

Konica Minolta, Inc.

Q&A from 2Q/ March 2020 Financial Results Briefing Session

Date: November 1, 2019 18:00 – 19:00 JST

Place: Nomura conference plaza Nihonbashi (Tokyo, Japan)

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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[Q&A regarding Results for Konica Minolta as a whole]

Q. Has there been no expect in this major downward revision 3 months before when the 1Q financial results were announced? Please explain, for example, whether the status of the production cost of Seg2 and Seg3 products in Office Business was unanticipated.

A. New color MFP products were launched with low-speed models of Seg2 and Seg3, but costs rose as a result of prioritizing supply to meet demand and maintaining the quality of the products being shipped. The effect appeared in the figures in July-August. As of the end of June, we were unable to read out the significant burden on our factory in Malaysia and suppliers, and the consequences of a negative spiral.

Q. The announced operating profit of ¥20 billion is an impressive figure, and I think it is the lowest level after the merger of Konica and Minolta. This fiscal year is the final year of the Medium-Term Business Plan. What will be the next fiscal year's Medium-Term Business Plan?

A. It is assumed that exchange rates and the business environment will continue to be severe in the next fiscal year as well. We will prepare in the second half of this fiscal year in order to achieve the benefits of additional measures and to accelerate the pace of growth as the Core Business grows towards next fiscal year. It may take until year 2021 to return to the Core Business profitability that was originally targeted in the current Medium Term Business Plan, and it is true that there was a

delay in the current Medium Term Business Plan. However, we will not wait until after the next Medium Term Business Plan for the New Business to contribute to profits, but instead will make improvements in 1 or 2 years from now. In addition, we have already taken measures to address the issues in execution of measures. With these combinations, we will hit back on track during the Medium Term Business Plan.

[Q&A regarding Business segments]

Q. I think that Office Business and Professional Print Business generally have a slow effect on the economy. However, looking at the current macroeconomic environment, there is a strong possibility that the market environment will continue to be challenging in the coming fiscal year. The company is implementing measures to recover this period's delays by launching new products toward the next fiscal year. However, I think there is a possibility that profits will not be realized as expected due to factors such as the sellout of old products, and this may be further affected by the economy. From this perspective, are there any drastic cost reduction measures from a longer-term perspective?

A. Looking ahead, we intend to implement measures that differ from those in the past, based on the assumption that we will procure materials from day 1 in Malaysia and ASEAN, where our manufacturing bases are located. In some cases, price declines due to the outright sale of old products cannot be avoided. However, we have shifted our conventional hardware leasing and maintenance services to a "all-in-one" recurring business model and are implementing measures from a marketing perspective. It is not our policy to sell old products in a way that affects the price of new products.

Q. Has the non-hard revenue in Office Business changed compared to the initial assumption? Also, please tell us about your future outlook.

A. At the beginning of the fiscal year, the year-on-year growth rate was assumed to be flat. However, we revised downward at the end of 1Q in light of the severity of Europe. 2Q result remained within our expectations. For the full year, we forecast a year-on-year increase of -1% to -2%.

Q. Will OLED investments, which are currently active in China, lead to the performance in Measuring Instruments?

A. We are receiving inquiries related for customers' investments to the 2020 model,

and even in the models beyond that, our measurement technology is needed for products with a high level of technical difficulty.

Q. Why has sales of Bio-healthcare not grown much, while the number of tests has grown significantly?

A. It is difficult to make a simple comparison between the number of samples and sales, since sales also change in terms of the composition ratio of the menu. As the number of samples increases with each month, we recognize that this will lead to sales in the future. High-precision RNA tests have been gaining high evaluation, and this providing added value has helped maintain prices.

Q. New Business's Workplace Hub performance was significantly below initial expectations. 3 years have passed since the announcement. We understand that it is a difficult challenge, but I think you have invested for Workplace Hub a lot. What are your thoughts on the business viability of Workplace Hub?

A. In recent years, we have invested heavily in the resources for agile development of new platforms and upgrading usability. We hire people exclusively for the Workplace Hub in each country in sales side, and this entails costs. In order to reach the targeted scale, it is necessary to shift MFP sales to WPH. We are conducting training for this purpose, but in the first half of the fiscal year, the situation of MFP has become more severe in the past 3 months, and we have to protect our MFP sales. In the second half of this fiscal year, we would like to increase the efficiency of MFP operations and make a full-fledged shift to WPH.

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