

## Konica Minolta, Inc.

### Q&A from FY March 2020 Financial Results Briefing Session

Date: May 26, 2020 18:00 – 19:00 JST

Method: 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 a number of factors.*

#### [Q&A regarding Financial Result]

Q : Regarding the ¥4–50 billion impact of COVID–19 disclosed on Financial Results Briefing Session materials p.11, what is your view on the decline in sales by business segments?

A : We cannot give more precise answers than the qualitative disclosures on Financial Results Briefing Session material P.12, but Office and Professional Print have a major impact on 1Q. Healthcare and Bio–healthcare believe that the impact will remain until the outpatients return, and the impact on Performance Materials and Measuring Instruments are negligible. It was difficult to grasp trends such as the recovery of economic activities, and we had to explain the situation in the range of ¥4–50 billion. At present, we analyze the customer performance by company size and industry, and it is becoming apparent that the return of PV to small–and medium–sized enterprises is larger than that to large–sized enterprises.

Q : The ¥20 billion additional improvement measures conveyed the enthusiasm of the management team to make a profit even in a severe environment. However, this is not a small figure compared to the annual SG&A of ¥450 billion. Will you also spend money on lowering fixed cost? Also, do you think that the effects of additional improvement measures will start in the first half of the fiscal year?

A : Additional improvement measures include not only personnel costs but also all other cost items, and we are proceeding with detailed plans for each business segment and region. The ¥20 billion figure includes costs associated with personnel reductions, and the benefits of additional improvement measures will gradually emerge from 2Q onward, especially in 2<sup>nd</sup> half. In addition, we will accelerate the improvement of productivity through non–face–to–face sales and remote services, which we have been working on for some time, and these measures will produce the outcome in 2Q onward. In addition, by changing working styles in this way, we will curb travel expenses, advertising expenses, and other expenses, while lowering new capital investment even further, reducing depreciation expenses and cash outflows.

**Q : When are you planning to disclose earnings forecast for the current fiscal year and Medium Term Business Plan for the next fiscal years?**

A : If possible, we would like to disclose an earnings forecast at the end of 1Q, but considering the nature and impact on the various businesses, there is a possibility to disclose it at the end of 2Q. We prioritizes COVID-19 contingency measures, and expect to announce the next Medium Term Business Plan in early September, for example, as soon as they settle down.

**Q : The impact of COVID-19 is expected to make structural changes in the marketplace, and some of them will become negative and some will become positive. After analyzing such market scenarios from a medium-to long-term perspective, how do you intend to change your earnings structure?**

A : As we will explain in detail in the next Medium Term Business Plan, we intend to drastically change our business portfolio over the medium to long term, as mentioned in our financial results announcement this time. While placing importance on the fundamental base of providing value suited to the digital era to traditional customers, we will accelerate the development of platforms for imaging capabilities and devices linked to IoT, and accelerate businesses that utilize the data created from these platforms. From our business segment point of view, dependence on Office Business is getting less and the high-end in Production Print and Industrial Printing are becoming the growth drivers. Healthcare will focus more on precision medicine than low-margin devices, while Industrial Business will maintain a operating profit ratio of 20% and grow revenues. Under this policy, we will transform our business portfolio in 3 to 5 years.

#### **[Q&A regarding Core Business]**

**Q : As a result of COVID-19, demand for IT services is increasing for work from home, etc. Has the demand for IT services in Konica Minolta changed? In terms of the actual results, will this lead to sales from 1Q?**

A : In Japan, we provide bizhub essentials that can remotely send and receive faxes to companies, as well as bizhub spot that provide security for public WiFi, etc., and these will be a positive factor in sales from 1Q. In Europe and the United States, we are expanding the development of teleworking-use solutions packages.

**Q : Regarding the Office non-hardware listed on Financial Results Briefing Session materials page 48, the Chinese market is down 27.5%. Has PV been decreasing? Or is it that the negative looks rather big because of the impact from indirect sales?**

A : Rather than PV decline, but have been affected by the suspension of business activities due to COVID-19 by dealers and other parties. At present, as economic activity has resumed and orders from dealers have been received, it is expected that the decline in non-hard in the China is temporary.

**[Q&A regarding New Business]**

Q : Regarding Workplace Hub, the deficit has been reduced by optimizing expenses in FY2019. How much level of expenses do you expect in FY2020?

A : It is expected to have the same level of expenses in FY2020 as the previous year in terms of total costs due to strengthen investments in sales. We are committed to expanding sales.

Q : Are there any plans for Workplace Hub to change from version 1.9 to further after COVID-19, such as expanding non-face-to-face sales and remote maintenance?

A : We will accelerate to offer all-in-one services, including conventional IT services, and develop products that are easy to handle, starting in Japan, integrating servers and WiFi into cutting-edge MFPs.

Q : With regard to Workplace Hub, it seems that the unit price per customer has risen and has accelerated, but to what extent has FY2019's sales and profits/losses improved? Please tell us the sense of volume in FY2020's revenue and profit excluding the impact of COVID-19.

A : Although FY2019 sales increased, sales were around 3 billion due to delays from the initial plan. Despite upfront expenditures, profits and losses have improved. Previously, Workplace Hub was handled separately from MFPs, but from now on, we will establish a seamless solution platform and accelerate it as a single unit. The number of business negotiations for Workplace Hub, involving MFPs, is increasing, and this is becoming a desirable form.

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