

Konica Minolta, Inc. Q&A from Company Briefings

Date and time: April 4, 2023, 16:30 to 17:30 JST

Method: Online/Telephone Conference

Cautionary Statement

This material was prepared for those who were unable to attend the company briefings 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.

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[Global structural reforms]

Q. Under the global structural reforms, will the headcount optimization be implemented not only in the office unit, but also the entire business segments? What is the breakdown of the 2,400 headcount that will be optimized, including regions, segments, and functions?

A. It will be implemented not only in the office unit, but also in the full range of business segments, including corporate headquarters functions. We are not making any comments about the breakdown of specific regions, segments, or functions at this moment.

Q. Please tell us the reason for the 2,400 headcount reduction.

A. Dividing our businesses into four categories, we are accelerating the selection and concentration of businesses. We would like to further move forward in the strengthening businesses and profit maintaining business. Additionally, we will strengthen our initiatives to address social issues in the future. Having evaluated many times the productivity compared with the current level of the revenue, we have determined that global structural reforms are necessary at this timing to put ourselves onto the growth track from FY26 onward.

Q. Will the ¥20 billion expenses for the structural reform have impact on operating profit or business contribution profit?

A. The one-time expenses in FY24 will impact on operating profit. We will see the effects of structural reforms in business contribution profit and further.

Q. Is it appropriate to say that the structural reforms will be implemented in FY24, and that additional structural reforms will not be implemented for a while thereafter?

A. Structural reforms are not intended only for the benefit of the immediate future, but also planned in the long run. In the near future, we are not considering structural reforms of this size.

[Progress of the Medium-term Business Plan]

Q. Please tell us the level of the profit in FY24.

A. We will explain the forecast when we announce the full-year financial results in May.

Q. The company is going to implement the structural reforms, when the pandemic has slowed down and the financial results are recovering. How do you position FY24?

A. In FY25, we hope to have finished clearing up what did not go well in the past and start growing for the future. To this end, we recognize that FY24 is the year not only to complete business selection and concentration but also to improve productivity. FY24 is an important year to break away from the past and build a bridge to the future.

Q. How much progress do you think you have made up to now in the original Medium-term Business Plan?

A. For what we must change in the two years from FY23 through FY24, we have made some progress, though not entirely as originally planned. To further improve the certainty of achieving the Medium-term Business Plan goals, we believe it is important in FY24 to completely break away from the past and to lay the groundwork for the future growth.

Q. In FY25, business contribution profit will increase by ¥20 billion. How close will it be to the net profit margin of 2.5% in the Medium-term Business Plan?

A. We believe that we will be able to achieve the target, with the ongoing trends in our core businesses and the structural reforms.

Q. Will the Industry Business be able to compensate for the future slowdown in the office unit?

A. For the current profitability of the office unit, mainly in non-hardware, the market has not slowed down, compared to what was anticipated when the Medium-term Business Plan was formulated. Additionally, we will implement structural reforms to increase productivity per employee and build up the profit in the office unit more than the original Medium-term Business Plan. On top of that, we will increase the profit in the strengthening businesses centered on the Industry Business.

[Office business]

Q. Does the optimization in the office unit mean the headcount?

A. In addition to the headcount, it includes capital investment and development investment. We don't intend to do everything by ourselves and will cooperate with other companies to improve investment efficiency where such collaboration will be effective.

Q. How are you going to reduce the manufacturing costs in the office unit?

A. We will optimize costs for semiconductors and other components, develop utilizing alternative parts, maintain multiple procurement routes, and optimize manufacturing personnel, among others. Our engineers kept themselves busy with engineering and design utilizing alternative parts and to cope with the shortage of materials. Bouncing back from the shortage, they can now work on the reduction of production costs – the job they are originally supposed to do.

Q. Are you considering alliance for the Office unit?

A. Anticipating a gradual slowdown of the market in the long run, we have already been working on efficiency improvement where we can do that on our own

while the revenue declines. We will also pursue possibilities for collaboration for parts and components in which there is little difference from other companies.

Q. Regarding the possibility of alliance in the office unit, do you expect an immediate effect if you take an action, or will it be effective from a medium- to long-term perspective?

A. Both aspects are expected. Sharing components and raw materials will reduce costs in the immediate future. In the long run, collaboration could include possibilities for product development.

[Industry Business]

Q. In the Sensing unit, the smartphone-related business environment is weak. What are your thoughts on that?

A. Smartphones were growth drivers until about five years ago. However, due to the limited evolution of technology and the declining demand after the stay-at-home purchasing spree died down, the business environment remains weak. In the future, we expect demand for the new AR and VR fields, and anticipate solid demand in the smartphone-related market, where technological and other trends change over time.

[Others]

Q. Please tell us the regional business sentiment for the office and display market.

A. In the office unit, there are regional differences in business sentiment. The market is currently being affected by weaker economies in China and Germany, among others. Though we were concerned about how the U.S. economy would go, it remains stable, and we expect it will continue that way for some time. In the display-related sector, the sentiment wasn't different from one region to another, as distributors' inventories were languishing globally, but it has started to recover. While technological investment for smartphones has been slightly postponed, we expect new demand for the AR and VR fields, as well as large displays that will grow in terms of square feet.

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