

"Konica Minolta, Inc." Q&A from Q2/March 2024 Financial Results Briefing Session

Date and time: November 2, 2023, 17:00 to 18:00 JST

Method: Online/Telephone Conference

Cautionary Statement

This material was prepared for those who were unable to attend the financial results briefing in person and is intended only for reference purposes. Readers are asked to acknowledge in advance that the following text is not a verbatim account of everything that was said at the briefing but a basic summary whose content was determined by Konica Minolta.

Moreover, readers are asked to further acknowledge in advance that the business performance outlook and other content concerning future results in this document is based upon information that the Company has at present and upon a rational evaluation based on certain assumptions and, additionally, that actual business performance can greatly vary due to number of factors.

[Company Overall]

Q. In the briefing session, you mentioned that Business Contribution Profit (BCP) exceeded the internal plan. Please tell us the specific amount.

A. We exceeded the plan by about 4 billion in the H1.

Q. There was an explanation that the company was making steady progress compared to the internal plan, and if something happens, it will be reviewed without hesitation. Could you let us know this in detailed intention?

A. My intention is not to postpone both positive and negative sides. There are businesses that we have positioned as non-focused businesses and direction-changing businesses. Even we continue to consider these businesses now, we intend to enter FY2025 after completing the implementation. As a positive side of our implementation, we have been able to disclose one of our actions in optical components business in this briefing session, and we would like to continue to do so. On the negative side, taking advantage of the lessons learned in the previous fiscal year, we voluntarily conduct regular check for low profitable businesses. For example, there is a risk that there may be impairment losses due to a slower-than-expected recovery in the number of customers for directly managed planetariums.

[Digital Workplace Business]

Q. The sales of hardware in office print were 89% of the previous year, but they increased in real term basis. And sales of A4 model increased. How do you perceive the overall market environment, such as market inventories and price adjustments?

A. We recognize the sales of hardware in office print increased 3% in real term basis, taking into account excluding the order backlog in the last year. In terms of print volume, it was about 80% of FY2019 level, and the actual situation has remained flat. We recognize that we need to continue to closely monitor changes in the H2 of the fiscal year.

By country, China is currently in a difficult situation, but although the impact on unit sales is significant, the impact on earnings is not so significant. Europe varies by region. German is challenging, but France is flat, and Spain and Italy are slightly positive.

Regarding A4 models, although the number of units is increasing, market conditions are not necessarily in line with our circumstances, due in part to our specialization in color models, so I refrain from commenting.

[Professional Print Business]

Q. BCP in the Professional Print Business was 3.6 billion for the H1. And considering the full-year 12 billion, the hurdle for the H2 appears to be challenging. Please tell us the detailed forecast of the business for the H2.

A. The sales of hardware in production print were challenging in the H1, but the pipeline is not hurt. Non-hard is slightly higher than expected, particularly in China and India. Considering the seasonality, non-hard sales in the H2 is expected to be stronger than in the H1.

Industrial print is lagging behind in the installation of some large printing presses, but hardware is increasing in all segments. Also, we introduce new label printing press. Sales of non-hard are also expected to continue to increase due to an increase in the amount of hardware in operation.

We expect to be able to achieve our forecast through these measures.

[Healthcare Business]

Q. Please let us know about the outlook for the market conditions for the medical imaging (healthcare) business.

A. We expect growth in the H2. Because more than half of the sales in medical imaging are earned in Japan, and the business has strong seasonality in the H2, especially Q4 than the H1. Dynamic Digital radiography is also being deployed in the U.S. and Japan, and is one of the growth drivers.

Q. Ambry Genetics and Invicro in the precision medicine business are both profitable on an individual basis. Please let us know about the outlook for the H2, including the continuity of the situation.

A. The profitability of Ambry Genetics and Invicro is considered to be sustainable due to market conditions of genetic testing and clinical trial. With the sales growth, we are focusing on growth investments in testing automation and R&D. We would like to further increase profitability in the H2.

[Industry Business]

Q. BCP in the Industry Business was 6 billion for the H1. And considering the full-year 18.5 billion, the hurdle for the H2 appears to be challenging. Please let us know about the outlook for the H2.

A. In sensing, orders from display customers were delayed in the H1, but we expect to recover in the H2 due to the realization of delayed orders.

In performance materials, market for TVs has returned in the Q2 following the Q1. We are also closely watching the increase in inventory in the supply chain in the H2, but we expect demand for large TVs to continue. Thin film used in small- and medium-sized displays has been sluggish despite progress in adjusting excess inventory in the supply chain.

IJ components has performed well.

Overall, we expect to be able to recover in the H2 despite some delays.

Q. With regard to the partial transfer of optical components business, if the transfer is actually implemented in January 2024, will the gain from the transfer be included in the other income?

A. We anticipate that the transfer will take place in January or later, but we are not disclosing specific figures this time due to the impact of FOREX and adjustments of the amount of assets. The impact on earnings is expected to be minimal.

Q. Please let us know about the impact of the partial transfer of optical components business from the next fiscal year onward.

A. Revenue will decline slightly, but fixed costs will decline, and then margins will improve.

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