

Message from the CEO



We will build a foundation for sustainable growth by improving profitability and strengthening our financial base.

Toshimitsu Taiko

Director, President and CEO, Representative Executive Officer

Review of the first year of the Medium-term Business Plan

First profitable year in five fiscal years and first step toward regaining trust

The biggest mission assigned to me as president in April 2022 was to break out of the severe deficit situation that had continued since fiscal 2019 as soon as possible. In fiscal 2022, which was the final year of the previous medium-term business plan, DX2022, we recorded a significant impairment loss of goodwill from past major acquisitions so that we would not postpone our difficulties to the future. We have positioned fiscal 2022 as Phase 1 to “break with the past traditions” and chart a new course for sustainable growth.

Under the Medium-term Business Plan (Fiscal 2023-2025), which began in fiscal 2023, we aim to regain the trust of our stakeholders by reliably achieving the goals we

have committed to, based on the concept of “challenging and achievable management”. In fiscal 2023, our first year under the plan, consolidated revenue reached a record ¥1,159.9 billion. Operating profit and profit attributable to owners of the Company were ¥26.0 billion and ¥4.5 billion, respectively, achieving a return to profitability. We exceeded our target figures planned at the beginning of the fiscal year and took the first step toward rebuilding trust in the Company.

Additionally, as operating cash flow increased, free cash flows also improved significantly from the previous fiscal year. However, a breakdown by business segment shows that while some businesses performed well, others did not perform as planned. We will reinforce our business management system in response to changes in market conditions to further solidify our progress toward rebuilding trust in the Company.

Message from the CEO

Performance Summary

(Billions of yen)

	FY2022	FY2023	YoY
Revenue	1,130.3	1,159.9	+2.6%
Business contribution profit	29.7	26.0	-12.5%
Operating profit	-95.1	26.0	–
Profit attributable to owners of the Company	-103.1	4.5	–
Free cash flow	-24.1	38.8	–

* Business contribution profit is a Konica Minolta-original index, defined as profit determined by subtracting sales cost and SG&A from revenue.

Accelerate business selection and concentration and implement global structural reforms

Set a course for reform of non-focused and direction-changing businesses

The Medium-term Business Plan promotes three basic strategies: strengthening business profitability, structural reforms implemented to reinforce profit foundation, and

reinforcement of business management system. Based on these strategies, from fiscal 2023 to 2024, we will thoroughly implement “business selection and concentration” to strengthen business profitability as Phase 2, and then aim to “establish a foundation for growth” by the end of fiscal 2025 as Phase 3.

In this Medium-term Business Plan, all businesses are strategically divided into four categories: strengthening business, maintaining profit business, non-focused business, and direction-changing business, and the expectations and roles of each business have been clarified (see page 16). To complete business selection and concentration, it is essential to set a course for the reform of non-focused businesses and direction-changing businesses.

For non-focused businesses, we deliberate and execute the use of third-party capital from a best-owner perspective, considering the growth potential of the market and the social value of the business. In April 2024, the Company completed the transfer of entire equity capital in Invicro, a U.S. subsidiary that provides drug discovery support services in its precision medicine business. In addition, we are proactively considering the

use of third-party capital for Ambry Genetics as well, a provider of genetic testing services.

On the other hand, for direction-changing businesses, we will closely examine the growth potential and business conditions of each business and region, execute selection and concentration within the business, including withdrawal or use of third-party capital, and transform them into growth-driving businesses. For example, in the DW-DX business, there are businesses and services that are already profitable and supported by customers, so we have carefully assessed the potential for business growth and profit contribution in each region and product. In fiscal 2024 we will implement measures based on the above to transform our business into one that can grow sustainably.

As a result of these efforts, our deficit in non-focused businesses and direction-changing businesses in fiscal 2023 was reduced by approximately ¥3.5 billion compared to the previous fiscal year, and we plan to continue to focus on business selection and concentration in fiscal 2024 to further significantly improve performance (see page 18).

Implement global structural reforms to improve the Group’s productivity

In fiscal 2024, along with business selection and concentration, we will implement global structural reforms as an additional measure to reinforce our profit foundation. Our stakeholders have pointed out that our Group’s revenue and profit levels per employee are low compared to other companies in our industry. This is partly due to our business structure, in which a large percentage of our business is conducted in Europe and the United States, where labor costs are relatively high due to inflation and other factors and is not an easy problem to solve. However, if this situation is left unchecked, it may become even more difficult to optimize personnel over the next few years. After considering and reassessing, we decided that now is the best time to address this problem without further delay.

Phases of the Medium-term Business Plan

	Medium-term Business Plan			
FY2022	FY2023	FY2024	FY2025	FY2026 and after
Phase 1 Break with the past traditions	Phase 2 Business selection and concentration		Phase 3 Establishing foundation for growth	Re-entering a sustainable growth trend
	<ul style="list-style-type: none"> Determine and implement a policy of selection and concentration of businesses and areas 		<ul style="list-style-type: none"> Improve productivity through global structural reforms Pursue potential alliances in the Business Technologies Business* Accelerate preparations for future growth 	<ul style="list-style-type: none"> Launch full-scale reinforcement strategies for business growth

Name of the internal organization that manages the Digital Workplace Business and Professional Print Business

Message from the CEO

Specifically, we will identify obstacles to productivity and efficiency, review business processes, improve operational efficiency using generative AI and other means, and invest in the education of human capital. At the same time, we will promote the assignment of the right people to the right positions and optimize personnel throughout the Group. Through these measures, we plan to reduce our global workforce by approximately 2,400 employees (including non-regular employees) during fiscal 2024 relative to our initial plan for fiscal 2025. As a result, a one-time expense of approximately 20 billion yen will be recorded in fiscal 2024. We expect this to have the effect of boosting profits by approximately 5 billion yen in fiscal 2024 and approximately 15 billion yen in fiscal 2025 (see page 18). Through these structural reforms, we will improve into an organization with high productivity per capita, and from fiscal 2025 onward, we will devote all our efforts to establishing a foundation for growth.

Toward establishing a foundation for growth

Industry Business as a medium- to long-term growth driver

Among the strengthening businesses, we have positioned our Industry Business as the biggest growth driver. This business targets areas with medium-sized, stable markets and has achieved a high market share and profitability. In the current market environment, its results underperformed our initial plan due to delayed capital investment by customers, deteriorating market conditions for displays and other products, and the resulting delay in product development for performance materials, but the business is still expected to grow over the medium to long term from fiscal 2025 onward (see page 17).

In the Industry Business, we have been developing each business unit individually, such as sensing, performance materials, and IJ components. In the future, it

will be important to create new customer value by combining the strengths of each business unit, and to create business opportunities across businesses that would be difficult for a single unit to do alone. We will maximize our strong relationships with customers and technological assets developed in each of the units across the entire Industry Business to develop businesses more closely linked to the customer's manufacturing value chain in the focus areas of display, mobility, and semiconductor manufacturing, and to achieve stable growth over the medium- to long-term.

In addition to the Industry Business, we will strengthen technological development to expand our strengthening businesses, which include the Professional Print Business, where we expect market growth for digital printing equipment, and the healthcare business, where there is increasing demand for our proprietary Dynamic Digital Radiography systems, which are provided by no other company in the world, and healthcare DX that utilizes images, AI, and IT technologies to make healthcare more advanced and efficient. In addition, we will increase the rate of R&D investment to create highly competitive products that leverage our core technologies (see page 55).

Strengthen our ability to generate profit and cash flow in the office business by promoting structural reforms and collaboration

The office business is positioned as a maintaining profit business and is focused on securing stable profits and generating cash. With the spread of remote work and paperless operations, the decline in office printing volume in fiscal 2023 was within our expectations, and so far, we do not see any new factors that could cause printing volume to decline beyond what was assumed in the Medium-term Business Plan.

Under such a market environment, the Company



posted a profit in fiscal year 2023 that exceeded its initial plan, thanks in part to the expansion of One Rate* contracts and stringent production cost reductions. Although profitability has already improved at a pace exceeding that of the Medium-term Business Plan, we will further enhance profitability by improving the efficiency of sales and services using AI and other measures.

In April 2024, we announced a strategic alliance with FUJIFILM Business Innovation Corp in the multifunction printer, office printer, and production printer segments. Since the market for office printers is expected to shrink over the long term, we need to streamline our investments. Although we have been promoting increased efficiency on our own in the past, we have decided to actively promote collaboration with other companies to generate even greater benefits. First, we have decided to establish a joint venture to coordinate the procurement of raw materials and parts, thereby improving our investment efficiency and establishing a stable supply system for products. In addition, we will proceed with discussions to expand the scope of operations to be covered going forward (see page 17).

* One Rate: Our unique flat-rate billing model, as opposed to the traditional monthly variable billing method

Message from the CEO

Achieving the management goals of the Medium-term Business Plan

Aiming to complete management reform by the end of fiscal 2024 and achieve the Medium-term Business Plan

We consider fiscal 2024 a key year to promote business selection and concentration and global structural reforms and to serve as a bridge to return to growth starting in fiscal 2025. Although business contribution profit is expected to increase, one-time expenses are necessary to ensure the implementation of business selection and concentration and global structural reforms, which will result in a decrease in operating profit, and we expect profit attributable to owners of the Company to break even. For this reason, we plan not to pay a dividend in fiscal 2024. We also believe that prioritizing the reduction of interest-bearing liabilities in preparation for a full-fledged rise in interest rates in the future will certainly lead to improved profits in the coming years. For now, we will grin and bear it while focusing on improving our financial position, and from fiscal 2025 onward, we aim to put not only business contribution profit but also operating profit and profit

attributable to owners of the Company on a sustainable and stable growth trajectory, thereby increasing corporate value. We intend to return profits to shareholders as earnings improve.

Improvement of ROE is one of the highest priorities in our Medium-term Business Plan, and we aim to achieve ROE of 5% or more in fiscal 2025 by improving the return on profit attributable to owners of the Company to 2.5% or more, achieving a total asset turnover ratio of 1.0, and building a balanced financial base with financial leverage of about 2x. Of course, 5% is a minimum target, and after that we will continue to strive for profit growth and improved asset efficiency, aiming to achieve the capital market expectation of ROE of 8% or higher as soon as possible (see page 19).

There is no “cure-all” for achieving these goals. First, it is essential to improve and strengthen our financial position by completing business selection and concentration and global structural reform in fiscal 2024, and then we will make the necessary growth investments to build a business foundation for sustainable medium- to long-term business growth.

Enhancing corporate governance

Seeking a higher efficiency governance system

Since its establishment in 2003, Konica Minolta has been one of the first Japanese companies to become a Company with Committees (currently a company with three committees), and in 2022, it has evolved its corporate governance by having a majority of its Directors be Independent Outside Directors and electing an Independent Outside Director as Chairperson of the Board. Furthermore, in 2023, we established the Corporate Governance Committee as a forum for discussion that contributes to improving the effectiveness of the Board of Directors (see page 64).

After two years of management under this system, the perspectives of the Outside Directors have clearly become more powerful than before, and I feel that the Board of Directors is performing its functions better than at any time since the Company’s establishment. The Company receives opinions from Outside Directors on proposals made by the executive side, and moves forward after engaging in a variety of in-depth discussions, which include those among the Outside Directors.

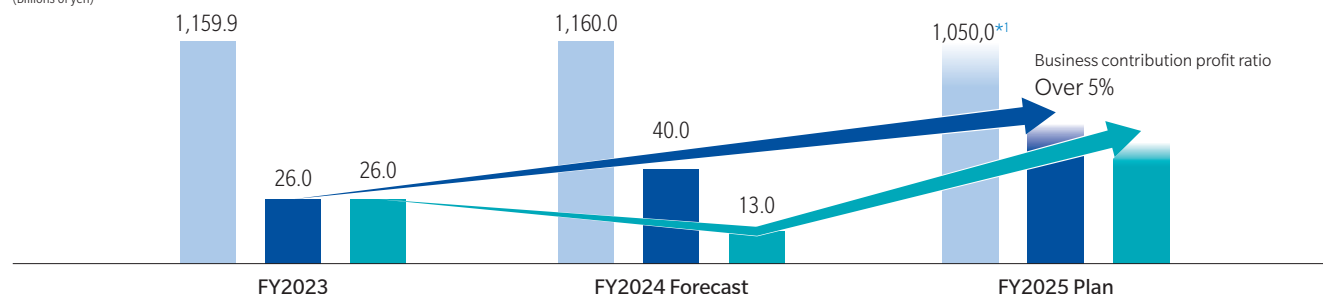
In addition, meetings among the executive team, where important matters are discussed, used to be composed of more than 30 Executive Officers and Corporate Vice Presidents in total, limiting everyone’s opportunity to speak. In April 2024, we changed to a system in which only 13 Executive Officers, as required by the Companies Act, participate in discussions. As a result, we have created an environment in which all participants can speak their minds, and discussions have become much more profound.

We hope to improve our performance going forward and show that our current governance system is right for our Company.

Operational Plan

Revenue Business contribution profit Operating profit

(Billions of yen)



*1 Adjusted to revenue after deconsolidation

Message from the CEO

Promoting sustainability management

Our essential role is to meet customers' needs to "see" by creating new value

Based on Our Philosophy, "the creation of new value," Konica Minolta has put forth "Imaging to the People" as its management vision looking forward to 2030. This vision expresses our essential role as an innovative company, continually evolving and contributing to the sustainable growth of society and individuals by using our imaging technology, which is both our origin and our strength, to fulfill our customers' various needs to "see."

To realize this vision, we aim to solve social issues through our business activities based on the five material issues we identified in 2020. Among these, we are particularly focusing on addressing climate change and using limited resources effectively as key issues directly related to our business growth.

Addressing climate change, we aim to reach Carbon Minus^{*1} status in 2025, and, with regard to using limited resources effectively, we aim to achieve zero use of natural resources^{*2} in 2050 (see page 44). Our efforts based on this



progressive policy have been highly evaluated by external organizations. On the other hand, some institutional investors are asking to see how our efforts to solve social issues are linked to our business earnings. I believe that our future challenge is to meet our stakeholders' expectations and show that solving social issues is a driving force for sustainable growth.

In this regard, I am looking forward to seeds for future growth in areas that will lead to decarbonization, while also utilizing and upgrading our technological assets.

For example, we have the technology to produce high-quality recycled plastic materials from used plastic, and have been using recycled materials in MFPs for more than 10 years (see page 46). In addition, the hyperspectral camera developed by our Finnish subsidiary Specim is the top product for sorting plastic waste. In addition to these material and sensing technologies, we are considering developing a new business that will contribute to stabilizing quality and solving cost-related issues of recycled plastics, while effectively employing AI technologies going forward.

Biomanufacturing is a technology to produce a variety of substances from biologically derived raw materials through the metabolism of microorganisms (see page 57). This technology is expected to lead to reduced CO₂ emissions because it can produce industrial products, foods, and pharmaceuticals without relying on fossil fuels. In this area as well, Konica Minolta is developing technologies to enable real-time measurement of complex phenomena such as fermentation by incorporating AI into a wide variety of sensing technologies, including hyperspectral imaging. We plan to accelerate the social implementation of these proprietary technologies through collaboration with partners in various industries.

^{*1} Carbon Minus: Situation where, through not only reducing product lifecycle CO₂ emissions, which is within the purview of our responsibility, but also contributing to the reduction of CO₂ emissions outside of our responsibility (those of our customers and suppliers), the amount of CO₂ emissions reduced overall exceeds the CO₂ emissions we are directly responsible for

^{*2} Natural resources: Resources that involve new mining, such as crude oil and mineral resources

Building trust with employees through honest discussions

For Konica Minolta to achieve the goals of its Medium-term Business Plan and achieve medium- to long-term growth, further enhancement and expansion of human capital is imperative. To this end, we have set "improving employee engagement" as one of the KPIs in our Medium-term Business Plan, and we are promoting our human capital strategy by setting "improving fulfillment in work and corporate dynamism" as one of the five material issues of the same plan (see page 50).

To increase engagement, it is important to revitalize internal communication and ensure that the Company's vision, direction, and values are shared. Since assuming the position of President, I myself have been focusing on communicating with employees. During my first year in office, I held town hall meetings in various locations, mainly in Japan, and in fiscal year 2023, even visiting our overseas locations. CEO LIVE!, an internal financial results briefing, also provides on-the-spot responses to employees' opinions (see page 14). We intend to apply the insights gained from these dialogues with employees to management, for example, by setting up a place where DX human capital can be selected and matched to solve problems in the organization, and by strengthening human capital development programs centered on reskilling.

By steadily implementing each strategy in our Medium-term Business Plan and addressing sustainability issues one by one with a focus on results, we aim to return to a growth trend and increase our corporate value over the medium to long term.

We look forward to the continued support of all our stakeholders.

\\ TOPICS //

President's Reinforcement of Inner Communication

Since assuming his position, President Taiko has emphasized communication with the front line, and has personally spoken with more than 5,000 employees.

He believes that direct, honest discussions from the top management will lead to the restoration of employees' confidence and an instilled understanding of company strategies.

The insights gained from these conversations with employees are also reflected in management decisions.

We will continue the dialogue between the president and employees to improve employee engagement.

"CEO LIVE!", an internal financial results briefing incorporating ideas from young employees

Since President Taiko assumed office, we have continued to hold quarterly briefings on financial results for internal use. Although we had previously held such briefings only for managers, we have reviewed and expanded the audience of these briefings to include all employees. In launching this event, a planning team consisting of young employees in their 20s and early 30s was formed to plan content and manage the event in a way that is easily communicated to general employees.

At this event, the president and other executives take the stage to explain management strategies and the progress of the Medium-term Business Plan, as well as give on-the-spot answers to questions from employees at each location who participate in the Q&A corner both in-person and online. Questions that could not be answered due to time constraints are also answered later via the intranet. This has become an important venue for two-way communication between management and employees. This program also introduces good practices within the Company to motivate employees.



President Taiko's avatar

It helped me get an understanding of the path the Company should take, and the actions needed now.

I could feel President Taiko's commitment and passion.

Employees' feedback on "CEO LIVE!"

The CEO praised the efforts of the frontline, which really gave us more motivation!

I want to help the Company thrive by getting other people involved.

Of course there will be reflection on the past, but I wish there was more talk about the Company's future.



Planning meeting with President Taiko and the planning team



President Taiko and Executive Vice President and Executive Officer Eguchi answer employees' questions at "CEO LIVE!"

The president personally goes on a world tour to hold town hall meetings

Since assuming office in fiscal 2022, President Taiko has visited numerous domestic and overseas locations to hold town hall meetings and engage in direct dialogue with employees. He will continue to do so in fiscal 2024 and beyond.



At our locations in South Korea, Germany, and Spain

Medium-term Business Plan (2023-2025)

Implementation Issues of the Medium-term Business Plan

In this Medium-term Business Plan, we have narrowed down the action tasks to: strengthening business profitability, structural reforms implemented to reinforce profit foundation, and reinforcement of business management system.

With regard to strengthening business profitability, we are proceeding with selection and concentration of businesses based on whether they will lead to the future of the Company, considering their timeframes, and without being tied down by the past. Specific actions include the sale of equity interests in non-focused businesses. In the office business, we have achieved some results in fiscal 2023, including a steady improvement in profitability. In fiscal 2024, while pursuing growth in strengthening businesses, we will further strengthen business profitability by accelerating business selection and concentration efforts in non-focused businesses and direction-changing businesses.

To reinforce our profit foundation, we are reducing interest-bearing debt and working capital and other assets. In fiscal 2023, we reduced interest-bearing debt by ¥45.7 billion and operating cash flow was positive ¥83.3 billion yen, mainly due to the reduction of working capital, showing steady progress.

With respect to reinforcing our business management system, we are working to review investment evaluations and business reviews, strengthen monitoring the risk of impairment losses, and change our business management system to one that allows us to quickly take action.

Through efforts to address these three issues, we will ensure the achievement of the Medium-term Business Plan and return to a highly profitable company, thereby charting a growth trajectory once again.

Basic Policies of the Medium-term Business Plan

Return to a highly profitable company

Strengthening business profitability

Business selection and concentration

Reallocation of resources in strengthening businesses

Maintaining profitability in the office business

Structural reforms implemented to reinforce profit foundation

Reduction in operating costs

Reinforcement of financial foundation and emphasis on cash generation

Reinforcement of business management system

Clarification of business performance

Resource reallocation to strengthening businesses

Medium-term Business Plan (2023-2025)

Our Goals

In fiscal 2025, we plan to achieve company-wide sales of ¥1.05 trillion and a business contribution profit ratio of 5% or more. We will enhance the profitability of the entire Company by increasing the ratio of strengthening businesses, among which especially strengthening areas for Industry. Based on the current business situation, we expect sales of ¥460 billion and a business contribution profit ratio of 11-13% in fiscal 2025, maintaining the current level or slightly improving it.

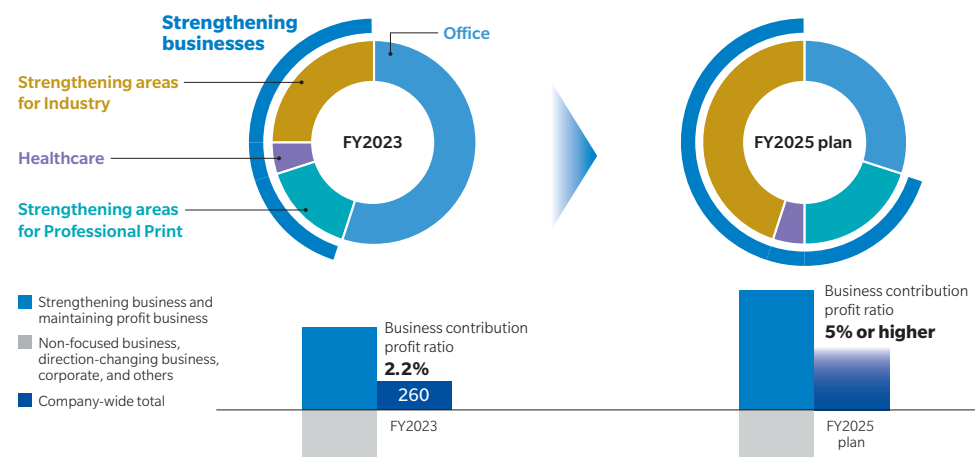
We also set the improvement of ROE as our highest priority goal, aiming to achieve 5% or more by building a well-balanced financial foundation.

Main Financial Indicators

		FY2022 results	FY2023 results	FY2025 plan
Revenue (Billions of yen)	Strengthening business	418.4	416.5	460.0 ^{*1}
	Company-wide	1,130.3	1,159.9	1,050.0 ^{*2}
Business contribution profit ratio	Strengthening business	11.5%	7.7%	11-13%
	Company-wide	2.6%	2.2%	5% or higher
ROE		-19.9%	0.9%	5% or higher

^{*1} Revised on April 4, 2024 ^{*2} Revenue after deconsolidation of non-focused businesses

Image of Breakdown of Business Contribution Profit



* Business contribution profit is a Konica Minolta-original index, defined as profit determined by subtracting sales cost and SG&A from revenue.

Business Selection and Concentration

In order to select and concentrate businesses, this Medium-term Business Plan redefines the positioning of each business into four categories: strengthening business, maintaining profit business, non-focused business, and direction-changing business, and clarifies the expectations and roles of each business.

The strengthening businesses are those that will drive the Company's growth through further business expansion. Maintaining profit businesses are those that are responsible for stable cash generation, and we will further strengthen their earnings power. Non-focused businesses are those whose role we will determine from a best-owner perspective, including the use of third-party capital. Direction-changing businesses are those that reorient all or part of the business, and, after completing the selection and concentration process, will be put on a growth trajectory.

Business Positioning

■ Industry ■ Digital Workplace ■ Professional Print ■ Imaging Solutions

	Direction	Relevant businesses
Strengthening business	Drive our growth through business expansion	Strengthening areas for Industry ¹
		Strengthening areas for Professional Print ²
		Healthcare
Maintaining profit business	Stable generation of cash	Office
Non-focused business	Use of third party capital, etc.	Marketing services
		Precision medicine
		Optical components (for non-strengthening areas)
Direction-changing business	Redesignation of strategic direction for growth	Imaging-IoT solutions
		DW-DX

¹ Strengthening areas for Industry: sensing + performance materials + IJ components + optical components (industrial applications)

² Strengthening areas for Professional Print: production print + industrial print

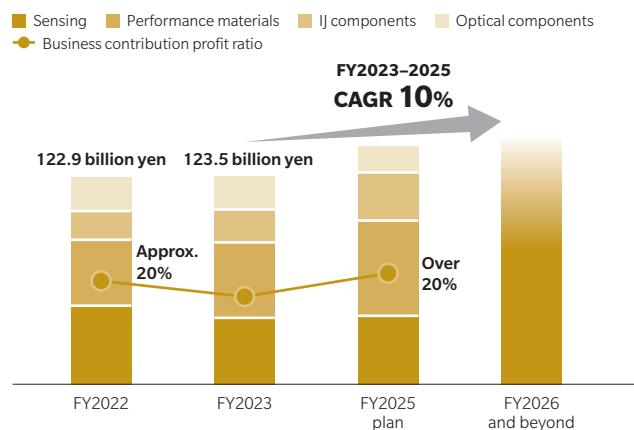
Medium-term Business Plan (2023-2025)

Strengthening the Growth Potential of the Industry Business

In the Industry Business, we have selected medium-sized stable markets and are building a business with high market share and high profitability as factors for success. In fiscal 2023, due to delays in investment in production facilities by customers of the sensing business and the deterioration of market conditions for displays and other products, and the resulting delay in the development of performance materials products, we believe that the medium-to long-term growth potential for fiscal 2025 and beyond will remain unchanged, despite falling below initial targets. For future growth, the Industry Business is focusing on three areas that will drive the future global economy: displays, mobility, and semiconductor production equipment.

For example, in the area of displays, the market for small- and medium-sized displays is shifting from conventional LCDs to next-generation displays. Seizing this opportunity, we have taken a cross-business approach to ICT brand owners to begin production based on orders of performance films for non-polarizing plates that will contribute to higher image quality in next-generation display products. In this way, in the Industry Business, we will continue to monetize new technologies and products by seizing changes in the market, identifying issues with customers across the business, and contributing to the resolution of those issues.

Revenue in the Industry Business



Toward Improving Profitability of the Office Business

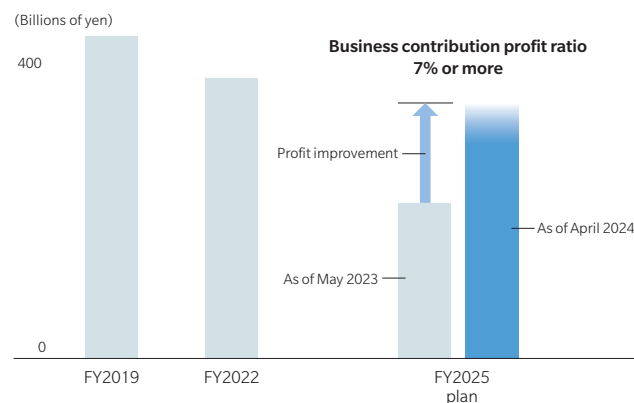
The office business is positioned as a maintaining profit business and is focused on profit and cash contribution. Currently, the decline in MFP print volume is within our expectations, and we are maintaining the gross profit level, partly due to the results of initiatives such as One Rate*. In addition, in fiscal 2023, through a thorough reduction of production costs, we generated profits that exceed our initial plan.

To further enhance profitability, we will continue to improve sales and service efficiency through the use of AI, as well as implement global structural reforms in the office business. In addition, we will optimize our production system by terminating production at our Chinese production subsidiary Konica Minolta Business Technologies (WUXI) Co., Ltd. by the first half of 2025.

At the time the Medium-term Business Plan was formulated, it was assumed that the business profit contribution from the office business would decrease significantly in fiscal 2025. However, profitability is currently improving at a pace exceeding the plan, and we expect to reach the ¥30 billion yen level in fiscal 2025, with a profit contribution margin of 7% or more.

* One Rate: A model that charges a flat rate instead of the traditional billing method that fluctuates monthly

Business Contribution Profit from the Office Business



Close up



Ken Osuga

Senior Vice President & Executive Officer
Responsible for Business Development
for Business Technologies

Strategic Alliance with FUJIFILM Business Innovation Corp. to Improve Productivity in MFP and Printer Segments

In April 2024, we announced a business alliance with FUJIFILM Business Innovation in the MFP, office printer, and production printer segments.

In the MFP and office printer industry, we are facing challenges that are difficult or time-consuming for a single company to address on its own, such as responding to the decline in print volume caused by the COVID-19 pandemic, strengthening supply chain capabilities in response to natural disasters and geopolitical risks, and developing procurement systems that take environmental regulations and human rights into account.

The basic concept of this strategic alliance is to address these issues by joining forces and collaborating on themes that will be mutually beneficial to both companies. MFPs and printers are an aggregation of advanced technologies and are known as a Japanese specialty. As two industry-leading companies, we intend to successfully collaborate to enhance our resilience as global manufacturers, strengthen our global competitiveness, and realize mutual business enhancement.

For more details: [News Release](#)

<https://www.konicaminolta.com/global-en/newsroom/2024/0717-01-01.html>

Medium-term Business Plan (2023-2025)

Global Structural Reforms

In order to achieve sustainable growth in the Medium-term Business Plan and beyond, we will promote global structural reform in fiscal 2024 to improve the productivity of the entire Group.

Specifically, we will promote the automation of operations, including the use of generative AI, and invest in DX so that employees can shift to high-value-added operations that only humans can perform. We will also place the right people in the right positions, focusing on businesses and regions to be strengthened, and continue to invest in education for human capital development to improve engagement.

Furthermore, the entire Group will optimize its human capital, and plans to reduce the total number of regular and non-regular employees by 2,400 in fiscal 2024, compared to the original plan for fiscal 2025. As a result, we will record a one-time expense of approximately ¥20 billion in fiscal 2024. We expect this to have the effect of boosting profits by approximately ¥5 billion in fiscal 2024 and ¥15 billion in fiscal 2025.

Through these structural reforms, we will transform ourselves into an organization with high per capita productivity.

Strengthen human capital and enhance productivity

- Enhance productivity across all operations through DX (including generative AI)
- Optimal allocation of human capital
- Invest in training to develop professional human capital
- Enhance engagement through an emphasis on dialogue

Optimize human capital

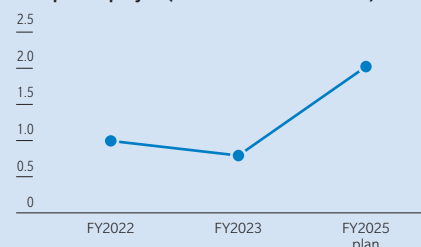
Around 2,400 personnel globally^{*1}
(both regular and non-regular employees)

Anticipated cost: Approx. 20.0 billion yen in FY2024

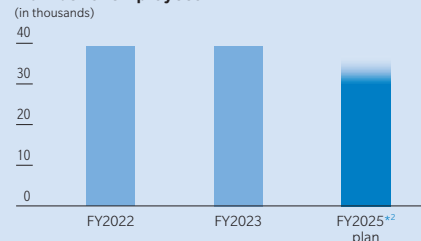
Anticipated effect: Approx. 20.0 billion yen in FY2024–2025^{*1}

^{*1} Comparison with FY2025 original plan

BCP per employee (FY2022 is indexed at 1.0)



Number of employees (in thousands)



^{*2} Portion of businesses that have been decided to be transferred are also excluded.

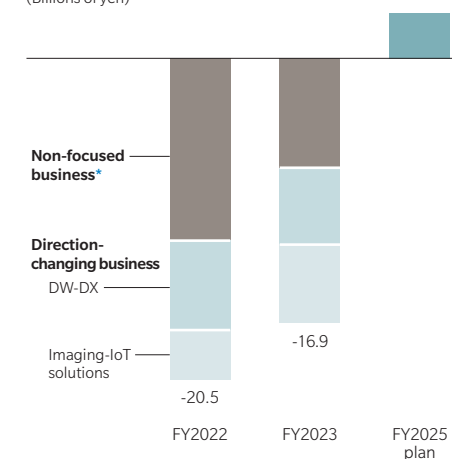
Goal Achievement for Non-focused and Direction-changing Businesses

We have been working to reduce losses in non-focused and direction-changing businesses, and in fiscal 2023, we reduced losses by approximately ¥3.5 billion compared to the previous fiscal year. In non-focused business, we deconsolidated a domestic subsidiary in marketing services and concluded agreements for the transfer of 80% equity interests in two Chinese optical component manufacturing companies. In addition, the Company executed the transfer of its equity interest in Invicro, a U.S. subsidiary that provides drug discovery support services in precision medicine.

For DW-DX, a direction-changing business, we will narrow down the regions and business areas, and aim to transform it into a business that can grow profitably. For Imaging-IoT solutions, we will transform into a solution provider and narrow down the countries in which it is deployed in order to generate profits. We plan to implement these measures by the end of fiscal 2024, aiming to generate revenue in fiscal 2025.

Business contribution profit

(Billions of yen)



^{*} In this graph, non-focused business represents the sum of precision medicine unit and marketing services unit

Reform Results and Future Policies for Non-focused and Direction-changing Businesses

		Results for FY2023	Policy for FY2024
Non-focused business	Marketing services	Removal of a domestic subsidiary from the consolidation	Consider additional measures
	Optical components (excluding strengthening areas)	Strategic alliance agreement with Luxvisions	—
	Precision medicine	Equity purchase agreement for Invicro	Utilize third-party capital for remaining precision medicine unit
Direction-changing business	DW-DX	Selection of regions and business fields	Implement and achieve results / Implement growth strategy
	Imaging-IoT solutions	Transition into a solution provider and selection of deployment countries	Implement and achieve results

Financial Strategy

Message from the Lead Officer



Yoshihiro Hirai
Executive Vice President and
Executive Officer

Since 2014, we have been working to transform our portfolio through major investments in anticipation of a future decline in office printing, but we have not achieved the anticipated results and our financial base has been damaged. A balanced financial base is essential for the sustainable growth of our business, and we must avoid further financial leverage.

In order to improve our financial base, it is important to raise ROE to 8% or more as soon as possible and to implement capital allocation, which was introduced in the current Medium-term Business Plan. By improving net profit ratio and asset turnover, which are components of ROE, our damaged financial base will naturally begin to improve. In addition, we will strengthen our ability to generate operating cash flow by significantly improving business contribution profit* and cash conversion cycle, and reduce interest-bearing liabilities in line with our capital allocation policy.

In fiscal 2021 to 2022, we were unable to embark on drastic reforms due to the breach of the financial covenants, but with the return to profitability in fiscal 2023, we can finally move to the stage of implementing reforms. In fiscal 2024, we will grow our businesses while also implementing structural reforms and reviewing loss-making businesses to increase the probability of achieving the profit level we aim for in fiscal 2025 and beyond.

In the life cycle of a company, there are times when a business needs to undergo a renewal. Although painful, this is a necessary path to ensure business continuity and maximize business value. With the understanding of our stakeholders, we will continue working to achieve our goals.

Fiscal 2023 Review

It was a great achievement for us to reach our most important goal for fiscal 2023, which was to return to profitability in operating profit and profit attributable to owners of the Company. In addition, the generation of ¥83.3 billion in operating cash flow is evidence that the streamlining of the balance sheet, centered on working capital more efficient asset management, and cash flow-oriented management as well as P/L have begun to penetrate within the Company, and we evaluate that we have taken the first step toward improving ROE. In light of the huge impairment losses incurred in fiscal 2022, we began strengthening our monitoring of impairment risks, and although impairment losses were incurred in some of our businesses, they did not become a variable factor that would affect our full-year profit/loss forecast, and we believe we achieved certain results in the first year of the Medium-term Business Plan.

Meanwhile, further improvement of profitability and financial balance is an ongoing challenge. Although we were able to return to profitability, the profit level is still not satisfactory. In particular, we urgently need to build a business structure that will allow us to continue expanding earnings without being affected by market conditions, especially in the Professional Print Business and the sensing and performance materials units of our Industry Business, which strengthening businesses. We also need to improve our financial balance and tax expenses, and resolving these issues is the key to lifting ROE to 8% or more as soon as possible.

Financial Strategies in the Medium-Term Business Plan

Toward ROE Improvement

Konica Minolta's PBR was at a low level of 0.4x at the end of fiscal 2023, and in order to raise it to 1x or more, ROE must be raised to 8% or more as soon as possible. Therefore, it is important to improve the net profit ratio and the total asset turnover rate. To achieve this, we are managing progress by breaking down the elements in the ROE logic tree (see page 20).

Improvement of net profit ratio

The business contribution profit ratio, which represents the profitability of our core business, was still not at a sufficient level at 2.2% in fiscal 2023. We plan to raise it to 3.4% in fiscal 2024 and to 5% or more in fiscal 2025 through business growth in strengthening businesses, improvement in profitability of loss-making businesses through selection and concentration of businesses, and productivity improvement and profit improvement effects (about ¥20 billion) from global structural reforms to be implemented in fiscal 2024. Although operating profit will decrease due to the expected costs of global structural reforms and business selection and concentration, we consider this an unavoidable path to achieve our management targets for fiscal 2025 and sustainable profit growth in fiscal 2026 and beyond.

In addition, we are reducing interest-bearing liabilities in order to improve our financial balance of income and cost. As a capital allocation, we plan to use ¥120 to ¥150 billion of the cash obtained in the three years leading up to fiscal 2025 to reduce interest-bearing liabilities and distribute dividends to shareholders, and we are proceeding at cruising speed, repaying ¥45.7 billion of interest-bearing liabilities in fiscal 2023.

With respect to tax expense reduction, it is essential to improve the effective tax rate, which stands at 69% in fiscal 2023. The main reason for the deterioration in the tax rate is the inapplicability of tax benefits and the reversal of deferred tax assets at loss-making foreign subsidiaries. We are working to significantly improve the effective tax rate from fiscal 2025 onward by reviewing the profit structure of the subsidiaries that are facing challenges.

Improvement of total asset turnover rate

We are reducing working capital by optimizing inventories and trade receivables, and are in the process of improving the total asset turnover rate to 0.84x in fiscal 2023. In addition to the existing efforts, we will continue to reduce interest-bearing liabilities by reducing business assets through a review of our business portfolio and other measures, and through cash inflows from the sale of assets. Through these efforts, we aim to improve the total asset turnover rate to 1.0x in fiscal 2025.

* Business contribution profit: Konica Minolta's unique profit index derived by subtracting cost of sales and SG&A expenses from net sales.

Financial Strategy

Optimize financial leverage

The main reasons why financial leverage remains high at Konica Minolta are large investments totaling approximately ¥290 billion from fiscal 2014 to 2022, with the necessary funds mainly financed by borrowings; a change in international accounting standards in fiscal 2019 that resulted in over ¥100 billion of on-balance sheet lease assets and liabilities; and four consecutive fiscal years of net losses starting in fiscal 2019. Improving the financial balance is an urgent task, and we will improve financial leverage from 2.7x in fiscal 2023 to 2.0x (equity ratio of 50%) in fiscal 2025 by reducing total assets through the repayment of interest-bearing liabilities and other measures. The net D/E ratio has improved from 0.80 at the end of fiscal 2022 to 0.73 at the end of fiscal 2023, and will be 0.5 to 0.55 at the end of fiscal 2025, returning the financial balance to an appropriate level.

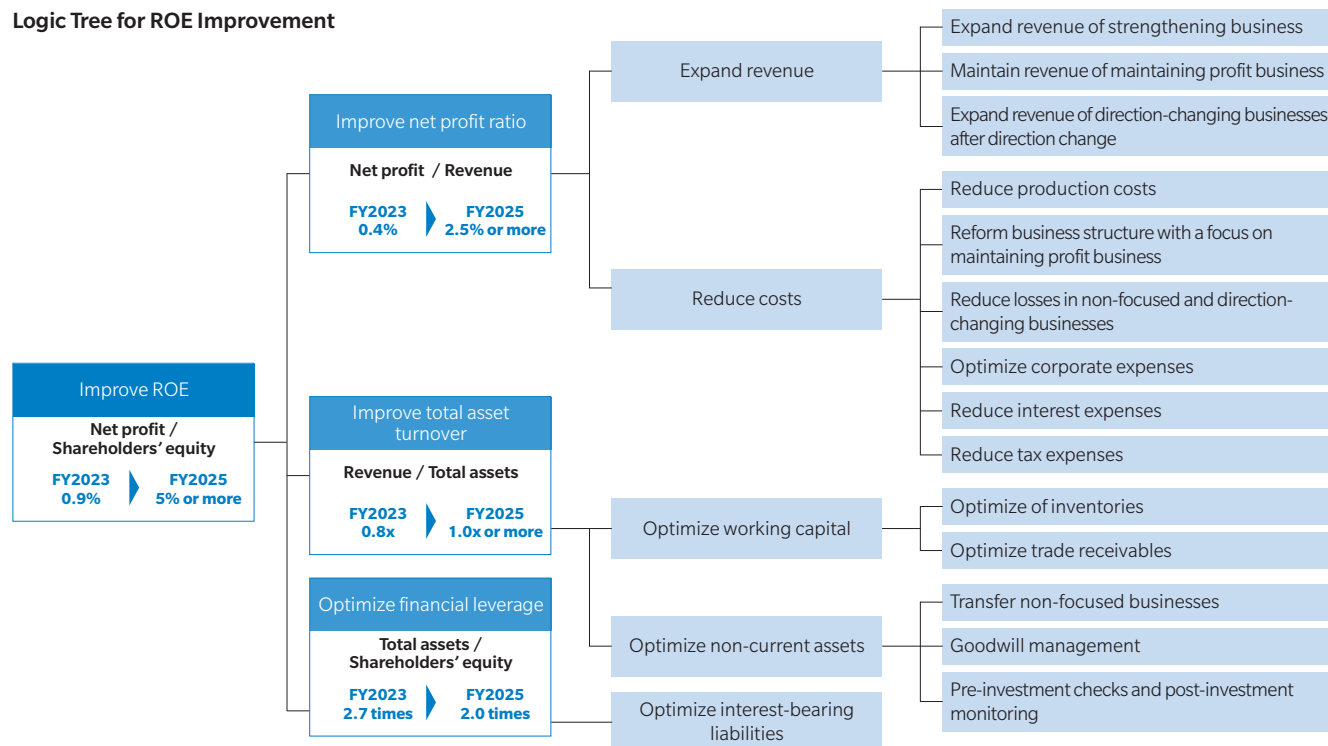
Return of Profits to Shareholders

Konica Minolta's basic policy for returning profits to shareholders is to strive to enhance returns to shareholders based on dividends, taking into consideration such factors as consolidated business performance, investment in growth areas, and cash flow.

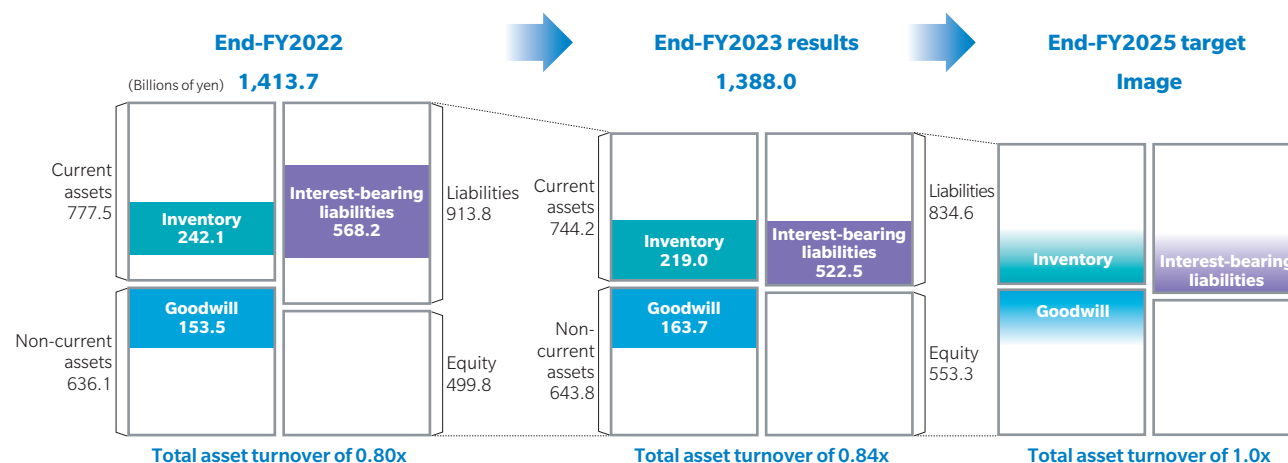
As for the dividend for fiscal 2023, we have implemented a year-end dividend of ¥5 per share, as planned at the beginning of the fiscal year, due to the achievement of the announced figures for profit and cash flow.

We are planning to pay no interim and year-end dividends for fiscal 2024, as we are forecasting zero profit attributable to owners of the Company. We have determined that paying a dividend with a forecast of zero profit could be detrimental not only to Konica Minolta but also to the interests of our shareholders from a medium- to long-term perspective. We are very sorry to our shareholders for this situation, In order to achieve a resumption of dividend payments as soon as possible and increase them, we will carry out every possible measure in fiscal 2024 to achieve a significant recovery of business performance in fiscal 2025.

Logic Tree for ROE Improvement



Improved Balance Sheet



Dialogue between Outside Directors and Investors

																	
Konica Minolta			Institutional Investors														
Akiko Murayama (Facilitator) Senior Vice President & Executive Officer, Board of Directors Office, Responsible for the Corporate Audit			Soichiro Sakuma Outside Director, Chairperson of the Corporate Governance Committee			Chikatomo Kenneth Hodo Outside Director, Chairperson of the Board of Directors			Mr. Minoru Matsubara Responsible Investment Department, Resona Asset Management Co., Ltd.			Mr. Satoru Kubota Research & Management Department, Sumitomo Mitsui Trust Asset Management Co., Ltd.			Ms. Madoka Minagoshi Responsible Investment Research Department, Nomura Asset Management Co., Ltd.		

Konica Minolta is committed to dialogues with its stakeholders to both solve social issues and achieve corporate growth. As part of this effort, this time we have invited three institutional investors to have a frank exchange of opinions with our Outside Directors and the Executive Officer in charge of the Board of Directors Office regarding the Company's growth strategy, structural reforms, sustainability management, governance, and other issues.

Toward Returning to a Growth Path

The first year of the Medium-term Business Plan achieved the planned targets and marked an inflection point from the past 10 years

Murayama: One year has passed since we started our Medium-term Business Plan (2023-2025). To begin, how would you rate your first year as an Outside Director?

Hodo: The medium-term business plans of the past 10 years were called "TRANSFORM 2016," "SHINKA 2019," and "DX2022," but the current plan has no title. This is because the starting point of the plan is a reflection on our failure to deliver the results of the previous medium-term business plans. The current plan, launched under the slogan, "Break from the past traditions," is a place we can reach if we all work hard together, even without the best possible conditions and with absorbing some potential downside risks that may emerge during the term. In fiscal 2023, its first year, we were able to achieve our initial target and return to profitability. We had not achieved our targets in the past, but this achievement marks an inflection point for us compared to the past 10 years.

Murayama: What initiatives do you plan to focus on in fiscal 2024?

Hodo: We will continue to complete business selection and concentration, which is a major theme of the Medium-term Business Plan. It is also important to implement global structural reforms, an additional measure announced at the Medium-term

Business Plan progress briefing in April. The Board of Directors will monitor these reforms to ensure that they achieve their targets. Furthermore, with the next Medium-term Business Plan in mind, we intend to conduct a full-fledged discussion on the elements necessary to make the company profitable from innovation, from the perspective of corporate culture and intangible assets.

Kubota: As the goals of the current Medium-term Business Plan seem to mark a transition point, I would like to hear more about the next plan along with the implementation of this current plan. So, my question is regarding the future growth strategy. How do the Outside Directors evaluate Konica Minolta's "genre-top strategy"?

Sakuma: Being a genre-top is very good in itself, but it is important to be profitable. Some of our genre-top products, even though they have the top market share, have room for further improvement in profitability. I have had my concerns about this point since I became a board member and have raised the issue at board meetings.

Dialogue between Outside Directors and Investors

Kubota: From an outside perspective, I feel that the “genre-top strategy” may be similar to previous success stories. It may be difficult to change this strategy that has been at the core of Konica Minolta since its inception, but I hope that they will successfully update this.

Strengthening execution abilities and controlling the business from the perspective of overall optimization

Kubota: What issues do you think need to be addressed to ensure the implementation of the growth strategy?

Sakuma: I think we need to strengthen our execution abilities. We are one of the few companies in the world with superior technologies in both the mechanical and chemical fields. However, since we can do so many things with our technology, there is a danger that we end up -- as the saying goes, “Versatility never pays” -- with businesses that have problems in terms of profitability and future potential. Technological superiority is one thing, but whether it is profitable is quite another. Strong executive abilities are needed to control this in the right way.

Hodo: For the front line, I think this is an attractive company that can take on the challenge of new innovations, but I see that there is still some laxity in the decision-making process regarding whether or not to commercialize the business or to halt development.

Sakuma: One of the characteristics of our Company is that our business divisions are very strong, due in part to the fact that they were formed through the merger of companies with distinctive

technologies and products, but another issue is that our corporate division is weak in its ability to control these divisions from the perspective of overall optimization through a horizontal skewering.

Murayama: Based on our recognition of these issues, in April 2024, we changed our executive structure to assign an Executive Officer to each of the three businesses of Business Technologies, Industry, and Imaging Solutions. Since each business unit promotes its business in an individually optimized manner, the Executive Officer responsible for Business Management acts as a liaison between each business unit and the corporate division to control the vector of the business toward overall optimization.

Sakuma: In addition, to strengthen executive abilities, we need to have some “naysayers.” Sometimes policies and requests from business units need to be rejected out of hand without mercy. I feel that there are still not enough people in our Company who can play the naysayer, and I have pointed this out to the executive side.

Kubota: Normally, the CFO would play that role. Even if the CFO is disliked or feared by the various business units, he or she is in a position to take a hard look at the Company from a numerical standpoint.

Sakuma: Of course, CFOs need to take on the role of the naysayer at a high level of management. However, there are various decision-making processes that take place even before a proposal is brought up at a board or management meeting, so we need people other than CFOs who are willing to be the naysayer at each milestone and give tough criticisms. I believe that we need to develop more human capital to be like this.

Updating investment criteria and monitoring mechanisms based on lessons learned from the past

Minagoshi: On that note, has your Company updated its investment criteria and monitoring system based on past experiences with large investments?

Hodo: Yes. To avoid making the same mistakes as in the past, we have revised our investment evaluation rules, tightened the investment decision and survival/exit consideration process, and established criteria for such decisions. In past decision-making for major investments, I believe too much emphasis was placed on executives’ conviction that certain areas are going to grow in the future. Based on these lessons learned, we have updated our investment decision-making and monitoring mechanisms.

Sakuma: During the four years since I became a Director, we have not had the opportunity to make any major investments, but we should be seeing some major investment projects in the future as we work to establish a foundation for growth in fiscal 2025 and beyond. Not all investments will necessarily be successful, but even if they do not go according to plan, we will be prepared to make stricter investment decisions so that we do not have to record a major impairment loss. We will also prepare a plan B in advance, for example, in order to be prepared for grounded decision-making.

Promoting the transformation of Konica Minolta from a medium- to long-term perspective

Matsubara: From what you have told us, I see that your Company is aware of the current issues and is working on various management reforms. What is the time frame for the Board of Directors to move forward with these efforts?

Hodo: Structural reform, growth strategies, and the transformation of intangible assets and corporate culture to support growth are the major agenda items for the Board of Directors in fiscal 2024, but each have different time frames for their implementation. As for structural reform, we plan to complete them during the year. Of course, we do not want this to be a one-time effort, so for example, regarding productivity improvement, we would like to achieve the target KPI and at the same time incorporate a system that will allow the front lines to continue making improvements and reforms on their own, which we will monitor as the Board of Directors. Meanwhile, we are discussing growth strategies, including the next Medium-term Business Plan, looking three to five years ahead. Furthermore, we believe that we need to work on a time horizon of five to ten years in order to transform our intangible assets and corporate culture.

Matsubara: How do you evaluate the speed of Konica Minolta’s management?

Hodo: Even among the Outside Directors, there are many who say that it is a bit slow.

Sakuma: Nevertheless, I feel that the speed of execution has improved considerably recently, as evidenced by the prompt execution of the sale of Invicro, LLC in the U.S. and the fulfillment of commitments, despite the challenging environment.



Dialogue between Outside Directors and Investors

Continuous improvement of employee engagement as a barometer of corporate vitality

Matsubara: I believe that increasing employee engagement, especially internal motivations such as “the importance of working for this Company” and “the joy of working”, is crucial in changing a corporate culture. In recent years, you have had a difficult time in terms of business performance, but how has your engagement score been changing?

Murayama: Regarding the engagement score, we commissioned a third-party research organization to monitor global tech companies as benchmark targets. Since many of the target companies have high scores, we are still in a lower rung, but our score has improved from the previous year.

Sakuma: Despite the continued sluggish performance, the level of employee engagement has not been bad. In fact, when I participated in the “Value Creation Forum” and other events that the executive side holds every year, and spoke with people from the business units there, I felt that everyone seemed to be enjoying their work very much.

Hodo: While it is important to enjoy your work, from the opposite perspective, I am concerned that the sense of urgency may not be properly conveyed to the frontlines. We will implement global structural reforms as an additional measure starting in fiscal 2024, and I will continue to keep an eye on how engagement, including the impact of these measures, will evolve in the future.

Murayama: Employee engagement is also a barometer that measures the vitality of the entire Group, and our Company is committed to continuously improving it with an awareness of the challenges it faces. As part of this effort, we have incorporated the employee engagement score as one of the evaluation indicators for medium-term stock bonus for Executive Officers.

Promotion of Sustainability Management

Sustainability as a growth strategy and linking it to business growth

Matsubara: Konica Minolta is one of the leading companies in the field of sustainability, and I have been paying attention to it

myself. However, the Company’s performance has been sluggish recently. What are your thoughts on how to balance sustainability efforts and corporate growth?

Sakuma: As you say, the biggest challenge is to achieve both. In addition to being one of the first companies in the world to comply with sustainability-related guidelines and frameworks, Konica Minolta has led the way in the field of sustainability by announcing Carbon Minus and other environmental initiatives. In the future, it is important for us to turn these sustainability initiatives into a competitive edge for our business and to make a solid profit.

Hodo: To achieve this, we must place sustainability in the middle of our growth strategy and promote it as one strategy that cannot be separated from the others. For example, we are focusing on fields related to recycled plastics and biomanufacturing as seeds for future growth, and we need to increase the profitability of these fields and link them to business growth.

Kubota: In the case of Konica Minolta, you can do a variety of things with regard to sustainability as well as business, so it would be easier to understand your strategy and lead to better results if you narrow down your targets from the perspective of what you really need to do and in which areas you can differentiate your business.

Matsubara: Looking at the relationship between sustainability and business on a time axis, we believe that even if we strengthen sustainability, it will not be immediately reflected in business performance, but the effects will gradually appear later. Therefore, it is very important to clearly and simply explain to the capital market how sustainability is integrated into growth strategies and how it will lead to business growth and increased corporate value in the future.

Sakuma: In our case, a high percentage of our business is conducted in Europe. As you know, in Europe, addressing sustainability issues has gone beyond the scope of a target to strive towards and is shifting to a legal requirement. Sustainability has become a compliance issue, and the number of elements that the legal department must deal with is increasing.

Hodo: With such accountability issues and legal responses in mind, we intend to promote sustainability as the core of our growth strategy in our next Medium-term Business Plan. The Board of Directors will also discuss this as an important agenda item.



Evolution of Corporate Governance for Sustainable Growth

Governance level improved by having a majority of Outside Directors and an Outside Director as Chairperson of the Board, as well as the Corporate Governance Committee

Minagoshi: You newly established a Corporate Governance Committee in fiscal 2023. Can you tell us about the aim of this decision?

Sakuma: We have established an advanced corporate governance system as a Japanese company, starting with our transition to a Company with Committees (now a Company with three Committees) in June 2003. Nevertheless, our performance has remained sluggish, with profit in the red for four consecutive fiscal years since fiscal 2019. Therefore, we have established a new committee to resolve issues that could not be addressed by the previous structure alone and to achieve governance that leads to proper results.

Minagoshi: What do you see as the reason for the lack of performance despite the advanced governance?

Sakuma: The direct cause is the failure of investment for the future. We made a large investment that exceeded our financial capacity, and as a result, we posted a large impairment loss because we judged that it would be difficult to recover the investment within the period we had initially expected. In view of the results, there may have been some governance problems.

Dialogue between Outside Directors and Investors

Minagoshi: What specific problems did you encounter?

Sakuma: One problem is the composition of the Board of Directors, which has had a majority of Outside Directors since fiscal 2022, however, at the time of past large-scale investments, Outside Directors were in the minority. I believe that this may have prevented the board from functioning properly to consider the pros and cons of investments from the perspective of shareholders.

Minagoshi: What changes have occurred since Outside Directors became the majority?

Hodo: This is a very significant change because important decisions, including the confidence of top management, can now be made only with the approval of Outside Directors. This has certainly strengthened governance, which separates supervisory and execution in terms of commitment to results and pursuit of responsibility.

Sakuma: In order for us to achieve solid results in the future, it is essential for us to strengthen our executive abilities. In fact, the Corporate Governance Committee has been discussing this as an important theme for the first year. In addition, the committee also discusses how to ensure the effectiveness and transparency of the Board of Directors and each committee, and has clearly stated and disclosed the process for selecting the Chairperson of the Board.

Hodo: We also discussed the criteria for the tenure of Outside Directors and decided to extend it from four to six years. This is because we decided that four years is not long enough to fully fulfill the responsibility of an Outside Director, who must understand the essential issues of the Company in order to make important decisions as an Outside Director.

Sakuma: The Corporate Governance Committee plans to continue discussions in fiscal 2024 on how the governance system should be structured with a view to executing the growth strategy in fiscal 2025 and beyond, including further enhancing executive abilities.

Supporting efficient board meeting operations by providing advance explanations of agenda items and enhancing Outside Director meetings

Matsubara: I believe that the support of the secretariat is very vital to stimulate discussion at board meetings and improve the effectiveness of governance. What kind of efforts is your Company focusing on?

Murayama: In the past, we limited the agenda items and report- or proposal-makers themselves would conduct advance briefings on an irregular basis, but since September 2023, the secretariat has been conducting them for Outside Directors on a monthly basis, setting aside time for them individually. The background and purpose of the agenda setting and issues to be discussed on the day of the meeting are provided in advance, and any questions are answered on the spot to the extent possible. In addition, by providing feedback on opinions and requests from the Outside Directors to the Executive Officers, we are able to organize the issues before the actual meeting, which leads to more efficient discussions and management of the meeting.

Matsubara: How many opportunities do you have for discussions among Outside Directors alone?

Murayama: Since June 2022, when Mr. Hodo assumed the position of Chairperson of the Board of Directors, we have held meetings every time the Board of Directors meets. Although the framework has been in place for some time, it is now being put to effective use.

Hodo: The Board of Directors recognizes the importance of support by the secretariat, and we have been working to strengthen its functions by increasing the number of Board of Directors Office personnel. I feel that the Outside Directors have become more empowered as their understanding of our business has deepened due to better explanations given in advance and more opportunities for meetings.

Murayama: The secretariat will continue to work together with the Board of Directors and the various committees to continuously improve the Company's corporate governance and enhance our corporate value. Thank you very much for taking time out of your busy schedules today to provide us with your valuable comments and suggestions.

Message from an Outside Director

Marking one year since her appointment as an Outside Director of the Company in June 2023, we asked Director Sawada about her activities on the Board of Directors.



Takuko Sawada
Outside Director

From what perspective does the Board of Directors intend to fulfill its supervisory function?

Since business should be essentially inspired by needs, the most important thing when developing technology is how to accurately determine those needs. I believe that, in this respect, it has been beneficial for the Company to develop its Industry Business, an area of enhancement, horizontally since the first year of its Medium-term Business Plan. At board meetings, we would like to keep a close eye on whether the Company is providing optimal solutions to needs using its collective array of technologies, or otherwise proactively seeking outside technologies as needed.

What is your advice on our ongoing process of business selection and concentration?

In general, when selecting and concentrating on a business, the decision to exit or change direction is very important. We think it is important to create and agree on criteria for discontinuation or review at the start of any project. However, since we must also consider the changing needs of the times, there must also be a review of the criteria themselves from time to time. On the other hand, from the standpoint of growth strategy, the most important issue is how well a growth scenario can be envisioned. One must consider the probability of success in terms of both technology and business, and look at the path to growth as a portfolio. We also believe that it is better to proceed with multiple trials and errors until a detailed plan can be drawn up for the areas and fields that need to be concentrated. At this point, we do not believe that this growth strategy is persuasive enough, so we would like to pay particular attention to this point in fiscal 2024.