

Financial Strategy

Yoshihiro Hirai

Senior Executive
Vice President &
Executive Officer



ROE for fiscal 2025 improved significantly to 6.1% as a result of the global structural reforms and business selection and concentration initiatives implemented by fiscal 2024. However, I am keenly aware that we are still only at the starting point in our efforts to enhance corporate value. To enhance corporate value, it is not enough to simply grow profits or improve capital efficiency. I believe that only by achieving a balance between these two can we achieve sustainable value growth. To achieve a return on equity that exceeds the cost of equity, we will first aim to quickly reach an ROE of 8% or higher.

The pillars of profit growth are the expansion of the Industry and Professional Print Businesses, and operational efficiency improvements in the Digital Workplace Business. We will steadily build up operating cash flow and allocate it in a disciplined manner toward growth investments, the reduction of interest-bearing liabilities, and shareholder returns. Additionally, with ROIC as the cornerstone of our management decisions, we will review any businesses that are not expected to generate returns exceeding the cost of capital without waiting until the final year of the new Medium-term Business Plan, and reallocate management resources to growing and highly profitable businesses.

In addition to improving ROE, we will generate steady results in areas we view as “seeds of growth” and raise market expectations for future growth, thereby driving an increase in the P/E ratio. We aim to increase both ROE and P/E ratio, achieve a P/B ratio of over 1, and enhance corporate value on a sustainable basis.

Results and Challenges of the Medium-term Business Plan (2023-2025)

In our Medium-term Business Plan (2023-2025) (hereinafter, previous Medium-term Business Plan), we identified strengthening our financial structure as a key priority and worked to improve our balance sheet and reduce interest-bearing liabilities. As a result, the net D/E ratio improved from 0.80 at the end of fiscal 2022 to 0.54, significantly enhancing the Company's financial soundness.

To improve our balance sheet, we worked to reduce total assets while also optimizing working capital. Although inventories were reduced by ¥31.6 billion compared to the end of fiscal 2022, trade receivables remained at approximately the same level as at the end of fiscal 2022 due to factors such as foreign exchange rate fluctuations. We recognize this as an area that requires continued improvement. In addition, we reduced non-current assets by ¥94.2 billion through measures such as the sale of businesses as part of a review of our business portfolio.

In addition, we allocated operating cash flow and the proceeds from the business transfers with the restoration of financial soundness as our top priority. While continuing to make growth investments such as capital expenditures, we reduced interest-bearing liabilities more than planned, resulting in a decrease of ¥170 billion in interest-bearing liabilities and a reduction of ¥178.9 billion in total assets. As a result of these efforts, the net D/E ratio improved, and the total asset turnover also improved from 0.80x to 0.89x. On the other hand, we have not yet reached our target of 1x, and we recognize that improving asset efficiency remains a key management issue.

In addition, in March 2026, Konica Minolta issued its first sustainability-linked bond. We have introduced a new framework that links the achievement of environmental targets with fundraising, thereby establishing a foundation to connect our ESG initiatives with dialogue with capital markets and fundraising efforts.

Policies of the Corporate Plan 2026-2028

Initiatives to Achieve an ROE of 8% or Higher

Under the Corporate Plan 2026-2028 (hereinafter, new Medium-term Business Plan), we will focus on three key pillars (enhancing profitability, improving capital efficiency, and maintaining financial discipline) with the goal of achieving an ROE of 8% or

higher as soon as possible.

To ensure the steady implementation of our plans, we established a new FP&A (Financial Planning & Analysis) function in April 2026. Each business and functional division sets KPIs linked to ROIC improvement drivers, and FP&A monitors progress across the entire Company. If a discrepancy arises between targets and actual results, FP&A will analyze the causes and promptly propose necessary measures to management to enhance our ability to execute plans.

The main drivers of profit growth are the Industry Business and the Professional Print Business. In the Business Technologies Business, we will move forward with reforms that improve operational efficiency and enhance profitability. In addition, we will promote Company-wide business reforms utilizing AI to optimize SG&A expenses, while also ensuring that resources for research and development are allocated with a focus on return on investment.

To improve capital efficiency, we will work to optimize trade receivables and inventories and strive to improve the asset turnover. Furthermore, in anticipation of rising interest rates, we will continue to reduce our interest-bearing liabilities and work to improve our net finance income and costs. At the same time, we will work to improve the profitability of the entire Group and optimize the tax rate by consolidating global functions and indirect operations and improving the profitability of overseas subsidiaries operating at a loss.

Financial Goals

	FY2025	FY2028 targets
Revenue	1,087.7 billion yen	CAGR: Approx. 3% FY2025-FY2028
Business contribution profit ratio	4.9%	6.5%
Net profit ratio	2.8%	3.8%
Financial leverage	2.5x	2.2x
Total asset turnover	0.89x	0.98x
ROE	6.1%	8%
ROIC	4.9%	6%

Financial Strategy

Improving the Balance Sheet

Improving the balance sheet remains a key management priority under the new Medium-term Business Plan. We will enhance capital efficiency by reducing working capital through the optimization of trade receivables and inventories, while also reducing interest-bearing liabilities and working to reduce total assets.

By the end of fiscal 2028, we plan to reduce the combined total of trade receivables and inventories to ¥490 billion, while cutting interest-bearing liabilities to ¥360 billion. Through this, we aim to achieve a net D/E ratio of 0.5 and a total asset turnover of 0.98x.

Cash Allocation / Shareholder Returns

We expect cumulative operating cash flow (net of lease liability repayments) to total ¥230 billion from fiscal 2026 through fiscal 2028. In addition, we generated an additional ¥15.9 billion in cash proceeds from the sale of Tempus AI shares.

Under the previous Medium-term Business Plan, we implemented a cash allocation strategy that prioritized the restoration of financial soundness above all else. Under the new Medium-term Business Plan, building on these results, we will move into a phase of full-scale investment aimed at sustainable growth. We will allocate ¥180 billion to capital expenditures and

investments and lending, of which ¥90 billion will be allocated to growth investments, including those aimed at achieving inorganic growth in our Industry Business. At the same time, we will allocate ¥65.9 billion to reducing interest-bearing liabilities and returning value to shareholders, thereby implementing a capital allocation strategy that prioritizes a balance among growth investments, financial discipline, and shareholder returns.

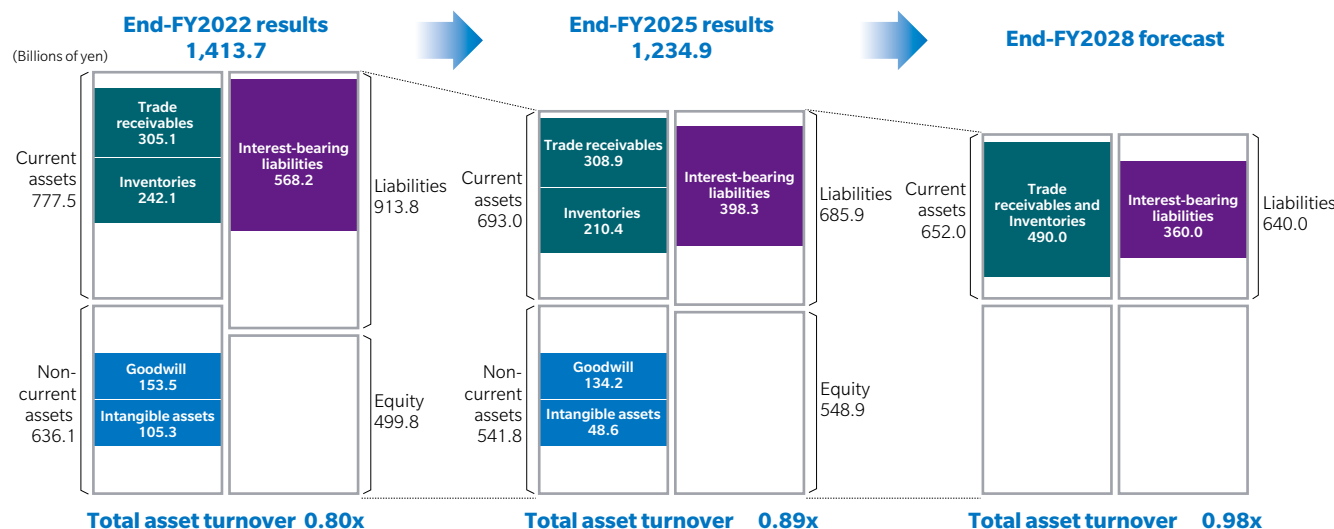
Dividend policy

Our basic policy is to strive to enhance the return of profits to shareholders primarily through dividends, comprehensively incorporating consolidated business performance, investment in growth areas, cash flow, and other factors.

Cash Allocation for FY2026-2028

		(Billions of yen)
		Plan
Cash in	Operating cash flow	230.0
	Business transfer, etc.	15.9
Cash out	Capital expenditures, investment and lending (including growth investments)	180.0 (90.0)
	Reducing interest-bearing liabilities and shareholder return	65.9

Improving Balance Sheet



Enhancing business portfolio management

We will evaluate our business portfolio based on both profitability and growth potential relative to invested capital. We will allocate a significant portion of our growth investments based on this evaluation. Business performance will be evaluated based on two key metrics: ROIC and revenue growth rate. For ROIC, the target is an assumed WACC (weighted average cost of capital) of 6% or higher as of fiscal 2028, and for revenue, the target is CAGR of 3% or higher in the new Medium-term Business Plan. We will prioritize the allocation of management resources to businesses that meet these criteria in order to accelerate their growth. On the other hand, for businesses that do not meet the criteria, we will formulate improvement plans with clear deadlines; if improvement is not foreseeable, we will make management decisions, including reviewing the business areas and regions of operation or withdrawing from them. Furthermore, rather than waiting for the new plan to conclude, we will review our business portfolio each fiscal year based on actual results and changes in the business environment, and allocate management resources in an optimal manner.

TOPICS

Issuance of Sustainability-linked Bonds

In March 2026, Konica Minolta issued its first sustainability-linked bond. This initiative links the target values for the material issue “addressing climate change” with fundraising efforts. We established the Sustainability-linked Bond Framework, which serves as a rulebook for Konica Minolta linking its sustainability targets to its business activities, and raised funds through a bond issuance in accordance with this framework.

The KPI set for this sustainability-linked bond is greenhouse gas emission reduction rate for Scope 1 and Scope 2 emissions compared to fiscal 2018.

SPT* has set annual targets consistent with reducing absolute Scope 1 and Scope 2 greenhouse gas emissions by 51% by fiscal 2030 from the base year, fiscal 2018.

*SPT: Sustainability Performance Target, a specific numerical target
 Details: Sustainable Finance
<https://www.konicaminolta.com/about/csr/sustainable-finance.html>