

Konica Minolta, Inc. Q&A from Q3/March 2021 Financial Results Briefing Session

Date and time: February.2, 2021, 18:00 to 19:00 JST

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.

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.

Q. Regarding office business unit described on the slide of P.4, how was the trend in sales from October to December in regions such as Europe and the United States where lockdowns became increasingly severe? And, had the revenue tended to decline, particularly in December?

A. All regions in office business unit recovered to 87% in Q3. As region, it recovered 82% in Q2 and, 86% in Q3 in Europe, and 74% in Q2, and around 80% in Q3 in the U.S., respectively. We recognize that the condition in Europe is somewhat stagnant from the initial forecast. The trend did not change in December.

Q. Regarding Q4 of the Digital Workplace Business, it seems that the company assumes the sales will return to the level of Q4 of FY19 and the operating profit ratio will return to nearly 5%. Please let us know if there would be any improvement in the business environment from Q3 to Q4. Also, please let us know if there would be any reduction of the expenditure continuously.

A. From the experience of the second wave of COVID-19 in Europe, we recognize that the sales will recover rapidly once the lockdown is lifted. Japan is also under the declaration of emergencies, but we also confirm that the work style has not changed significantly. Although SMEs are reluctant to invest, the number of large-scale projects, local governmental projects, and overseas administrative-related projects has not decreased.

We consider that COVID-19 impact that occurred in Q4 last year can be overcome. In terms of expenses, fixed cost, and cost of sales, we will continue to thoroughly restrain them even as sales increase. In addition, regarding office business, the number of MFP installations is increasing in the market where the service is able to be provided remotely. We expect it will contribute to improve the cost from Q3.

Q. Regarding the forecast of Q4 profits of Digital Workplace Business, if the rest of planned structural reform is implemented in Q4, it seems difficult to return to the planned profit in the forecast, how do you think?

And are there any change in the perspective on the profit for FY21 at this point from the previous announcement?

A. We will achieve earning growth of nearly ¥8 billion from Q3 to Q4. In ITS and WPH, we expect improvement of around ¥1 billion profit by standardizing and streamlining the worldwide operations, achieving the benefits of service factories, and expanding sales. Also, the carry-over, which swelled at the end of December, will be added to the profit.

In addition, last year's COVID-19 had a negative impact of more than ¥5 billion on operating profit. However, we anticipate some recovery this year, even if we look at the current situation. Including them, we will strive to achieve the results. From these points, we don't consider that we need to revise the perspective of the profit for FY21 as well.

Q. In this time, the forecast of operating profit for the company overall was not change from ¥-13 billion, however, the profit of Professional Print Business has been reduced. Are you going to take some action for Professional Print Business in the current fiscal year? Or is it only perceived that the level of profits has declined temporarily? Please let us know about countermeasures in the future.

A. In Professional Print Business, the recovery in production print unit is somewhat behind industrial print unit. In the current environment, on-demand printing will certainly recover, so we recognize that the time for recovery is only a little behind our estimation. Although new capital investments are lagging, the operating rate of installed equipment is accelerating, so that non-hard sales increased in both production print unit and industrial print unit. At the same time, we will strengthen supporting service including applications, which will lead to improve the workflows for medium- and large-scale printing companies that are major client of our digital printing.

While SG&A will continue to be restrained, we will not make large cost reduction. We will prepare for building the organization that can take advantage of the opportunities in case the demand for digital printing recovers and increases.

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