



KONICA MINOLTA, INC.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2027

July 30, 2026

Event Summary

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[Venue]	Webcast	
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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	Director, Senior Executive Vice President & Executive Officer, General Manager, Corporate Accounting and Finance Headquarters and Responsible for Corporate Digital Transformation, Corporate Legal, Corporate Manufacturing Strategy, Corporate Quality Management and Chairperson of the Risk Management Committee

	Norihisa Takayama	Executive Vice President & Executive Officer, Responsible for Business Technologies Business
	Miwa Okamura	Senior Vice President & Executive Officer Responsible for Corporate Communications and IR
	Takahiko Ueno	Director, Investor Relations Office
[Analyst Names]*	Takashi Shimamoto	Okasan Securities
	Masahiro Nakanomyo	Jefferies

*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.

Presentation

Ueno: Good afternoon, everyone. Thank you very much for taking the time to join us today. We will now begin Konica Minolta, Inc.'s Q1 financial results briefing session for the fiscal year ending March 2027.

We are joined today by Mr. Taiko, President and CEO and Representative Executive Officer; Mr. Kuzuhara, Director, Executive Vice President and Executive Officer Responsible for Industry Business; Mr. Hirai, Director, Senior Executive Vice President and Executive Officer, General Manager of the Corporate Accounting and Finance Headquarters, Responsible for Corporate Digital Transformation, Corporate Legal, Corporate Manufacturing Strategy and Corporate Quality Management, and Chairperson of the Risk Management Committee; Mr. Takayama, Executive Vice President and Executive Officer Responsible for the Business Technologies Business; and Ms. Okamura, Senior Vice President and Executive Officer Responsible for Corporate Communications and IR. I am Ueno from the IR Office, and I will be your moderator today.

With that, I'd now like to turn it over to Mr. Taiko.

Taiko: Hello everyone. Thank you very much for joining our Q1 results briefing. I'd like to walk you through our performance for Q1 of the fiscal year ending March 2027 and our forecast going forward.

FY2026 Q1 Performance | Summary



[¥ billions]	FY25 Q1	FY26 Q1	YoY		YoY excluding FX		Tariff refund
Revenue	251.2	258.5	+7.3	+3%	-14.8	-6%	
Gross profit	110.3	124.0	+13.8	+13%	+1.0	+1%	7.4
Gross profit ratio	43.9%	48.0%	+4.1 pt				
SG&A	101.1	112.5	+11.4	+11%	+3.4	+3%	
SG&A ratio	40.2%	43.5%	+3.3 pt				
Business contribution profit^{*1}	9.2	11.6	+2.4	+26%	-2.4	-26%	7.4
Business contribution profit ratio	3.7%	4.5%	+0.8 pt				
Operating profit	10.1	9.6	-0.4	-4%	-5.1	-50%	7.4
Profit from continuing operations	4.6	4.9	+0.2	+5%	-3.0	-65%	7.6
Profit from discontinued operations	3.0	2.9	-0.0	-1%	-0.0	-1%	
Profit attributable to owners of the Company	7.3	7.8	+0.5	+7%	-2.7	-37%	7.6
FCF	-18.8	17.5	+36.3	-			
FX [Yen]							
USD	144.59	159.49	+14.90				
EUR	163.80	185.39	+21.59				

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

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Let me begin with an overview of our Q1 results.

Revenue came in at JPY258.5 billion, an increase of JPY7.3 billion YoY. This included a JPY12.1 billion reduction resulting from business selection and concentration. Excluding that impact, however, we benefited from a JPY22.1 billion positive impact from yen depreciation. As a result, all businesses recorded revenue growth.

Business contribution profit was JPY11.6 billion, up JPY2.4 billion YoY. This included a JPY4.8 billion tailwind from foreign exchange and a JPY7.4 billion positive impact from U.S. tariff refunds.

Looking at each business, the industry business performed strongly, delivering a JPY1.0 billion increase in profit excluding foreign exchange. The Digital Workplace Business recorded an JPY0.8 billion decline in business contribution profit YoY excluding foreign exchange, mainly due to the absence of large office deals from the previous year and delays in realizing the benefits of strengthening our sales structure in the U.S.

Operating profit was JPY9.6 billion, down JPY0.4 billion YoY. This mainly reflected the absence of the gain on the sale of Mobotix shares recorded in the previous year, as well as structural reform costs incurred in our overseas Business Technologies Business to support future profit improvement.

Profit from continuing operations was JPY4.9 billion, up JPY0.2 billion YoY. Tariff refunds improved the profitability of our U.S. subsidiary, resulting in lower tax expenses.

Profit from discontinued operations was JPY2.9 billion. This reflected the gain on the sale of Tempus AI shares received as consideration for the transfer of Ambry Genetics. We also recognized a fair value gain on those shares in the same period last year, so the YoY impact was minimal. All our Tempus AI shares were sold during Q1.

As a result, net profit attributable to owners of the Company was JPY7.8 billion, up JPY0.5 billion YoY.

Free cash flow improved significantly, moving from negative JPY18.8 billion last year to positive JPY17.5 billion. Operating cash flow was JPY11.7 billion, while investment cash flow was JPY5.8 billion.

I'll go into these results in more detail later in the presentation.

FY2026 Q1 Performance | Summary



[¥ billions]	YoY	Main Factors +: Positive Factors, -: Negative Factors
Revenue	+7.3	+: FX (+22.1), Industry Business (+1.4) -: Decrease due to business selection and concentration (-12.1), Digital workplace (-4.8)
Gross profit	+13.8	+: FX (+12.8), U.S. tariff refund (+7.4) -: U.S. tariff expenses (-1.8), Decrease due to business selection and concentration (-2.4)
SG&A	+11.4	+: Decrease due to business selection and concentration (-2.9) -: FX (+8.0), Absence of one-time factors for decrease for acquisition of real estate trust beneficiary interests (Tokyo site Hino) and others in FY25 (+2.4)
Business contribution profit	+2.4	
Other income and expenses	-2.8	-: Absence of gains from subsidiary (Mobotix) equity transfer in FY25 (-2.3) Business structure improvement expenses in overseas Business Technologies Business (-1.1) +: Absence of loss from subsidiary (MPM) shares transfer in FY25 (+1.0)
Operating profit	-0.4	
Finance income and costs	-0.8	-: Absence of gains from real estate trust beneficiary interests in FY25 (-1.1)
Profit from continuing operations	+0.2	+: Tax expense decrease through improved profitability at an U.S. subsidiary because of tariff refunds and the use of loss carryforwards (+1.5)
Profit from discontinued operations	-0.0	+: Gain on sale of Tempus AI shares, etc. (+2.9) -: Absence of valuation gain based on the fair value of Tempus AI shares etc. in FY25 (-3.1)
Profit attributable to owners of the Company	+0.5	
FCF	+36.3	+: Increase in operating CF (+23.2); Decrease in working capital +: Increase in investment CF (+13.1); Absence of expenses for acquisition of real estate trust beneficiary interests (Tokyo site Hino) in FY25

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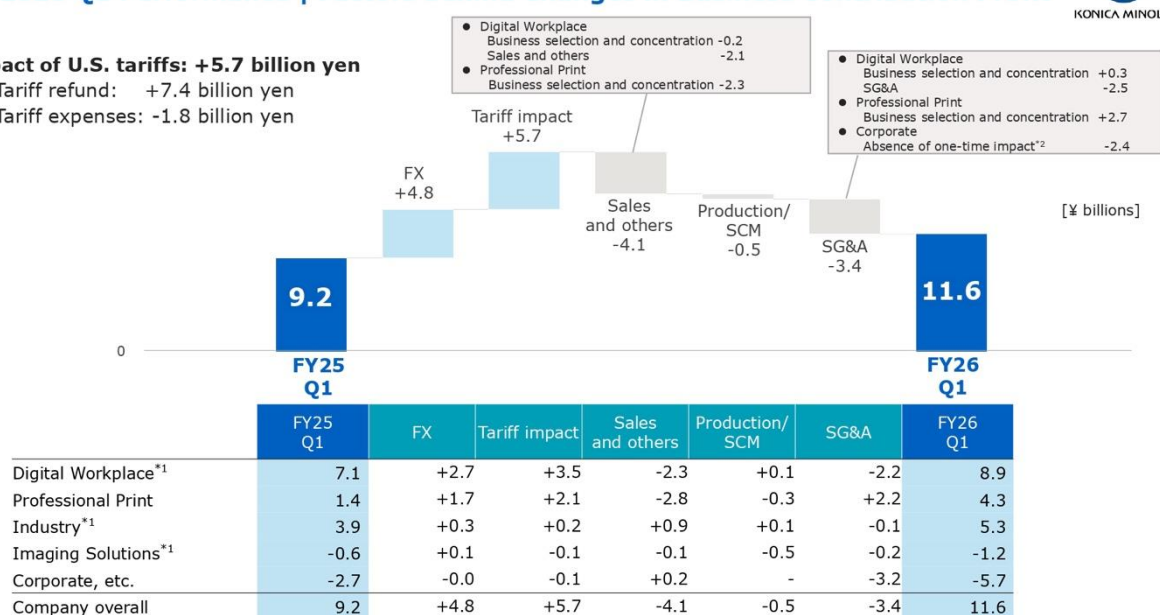
You will find a breakdown of these changes on page 20 of the appendix.

FY2026 Q1 Performance | Factors behind Changes in Business Contribution Profit



Impact of U.S. tariffs: +5.7 billion yen

- Tariff refund: +7.4 billion yen
- Tariff expenses: -1.8 billion yen



^{*1} FY2025 results have been reclassified in accordance with the business reorganization effective from FY2026.

^{*2} Absence of one-time factors for decrease for the acquisition of real estate trust beneficiary interests (Tokyo Site Hino), and reclassification of the Imaging IoT Solutions business from FY2026 © KONICA MINOLTA 4

Next, let me explain the factors behind the change in business contribution profit.

Business contribution profit increased from JPY9.2 billion last year to JPY11.6 billion, an improvement of JPY2.4 billion.

Foreign exchange had a positive impact of JPY4.8 billion. We also benefited from U.S. tariff-related factors. Although tariff expenses increased by JPY1.8 billion YoY, tariff refunds totaled JPY7.4 billion, resulting in a net positive impact of JPY5.7 billion.

Sales declined due to lower sales volumes in the Digital Workplace Business and the business selection and concentration in the Professional Print Business.

Production/SCM had a negative impact, reflecting higher silver and component prices. SG&A expenses also had a negative impact, driven by higher personnel costs and increased R&D spending. I'll explain the performance of each business in more detail later.

In the corporate segment, costs increased YoY, reflecting AI and IT investments and consulting fees related to our transformation initiatives, and the absence of one-time positive factors recorded in the previous year.

FY2026 Q1 Performance | Revenue & Profit by Segment



Revenue	FY25 Q1	FY26 Q1	YoY	YoY excluding FX	[¥ billions]
Digital Workplace ^{*1}	139.7	149.1	+9.5 +7%	-4.8 -3%	
Professional Print	64.3	58.1	-6.2 -10%	-11.4 -18%	
Industry ^{*1}	28.8	31.8	+3.0 +10%	+1.5 +5%	
Imaging Solutions ^{*1}	18.3	19.3	+1.0 +5%	+0.0 +0%	
Corporate, etc.	0.1	0.2	+0.0 +15%	-0.1 -45%	
Company overall	251.2	258.5	+7.3 +3%	-14.8 -6%	

Business Contribution Profit	FY25 Q1	ratio	FY26 Q1	ratio	YoY	YoY excluding FX
Digital Workplace ^{*1}	7.1	5%	8.9	6%	+1.8 +26%	-0.8 -12%
Professional Print	1.4	2%	4.3	7%	+2.9 +206%	+1.2 +86%
Industry ^{*1}	3.9	14%	5.3	17%	+1.3 +34%	+1.0 +26%
Imaging Solutions ^{*1}	-0.6	-	-1.2	-	-0.7 -	-0.8 -
Corporate, etc.	-2.7	-	-5.7	-	-3.0 -	-3.0 -
Company overall	9.2	4%	11.6	4%	+2.4 +26%	-2.4 -26%

Operating Profit	FY25 Q1	ratio	FY26 Q1	ratio	YoY	YoY excluding FX
Digital Workplace ^{*1}	6.7	5%	7.8	5%	+1.0 +15%	-1.5 -23%
Professional Print	0.4	1%	4.0	7%	+3.6 +796%	+1.9 +425%
Industry ^{*1}	4.0	14%	5.3	17%	+1.3 +31%	+0.9 +23%
Imaging Solutions ^{*1}	1.5	8%	-1.7	-	-3.2 -	-3.3 -
Corporate, etc.	-2.6	-	-5.7	-	-3.1 -	-3.1 -
Company overall	10.1	4%	9.6	4%	-0.4 -4%	-5.1 -50%

*1 FY2025 results have been reclassified in accordance with the business reorganization effective from FY2026.

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Let me move on to performance by segment.

FY2026 Q1 Performance | Industry



Factors behind changes (including FX)

[¥ billions]	FY25 Q1	FY26 Q1	YoY
Revenue	28.8	31.8	+3.0
(Change %)			+10%
Sensing	9.2	11.8	+2.6
Performance materials	11.1	10.5	-0.7
Inkjet components	4.2	4.6	+0.4
Optical components	4.2	5.0	+0.7
Business contribution profit	3.9	5.3	+1.3
(Change %)			+34%

Revenue

Sensing	+ Light source color: Increased customer capital investment + HSI: Orders remain steady
Performance material	- Solid film demand but constrained by production capacity. + Started production and sales of SAZMA (surface protection film for large areas)
Inkjet components	+ Sign graphics use: New product effects + Other (businesses other than printhead and ink)
Optical components	+ Interchangeable lenses: Strong performance driven by expanding demand + Semiconductor inspection equipment applications: Increased demand due to chipletization, production capacity expansion

Business contribution profit

+ Increase in gross profit due to higher revenue
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First, the Industry Business.

Revenue for the Industry Business was JPY31.8 billion, up JPY3.0 billion, or 10%, YoY. Business contribution profit was JPY5.3 billion, up JPY1.3 billion, or 34%, YoY, supported by higher gross profit driven by revenue growth.

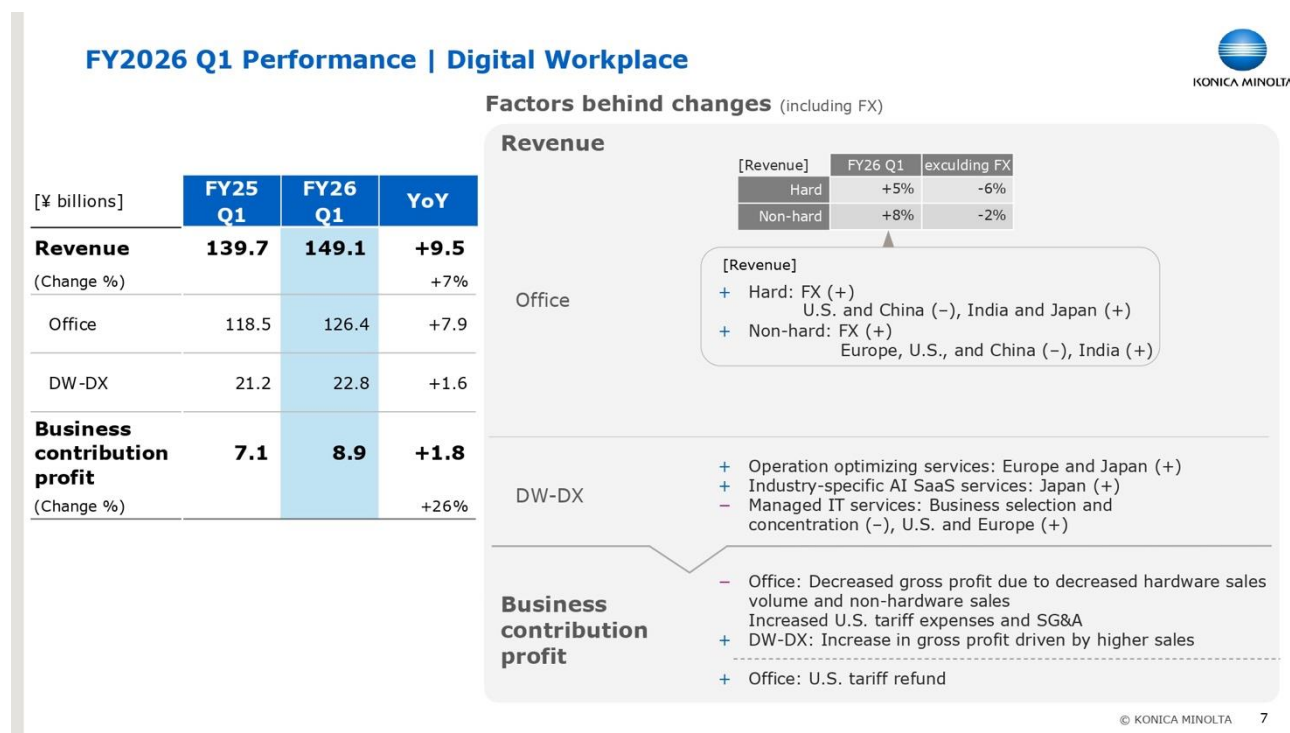
Looking at each business unit, sensing delivered strong growth. Demand for light source color applications increased, supported by customers' expanding capital investment. Orders for hyperspectral imaging also remained solid.

In performance materials, demand for film remained solid. However, revenue declined due to supply constraints resulting from last year's production capacity limitations. At the same time, we began production and sales of SAZMA, our large-area surface protection film, and are making steady progress with initiatives to support future growth.

In inkjet components, new products for sign graphics contributed to growth, while businesses beyond printhead and ink also performed well.

Optical components benefited from strong demand for interchangeable camera lenses. In addition, demand for visible/UV applications increased, driven by chiplet adoption in semiconductor inspection equipment. We are expanding production capacity and positioning this business as a key driver of medium- to long-term growth.

The Industry Business remains a key driver of our future growth. We delivered solid results in high-demand areas during Q1, and we will continue to capture growth opportunities going forward.



Next, let's look at the Digital Workplace Business.

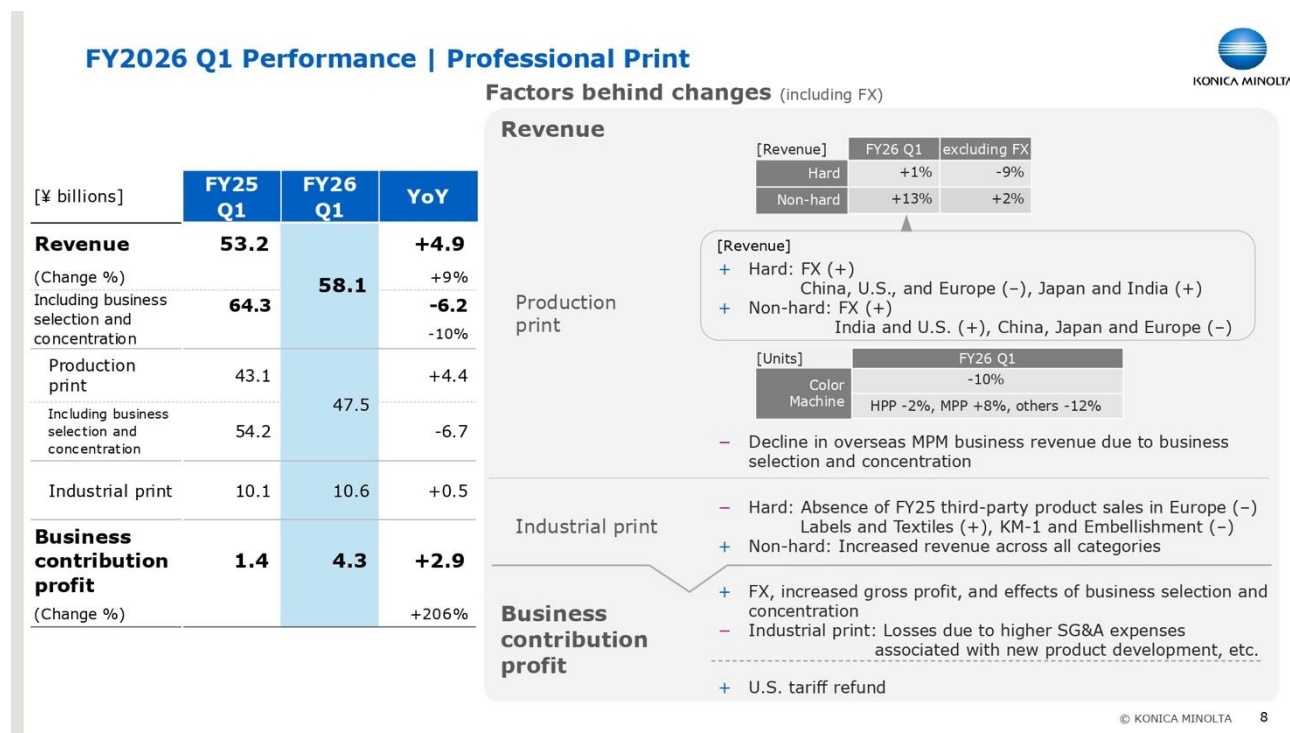
Revenue was JPY149.1 billion, up JPY9.5 billion YoY. Business contribution profit was JPY8.9 billion, an increase of JPY1.8 billion YoY. Excluding the effects of foreign exchange and tariffs, however, profit declined.

Looking at revenue, the office unit posted growth, supported by foreign exchange. However, as I mentioned earlier, excluding foreign exchange, hardware revenue declined due to the absence of a large deal recorded in the same period last year and slower-than-expected progress in strengthening our U.S. sales structure, which did not begin to improve until June. Non-hardware revenue was broadly in line with our initial assumption of a 2% decline.

In the DW-DX unit, operation optimizing services continued to grow in Europe and Japan, while industry-specific AI SaaS business also delivered solid growth in Japan.

Turning to business contribution profit, U.S. tariff refunds had a positive impact. On the other hand, lower gross profit resulting from reduced office hardware sales volume, higher tariff expenses, and increased SG&A expenses weighed on earnings.

Although performance was somewhat behind in April and May, we began to see signs of recovery from June onward. Our strengthened U.S. sales structure is beginning to deliver results, and together with our global initiatives to improve efficiency and control SG&A expenses, we will continue working to strengthen profitability.



Next, the Professional Print business.

Revenue was JPY58.1 billion. Excluding the JPY11.1 billion decline resulting from business selection and concentration in the overseas MPM business, revenue increased by JPY4.9 billion YoY. Including that impact, revenue declined by JPY6.2 billion. Business contribution profit was JPY4.3 billion, up JPY2.9 billion YoY.

Looking at revenue, both hardware and non-hardware in the production print unit posted growth, supported by foreign exchange. In hardware, MPP delivered solid growth. HPP declined but maintained its number-one market share. LPP and ELPP declined as they were in the middle of a product transition. Excluding foreign exchange, however, hardware revenue declined. Non-hardware continued to grow, driven by the expansion of HPP and MPP last year, which increased the installed base of high-end systems and boosted print volumes.

In the industrial print unit, hardware revenue increased in labels and textiles. For the KM-1, customer acceptances shifted into Q2, and the positive impact from third-party product sales in Europe recorded in the previous year was absent this year. Non-hardware revenue increased across all categories.

Business contribution profit increased, supported by foreign exchange, higher gross profit, the effects of business selection and concentration, and U.S. tariff refunds. On the other hand, the industrial print unit recorded a loss due to higher SG&A expenses associated with new product development.

Going forward, we will continue to improve profitability by expanding our installed base through new products, growing non-hardware revenue, and maintaining disciplined cost control.

FY2026 Q1 Performance | Imaging Solutions



Factors behind changes (including FX)

[¥ billions]	FY25 Q1	FY26 Q1	YoY	Revenue
Revenue	18.3	19.3	+1.0	
(Change %)			+5%	
Healthcare	16.9	17.5	+0.7	+ DR: For partner brands, India (+) Dynamic Digital Radiography: U.S., China, and Europe (+) + Healthcare IT: U.S. + X-ray film: China, India and Asia - Third-party products: Japan
Visual solutions	1.0	1.3	+0.3	+ LED Solutions
Imaging IoT solutions	0.5	0.5	+0.0	
Business contribution profit	-0.6	-1.2	-0.7	- Healthcare: Silver prices soar, Absence of one-time factors in FY25
(Change %)			-	

Imaging IoT Solutions:

Portfolio optimization was implemented. The video solution services was transferred to the Digital Workplace Business and the gas monitoring solutions was transferred to the Industry Business.

Losses to narrow following the discontinuation of certain businesses (FORXAI Video Vision in Europe and Smart Factory in APAC) in Q2.

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Next, the Imaging Solutions Business.

Revenue was JPY19.3 billion, up JPY1.0 billion YoY. Both the healthcare and visual solutions units posted revenue growth. Business contribution profit, however, was a loss of JPY1.2 billion, with the loss widening from the previous year.

In the healthcare unit, DR sales increased for partner brands and in India. Our proprietary Dynamic Digital Radiography continued to grow in the U.S., China, and Europe. Healthcare IT also delivered solid growth in the U.S. Sales of digital products continued to increase steadily, while sales of third-party products declined.

In the visual solutions unit, sales of LED equipment expanded. Business contribution profit in the healthcare unit declined, reflecting higher silver prices and the absence of one-time positive factors recorded in the previous year.

In imaging IoT solutions unit, we are continuing to optimize our business portfolio by selecting and prioritizing our offerings. The video solution services, which have synergies with our existing businesses, have been transferred to the Digital Workplace Business, while gas monitoring solutions have been transferred to the Industry Business.

Meanwhile, as a result of a ROIC-based evaluation, we decided to exit some businesses in Europe and APAC in Q2. Through ROIC-based management, we will accelerate decision-making and strengthen execution.

To address the impact of higher silver prices in the healthcare unit, we are implementing pricing measures and expect to restore profitability by expanding growth areas such as Dynamic Digital Radiography and healthcare IT.

Strengthening the Financial Structure | Balance Sheet Position (vs. End of FY2025)



	End of Mar. 2026	End of Jun. 2026	Change	Details
[¥ billions]				
Cash and cash equivalents	110.8	117.0	+6.2	Proceeds from the sale of Tempus AI shares and U.S. tariff refunds
Trade and other receivables	316.6	296.7	-20.0	Decrease mainly in the Business Technologies Business and Healthcare Business
Inventories	210.5	221.5	+11.0	
Other financial assets	14.1	1.5	-12.7	Decrease due to the completion of the sale of Tempus AI shares
Other current assets	41.0	47.3	+6.2	
Total current assets	693.0	683.9	-9.2	
Property, plant and equipment	259.5	260.0	+0.4	
Goodwill and intangible assets	182.8	184.1	+1.3	
Other non-current assets	99.6	102.0	+2.4	
Total non-current assets	541.9	546.1	+4.2	
Total assets	1,234.9	1,229.9	-5.0	FX impact : +11.4, Excluding FX: -16.4
Turnover (months)	4.6	4.9		

	End of Mar. 2026	End of Jun. 2026	Change	Details
Trade and other payables	172.7	162.4	-10.4	
Bonds and borrowings	329.6	329.0	-0.7	
Lease liabilities	68.7	68.0	-0.6	
Provisions	18.2	16.3	-1.8	
Other liabilities	96.7	90.8	-6.0	
Total liabilities	685.9	666.5	-19.4	
Equity attributable to owners of the Company	536.5	550.8	+14.3	Increase due to foreign currency translation adjustments of overseas subsidiaries
Non-controlling interests	12.5	12.6	+0.1	
Total equity	549.0	563.4	+14.4	
Total liabilities and equity	1,234.9	1,229.9	-5.0	FX impact: +11.4, Excluding FX: -16.4

FX		[¥]
	End of Mar. 2026	End of Jun. 2026
USD	159.88	162.39
EUR	183.41	185.35
RMB	23.11	23.87

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Let me now turn to the balance sheet.

Excluding foreign exchange effects, total assets decreased by approximately JPY16.4 billion. This reflected a decrease in trade and other receivables and financial assets following the completion of the Tempus AI share sale.

Cash increased temporarily, driven by U.S. tariff refunds and proceeds from the sale of Tempus AI shares. As I mentioned in May, the cash generated from the Tempus AI share sale will mainly be used for dividends and the reduction of interest-bearing liabilities.

Inventory increased, and reducing inventory remains a key priority. We will continue working to improve working capital.

Strengthening the Financial Structure | FCF



	FY25 Q1	FY26 Q1	Details
Profit (loss) before tax	8.9	7.6	
Depreciation and amortization expenses ^{*1}	13.9	15.7	
Increase/decrease in trade and other receivables ("-" is increase)	12.2	25.4	
Increase/decrease in inventories ("-" is increase)	-7.1	-8.2	
Increase/decrease in trade and other payables ("-" is decrease)	-14.3	-11.9	
Others	-25.1	-16.9	
Net cash provided by (used in) operating activities	-11.5	11.7	
Purchase of property, plant and equipment	-24.9	-6.9	Absence of expenditure for acquisition of real estate trust beneficiary interests (Tokyo site Hino) in FY25
Purchase of intangible assets	-2.8	-3.2	
Proceeds from sales of subsidiaries	3.1	-	
Proceeds from sales of investment securities	17.0	16.1	Sale of Tempus AI shares both in FY25 and FY26
Others	0.3	-0.1	
Net cash provided by (used in) investing activities	-7.3	5.8	
Free cash flows	-18.8	17.5	
Increase (decrease) in short-term loans payable	18.9	-5.8	
Proceeds from bonds issuance and long-term loans payable	0.1	2.3	
Redemption of bonds and repayments of long-term loans payable	-0.1	-0.6	
Repayments of lease liabilities	-5.2	-5.3	
Cash dividends paid	-0.0	-3.3	
Others	-0.6	-0.1	
Net cash provided by (used in) financing activities	13.0	-12.7	

*1 Including depreciation of right-of-use assets recognized under IFRS 16

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Next, let me move on to free cash flow.

Operating cash flow for Q1 was JPY11.7 billion, a significant improvement of JPY23.2 billion from negative JPY11.5 billion in the previous year. Although profit before tax was lower than last year, improvements in working capital, including reductions in trade and other receivables, contributed to the increase.

Investment cash flow was positive JPY5.8 billion. Last year, investment cash flow included expenditures for the acquisition of real estate trust beneficiary interests related to the Tokyo site Hino, and this impact did not recur this year. As a result, free cash flow was positive JPY17.5 billion, improving by JPY36.3 billion from negative JPY18.8 billion last year.

Financing cash flow was negative JPY12.7 billion, reflecting a reduction in short-term loans and dividend payments.

We remain focused on building a profit structure that enables us to consistently generate stable operating cash flow.

FY2026 Earnings Forecast | Summary



- No change from the initial forecast
- Tariff refunds and gains on the sale of Tempus AI shares, neither of which was included in the initial forecast, are expected to be allocated to address the worsening situation in the Middle East, rising material costs, MDF^{*1}, and the acceleration of reform initiatives

[¥ billions]	FY25 Results	FY26 Forecast	Change
Revenue	1,087.7	1,105.0	+17.3
Business contribution profit	53.2	56.0	+2.8
Operating profit	49.9	50.0	+0.1
Profit attributable to owners of the Company	30.3	28.5	-1.8
Dividends (yen/share)	12	18	+6
ROE (%)	6.1	5.2	-0.9
Capital expenditures	41.6 ^{*2}	50.0	+8.4
Depreciation and Amortization Expenses ^{*3}	40.2	43.0	+2.8
R&D expenses	54.8	55.0	+0.2
FCF	52.3	44.5	-7.8

FX assumptions
USD/JPY: 150
EUR/JPY: 180

^{*1} Market Development Funds

^{*2} Not including the expenses for acquiring real estate trust beneficiary interests for the land of Tokyo Site Hino (¥18.9 billion)

^{*3} Not including IFRS16 right-of-use assets amortization expenses

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Next, here is a summary of our full-year forecast.

For the fiscal year ending March 2027, we are maintaining our initial forecast. We expect revenue of JPY1,105.0 billion, business contribution profit of JPY56.0 billion, operating profit of JPY50.0 billion, and profit attributable to owners of the Company of JPY28.5 billion. We also plan to pay an annual dividend of JPY18 per share.

U.S. tariff refunds were not included in our initial forecast. With JPY7.4 billion received in Q1 and additional refunds expected from Q2 onward, we anticipate the full-year total to be roughly equivalent to last year's total tariff expenses. On the other hand, prolonged geopolitical tensions in the Middle East and higher component prices are expected to have a greater impact than initially assumed.

We will use the U.S. tariff refunds and proceeds from the Tempus AI share sale not only to offset these headwinds, but also to support sales expansion through MDF, productivity improvements through the use of AI, and investments to accelerate initiatives originally planned for FY2027 under our Medium-term Business Plan.

Taking all these factors into account, we aim to firmly achieve the full-year targets announced at the beginning of the fiscal year. By bringing forward key initiatives, we also intend to further strengthen profitability from FY2027 onward.

Medium-term Business Plan | Progress of Profitability Improvement Initiatives



Aim to improve profitability by accelerating execution of Medium-term Business Plan initiatives

Business Technologies Business

Improving profitability in the Business Technologies Business
Generating 15.0 to 18.0 billion yen in profit

Initiative: Transformation of Profit Structure Globally

Improving operational efficiency and automation through AI utilization

- Sales: Optimize sales process through customer interaction data and AI
- Service: Increase the remote resolution rate through AI utilization
- R&D: Improve efficiency by maximizing AI utilization across development processes

Topline growth

- Pursue growth in DW-DX and Professional Print
- Shift resources to Professional Print

Corporate Functions

Optimizing corporate function costs
Generating 3.0 to 5.0 billion yen in profit

Initiative: Optimizing functions across businesses in Japan, U.S., and Europe

- Drive operational transformation through AI utilization and digital twins
- Standardize processes across corporate functions
- Strengthen regional management
- Reduce costs through enhanced indirect procurement

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In FY2026, we have positive factors that were not included when we formulated our Medium-term Business Plan, although these factors are one-time in nature. Taking these factors into account, together with our progress toward a more profitable business structure, we believe that the profitability improvements originally expected in FY2028 can be brought forward by approximately six months, starting with the initiatives we have already implemented in Q1. Our first priority is to realize this acceleration.

For the Business Technologies Business, our Medium-term Business Plan targets profit generation of JPY15.0 billion to JPY18.0 billion. To achieve this target, we will advance profit-structure reforms across our global operations.

We are already promoting the use of AI in sales, service, development, and production. By further accelerating these initiatives, we will drive greater efficiency and automation.

Combined with top-line growth, these productivity improvements will accelerate earnings growth in the Business Technologies Business.

For corporate functions, we aim to generate JPY3.0 billion to JPY5.0 billion in profit.

Across Japan, the U.S., and Europe, we will optimize functions horizontally across businesses, advance operational reforms through AI and digital twins, improve efficiency in corporate functions, strengthen regional management, and reduce costs through enhanced indirect procurement.

As I mentioned earlier, we have generated unexpected income and cash inflows this year. Our top priority is to bring forward the initiatives outlined in the Medium-term Business Plan as much as possible, allowing the benefits to materialize earlier. Based on this approach, we are maintaining our full-year forecast at this time.

Growth Seeds

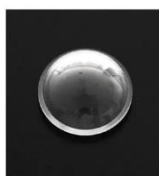


Optical Components for Semiconductor Inspection Equipment

Launched the polishing process at Tokyo Site Hachioji; operations commenced in March 2026

Production capacity (vs. FY24) End of FY28 **5.6x**

Sales target CAGR **40%** (FY25-FY30)



Lens for semiconductor inspection equipment



Polishing process at Tokyo Site Hachioji

Intelligent Recycled Materials

Progress toward shipment of mass-production samples at MJ Material's new plant; scheduled to begin operations in Q2



Compounding machine equipped with a real-time measurement system

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Finally, let me explain our initiatives for future growth.

Under this Medium-term Business Plan, we are not only improving profitability in the near term, but also developing businesses that will drive growth over the long term.

On the left side of the slide, you can see optical components for semiconductor inspection equipment. To meet growing demand, we began operating a new polishing process at our Tokyo site Hachioji in March. We will continue to strengthen production capacity to ensure that we can capture future market growth.

On the right side, you can see intelligent recycled materials. At our partner MJ Material's new plant in Malaysia, shipments of mass-production samples are scheduled for Q2. We are now in the final stage of preparations toward commercialization, and progress is proceeding steadily.

Both initiatives are critical to our future growth. We will continue to advance these initiatives steadily. In the short term, we will continue to improve profitability while maintaining our commitment to investing in technologies and businesses that support medium- to long-term growth.

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

Question & Answer

Ueno [M]: We will now move on to the Q&A session. Before asking your question, please state your company name and your name.

Mr. Shimamoto, please go ahead.

Shimamoto [Q]: Thank you. This is Shimamoto from Okasan Securities.

My first question is regarding your assessment of Q1 progress. The JPY7.4 billion in tariff refunds was not included in your initial plan. Excluding the impact of those refunds, how would you assess Q1 performance? Are you broadly on track with your original company plan?

Taiko [A]: As I mentioned earlier, the Industry Business continued to grow from the previous year, and we made solid progress not only in revenue but also in profit. This is our assessment.

On the other hand, in the Digital Workplace Business, as I mentioned earlier, we were affected by the absence of large deals from the previous year and by the fact that the effects of changes to our direct sales structure in the U.S. took longer than expected to materialize during the first two months. For these reasons, we assess that overall progress was unfortunately not as strong as we had hoped.

Shimamoto [Q]: Understood. Could you comment on approximately how much business contribution profit fell short of your initial plan?

Taiko [A]: I would prefer not to disclose the exact figure, but to give you a rough indication, I believe we were short by somewhere between JPY1 billion and JPY5 billion, probably around the midpoint of that range.

Shimamoto [Q]: Understood. Thank you. My second question is a simple confirmation regarding U.S. tariff refunds. Am I correct in understanding that roughly JPY12 billion of last year's tariff expenses will be refunded? I would just like to confirm the basic understanding.

Taiko [A]: Based on the tariffs we actually paid and the amounts cleared through customs last year, the figure you mentioned is in the right range. However, not all of those payments are eligible for refunds. We received JPY7.4 billion in Q1, and in total, we expect the amount to reach close to JPY10 billion.

Shimamoto [Q]: Understood. Based on that, I would like to deepen my understanding of the quantitative factors behind maintaining the full-year forecast unchanged. There are several elements, including strategic spending that you plan to bring forward, increases in DRAM prices and other component cost inflation, and MDF-related spending. Could you explain the expected allocation between strategic initiatives and cost increases?

Taiko [A]: Some of the funds are reserved for competitive initiatives, so I cannot disclose all the details. However, regarding the various cost pressures, we initially expected the impact from the situation in the Middle East to last for around six months, but we now need to consider the possibility that it will continue throughout the year. For memory components, we have already taken all necessary measures, but even so, costs have increased slightly more than we expected at the beginning of the fiscal year.

In addition, semiconductor-related and petroleum-derived cost increases are affecting a wide range of areas. At this point, we estimate the impact to be in the range of JPY5 billion to JPY6 billion. Of course, we will work on measures to offset these impacts, but that is where we currently stand.

The remaining portion will be used to accelerate initiatives under the Medium-term Business Plan. We are currently working through the details to ensure that these funds are used effectively.

Shimamoto [M]: That is very clear. Thank you.

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

Nakanomyo [Q]: This is Nakanomyo from Jefferies.

Looking at H1, hardware and non-hardware sales excluding foreign exchange in the Digital Workplace Business and the production print unit appear to have started somewhat slower than initially expected. While professional print non-hardware seems to be performing well, professional print hardware and Digital Workplace hardware appear somewhat weaker. Have there been any changes in market conditions compared with your assumptions at the beginning of the year? Are you seeing any signs of market deterioration?

Takayama [A]: Let me confirm your question. Are you asking whether price increases in the office unit and production print are progressing as planned?

Nakanomyo [Q]: Sorry, not only about price increases. I am asking more broadly about hardware and non-hardware sales in the office unit and production print. Excluding non-hardware in production print, they appear to be weaker than expected. Compared with your initial assumptions, have there been any changes in overall market trends?

Takayama [A]: For Q1, as you noted, we assumed a full-year decline of 1% in hardware and 2% in non-hardware. Compared with those assumptions, as Mr. Taiko mentioned earlier, we were affected by the absence of a large office deal from last year, and production print was also in the middle of a product transition. In Q4 of last year, some customers purchased previous models ahead of the transition, which made the YoY decline in Q1 appear larger. That said, looking at the full year, we do not believe the situation has become significantly worse than expected. Does this answer your question?

Nakanomyo [Q]: Yes. In that context, I assume you've been maintaining pricing discipline to offset at least part of the cost inflation, and there are some macro factors. From a market environment perspective, would it be fair to say that conditions have not deteriorated materially?

Takayama [A]: Actual demand was somewhat soft in April and May, but we do not believe that market momentum has deteriorated significantly.

Nakanomyo [Q]: Thank you. My second question is about the Digital Workplace Business. Previously, you mentioned that you were considering additional measures to further improve profitability in the Digital Workplace Business. I assume that may be related to the initiatives you plan to accelerate. Around October or November, will you be able to provide something more concrete?

Taiko [A]: We are currently working through the details of how to effectively utilize these funds to bring forward initiatives under the Medium-term Business Plan. We are preparing to provide more concrete information within this year.

Nakanomyo [M]: Thank you. That concludes my questions.

Ueno [M]: Are there any other questions? If there are no further questions, we will conclude today's session.

Thank you very much for joining us today. We appreciate your continued support.

[END]

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