



KONICA MINOLTA, INC.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2026

July 31, 2025

Event Summary

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[Participants]		
[Number of Speakers]	6	
	Toshimitsu Taiko	Director, President & CEO, Representative Executive Officer
	Noriyasu Kuzuhara	Director, Executive Vice President & Executive Officer Responsible for Industry Business
	Yoshihiro Hirai	Executive Vice President & Executive Officer Responsible for Corporate Accounting, Corporate Finance, Corporate Legal, Chairperson of the Compliance Committee, and Chairperson of the Risk Management Committee
	Norihisa Takayama	Executive Vice President & Executive Officer Responsible for Business Technologies Business

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	Miwa Okamura	Senior Vice President & Executive Officer Responsible for Corporate Communications and IR
	Takahiko Ueno	Manager of Investor Relations
[Analyst Names]*	Takashi Shimamoto	Okasan Securities
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	Ryosuke Katsura	SMBC Nikko Securities
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Ueno: Hello, everyone. Thank you very much for joining us today. We will now begin the financial results briefing for Q1 of FY2025 for KONICA MINOLTA, INC.

First, I would like to introduce today's attendees. Mr. Taiko, Director, President & CEO, Representative Executive Officer; Mr. Kuzuhara, Executive Officer Responsible for Industry Business; Mr. Hirai, Executive Officer Responsible for Corporate Accounting, Corporate Finance, Legal; Mr. Takayama, Executive Officer Responsible for Business Technologies Business; and Ms. Okamura, Executive Officer Responsible for Corporate Communications and IR. My name is Ueno from IR, and I will be moderating today's session.

We'd appreciate it if you could keep your microphones muted. Mr. Taiko, please go ahead.

Taiko: Hello, everyone. Thank you very much for joining our financial results briefing session today. I would like to walk you through our Q1 results, which we disclosed at 3:30 PM today.

FY2025 Q1 Performance | Summary



- Revenue: Decreased (FOREX, office/performance materials/production print, and business selection and concentration)
- Business contribution profit: Increased (improved gross profit ratio and improved SG&A expenses margin due to global structural reform efforts)
- Operating profit: Increased (absence of onetime expenses such as structural reform costs and other factors)
- Profit attributable to owners of the Company : Increased (valuation gain and loss of sale of Tempus AI shares)
- Tariff impact: Minor

[¥ billions]

	With discontinued operations		Based on continuing operations			w/o FOREX
	FY24 Q1	FY24 Q1	FY25 Q1	YoY		
Revenue	286.2	273.7	251.2	-8%		-4%
Gross Profit	126.4	118.4	110.3	-7%		-2%
Gross Profit ratio	44.2%	43.3%	43.9%	+0.6pt		
SG&A	124.8	116.6	101.1	-13%		-10%
SG & A ratio	43.6%	42.6%	40.2%	-2.4pt		
Business Contribution Profit ^{*1}	1.6	1.8	9.2	+411%		+510%
Business Contribution Profit ratio	0.6%	0.7%	3.7%	+3.0pt		
Operating Profit	-0.4	-1.8	10.1	-		-
Profit attributable to owners of the Company ^{*2}		-3.5	7.3	-		
FCF ^{*3}		-8.2	-18.8	-		
FOREX [Yen]						
USD		155.88	144.59	-11.29		
EUR		167.88	163.80	-4.08		

*1 Business contribution profit: The profit subtracted sales cost, SG&A from revenue

*2, *3 Including those from discontinued businesses

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Please turn to page three, which shows a summary of our performance.

Revenue was JPY251.2 billion, down approximately 8% YoY. Compared to the same period last year, revenue declined by approximately JPY30 billion, reflecting the impact of yen appreciation, particularly against the U.S. dollar, which amounted to around JPY12.0 billion, as well as the narrowing of business domains in certain areas as part of our business selection and concentration.

Business contribution profit rose significantly to JPY7.4 billion. The business selection and concentration carried out by the end of last fiscal year, along with management reforms including global structural reforms, contributed to improvements in the gross profit ratio and the SG&A expense ratio. In addition, operating profit increased significantly by JPY11.9 billion, supported by the absence of one-off factors.

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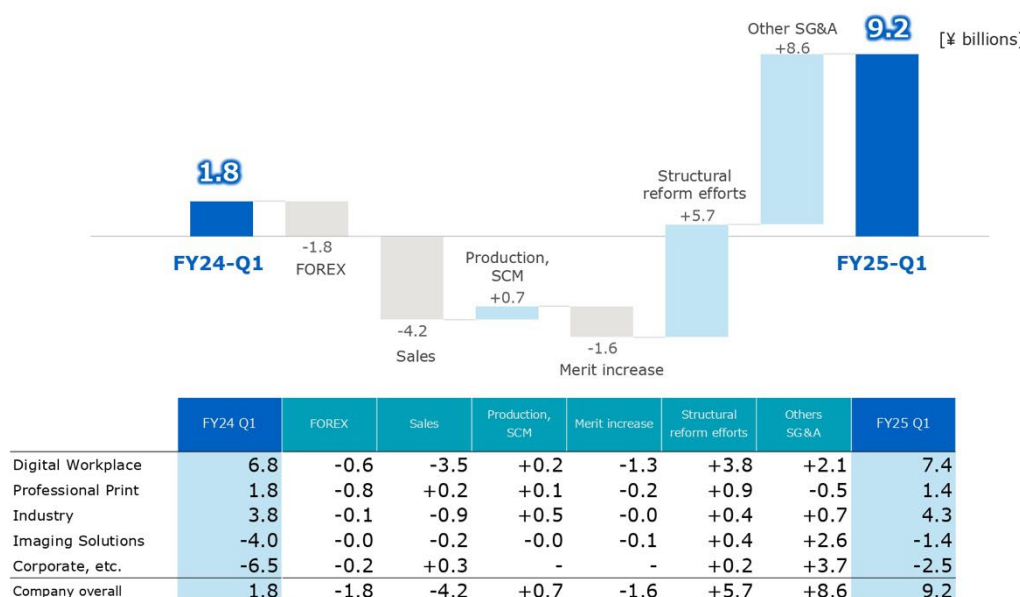
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Profit attributable to owners of the Company increased significantly by JPY10.7 billion YoY. This growth was driven not only by a substantial increase in operating profit but also by approximately JPY3.0 billion in profit from discontinued operations. These included a loss of JPY1.8 billion from the partial sale of shares in Tempus AI, which was associated with the transfer of our shares in Ambry Genetics, and a gain of JPY4.9 billion from the revaluation of the remaining shares.

In summary, we believe that Q1 of the current fiscal year, which we have positioned as Turn Around 2025, got off to a solid start.

FY2025 Q1 | Factors of Increase/Decrease of Business Contribution Profit



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The next page shows the breakdown of the YoY change in business contribution profit for Q1 by factor.

Although gross profit declined as a result of the effect of exchange rates and lower sales, the impact of structural reforms amounted to JPY5.7 billion, which was in line with our initial projection at the beginning of the period. In addition, a reduction of JPY8.6 billion in other SG&A expenses also contributed to the significant increase in profit. I will go over the sales performance of each business later in the presentation.

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Operating Profit/Profit attributable to owners of the Company Details



Completed business selection and concentration in FY24 and has realized harvesting the effect from FY25 Q1

[¥ billions]

	FY24 Q1	FY25 Q1	Increase/ Decrease	Factors of increase/decrease
Other income	1.5	3.9	+2.4	
Gain on sales of shares in subsidiaries	0	2.3	+2.3	Imaging Solutions: Realization of foreign currency translation adjustment of MOBOTIX, etc.
Others	1.5	1.6	+0.0	Gain on sales of property, plant and equipment and land at production site in China (Wuxi), etc.
Other expenses	5.2	3.0	-2.2	
Loss on sales of shares in subsidiaries	-	1.0	+1.0	Production print: Realization of foreign currency translation adjustment of overseas MPM
Loss on sales and disposals of property, plant and equipment, and intangible assets	0.6	0.2	-0.4	
Business structure improvement expenses	3.0	0.2	-2.8	
Others	1.6	1.6	+0.0	
Other income and expenses	-3.7	0.9	+4.6	
Finance income	1.7	1.9	+0.2	Gain on acquisition of real estate trust beneficiary interests for Tokyo Site Hino +1.1, foreign exchange gain -0.8
Finance costs	3.0	3.1	+0.0	Decrease in interest expenses -0.5, foreign exchange loss +0.3
Finance income and costs	-1.4	-1.2	+0.2	
Profit from discontinued operation	1.9	3.0	+1.1	Valuation gain on Tempus AI shares +4.9 and loss on partial sale of shares -1.8

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Last fiscal year, we completed the business selection and concentration as part of our management reforms. As a result, other income turned positive, supported by one-off gains and the absence of certain expenses. For reference, a summary table is provided on page five.

FY2025 Q1 Performance | Revenue & Profit by Segment



[¥ billions]

Revenue	With discontinued operations		Based on continuing operations				
	FY24 Q1		FY24 Q1	FY25 Q1	YoY	w/o FOREX	
Digital Workplace	152.0		152.0	138.9	-9%	-4%	
Professional Print	67.6		67.6	64.3	-5%	+0%	
Industry	31.0		31.0	28.7	-7%	-5%	
Imaging Solutions	22.8		22.8	19.1	-16%	-13%	
Corporate, etc.	0.2		0.2	0.1	-20%	-12%	
Discontinued operations	12.6		-	-	-	-	
Company overall	286.2		273.7	251.2	-8%	-4%	

Business Contribution Profit	FY24 Q1	ratio	FY24 Q1	ratio	FY25 Q1	ratio	YoY	w/o FOREX
Digital Workplace	6.8	4%	6.8	4%	7.4	5%	+9%	+19%
Professional Print	1.8	3%	1.8	3%	1.4	2%	-20%	+25%
Industry	3.8	12%	3.8	12%	4.3	15%	+13%	+17%
Imaging Solutions	-4.0	-	-4.0	-	-1.4	-	-	-
Corporate, etc.	-6.5	-	-6.5	-	-2.5	-	-	-
Discontinued operations	-0.2	-	-	-	-	-	-	-
Company overall	1.6	1%	1.8	1%	9.2	4%	+411%	+510%

Operating Profit	FY24 Q1	ratio	FY24 Q1	ratio	FY25 Q1	ratio	YoY	w/o FOREX
Digital Workplace	4.5	3%	4.5	3%	7.1	5%	+57%	+71%
Professional Print	1.7	2%	1.7	2%	0.4	1%	-73%	-25%
Industry	3.1	10%	3.1	10%	4.3	15%	+41%	+46%
Imaging Solutions	-4.3	-	-4.3	-	0.6	3%	-	-
Corporate, etc.	-6.8	-	-6.8	-	-2.4	-	-	-
Discontinued operations	1.4	11%	-	-	-	-	-	-
Company overall	-0.4	-	-1.8	-	10.1	4%	-	-

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Next, we present revenue, business contribution profit, and operating profit by business segment. Please refer to this section for an overview.

Starting from the next page, we will provide explanations for each segment.

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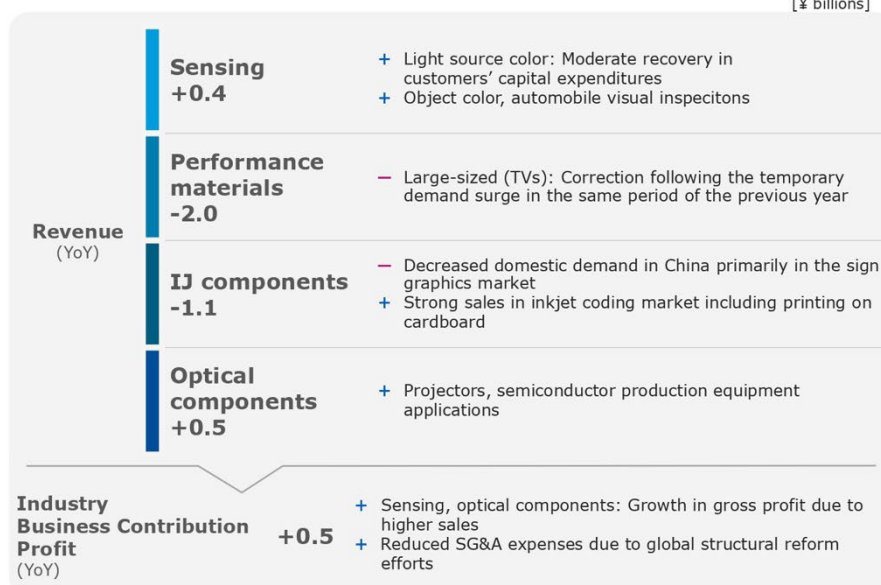
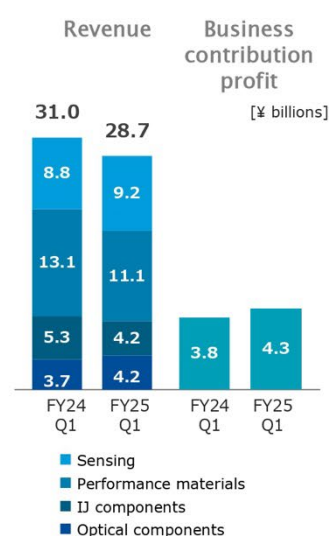
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FY2025 Q1 Performance | Industry



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First, in the Industry Business, revenue from sensing unit increased by approximately 4%. Sales of measurement instruments for light source color rose, supported by a gradual recovery in capital investment by major customers in the display sector, and sales from measurement instruments for object color and equipment for automotive visual inspection also increased.

The performance materials unit saw a decline in revenue, reflecting a reactionary drop following a temporary surge in demand in the same period of the previous year. In the market for large-sized displays, high-transparency films are becoming the trend, driving a shift toward COP films. In response, we are expanding the supply of our COP material SANUQI and also working to improve the transparency of TAC films, with the aim of increasing sales for large-sized-display applications.

The inkjet, IJ, components unit saw a decline in revenue due to sluggish demand in the sign graphics market in China. However, the coating sector, including cardboard box printing, performed well for printheads with long throw distance, which were launched last fiscal year.

The optical components unit recorded revenue growth YoY, driven by strong sales of replacement lenses for projectors and units for semiconductor manufacturing equipment, which is our key focus area.

Business contribution profit in the Industry Business rose by approximately 13%, supported by higher sales in the sensing and optical components units, as well as the benefits from global structural reforms.

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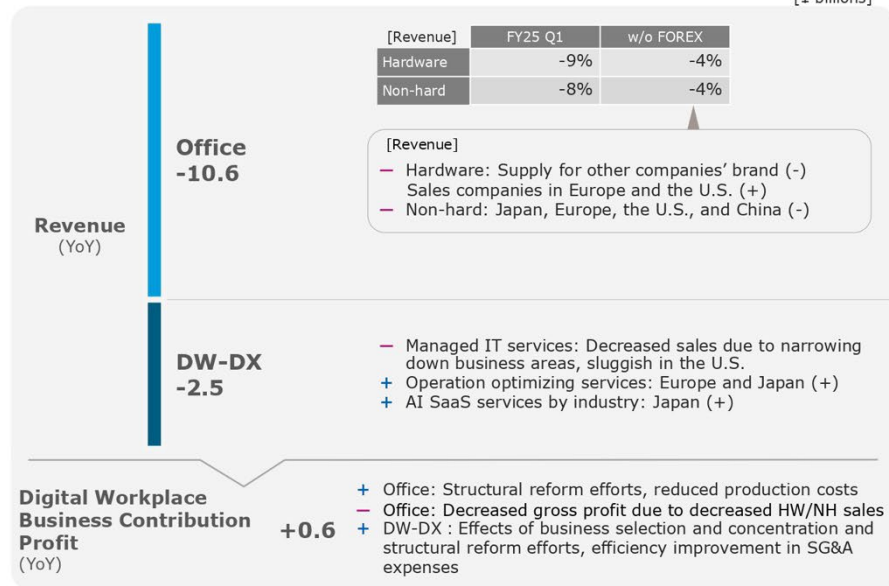
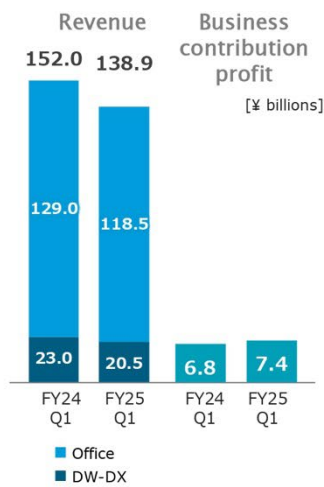
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FY2025 Q1 Performance | Digital Workplace



[¥ billions]



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Next is the Digital Workplace Business.

While hardware revenue in the office unit appears to have declined significantly, this was largely due to a decrease in sales to other companies' brand. Excluding the effect of exchange rates, revenue declined by approximately 4%. In Europe and the United States, our key markets, sales outperformed the previous year. Given that some sales to other companies' brand have been delayed to later periods, we expect revenue to build steadily from Q2 onward.

Non-hard revenue declined by 4% in real terms excluding exchange rates. This decrease was mainly the result of reduced sales in Europe, China, and Japan following our efforts in the previous fiscal year to scale back low-margin hardware sales. Looking ahead, we aim to maintain non-hardware revenue by focusing on securing large-scale projects that prioritize medium- to long-term profitability.

DW-DX, which primarily provides IT services, recorded a YoY decline in revenue. This was due to the impact of business disposals and transfers implemented as part of our business selection and concentration aimed at improving profitability. Despite the decline in revenue, business contribution profit increased, as the cost reductions in both cost of sales and SG&A expenses resulting from global structural reforms significantly offset the negative impact of lower revenue.

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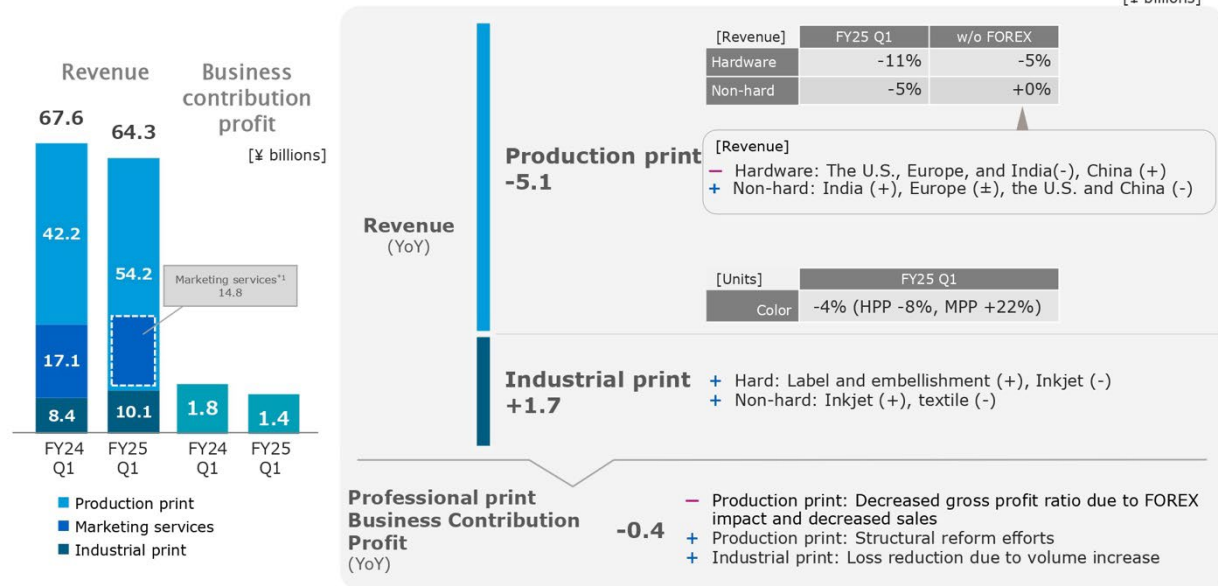
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FY2025 Q1 Performance | Professional Print



[¥ billions]



Next is the Professional Print Business.

In production print unit, revenue declined by 11% YoY or by 5% excluding the effect of exchange rates. This decrease was mainly due to lower sales of the low-segment models. Revenue in the HPP, which is the heavy production printing, declined as a reaction to large orders recorded in the previous fiscal year. However, HPP sales themselves remained in line with expectations, and we have maintained our number one market share.

Revenue in the MPP, mid production print, increased by 20% YoY, with all major regions recording higher sales than the previous year. The launch of the new models has helped boost sales momentum and improve our market share, continuing the recovery trend.

Non-hard revenue, including consumables and services, were roughly flat YoY in real terms excluding exchange rates. Going forward, we aim to further grow revenue while also improving profitability through enhanced efficiency in sales, service, and production driven by digital transformation.

In industrial printing unit, revenue increased YoY. Hardware sales grew thanks to higher demand for label press and embellishment press, and non-hardware sales continued an upward trend.

Business contribution profit declined, reflecting a decrease in gross profit resulting from lower revenue in the production print.

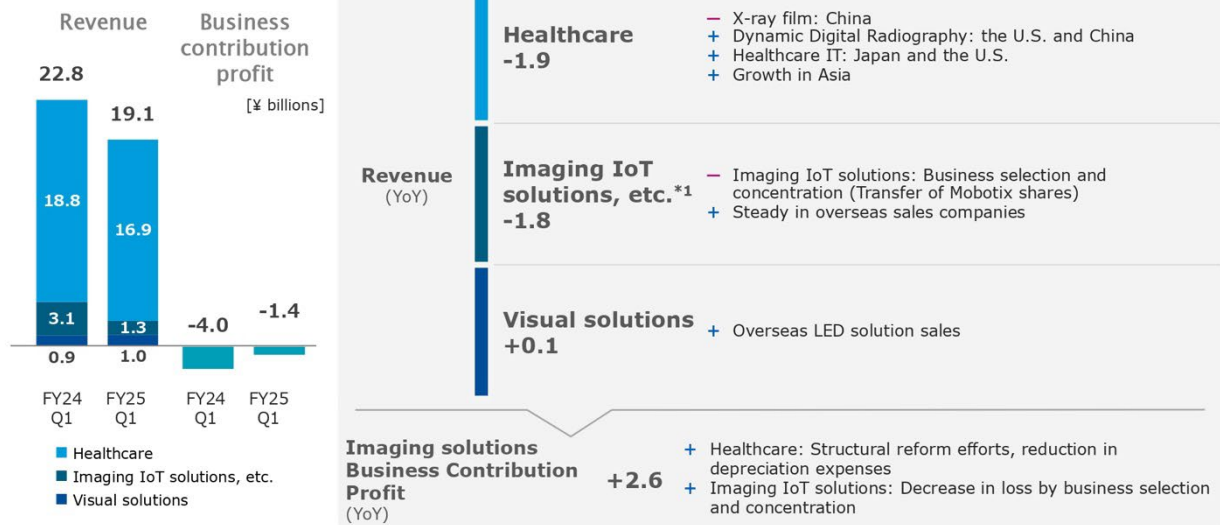
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FY2025 Q1 Performance | Imaging Solutions



Next is the Imaging Solutions Business.

In the healthcare unit, revenue declined YoY, reflecting a drop in demand for X-ray film in China as well as the effect of exchange rates. While unit sales of DR, the digital X-ray, decreased in Europe and the United States, they increased in Asia and other regions, resulting in revenue staying roughly flat compared to the previous year. Healthcare IT sales grew, mainly in Japan and the United States.

Revenue from imaging IoT solutions unit decreased YoY. This was due to the exclusion of sales from Mobotix, which is no longer included in our consolidated results following its disposal at the beginning of this fiscal year.

Revenue from visual solutions unit rose slightly YoY, driven by strong sales of LED solutions overseas.

The Imaging Solutions Business recorded a business contribution loss of JPY1.4 billion. However, profitability improved significantly, thanks to the benefits of global structural reforms implemented in the healthcare business last fiscal year, a reduction in depreciation expenses, and the effects of business selection and concentration in the imaging IoT solutions.

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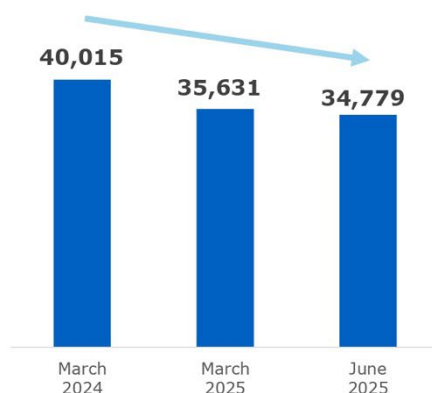


Workforce Optimization



- Workforce optimization has progressed by completing global structural reforms and business selection and concentration in FY2024.

Number of employees in the Group



Workforce reduction after March 2025 from business selection and concentration

● MPM in marketing services	735
● Mobotix	259

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Next is workforce optimization.

This section outlines the progress made through global structural reforms implemented last fiscal year, along with workforce optimization as a part of our business selection and concentration. From the end of March to the end of June 2024, the number of employees decreased by approximately 5,200. This reduction led to lower cost of sales and SG&A expenses, contributing to an increase in business contribution profit.

FY2025 Earnings Forecast | Summary



- No change from assumptions at the beginning of the period by absorbing U.S. reciprocal tariffs effect
- Absorbing by change in Euro exchange rate assumptions (from ¥150 to ¥160), price adjustment, and additional cost reductions, etc.
- Amount of risk factored into the corporate has been reflected by segment
- FCF has been revised downward due to the U.S. reciprocal tariffs impact

	FY24 Results	FY25 Forecast	Change
Revenue	1,127.9	1,050.0	-77.9
Business contribution profit	31.9	52.5	+20.6
Operating Profit	-64.0	48.0	+112.0
Profit attributable to owners of the Company	-47.5	24.0	+71.5
Dividends (yen/share)	0	10	+10
ROE (%)	-	5	-
CAPEX ^{*1}	41.6	45.0	+3.4
Depreciation and Amortization Expenses ^{*2}	52.8	50.0	-2.8
R&D expenses	59.6	58.0	-1.6
FCF	75.7	35.0	-40.7
		(previous 44.5)	
FOREX Sensitivity			
FOREX [Yen]			
USD	152.58	144.90	-7.68
EUR	163.75	160.95	-2.80
			+1.6
			+0.4

*1 Not including the expenses for acquiring real estate trust beneficiary interests for the land of Tokyo Site Hino

*2 Depreciation and amortization expenses include those from discontinued businesses

*3 Forecast exchange rate is a weighted average of actual and forecast exchange rates

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Next, I will explain our forecasts for FY2025.

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In our initial forecast, we did not reflect the impact of U.S. reciprocal tariffs, as the outlook was still uncertain at the time. However, in this update, we have incorporated both the impact and our countermeasures based on the tariff rates announced as of July 28.

We expect to absorb the negative impact of the U.S. reciprocal tariffs through measures already in place, such as price adjustments, as well as through additional cost reductions. As a result, we are maintaining our initial forecast for revenue and all levels of profit.

With respect to exchange assumptions, we have revised the EUR/JPY rate from 150 to 160, reflecting recent market trends. Free cash flow has been revised downward by approximately JPY10.0 billion, taking into account the impact of the U.S. reciprocal tariffs. However, we are maintaining our annual dividend forecast of JPY10.

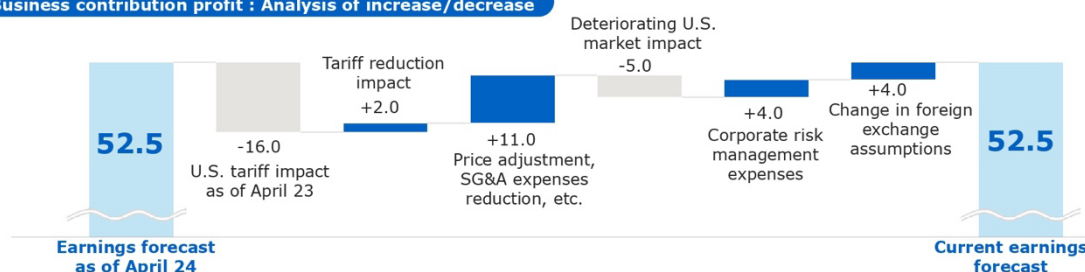
FY2025 Earnings Forecast | U.S. Reciprocal Tariffs Impact



- U.S. reciprocal tariffs impact estimate has been revised from the previous ¥16.0 billion (as of April 24th JST) to ¥14.0 billion based on information as of July 28th JST.
- Absorbing the tariff impact such as deteriorating U.S. market by price adjustment, SG&A expenses reduction and change in Euro exchange rate assumptions

Business contribution profit : Analysis of increase/decrease

[¥ billions]



Main production area

Office	Malaysia and Japan
Professional print	China, Japan, and Europe
Sensing	Japan, Europe, and the U.S.
Healthcare	Japan

Assumed tariff rate*

China	61.5%
Malaysia	25%
Europe	15%
Japan	15%

*Conditions announced by U.S. government as of July 28th JST

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The next slide provides a more detailed explanation of the impact of the U.S. tariffs.

We have revised our initial estimate of the impact, which was JPY16.0 billion, to JPY14.0 billion. This revision is based on tariff rate information between China and the United States and between Japan and the United States as of July 28. Of the JPY14.0 billion in the impact, we plan to offset JPY11.0 billion through price adjustments, passing cost onto customers, and reductions in SG&A expenses. On the other hand, we expect a negative impact of approximately JPY5.0 billion resulting from a decline in demand in the U.S. market.

As explained at the beginning of the fiscal year, we are conducting our full range of countermeasures, including price adjustments already under way, along with channel and regional strategies, to absorb these profit pressures as much as possible. Rather than recovering all of the negative impact within the U.S. market, we are pursuing a global approach to profit generation, including increasing sales in other regions. Additionally, we aim to offset the tariff impact by allocating the risk management expenses which were factored into the corporate at the beginning of the period and by changing our Euro exchange rate assumptions.

Since the effects of the reciprocal tariffs are not limited to this fiscal year, we are accelerating our efforts to develop and implement further measures. These include continuing to shift production to low-tariff countries,

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devising additional cost of sales reduction initiatives, and streamlining our organizational structure by shifting our strategic focus from a business-based axis to a region-based axis.

FY2025 Earnings Forecast | By Segment



[¥ billions]

Revenue	FY24 Results		FY25 Previous forecast		FY25 Current Forecast		Change
Digital Workplace	616.4		570.0		570.0		-
Professional Print	284.7 *1		244.0		244.0		-
Industry	119.3		130.0		130.0		-
Imaging Solutions	106.9		106.0		106.0		-
Corporate, etc.	0.7		0.0		0.0		-
Company overall	1,127.9		1,050.0		1,050.0		-

Business contribution profit	FY24 Results	Ratio	FY25 Previous forecast	Ratio	FY25 Forecast	Ratio	Change
Digital Workplace	35.8	6%	39.0	7%	38.0	7%	-1.0
Professional Print	13.0	5%	16.5	7%	13.5	6%	-3.0
Industry	14.0	12%	21.0	16%	21.0	16%	-
Imaging Solutions	-10.3	-	0.0	-	0.0	-	-
Corporate, etc.	-20.5	-	-24.0	-	-20.0	-	+4.0
Company overall	31.9	3%	52.5	5%	52.5	5%	-

Operating profit	FY24 Results	Ratio	FY25 Previous forecast	Ratio	FY25 Forecast	Ratio	Change
Digital Workplace	14.0	2%	39.0	7%	38.0	7%	-1.0
Professional Print	-13.2	-	16.5	7%	13.5	6%	-3.0
Industry	-12.7	-	21.0	16%	21.0	16%	-
Imaging Solutions	-25.9	-	0.0	-	0.0	-	-
Corporate, etc.	-26.1	-	-28.5	-	-24.5	-	+4.0
Company overall	-64.0	-	48.0	5%	48.0	5%	-

*1 Including approximately ¥41.3 billions from overseas MPM business

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This slide shows our forecast by segment.

In this update, part of the expected negative impact that was initially factored into the corporate has been reallocated to the Professional Print and Digital Workplace Businesses.

FY2025 | Key Measures by Business Q2 Onwards



Digital Workplace <p>Office:</p> <ul style="list-style-type: none"> Maximizing medium- to long-term profit by expanding in high-performance models and minimizing decrease in non-hard Improved productivity of production, sales and service operations by DX <p>DW-DX:</p> <ul style="list-style-type: none"> Effect of FY24 business selection and concentration Growth of operation optimizing services and AI SaaS services* 	Industry <p>Sensing:</p> <ul style="list-style-type: none"> Expand in light source color through display evolution Expand HSI and automobile visual inspections globally <p>Performance materials:</p> <ul style="list-style-type: none"> Increase SANUQI® production capacity and competitiveness of VA phase difference film Enter surface protection field with the new SAZMA® <p>IJ components:</p> <ul style="list-style-type: none"> Expand inkjet printhead for industrial use <p>Optical components:</p> <ul style="list-style-type: none"> Expand optical components for semiconductor production equipment
Professional Print <p>Production print:</p> <ul style="list-style-type: none"> Expand in HPP® and MPP® Improved productivity of production, sales and service operations by DX <p>Industrial print:</p> <ul style="list-style-type: none"> Expand in UV inkjet press and digital label press Strengthening sales and service organization 	Imaging Solutions <p>Healthcare:</p> <ul style="list-style-type: none"> Expand digital X-ray by promoting value of the Dynamic Digital Radiography Expand healthcare IT services globally

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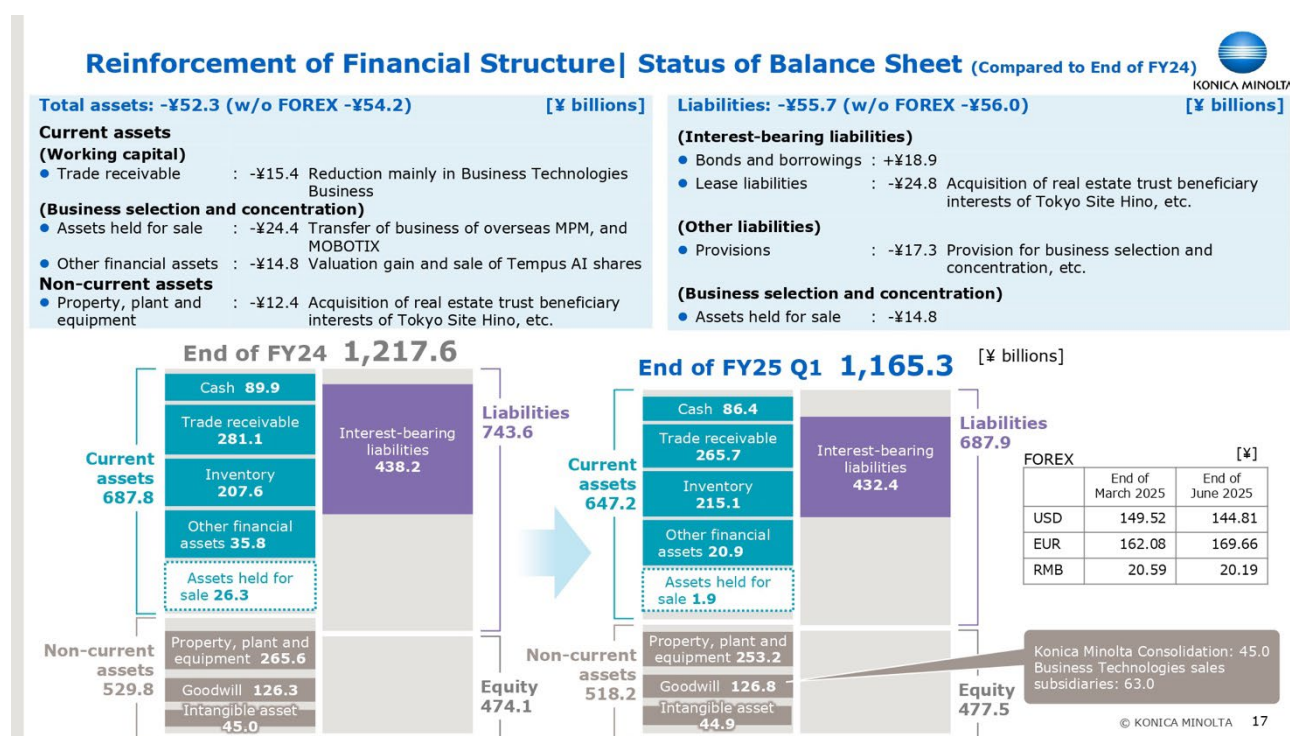
This page outlines our key initiatives for each business segment from Q2 onward, in addition to the reciprocal tariff response measures explained earlier.

In the office unit, hardware sales in Q1 were temporarily affected by lower sales to other companies' brand. However, we expect a recovery from Q2 onward, and plan to drive further growth, particularly in the strong European market. Non-hard performance was somewhat weak in Q1, but we aim to maximize medium- to long-term profitability by securing large-scale projects and expanding our MIF.

In the Professional Print Business, Q1 was weak due to a reactionary decline following strong sales in the previous fiscal year. Looking ahead, we will continue to expand sales of HPP, which is our focusing area, and MPP, which is strong with the new products. As for the industrial print unit, we expect a challenging environment to remain for the time being as customers continue to restrain capital investment.

In the Industry Business, the IJ components continues to show a soft trend. However, we aim to maintain the positive sales momentum in the sensing and optical components, and in the performance materials, we intend to steadily capture demand for high-transmittance films, as mentioned earlier.

In the healthcare, performance was weak in Q1, mainly due to a sharp drop in demand for analog film in China since H2 of last fiscal year. However, we expect this weakness to ease in H2 of the current fiscal year. In addition, we will continue working to expand sales of digital X-ray in the main region and other regions.



The next slide shows the progress we have made in strengthening our financial structure, a key initiative under our Medium-term Business Plan.

First, with regard to the balance sheet, we have reduced total assets by more than JPY50.0 billion since the end of March this year. This reduction reflects the completion of our business selection and concentration, which have resulted in a decrease in assets held for sale and financial assets. We are also making steady progress in reducing consolidated receivables outstanding. In addition, through the acquisition of real estate trust beneficiary interests of Tokyo Site Hino, we are working to reduce interest-bearing debt, including the reduction of lease liabilities.

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Reinforcement of Financial Structure| Inventories and Operating CF/FCF



KONICA MINOLTA

- Inventory : **+¥7.5 billion** (QoQ) Increased mainly in Business Technologies Business due to U.S. reciprocal tariff
- Operating CF : **-¥11.5 billion**
 - ✓ +¥8.9 billion Profit before tax (based on continuing operations)
 - ✓ +¥5.7 billion Working capital
 - ✓ -¥22.6 billion Others
- Capex : **-¥7.3 billion**
 - ✓ +¥17.0 billion Sale of investment securities (proceeds from sale of Tempus AI shares)
 - ✓ +¥2.1 billion Payments for and proceeds from sales of subsidiaries
 - ✓ -¥24.9 billion Purchase of property, plant and equipment (including acquisition of real estate trust beneficiary interests for the land of Tokyo Site Hino)

Inventory



Operating CF / FCF



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This page covers inventories and cash flow.

Inventories have increased since the end of March, mainly in the Business Technologies Business, reflecting both the seasonal nature of our operations and advance shipments due to U.S. tariffs. Free cash flow deteriorated by approximately JPY10.5 billion YoY, primarily due to the acquisition of land at the Tokyo Site Hino, despite gains from the sale of shares in Tempus AI. Our full-year outlook for free cash flow has been revised downward by approximately JPY10.0 billion, reflecting expected payments related to the U.S. reciprocal tariffs.

FY2025 Event Schedule



KONICA MINOLTA

Financial results-related

- November 5 Q2 Financial Results Presentation
- February 5, 2026 Q3 Financial Results Presentation

Briefings

Growth seeds

- Around fall Recycled Plastic Materials Production
- 2H Optical Components for Semiconductor Production Equipment, Barrier Film of Perovskite Solar Cell

ESG

- Around January to March 2026 ESG briefings

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Page 19 is the final slide.

Here, we have summarized the upcoming IR events scheduled for Q2 and beyond. We position this fiscal year as one for establishing a foundation for growth, and we intend to provide opportunities to share our medium-to long-term growth prospects, what we call the Growth Seeds. Further details will be shared by the IR office as soon as they are finalized.

That concludes my presentation for today. Thank you very much for your attention.

Ueno: Thank you very much, Mr. Taiko

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Question & Answer

Ueno [M]: I would now like to take your questions. First, Mr. Shimamoto, please go ahead.

Shimamoto [Q]: This is Shimamoto from Okasan Securities. Thank you very much for your presentation.

First, I would like to ask about the Q1 results. It seems that the actual performance may have exceeded the plan. Could you confirm whether this is the case and also provide insights into the performance of each segment? If possible, please provide quantitative details. Thank you in advance.

Okamura [A]: I, Okamura, will answer your question. I will respond based on business contribution profit. Overall, we saw an upward deviation of approximately JPY1.0 billion to JPY2.0 billion. Looking at the segments, the office b mainly performed well. As for the Imaging Solutions and Industry, they performed in line with expectations.

Shimamoto [Q]: Thank you very much. As a follow-up, the deficit in the corporate division is significantly smaller than the figure derived by dividing the full-year plan into four parts. Is this progress in line with the plan, or is an increase expected going forward? Could you provide an update on this?

Okamura [A]: The positive factor is due to the inclusion of one-off expenses. However, some of these expenses will have an impact throughout the fiscal year, while others result from timing differences. Overall, we expect the corporate division to improve by approximately JPY4.0 billion from the initial forecast, ultimately reaching around JPY20.0 billion.

Shimamoto [Q]: So, you are saying that there was a one-off profit in Q1. Please let me know if it is mentioned in the presentation materials.

Okamura [A]: The profit is in the range of some billion yen.

Shimamoto [Q]: I see. Thank you very much. Now, I would like to ask about the impact of tariffs. Regarding the outlook, you have forecasted a JPY5.0 billion decrease in business contribution profit due to the deterioration of the U.S. market. Are there already any signs of slowdown in the U.S. market at this point? Is this JPY5.0 billion a very conservative estimate, or how do you feel about this?

Taiko [A]: This is Taiko. At this stage of Q1, we have not seen any significant slowdown overall. However, when examining individual cases, some dealers are experiencing sluggish sales and accumulating inventory, so we will closely monitor this situation. That said, we have not yet seen any notable decline in purchases from Q1, which had been a concern.

Shimamoto [Q]: Understood. So, based on the current tariff rates, is the figure of JPY5.0 billion a high estimate?

Taiko [A]: It is neither high nor low. It is an estimate based on our understanding of the current situation.

Shimamoto [Q]: Understood. Thank you very much. Finally, regarding the non-hard of the office, Q1 saw a 4% decline, which was not very favorable, but could you explain why profits did not deteriorate as much? Also, could you share your outlook for the non-hard for the Q2 and beyond?

Takayama [A]: This is Takayama for Business Technologies Business. Regarding the non-hard, we maintain our view that we expect decline of around 2% over the medium to long term. This outlook has not changed,

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and we still anticipate around 2% decline over the long term. The 4% decline this time was larger than expected, though.

One of the reasons for this is, of course, the Chinese economy. In addition to that, as project selection, we have maintained a policy of not accepting unprofitable or low-margin projects, which has led to a slight decline in non-hard sales, following the decline in hardware. That said, the impact on profitability has been limited, as the excluded projects were primarily those with very low gross margins.

One thing worth noting for this fiscal year is that the contract for a fairly large project expired last year. We did not actively pursue it last year because the project also had a very low gross profit margin. Since last year, replacements have been progressing, and non-hard sales also fell slightly in Q1. As mentioned, we have intentionally excluded low-profitability projects from our pipeline, so while sales have declined, the impact on profits has been limited. That concludes my explanation.

Shimamoto [Q]: Understood. Just to follow up, is it correct to say that while your medium- to long-term assumption of around 2% growth remains unchanged, the continued focus on project selection means that non-hard sales are likely to continue declining from Q2 onward, though the impact on profits will be limited?

Takayama [A]: Yes, that's correct. In terms of revenue, we are taking a somewhat cautious view of the non-hard from Q2 of this fiscal year. Our full-year outlook assumes around 2% decline, with a slightly pessimistic estimate. However, we have not made any significant changes to our profitability forecast.

Shimamoto [M]: I understand very well. Thank you very much. That is all.

Ueno [M]: Thank you. Next, Mr. Shibano, please go ahead.

Shibano [Q]: Thank you for your explanation. My name is Shibano from Citigroup.

First, I would like to ask about the MFPs. You explained earlier that there is no noticeable decline in demand in the U.S. market at present. On the other hand, you said that the European market is performing well.

Please re-explain your views on each region in more detail. First, regarding Europe, do you believe that the recovery trend will continue, and how sustainable do you think it will be? Also, regarding the outlook for the U.S. market, some distributors have reported that sales are slightly weak, but you said that there is no significant decline in demand at this point and that there are no particular cases of postponement of your sales decision. Based on this situation, is it correct to understand that you do not anticipate a scenario in which conditions will deteriorate in the future?

Please also share your current understanding of the Asian market. Looking at Canon's results, it appears that the Asian region is in a very difficult situation, so I would like to hear your views. Thank you in advance.

Takayama [A]: Let me explain. Starting with regional trends, in Europe, we have not seen any significant impact from the economic environment or tariffs at this point. Based on the current situation, we are not taking a pessimistic view for the full year. As for the United States, as Mr. Taiko mentioned earlier, we are not seeing a notable trend of customers postponing investments. However, we are seeing some cases, particularly involving large-scale deals in industrial printing, where investment decisions are being delayed, or financing and lease approvals are not coming through, which is causing sales cycles to take longer. We expect industrial printing, in particular, to remain somewhat soft this fiscal year.

As for Asia, the situation is different in China and in other regions. In China, the difficult market conditions have persisted since last year, and we expect the environment to remain challenging for the time being. For

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the rest of the APAC region, while the market is not particularly strong, it is also not performing poorly, and we believe it will progress in line with our expectations. That concludes my explanation.

Shibano [Q]: Thank you very much. My second question is about the Industry Business. It seems that there has been no change to the full-year revenue forecast this time, but if there are any segments within the Business that have seen a shift in outlook or any changes in conditions since the last update, I would appreciate it if you could highlight those. Thank you in advance. If there are no notable changes, that's fine.

Kuzuhara [A]: This is Kuzuhara, responsible for the Industry Business. As mentioned earlier, we see the possibility that the inkjet unit may face some headwinds due to market environment. While we are implementing countermeasures, compared to our initial assumptions, there is a chance that performance may be slightly weaker. Other than that, we do not see any specific factors that would require a revision to the plan. As a whole, since the optical components and sensing business are performing slightly better than expected, we are maintaining the current forecast.

Shibano [Q]: Thank you very much. My third and final question concerns the outlook for the next fiscal year. Mr. Taiko mentioned earlier that the impact of tariffs is expected to remain to some extent in the next fiscal year, and that countermeasures will be necessary. Also, on page 19, there are a reference to upcoming IR events, including efforts related to your new businesses.

With that in mind, looking ahead to the fiscal year ending March 2027 and beyond, do you expect a good start of the new businesses or other growth drivers that could offset the lingering impact of tariffs? Additionally, how much possibility do you have regarding those new businesses or growth drivers? A brief overview would be appreciated. That is all.

Taiko [A]: We are planning to hold several briefings this year to communicate our growth potential, particularly from FY2026 onward. The U.S. tariff issue I discussed today is expected to continue into the next fiscal year, and we recognize the need to additionally think about it. One area we are exploring is the possibility of shifting some of our remaining production in Asia to countries with lower tariff rates, as a way to reduce costs. The situation still requires close monitoring, and we intend to continue examining such options.

We are also exploring additional opportunities to reduce manufacturing costs across our businesses. In the area of Business Technologies, for instance, we plan to further expand the benefits from the procurement joint venture we launched with FUJIFILM Business Innovation.

As I mentioned earlier, while we have historically operated on a business-based axis, we believe that shifting to a more region-based axis may unlock additional opportunities to reduce the corporate costs and logistics costs at the local level. We see potential for streamlining from this new perspective and are working to accelerate such initiatives. Although we are not yet at the stage where we can share concrete figures, we are committed to pursuing these additional measures to drive growth going forward. That concludes my response.

Shibano [M]: Thank you very much.

Ueno [M]: Next, Mr. Katsura, please go ahead.

Katsura [Q]: This is Katsura from SMBC Nikko Securities. Thank you for the today's presentation.

I have two questions. First, on page 8 regarding the hardware in the office. You mentioned that the sales to other companies' brand were a negative factor, while your own-brand products contributed positively, and that the situation is expected to recover from Q2 onward. Could you provide more detail on the scale of the impact, as well as the underlying factors and your thinking? I assume that some customers may have increased orders ahead of potential tariff changes, while others may have placed orders in the previous quarter, or there

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may have been fluctuations due to price increase. I would appreciate it if you could provide more detailed information on this point.

Taiko [A]: I'm afraid I can't give you the name of the customer on this matter, but I can say that this case does not involve our OEM business in Europe or the U.S. Rather, it involves OEM customers operating primarily in China and other parts of Asia. This is not related to any last-minute buying driven by tariff concerns. These customers tend to place bulk orders, which they then consume over time. In this particular case, the shipment timing shifted across quarters due to a product transition. It was purely a timing issue and had no connection to tariffs, as the business was conducted in regions unaffected by such measures. That concludes my response.

Katsura [Q]: Okay. So, since this is a matter of product transition timing in Asia, particularly in China, and is unrelated to tariffs, is it fair to say there's no particular cause for concern? And from that standpoint, is it reasonable to expect a return to positive results from Q2 onward?

Taiko [A]: Yes, that's right.

Katsura [Q]: Okay. Thank you very much. My second question concerns tariffs on page 14. Thank you for the detailed explanation there. You mentioned at the beginning that the impact in Q1 was minimal. If possible, could you share how the gross and net impact of tariffs looked in Q1 from an analytical perspective?

Also, regarding your price adjustments, could you share with us on what specific actions you've taken? I've heard that some companies implemented flat price increases of around 8% starting in May, so I'd appreciate it if you could explain how your company has responded. It appears that your countermeasures have been more robust than those of the competitors, so any insight on that would be helpful as well. That's all from me.

Okamura [A]: As this includes some technical points, I'll take this question. First, regarding your question about the gross tariff expenses in Q1, our estimate is that it came to just over JPY2.0 billion. However, we implemented various countermeasures in response, so the net impact was minimal. I hope that addresses your question.

Katsura [Q]: Okay. So rather than a flat, it sounds like you're taking a regionally tailored approach to pricing.

Taiko [A]: Regarding passing on the costs related to tariff to the customers, following the U.S. government's announcement in April, actual imposition of tariffs began around the end of May. In response, we implemented the first round of price adjustments in mid-June. At that time, we also communicated to the market that, depending on the outcome of the additional tariffs expected from July onward, a second round of price adjustments might be necessary.

Actually, Japanese-made products are now subject to a 15% tariff, while Malaysian-made products were subject to a 10% tariff but now 25%. The rates vary by product category, such as the office, PP, and IP. We are currently considering a second round of tariff-related price adjustments sometime during Q2.

Katsura [Q]: Thank you. Sorry, I have one follow-up question. On slide 15, you mentioned that a risk buffer of JPY1.0 billion and 3.0 billion was allocated to reflect downside risks in the Digital Workplace and Professional Print respectively. Does this mean that the tariff impact mentioned earlier has been fully offset through your countermeasures? If so, should I understand this shift as a reflection of a more challenging business environment than initially expected? Given that foreign exchange seems to be working in your favor, the variance in profit appears to be even greater. You also mentioned earlier the situation that the impact would be bigger in the industrial print unit in Professional Print. Could you elaborate on how your outlook for this segment has changed compared to three months ago?

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Taiko [A]: In the industrial printing unit, we began to see signs of softness already in Q1, not only in the U.S. but also in China. At the same time, while we are working to pass on tariff-related costs to the market, price elasticity naturally comes into play. As a result, we are also anticipating a certain decline in sales volume due to the price increases. Therefore, these factors are included in deteriorating U.S. market impact on page 19.

Katsura [M]: I understand very well. Thank you very much. That's all my questions.

Ueno [M]: Thank you. Next, Mr. Okazaki, please go ahead.

Okazaki [Q]: My name is Okazaki from Nomura Securities.

My first question is a simple one. You mentioned earlier that there was a one-off profit of several billion yen in Q1. Could you clarify what that was specifically? And was it included in your initial full-year plan?

Okamura [A]: This gain was recognized during the quarter and was not part of our initial plan. I can't go into too much detail, but it was not related to our core business operations. It resulted from corporate-level activities.

Okazaki [Q]: Was it something like an asset sale?

Okamura [A]: No, it was not. It was related to tax matters.

Okazaki [Q]: Understood. My second question is regarding the full-year impact of tariffs. You explained that price adjustments and SG&A expenses reductions are expected to generate a positive impact of JPY11.0 billion. Could you break that down between pricing and other measures? And do you see any differences in how easy or difficult it is to implement price adjustments depending on the product?

Taiko [A]: As shown on slide 14, we expect a full-year positive impact of around JPY11.0 billion from pricing measures and SG&A reductions. The contribution from each is roughly split 50/50.

That said, ease of implementation does vary by segment. For example, larger customers tend to be more cautious about accepting price increases. Also, there's a difference between office equipment, which is typically replaced every five years, and industrial printing equipment, which is used for 8 to 10 years. So, customers tend to be more cautious with longer-term capital investments, and that affects pricing discussions. In fact, the investment for industrial printing is quite large, so naturally, there is a higher degree of sensitivity around price increases in that segment. That's all.

Okazaki [Q]: Thank you. My third question is about the outlook for the Industry Business from Q2 onward. First, regarding the sensing, you mentioned earlier that you have been working to expand in light source color. What factors are driving this initiative? While the end-market for smartphones, for example, does not appear particularly strong, what industry trends do you see as stimulating demand for the sensing?

On the other hand, regarding performance materials, I understand that last year was strong, but there are views that demand was temporarily pulled forward, creating a temporary surge. From Q2 onward, shouldn't we expect a decline following last year's surge? That's all my questions.

Kuzuhara [A]: I will answer. Starting with the sensing, I cannot go into too much detail due to customer considerations, but the key driver is the ongoing shift to OLED. While smartphones have already seen significant adoption, OLED penetration is expanding in other applications as well, which in turn is encouraging renewed investment activity.

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Next, on performance materials, while there are views that demand may have been driven by front-loaded purchases and that it could soften somewhat from Q2 into H2, what we are actually seeing is steady and sustained demand rather than a temporary surge. At the same time, the customer base is shifting, particularly toward China, and this is bringing about changes in the nature of demand. We intend to steadily capture these shifts as we move the business forward.

Okazaki [M]: I understand. Thank you very much.

Ueno [M]: Next, Ms. Yamazaki, please go ahead.

Yamazaki [Q]: Thank you for the explanation. This is Yamazaki from Morgan Stanley MUFG Securities.

I would like to confirm the figures on page 4 regarding changes in business contribution profit. The JPY8.6 billion positive factor in other SG&A expenses does not seem to have been included in your initial plan for the fiscal year. Should I understand this as being related to the one-off profit that Mr. Okazaki referred to earlier? Also, could you share your outlook for other SG&A expenses for the full year?

Okamura [A]: This is Okamura again. In addition to the tariff-related factors mentioned earlier, we are also pursuing various cost reduction initiatives, and those efforts are contributing as well, along with some one-off factors. As for the JPY3.7 billion improvement in the corporate, which is on a YoY comparison, last year, we incurred costs such as legal fees related to business selection and concentration, and the absence of those costs this year has also contributed. Going forward, we intend to continue reducing costs and to maintain this downward trend throughout the full year.

Yamazaki [Q]: Regarding the JPY8.6 billion, is it correct to understand that, while not necessarily multiplied by four for the full year, you are assuming a continued contribution from cost reductions?

Okamura [A]: I believe that the JPY8.6 billion figure was too good, so for the full year, we expect it to be more moderate. That said, of the JPY11.0 billion tariff impact, we aim to offset about half through cost reductions, and we intend to maintain this momentum going forward.

Yamazaki [Q]: Thank you very much. My second question is about the assumptions regarding tariffs. Could you clarify how you are factoring in the deterioration of market conditions in the U.S.? Specifically, how much of a decline in U.S. sales this fiscal year do you expect from tariffs? And in the U.S. business technologies market overall, what level of decline are you assuming?

Takayama [A]: This is Takayama. Regarding business technologies, I don't have the exact figures at hand, but I believe the decline in U.S. sales will be over JPY10 billion. That is the level of impact we are assuming. That's all from me.

Yamazaki [M]: Understood. Thank you very much.

Ueno [M]: As we are approaching the end of our time, I would like to conclude today's session.

Thank you very much for your participation. If you have any further questions, please feel free to contact our IR department. That concludes today's financial results briefing. Thank you very much.

[END]

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