

Konica Minolta, Inc.

Q&A from 1Q/ March 2020 Financial Results Briefing Session

Date: July 30, 2019 18:00 – 19:00 JST

Place: Nomura conference plaza Nihonbashi (Tokyo, Japan)

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 a number of factors.

[Q&A regarding Results for Konica Minolta as a whole]

Q. I feel strongly positive that except for special factors, forecast continues to show profits are expected to increase. Please tell us clear amount of increase in profit.

A. Looking at the like-for-like profits from the previous fiscal year, we believe that earnings forecast's total profits will increase by about ¥10.0 billion, excluding the impact of foreign currency fluctuations. By business segment, YoY increase is expected by ¥2.8 billion in Office Business, ¥3.2 billion in Professional Print Business, ¥1.6 billion in Healthcare Business, ¥2.1 billion in Industrial Business, and ¥7.3 billion in New Business.

Q. Does the downward revision of the annual operating profit ¥6.0 billion this time mean that the shortfall in the 1Q was reflected mostly?

A. It is true that the results for the 1Q were slower than planned, but the breakdown of the reduction of ¥6.0 billion is that the annual effect of the exchange rate ¥2.0 billion, the impact of the market condition of Measuring Instruments Business in the 1Q is expected to continue until the 2Q, that the effect of ¥2.0 billion, ¥1.0 billion from the impact of the revision of the non-hard sales forecast for the 2Q onwards in Office Business, and ¥2.0 billion in New Business including ¥0.3 billion of temporary cost incurred in the Bio-healthcare, totaling ¥7.0 billion. On the other hand, CRE expenses, which had been expected to be about ¥3.0 billion at the corporate, were ¥2.0 billion in the 1Q thus improved by ¥1.0 billion. Therefore, the downward revision of operating profit was ¥6.0 billion, down ¥1.0 billion from ¥7.0 billion.

[Q&A regarding Business segments]

Q. How is the competitive environment on Office Business and the Professional Print Business? Please tell us if there is any change in a positive or negative direction.

A. We see that the market has not changed significantly, but we recognize that competition is intensifying in terms of increasing the number of machines in the fields (MIFs). Competition between price and value are actually occurring. As we have already explained, we are focusing on value and differentiating ourselves from our competitors by, especially, security centered functionality.

Q. Office Business's growth rate for A3 color MFPs was close to double digits last year, but what do you think about the weakness of non-hard revenue generated from those MIFs thereafter?

A. The non-hard itself consists of the number of MIFs, the volume of prints per MIF, and the unit price per print. However, at present, we recognize that the current economic slowdown impacts on unit prices slightly stronger than we had anticipated.

Q. Office Business's IT Service Solutions recorded nearly double-digit quarterly growth over the last 2 years, thanks to the needs of its solutions for the area of high personnel costs. I feel that the growth of this 1Q has been relatively weak after a long time, but is it also affected by economic conditions? Rather, I thought that the range of proposals would expand under the current economic situation.

A. This cause is more internal than the economy. Specifically, we are integrating the IT service companies we have acquired in the past into MFP sales companies in France and Germany. However, partially we were unable to properly close the commercial contracts in time that we were supposed to deliver due to some confusion caused by the merger.

Q. I have great expectations on Workplace Hub in New Business, but please tell us why the progress of this business is in delay.

A. The number of countries in which we operate is increasing, but there was a slight delay in acquiring customers in the 1Q. The biggest reason was there was still insufficient sales activities to expand leads due to delay in establishing a sales system especially in the United States in spite we have increased the number of cities where we started sales activities.

Q. New Business's Bio-healthcare hasn't changed its annual sales outlook, but when will it improve and if there is any change in the timing of such improve?

A. The expectation has remained unchanged, with growth in the second half compared with the first half and in the 4Q compared with the 3Q.

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