Konica Minolta, Inc.
Main Q&A from Sensing Business Briefing

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Cautionary Statement

This material was prepared for those who were unable to attend the briefing 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.

In the following text, Konica Minolta, Inc. is referred to as "Konica Minolta."

Q. You stated that the Company aims to generate stable earnings in its core domain (light source color measurement). However, looking back, this appears to be a business with significant fluctuations in demand, as seen in the peaks in 2017 and 2022 associated with customers' capital investment in OLED production equipment. Given the potential for future ups and downs, including those related to foldable devices, please explain the basis for describing the earnings as stable.

A. As you pointed out, there have been periods in the past when the business was affected by fluctuations in demand. In 2017, for example, earnings grew as the adoption of OLED displays in smartphones expanded, while the business was subsequently affected by a reactionary decline in demand.
Based on this experience, we have worked to establish an earnings base that is less susceptible to demand fluctuations. Specifically, through key account management, we gain an early understanding of customers' roadmaps and investment plans, enabling us to operate the business in a manner that is less affected by fluctuations in demand. As a result, over the past two to three years, we have increased our resilience to such fluctuations and established a structure capable of securing stable earnings. We will, of course, continue to respond flexibly to customers' investment trends, but at present we do not anticipate any sudden shifts in demand. For the time being, based on the current market environment, we believe we are in a phase of pursuing stable growth and securing earnings.

Q. Please tell us about the current profitability of the business and the profitability expected when sales reach approximately ¥60.0 billion, the target under the Medium-term Business Plan, and approximately ¥100.0 billion, the long-term target.

A. Sales in the sensing business currently stand at ¥44.8 billion. Although we do not disclose operating profit for the Sensing Business on a standalone basis, the operating profit margin for the Industry Business as a whole is projected to be around 18% in fiscal 2026, and you may understand the profitability of the sensing business to be broadly at the same level.

Going forward, our policy of achieving sales growth while maintaining profitability remains unchanged. Rather than pursuing scale alone, we will emphasize the balance between profitability and growth as we work to expand the business sustainably.

Q. What kind of initiatives do you envision for inorganic growth? I assume this does not refer to recurring revenue or similar measures. Does it mean M&A?

A. As a means of achieving inorganic growth, we are considering acquiring assets that complement our existing technologies, measurement methods, and business approaches in order to address customer needs that we cannot adequately meet with our current capabilities. Specifically, we are focusing on three areas.

The first is acquiring new sensing technologies.

The second is the solutions domain. To date, we have grown primarily through hardware, but going forward it will be important to provide value to customers through total solutions that also encompass robots and peripheral equipment. We will therefore strengthen our system integration capabilities and our ability to propose solutions.

The third is expertise in manufacturing processes. In our priority business domains, transitions to new development and manufacturing processes are underway, and the inspection and measurement methods required are changing accordingly. We place importance on acquiring process-related expertise in order to anticipate these changes and create new demand for sensing.

Focusing on these three areas, we intend to acquire the assets necessary for business growth while considering M&A as one promising option along with strengthening our Corporate R&D.

Q. Regarding the research proposal announced this morning on the use of hyperspectral cameras for power generation with silicon-based solar panels, I understand that the initiative is still at the research

stage. If you have any specific outlook, what scale of business do you envision?

A. As you noted, the initiative is still at an early stage of commercialization. The purpose of the release was first to announce that the proposal had been selected for a research and development project sponsored by Miyagi Prefecture.

We are currently conducting technological basic research that combines hyperspectral imaging technology with software to assess the degradation of silicon-based solar panels and determine whether they can be reused in the future. We expect that, from 2030 onward, many of the solar panels currently in use will reach the end of their service lives, leading to large-scale disposal. At the same time, we believe a considerable number of panels will still be reusable. The challenge is that criteria for making such determinations and methods for objectively evaluating quality have not yet been sufficiently established.

Our initiative aims to establish criteria for determining reusability and, ultimately, to make those criteria the de facto standard. We believe this issue will emerge not only in Miyagi Prefecture but also throughout Japan and in countries around the world. Our basic approach is to contribute to solving this social issue while providing new value through our proprietary sensing technologies and linking the initiative to medium- to long-term growth. Because it will take time before the business is expected to make a full-scale contribution to earnings, we regard this as a medium- to long-term initiative.

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