

“Konica Minolta, Inc.” Q&A from Q4/March 2023 Financial Results Briefing Session

Date and time: May 15, 2023, 16:00 to 18:00 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.

[FY22 financial results and FY23 outlook]

Q. The earnings outlook for FY23 appears to be conservative. What are the factors behind this?

A. In FY22 results, non-hard for Office was about 86% of that in FY19. FY23 assumption was set conservatively at about 82%. We refrain from talking about specific figures for others, but because we are factoring in the cost of responding to price fluctuations related to printing, it will be an upside if we can maintain the prices. Expenses are expected to increase in line with the improved gross profit of FY23. We should mention that, to some extent, the risk buffer is also factored in, in case there is less gross profit due to economic weakness.

Q. Regarding FY23 forecasts, in Professional Print Business sales are flat and operating profit is expected to decline. What is in the background?

A. The major factor in FY 22 in reducing the backlog was to replenish market inventories of consumables, which shrank following the accidents at the toner factory. As the inventories were leveled, we do not expect we can maintain last year's level in FY23. We also expect to incur a slight increase in the cost of technology development for the future and preparation to launch new products.

Q. In the page 8, what is the breakdown of Office and Production Print that have fallen off the order backlog?

A. Office accounts for a large portion of the ¥16 billion drop in the order backlog, with the remainder in Production Print.

Q. In Industry Business, which segment will drive revenue growth?

A. Mainly Inkjet (IJ) Components and Performance Materials are expected to grow. In Sensing, we will solidify our footing based on customer trends.

Q. What areas in Performance Materials will grow?

A. The area of displays for large-scale TV is expected to continue expanding. Our market share was not high in this field, but we will increase our market share by introducing new production equipment for ultra-wide film stretched offline and introducing our unique wide film.

[Medium-term Business Plan and the Company overall]

Q. Concerning the selection and concentration of businesses, what are your progress targets for the period of the current Medium-term Business Plan? Do you have a plan to spend on structural reform in the future?

A. The previous Medium-term Business Plan had a generalized aspect. This time, we will proceed without returning. Though we do not plan any major structural reform in FY23, we are factoring in around double-digit billion yen. The selection and concentration of businesses is expected to result

in the transfer of people as well. We will also work to simplify the hierarchy of internal reporting.

Q. In the past, you made a bold management decision to withdraw from and transfer the camera and film businesses. Please tell us the positioning of the Office Business.

A. As in the page 24, we position it as a profitable business that can earn cash during this three-year period. We will assess this based on how the print volume (PV) would decline in the medium to long term. You talked about the withdrawal of the camera and film businesses. At that time, digital cameras emerged as an alternative means of film cameras. However, in the case of printing, mobile devices cannot completely replace printing. We do not believe that demand will become zero.

Q. Please tell us about monitoring and checking functions for setting business areas.

A. We check whether the target market meets the requirements in various proposals. We will strengthen this system by incorporating it into investment evaluation items. We will further expand our initiatives based on the recognition that the businesses that are generating profit are already meeting the requirements.

Q. What are your thoughts on medium- to long-term growth? Will you aim to achieve profitability for the time being without aiming for stretch? Please also tell us about the direction of M&A.

A. Looking ahead to fiscal 2026 and beyond, strategic investment in areas that need to be strengthened will be an option. We do not think that we will completely stop M&A because of the large impairment losses this time. However, we will check the value of our investments even more strictly than before.

Q. I think you will also place emphasis on your financial position, partly due to the large impairment losses in FY22. I think the impairment losses this time have generally reduced some risks, but there are also risks such as additional impairment losses and the timing of the exercise of put options by INCJ, Ltd. (INCJ: Innovation Network Corporation of Japan). Did the financial institutions sign the waiver as they recognized and understood these additional risks? Please also tell us your thoughts on reducing dividends.

A. We explained Medium-term Business Plan to the financial institutions and reached an agreement on our capital policies that we allocate a half to business investments. As our shareholders' equity has been impaired, we will recover dividends as we recover earnings.

Q. In the page 28, does the capital allocation include cash-in and cash-out due to changes in the positioning of the businesses? I understand INCJ's exit timing is March 2025. Please tell us the impact on the financial statements when the put option is exercised.

A. The cash-in and cash-out figures disclosed this time are only based on the current businesses. This may change in the future as selection and concentration make progress.

As you understand, INCJ's exit is in March 2025. However, we alone cannot comment on the timing of the exercise because it is something that goes with the other party. In addition, if the put option is exercised, it is recognized as a financial liability and will be purchased through cash or borrowings. Any difference between the exercise price and the book value will be adjusted by retained earnings and is not expected to have an impact on the P/L.

[Medium-term Business Plan and businesses]

Q. Particularly in the Industry area, there seemed to be changes in the process of recognizing the competitive environment and determining winning path. What do you think?

A. We have not changed our estimate of business expansion based on market growth potential, but we have newly strengthened our profit margin perspective. We place the greatest emphasis on our uniqueness from the perspective of business continuity. We emphasize that this is an area in which we can combine our intangible assets to provide our customers with high-value-added, multifaceted technology and sales-support services. In addition, we put an emphasis on areas in which we can build strong relationships with a small number of specific customers and it is difficult for price-war-focused competitors to enter. Through these evaluations, we will work in unison beyond the boundaries of each business.

Q. In the Industry Business, what areas do you expect to grow?

A. As in the page 32, each of the businesses comprising the Industry Business has its own strengths, and we will multiply them together. Our focus areas can be concentrated on displays, mobility, and semiconductor manufacturing and inspection.

Q. Please tell us about what is changing and what is not changing in the Industry Business strategy.

A. Until now, in the Industry Business, individual businesses deeply focused on the areas in which they could deliver a specific value. In the future, we will create value from the customer's perspective. Specifically, we will create and capture opportunities beyond business boundaries by dealing with important parts of the value chain horizontally through technology and customer handling capabilities. What is not changing is the basic intangible assets. We work on challenges with a wide range of technologies that we have developed over the years, including optics,

precision processing, and materials technologies. Our main focus on resolving issues remains unchanged.

Q. Please tell us about the prospects for semiconductor-related growth in the Industry Business in the page 33.

- A. While we will refrain from giving specific numbers, we have begun to bear fruit in the optical systems, after approximately ten years of stocking up on technology. In the three years to come, we will expand it to meaningful numbers. We will explore opportunities in semiconductor materials as a new area in the Industry Business.