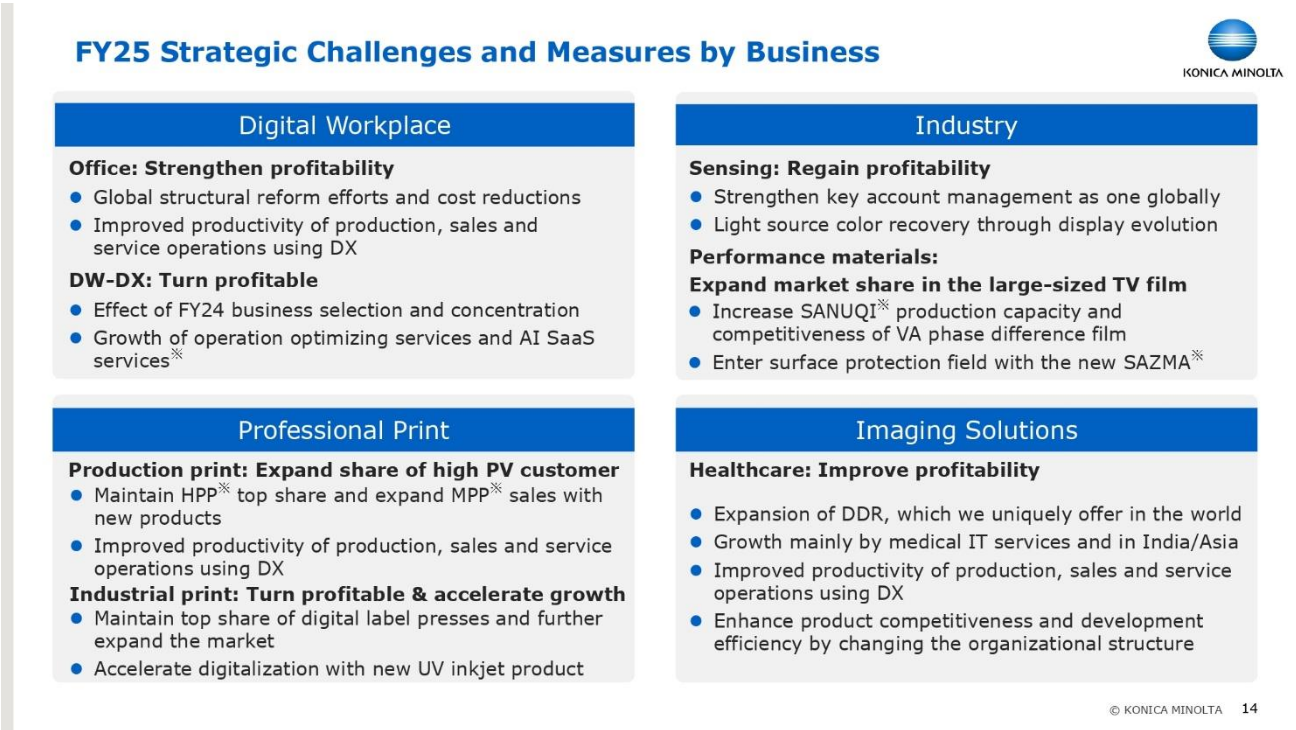
The impact of the US reciprocal tariffs is uncertain, but based on information released by the US government as of April 23, JST, we estimate the impact to be approximately JPY16 billion.

Although this impact is not reflected in our full-year forecast as mentioned earlier at this time, we will aim to absorb these effects by reevaluating our Go-to-Market strategy, making additional cost reductions, and considering the utilization of low-tariff countries in SCM.

We intend to make FY2025 the year we realize Turn Around by building a foundation to put our company back on a growth trajectory.



This is a waterfall chart of business contribution profit starting in 2024.



This section describes the main strategic challenges and measures by business for FY2025.

First, the office business will continue to strengthen its profitability. In particular, we will strive to improve the efficiency of production, sales, and service operations using DX, as explained earlier. The DW-DX business is expected to return to profitability as a result of reforms implemented in FY2024.

In the Professional Print Business, we will seize the growth of the digital printing press market and expand sales in the medium-speed production print segment, where growth has been somewhat stagnant, with a focus on maintaining the number one market share in high-speed production print, especially in high-end production print, by launching new production print products. We will once again strengthen our efforts to achieve the top market share.

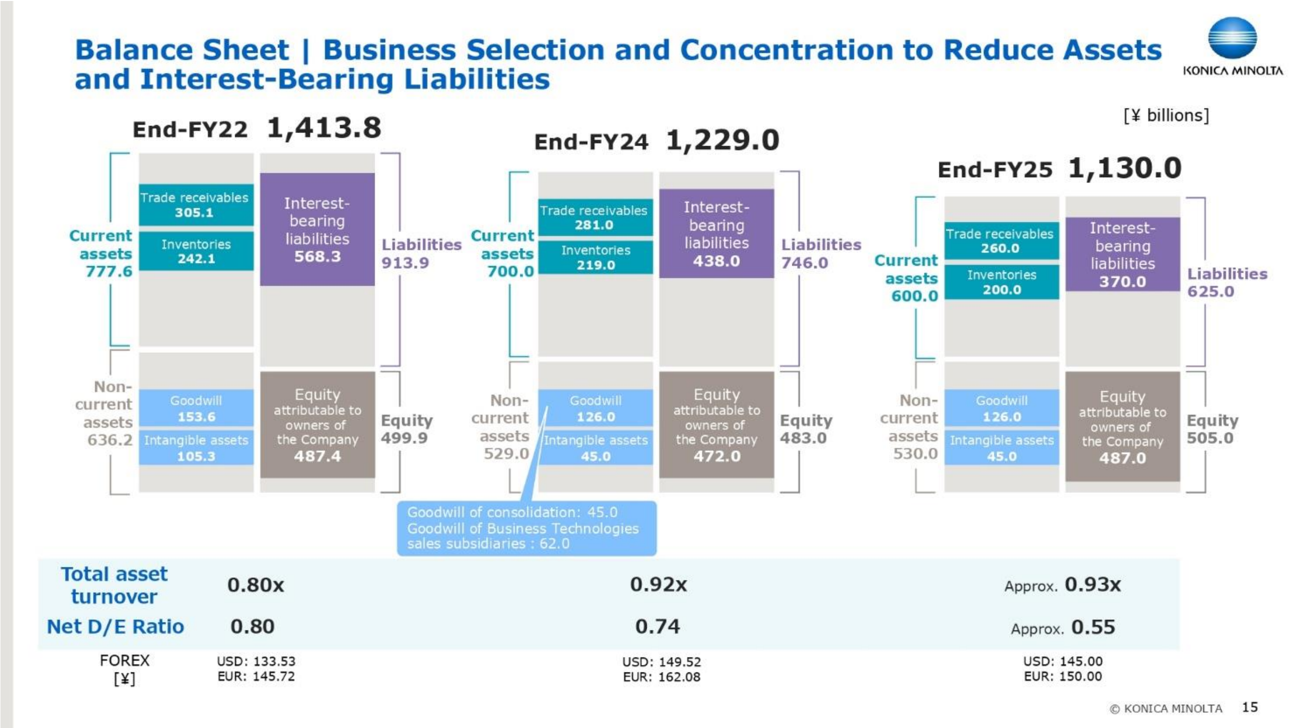
The industrial print business is positioned to accelerate digitalization with the introduction of a new UV inkjet press, with the aim of achieving the business as a whole to profitability as soon as possible.

The Industry Business aims to return to a growth path. In the sensing business, this will be an initiative to improve profitability as soon as possible, incorporating a review of the key account management structure on a global basis and a recovery in demand for measuring instruments for displays.

In the performance materials business, we will aim to further expand our market share, especially in the large-size TV area, by introducing new material film SAZMA, along with strengthening production capacity of SANUQI, a new resin film for which demand is increasing.

In the Imaging Solutions Business, initiatives to improve profitability, especially in the healthcare business, are necessary and will be implemented. We will continue to expand our X-ray dynamic digital radiography systems, which we uniquely offer globally, and we will seize opportunities for digitalization in India and other parts of Asia to drive growth.

In addition, thorough production cost reductions and a review of the development system have already begun. The effects of the structural reforms implemented at the end of FY2024 will also be added to achieve improved profitability.



This is the balance sheet. Through business selection and concentration that we have promoted as part of our management reforms, we have already achieved a significant reduction in interest-bearing debt by utilizing the consideration received from the transfer of Ambry Genetics, Invicro, our optical components site in Shanghai, our overseas MPM business, Mobotix, and other businesses, and we will finish this initiative to the end, in 2025.

Interest-bearing debt is expected to be reduced by approximately JPY130 billion at the end of FY2024 and by JPY200 billion at the end of FY2025, thereby strengthening the Company's financial structure.

In addition, goodwill amounted to JPY126 billion at the end of FY2024 due to impairment losses recorded in FY2024. At one time, the Company had goodwill in excess of JPY250 billion, but this has been cut in half.

Among them, we currently have JPY45 billion of goodwill from the integration of Konica and Minolta and JPY62 billion related to the sales subsidiaries in the Business Technologies Business as part of the JPY126 billion, but we do not see any risk of further impairment of the goodwill at this time, partly because we have been working to improve profitability.

By the end of FY2025, the Company intends to achieve a total asset turnover ratio of 0.93 times and a net D/E ratio of 0.55, mainly by reducing these assets and interest-bearing debt.

KONICA MINOLTA

For Mid- to Long-term Profit Growth

Accelerating technology development contributing to gross profit

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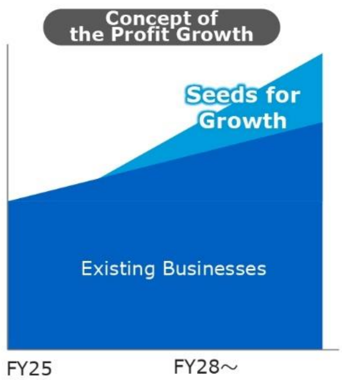
Let me continue to talk a little bit about the future, for mid- to long-term profit growth.

Mid- to Long-term Growth Seeds with AI-Enhanced Core Technologies

KONICA MINOLTA

Existing Business	Core Technology		AI-Enhanced Optics/Measure-ment/Materials	Theme
Optical Components	Precision Molding	×	Optical Design Simulations	Optical Components for Semiconductor Manufacturing Equipment
Seeds for Growth				
Business Technologies Sensing	Resin Molding	×	High-precision Waste Material Analysis	Recycled Plastic Materials Production
Performance Materials (OLED Lighting)	Materials/ Film Casting	×	High Barrier Layer	Barrier Film of Perovskite Solar Cell
Sensing	Optical Measurement	×	State Measurement of Microbes	Process Monitoring of Biomanufacturing



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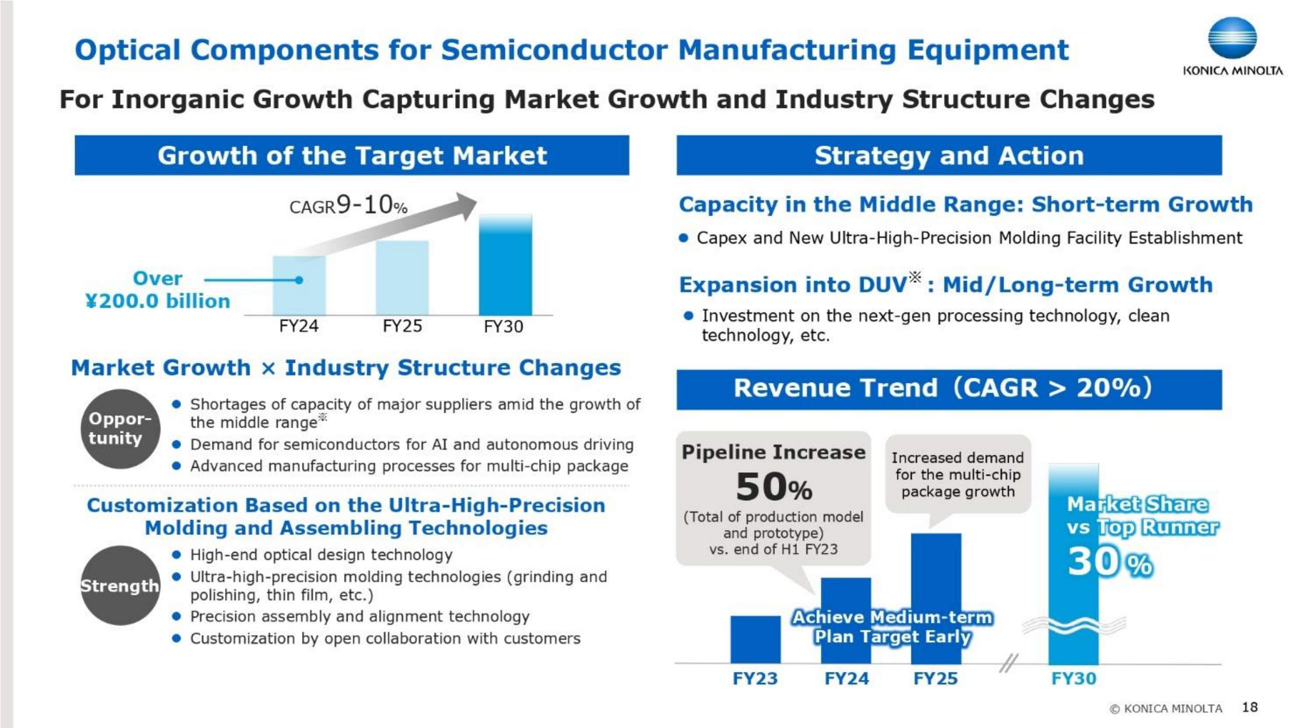
This explanation is about mid- to long-term growth seeds with AI-enhanced core technologies. First, four themes are listed here as future possibilities for significant profit growth.

The common theme is that by crossing AI with the core technologies developed in existing businesses, more advanced optical and material design and sensing will become possible, and that these can become indispensable in the next generation of growth industries.

In the past, we have done M&As in which we went into exclaves from existing businesses, but we will use our past failures as a basis for our future growth, and the most important change from the past will be to ooze out of the existing businesses.

The optical components business for semiconductor production equipment is already part of our existing areas of strength, and in FY2025 we will strengthen our production system by also increasing our facilities.

We aim to contribute to profits in the medium to long term from the next fiscal year onward for the other growth themes, and our current thinking and position is to first firmly proceed with the verification of technology and customer value.



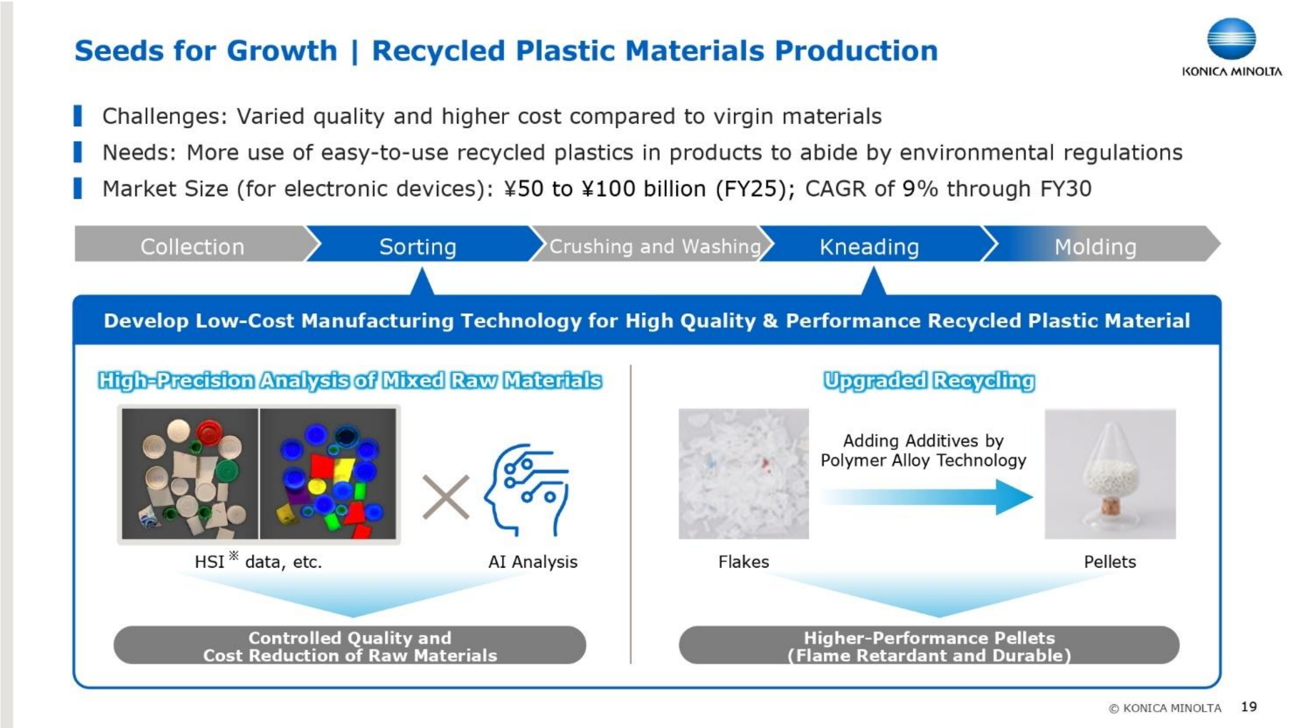
Let me explain a little about optical components for semiconductor production equipment. These are optical components for semiconductor production equipment, for which we have been growing our business with customers for more than 10 years.

The market for semiconductor production equipment is expected to continue to grow at a stable and high rate, and the industry structure is changing with the evolution of manufacturing processes due to multi-chip package and the lack of supplier supply capacity in the middle range, mainly for power semiconductors. We believe that we can aim for inorganic growth beyond market growth by taking advantage of our ability to respond to customization based on our ultra-precision molding and assembly technologies.

First, in order to achieve current growth, we will strengthen our production system by increasing our facilities and adding a new ultra-precision molding site in FY2025.

In addition, we intend to expand into the DUV area, where greater precision is required, and invest in next-generation technologies such as non-contact polishing that will contribute to improved precision and standardization of technologies.

Through these efforts, we will achieve revenue growth at a CAGR of 20% or more over the medium to long term, with the aim of increasing our market share to 30% of the top runner by FY2030.



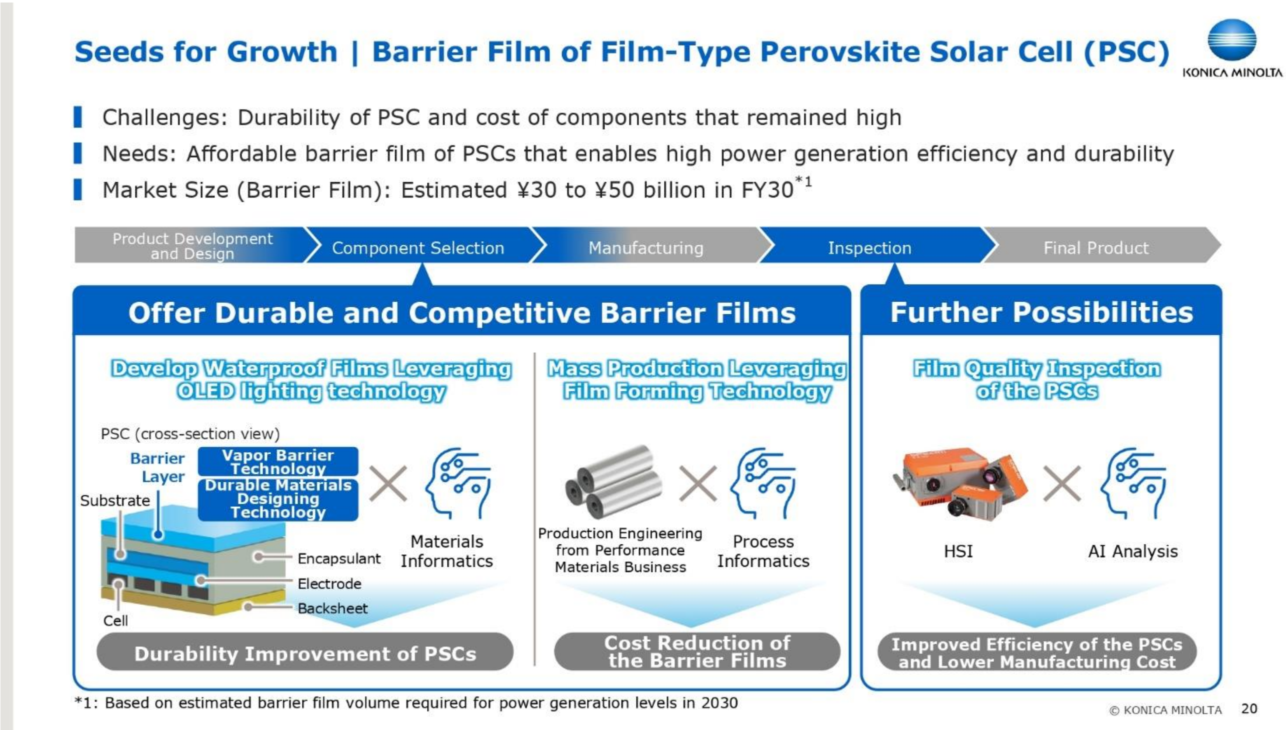
One of the seeds for growth is the recycled plastic materials production. As environmental regulations are being tightened worldwide, there is undoubtedly a need for manufacturers to promote the use of recycled plastics in their products.

On the other hand, the majority of the current recycled plastic materials still have a large variation in quality compared to virgin materials because the waste materials used as raw materials for recycled plastic and the materials that have been discarded so far are of various plastic types and conditions. It also faces the challenge that recycled materials are more expensive because of the additional processes required to stabilize quality.

By using AI to analyze data obtained by hyperspectral imaging technology, which is a sensing technology, we have the technology to analyze and sort waste materials with high precision by type, even if they are a mixture of many different types of materials, thereby contributing to stabilizing the quality of recycled plastic materials and reducing the cost of raw materials.

In addition, we do not just recycle, but also have upgrade recycling technology to add functions such as flame resistance and durability to recycled materials. We would like to offer these types of items to our recycler customers.

The upgrade recycling technology has already been proven in the manufacture of our MFP materials and has been used in the manufacture of other companies' products since FY2024. In addition to providing recycled plastic materials to electronics manufacturers, we would like to provide them to other industries in the long term.



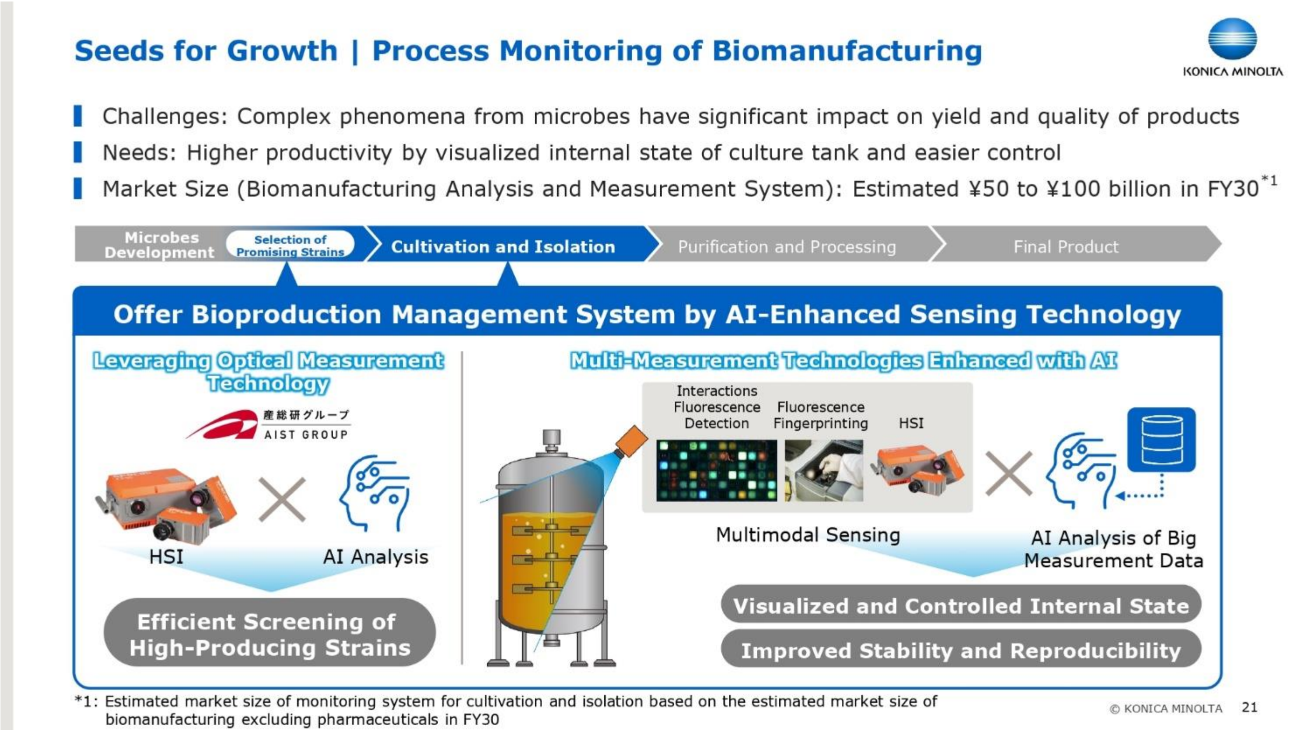
Next is the technology and availability of barrier films related to perovskite solar cells, especially the film type.

Compared to conventional solar cells, film-type perovskite solar cells are lightweight and flexible, and can generate electricity even with weak light. This area is expected to be one of the renewable energy sources of the future. However, perovskite solar cells are currently vulnerable to water, resulting in challenges of rapid deterioration and inevitably higher component costs to increase durability.

We have accumulated expertise in the development of barrier films with highly durable barrier layers with extremely low water vapor permeability by utilizing our OLED lighting technology. In short, we have the know-how to develop such barrier films that prevent water from penetrating through the surface.

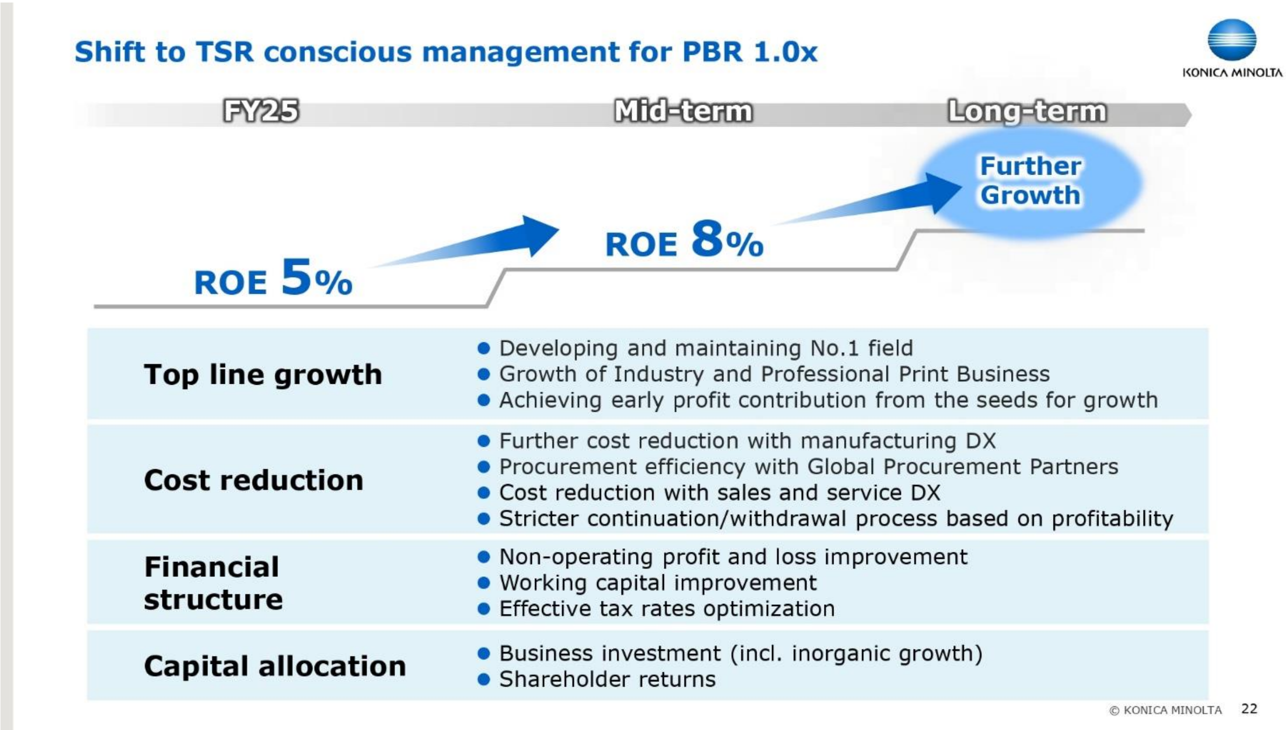
We also believe that we can contribute to the spread of perovskite solar cells by providing barrier films with high durability and competitiveness using our future technologies, while taking advantage of the mass production of long films in wide widths, which is already a strength of the performance materials business itself. We are currently proceeding with technological verification.

In addition, we are not only aiming to provide barrier films, but also inspection devices that can be used in the production process of perovskite solar cells themselves by utilizing HSI technology and AI for sensing. We would like to demonstrate the uniqueness of our combined strengths in this area.



The last of the seeds for growth are process monitoring of biomanufacturing. Biomanufacturing is the production of materials, foods, pharmaceuticals, etc., utilizing the capabilities of microorganisms. Because of the complex phenomena produced by microorganisms, subtle differences in the environment and conditions can significantly affect the yield and quality of deliverables, making efficient manufacturing a challenge.

We are in the process of promoting technological development to provide a production management system to manufacturers engaged in biomanufacturing by enhancing our strengths in advanced technologies with AI to help improve sample stability and reproducibility. This initiative is being promoted jointly with the National Institute of Advanced Industrial Science and Technology called AIST, and has already yielded some positive results.



Finally, since assuming the position of president, I myself have been committed to challenging and achievable management and have abolished the conventional approach of formulating plans that were only possible under the best conditions, and have steadily implemented plans that are achievable even if conditions worsen slightly, in order to restore confidence within the Company and, above all, the trust of our stakeholders.

In FY2025, the final year of this medium-term business plan, we will first ensure that ROE of 5% is achieved, and as the next step, we will aim for 8% and even higher.

In terms of business growth, we will create products and services that can take leading positions in market segments and areas within our existing businesses. Products and services that are already in the leading position will not be complacent about that position, but will be further strengthened with pride to maintain the top position.

There is no change in our policy to grow our Industry and Professional Print Businesses. By working to strengthen our financial structure through ongoing cost reductions, thorough cost cutting, and other measures, we will be able to make business investments for the future and provide stable shareholder returns.

We sincerely believe that the current share price is a severe evaluation for a listed company. We will work to increase profits through business growth, raise corporate value, and aim for a P/B ratio of 1x as soon as possible.

We have been discussing this with our executive team and directors and intend to shift to a TSR-conscious management approach in the future. We appreciate your continued support.

This concludes my explanation. Thank you for your attention.

Question & Answer

Okamura [M]: Now I would like to move on to the Q&A session. Mr. Shibano, please.

Shibano [Q]: Thank you for your explanation. This is Shibano from Citigroup Global Markets. Three questions, please.

First, I would like to ask you about your efforts over the past two years to improve the financial soundness of the Company, as you explained at the beginning of your presentation. You explained that you have been actively promoting the divestiture of non-core businesses and that the outlook for these businesses has improved considerably.

I think the shareholder's equity ratio for the fiscal year ending March 2025 will probably be around 38%. Also, I believe that you have a forecast that will exceed 40% in the next fiscal year, which you have presented in your materials.

From your point of view, President Taiko, do you think that the balance sheet is sound enough for the time being? Or, do you think you should aim for a healthier figure, for example, a higher shareholders' equity ratio, or do you think the ratio is at an appropriate level?

Taiko [A]: First of all, we have reduced interest-bearing debt considerably in the course of our efforts over the past two years, as well as aiming for cash inflows in FY2025, and we believe we are coming in the direction we have targeted. However, on the other hand, by reorganizing, we have been hurting net profit in 2022 and 2024, so we need to think about improving our equity capital in the future.

Of course, to achieve this, it is necessary to maintain a solid profit attributable to owners of the Company in a single fiscal year, and although this is not yet concrete, we will have to consider the possibility of capital enrichment outside of profit attributable to owners of the Company if we need large capital in the future, at some point at some stage.

Shibano [Q]: Second question. In considering future growth, what are your thoughts on M&A options, given your company's current situation, including cash on hand, etc.?

I assume that it is not easy to carry out sizable M&A, but what are your thoughts on the scale of such M&A, or what type of M&A you would like to carry out? You don't have to mention specific industries or targets, of course, so please tell us again what you are thinking now.

Taiko [A]: As I mentioned in my explanation today, there was a time in the past when we boldly went on the offensive to create a new earnings pillar out of a sense of crisis. However, the M&A area was not appropriate, and another thing is that we have had some impairments, but we have to learn from the mistakes we have made in grabbing too high because of the desire to get what we want. From this perspective, I do not think that we have had enough of M&A or anything like that.

In particular, we will focus on the seeds of growth, starting with semiconductors as explained today, and we will look at what is possible in accelerating the time frame, and that feeling has not changed.

Then, as for how much money we will prepare, it is difficult to give any further indication of the scale as of today, since we are in the process of having a thorough discussion on the matter.

Shibano [Q]: Third question. With this announcement, we now have a better understanding of how the Company is looking at the new fiscal year FY2025. We have also heard that Mr. Taiko and Konica Minolta as a whole are committed to further growth in FY2026, the next mid-term plan period starting next year, and beyond.

On top of that, I have a question. The FY2025 itself is of course somewhat uncertain, but I would like to know what top-line and bottom-line drivers, if any, can be assumed at this time for the period from the FY2025 to the next FY2026.

Specifically, by product, are there any that can grow or are expected to grow as a market in the FY2025, and the next fiscal year? Also, in terms of the bottom line, you have already been working on cost reduction for the past two years, but I would like to ask this last question: is there room for further leaning, or are you aware of such issues?

Taiko [A]: First of all, in terms of the top line revenue that we will be driving in FY2026 and beyond, the driving force that will be most in line with what we have explained today is optical components for semiconductor manufacturing, which we believe has a good possibility of having an effect not only on revenue but also on the bottom line.

In addition, we have been struggling in some areas, especially in the past two years, but even under such circumstances, we have narrowed down our themes, streamlined our operations, and are trying to further increase sales growth in performance materials and sensing, and if these areas can be directly linked to the bottom line from the top line, we believe that there is ample potential in these areas, as these are businesses with high profit margins.

In addition, we are also looking at industrial printing and professional printing in particular, and naturally, we believe that the growth potential here will still be large in the next fiscal year and beyond.

In terms of the bottom line, one thing we did in FY2024 was to optimize our workforce in areas other than gross profit derived from sales. On the other hand, although it is difficult to predict the impact of the Trump tariffs, as I have shown you today, we are aware of the impact of the tariffs, and while we cannot help what we cannot control, we must take preemptive measures to deal with what we can control.

In that sense, although we have reduced some labor costs over the past year, I believe there is still room for reduction, whether in cost of sales or in SG&A expenses.

We should also take advantage of the headwind of the Trump administration to make one or two more cost cuts that we can make ourselves, not by touching labor costs, but by finding ways to cover the increased portion of work needed with efficiency, without increasing it. This does not mean that this will end somewhere already, but that we will continue to work on this for FY2025 and FY2026, and we must make that a major bottom line driver.

Shibano [M]: Thank you very much.

Okamura [M]: Next, Mr. Katsura, please.

Katsura [Q]: Thank you for your help. This is Katsura of SMBC Nikko Securities. Thank you for your time today. Two questions, please.

First, in slide six, President Taiko mentioned the completion of structural reforms, and I recognize that it was very good that the Company slipped in at the end, or rather, that the reforms were implemented toward the end of the March. On the other hand, you mentioned the slow growth of some of the businesses as an issue here, and while you say "some," I think it is in a wide range of areas. It seems to me that many of these areas are related to the overall industry environment and cycle.

I think there are some areas where the cycle there is inevitable as you grow in the future, but please tell me what you think is needed to get this place on a growth trajectory.

Taiko [A]: In the challenges on slide six, we list industrial print, performance materials, sensing, and healthcare. In particular, we are involved in a certain part of the global value chain, such as performance materials and sensing, and we are inevitably affected by cyclical trends in the downstream value chain.

However, in such a situation, we have no choice but to acquire such information as what is stagnant in the value chain and develop the ability to anticipate the situation ahead of time. Also, I can't say this clearly yet, but having said that, there are definitely parts of each project that can definitely be read as the bottom trend, and if all of the cyclical effects come together in the part that goes on top of it, then we will be in trouble in a certain quarter in a single year.

How can we shift this part and develop products that do not overlap with the worst peaks? Some of this have to go back to the product development plan, so I can't say that this is a sufficient answer, but I think we have to look at these areas on an ongoing basis.

On the other hand, I believe that healthcare and industrial print are slightly different from performance materials and sensing, so I would like to once again thoroughly develop these areas based on the number one pillar of our domain, which we can strongly emphasize.

Specifically, in healthcare, we are the only company capable of promoting solutions using X-ray dynamic digital radiography, which we hold including intellectual property, and we will thoroughly promote this on a global scale. Furthermore, in the case of industrial print, we are number one in some areas, and we would like to consider mitigating cyclical influences as we strengthen these areas on a global scale.

Katsura [Q]: Secondly, I think this is difficult to ask in the context of a mid-term plan briefing, or perhaps this is a different part from what you have prepared, but on slide 12, in this short time frame, you have estimated the impact of US reciprocal tariffs.

What kind of assumptions are involved in this estimate of JPY16 billion? There are some fluid parts, so I would like to know if you have any thoughts on what kind of sensitivity we should be looking at from the outside. It then goes on to say that you aim for a variety of responses and aim to absorb the impact. Could you share what discussions you are having about how you can and should respond at this time.

Taiko [M]: We had a partial audio interruption, so I will confirm your question. I guess your first question is what assumptions were used in estimating the JPY16 billion that we explained today.

Katsura [M]: That is correct.

Taiko [A]: As I mentioned in the explanation, as of yesterday, JST, we are first making an estimate based on the information regarding tariffs that the US government has provided in the official gazette. At that time, after making sure that the inventory on hand and on-board inventory that can avoid tariffs are also taken into account, we use the rates given by the US government for what may be subject to tariffs.

However, since the guideline is reciprocal tariffs until July 9 and a flat rate of 10% everywhere except China, we have based our calculations on that, but after July 9, our calculations are based on the assumption that the reciprocal tariffs will return to the level announced on April 3.

So, with the future bilateral negotiations, or some estimates on the Internet that China, etc. will be lower, there is a possibility that such a fluctuation may occur. However, we do not yet have a firm basis for this change, so our first assumption of JPY16 billion is that we have not seen any change.

And, regarding the absorption measures, as explained in the presentation, the Company listed reevaluation of Go-to-Market strategy, additional cost reduction, and utilization of low-tariff countries in SCM. This is not to say that we will only deal with the impact of US tariffs in the US or only for the US market, but we are making it our first priority to consider this in all our global business activities.

Specifically, the Go-to-Market strategy includes a review of the product mix, channel mix, and geography, as well as the price to market.

In terms of f utilization of low-tariff countries in SCM, the products that will be particularly affected are office equipment, and we have largely avoided dependence on the main unit from China for office and production print products destined for the US.

However, since we inevitably have Chinese suppliers as part of our supply chain and some of our outsourcing partners, if the tax rate in China continues at the current level for a long time, we need to get those things out of the way as soon as possible in the current fiscal year to a country with another lower tax rate. That is what we are considering here.

Katsura [M]: I understand very well. Thank you very much.

Okamura [M]: Next, Mr. Nakanomyo, please.

Nakanomyo [Q]: This is Nakanomyo from Jefferies. Thank you.

First, you have brought up the balance sheet. Do you have any kind of medium-term vision for future cash flow? I know it is difficult to give a quantitative explanation since the mid-term plan is still in the next stage, but I would like to know how much of the cash flow is generated by the balance sheet reforms and how much more capacity there is for shareholder returns and so on.

Hirai [A]: I will answer your question.

As you just mentioned, the mid-term plan, or rather, the design for FY2026 and beyond is still in the planning stages, but basically, the Company will continue to produce solid figures for cash flow, focusing on operating cash flow, and thereby slim down its balance sheet. This scenario will not change at all.

The cash flow allocation has also been introduced in the current mid-term plan, and the same approach has been used to invest the cash into the reinvestment in businesses obtained mainly from operating cash flow, and to return profits, including dividends, as well as to further reduce interest-bearing debts.

Naturally, we would like to maintain a certain degree of leverage, so we do not want to continue to reduce interest-bearing debt endlessly, but rather to allocate more of it to investment, and also to returns. I believe that this concept will probably not be changed from the current mid-term plan, so I hope you will understand as such.

Nakanomyo [Q]: Second, I would like to ask about tariff impacts. I believe that the impact of tariffs is estimated to be about JPY16 billion for FY2025. I am sure that sensibly there will be various measures to absorb this impact, but in the first place, how much do you envision that this can be passed on to prices?

Hirai [A]: I mentioned market prices earlier in the reevaluation of the Go-to-Market strategy, but I'm sorry, I'm not going to answer how much we are considering right now, as there will be many ramifications.

Nakanomyo [M]: Understood. My apologies. That is all. Thank you very much.

Okamura [M]: Next, Ms. Yamazaki, please.

Yamazaki [Q]: This is Yamazaki from Morgan Stanley MUFG Securities. Thank you for your explanation. I would like to ask one question.

Regarding the achievement of the financial targets on the balance sheet, I think that the asset turnover ratio will fall slightly short of 1x that was originally planned. With regard to this point, could you please confirm whether you are thinking of selecting and concentrating additional businesses toward the end of the FY2025?

Okamura [A]: First of all, the asset turnover ratio is now given as 0.93x, but it is a rough figure and slightly inflates trade receivables and inventories, including the tariff situation. We will proceed with a close examination and naturally go toward reducing this assumption of JPY1.13 trillion for total assets.

As I have already mentioned, since this marks the end of our business selection and concentration, we are not currently considering any reduction in the balance sheet in conjunction with this.

Yamazaki [M]: I understand. Thank you very much. That is all.

Okamura [M]: Mr. Shimamoto, please.

Shimamoto [Q]: I am Shimamoto of Okasan Securities.

Just to confirm, is this tariff impact of JPY16 billion on a business contribution profit basis?

Okamura [A]: That is correct.

Shimamoto [Q]: Secondly, you have given us your view of the impact of the exchange rate for FY2025. If I take your company's currency sensitivity straight, it will work for the euro, but it will work rather in the opposite direction for the US dollar, so I simply wondered if it would have this much of an impact. What is the breakdown of the impact of the strong yen on this point?

Okamura [A]: Okamura will answer.

In any case, in terms of the actual situation for both the US dollar and the euro, the euro is conservative because it gains when the yen depreciates by JPY1. With respect to the US dollar, it is neutral to slightly negative in profit, so the yen's appreciation is rather positive. So, in any case, I hope you can see that the assumption of the exchange rate is now being worked out in a conservative manner.

Shimamoto [Q]: Other than that, are you working with yuan in a conservative way, in that sense?

Okamura [A]: We are not announcing the yuan today. Please wait until May 15, when we will release it.

Shimamoto [M]: I understand. Thank you very much. That is all.

Okamura [M]: I think this concludes the questions from all of you, so I will now conclude the questions from the capital market participants. Thank you very much for your time today. We will follow up with you in the IR office, so if you have any questions, please contact us separately.

I would like to move on to the questions from the media. Mr. Yamada, please.

Yamada [Q]: I am Yamada from the Nikkei.

I have a question about optical components for semiconductor production equipment, a growth business. I understand that you are going to invest in equipment expansion and such.

Could you tell us specifically what kind of investment you expect to make in this regard and how much the investment is likely to be? What kind of production equipment will these optical components be used for and as what part of production equipment? I would like to know more about how this will grow in line with the future growth of the semiconductor market.

Kuzuhara [A]: Kuzuhara will answer your question now.

First of all, we have not finalized the specifics of our investment plan at this point, so I cannot give you any definite figures or details as of today, but basically, we are planning to expand our capacity and, as I mentioned earlier, to build a second site from various perspectives in order to firmly capture this demand. We are planning to expand our business in excess of the market growth.

As to which area, I am very sorry to say that I cannot go into the details here in this field because of the relationship with our customers.

However, as for how to actually forecast growth, this is an area that will grow in tandem with this series of production equipment.

So, if we first have that overall growth, and within that growth, if we take advantage of this new fluctuation and increase the weight of our well-positioned supplies more and more, we will be able to lift this top-runner share to 30%. Therefore, I hope you will understand that we will position this area to grow beyond the size of the market.

Yamada [Q]: Regarding production equipment that is equipped with this optical components, for example, now in the semiconductor industry, I think there are many things, such as miniaturization and lamination. Will the production equipment grow with such trends in the semiconductor market in the future?

Kuzuhara [A]: As originally stated here, we use the expression "middle range," but rather than the so-called extreme thinning area, it is more like the middle range to meet the demand for power semiconductors and the like.

In addition, due in part to the limitations of miniaturization, the so-called middle process of mounting, in which layers are stacked, has recently been attracting considerable attention, and we believe it is an area that can be used quite centrally. We have received a variety of requests to expand our business while responding to them.

Yamada [M]: I understand. Thank you very much.

Okamura [M]: Next, Mr. Higashiura, please go ahead.

Higashiura [Q]: Thanks for your help. My name is Higashiura from the Nikkei. Thank you for giving us this valuable opportunity today. I would like to ask two questions.

First, I believe you have estimated the Trump tariffs, but I would like to ask why this has not been factored into your business performance.

Taiko [A]: The reason why we have not incorporated these figures into our business performance is that bilateral negotiations are still in progress, and it is difficult to determine what kind of figures will really have an impact throughout the fiscal year. In the last week or so, it has not changed in a single day, but the first 10 days or so fluctuate too much on a daily basis. The first major reason is that it is difficult to predict.

We do not know what the final scale will be, but within the scale we are estimating now, we will try to hit back and absorb as much as possible, and that is why we are presenting it in an external way at this time.

Higashiura [Q]: Next, the second question. The notice issued today regarding the completion of the global structural reform states that the structural reform is complete. This time, in the FY2025, when you say that you have completed structural reforms, what do you mean by completion?

You also mentioned something like there is no possibility of recording additional loss of goodwill, such as the impairment loss mentioned earlier, but on the other hand, you said that there is still room to reduce cost and SG&A expenses. I would like to ask how high you estimate the probability of achieving this surplus forecast, including the completion of structural reforms.

Taiko [A]: Structural reforms and human capital optimization are disclosed today. We disclosed this when we anounced the structural reforms just a year ago, and we have disclosed today and told you that we have completed the actions from that starting point. So, what we mean by completion is that we took the timely disclosure of a year ago as a starting point and said how it was done in response.

We also explained that, at this time, there is no goodwill impact going forward. The discussion of goodwill, and the idea of reducing cost of sales and SG&A expenses by one or two more levels, are not directly related. I have explained the reduction of expenses from the viewpoint of always increasing business contribution profit as much as possible, and from the viewpoint of aiming for efficiency.

Higashiura [Q]: Finally, I would like to ask how high is your estimate of the probability of achieving the surplus forecast.

Taiko [A]: We have been promoting selection and concentration, etc., starting in FY2022, and in this context, we must first firmly increase the profitability of the business itself, which is what we have been doing at the same time as we promote the management reform of selection and concentration.

From this perspective, business contribution profit has been growing steadily since FY2022, and we are presenting today's figure of JPY52.5 billion for FY2025. In addition, the reforms of the past two years have sorted out the various aspects that had been weighing us down, and the figures we have presented today are based on the fact that there will be no transient factors in FY2025. We are confident that we can do this.

Higashiura [M]: I understand very well. Thank you very much.

Okamura [M]: With this, we will conclude today's briefing. Thank you very much for your time today. Thank you for your continued support.

[END]

Document Notes

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