Konica Minolta, Inc

Q&A from Q3/March 2022 Financial Results Briefing Session

Date and time: February 1, 2022, 18:00 to 19:00 JST
Method: Online/Telephone Conference

【Regarding results for the Company overall】

Q: In the Q2 financial results briefing material (p.19) , the Company will explain updates of the forecasts for FY2022 and how to deal with the downside risk of the Digital Workplace (DW) business, at Q3 financial results briefing session. Please let us know if you have any updates.
In addition, please let us know if there are any updates regarding the schedule of the management policy briefing session.

A: Considering the latest business and competitive environment, we are in the process of formulating a plan for the next fiscal year. As for countermeasures against the downside, by which the Company will continue to be affected by the shortage of semiconductors in the next fiscal year, we are examining the specific regions and scale of structural reform in detail.
We have already explained about the Industry Business at IR day session, but we would like to provide an occasion to explain how we will proceed as a whole,

including DW, Professional Print (PP), and Healthcare (HC) Businesses, and about our business portfolio transformation. We will provide information on this matter once the briefing session date is decided.

Q: How much the expense related to the portfolio transformation was incurred?

A: In Q3 charge of ¥1.5 billion related to the portfolio transformation was incurred. The outlook for the full fiscal year is approximately ¥3 billion. Q4 is expected to be around ¥0.5 billion.

[Business]

Q: Is it correct to understand that the restoration of revenue and profit of DW for Q4 in the earnings forecasts would be ¥30 billion as revenue and ¥20 billion as operating profit by Q o Q? I do not think sales of non-hard will increase sharply. But is there any reason why the gross profit margin will rapidly recover and increase, such as the return to in-house production from externally procured products? Regarding hardware, it is likely to be difficult to recover considering that factors are logistical constraints, but is there visibility?

A: The increase in DW's Q o Q revenue and operating profit is as you recognize them.

In terms of factors behind the increase in hardware sales, despite the impact of a shortage of semiconductor supplies in Q3, production volume is increasing more than original plan, and shipments are being made in advance from the production location. Due to the longer offshore period, this increased production volume did not contribute to Q3 sales, but will contribute to Q4. In addition, some of our order backlog will translate into Q4 sales by transporting the production in Q4 by air .

While non-hard will continue to use toners produced by third parties in addition to in-house manufactured toners, we were able to reduce costs more than original plan.

Q: Please let us know about non-hard assumptions in Q4, divided into office and production print, including the impact of the toner plant accident.

A: Non-hard in Q2 recovered to 82% against FY2019 level. Non-hard in Q3 received 82% of orders, partly due to the impact of the accident at our toner plant, but we believe that real demand recovered to around 86%. Though we hope that workers will return to the office in Q4, at present we have remained the assumption that it will recover to 86% of the FY2019 level. Production print returned to 88% in Q2 against FY2019, but non-hard in Q3 was sluggish due to the impact of Omicron variant in Europe, and remained at around 85%. Non-hard in Q4 is recovering up to 86% on this extension with relatively conservative outlook.

Q: I understand that the downward revision of office was made due to a shortage of supplies caused by a prolonged logistics lead time. Is it correct that this impact has not had a significant impact on production print?

A: The reason why production print exceeded forecasts in Q3 was that it was not affected by prolonged logistics lead times by making full use of dealer's inventory which was manufactured in Q2.

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