

## Konica Minolta, Inc.

### Q&A from 3Q/ March 2020 Financial Results Briefing Session

Date: February 3, 2019 17:30 – 18:30 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. Are there any effects of Novel Coronavirus?

A. In Hubei Province, where the impact of Novel Coronavirus is enormous, we do not have any major manufacturing or sales bases. Local production and sales activities are being conducted in accordance with instructions from the Chinese government and local authorities. We also disclose information on our website from time to time, so please refer to it.

Newsroom “Effects of Coronavirus in China on Konica Minolta”

<https://www.konicaminolta.com/global/newsroom/topics/2020/0131-04-01.html>

Q. With regard to structural reform, have you completed to some extent the measures that should be implemented at ¥8.6 billion, which is planned to be spent in the current fiscal year? Also, will structural reform expenses be recorded in the next fiscal year?

A. Structural reform, mainly in Office Business, plans to reduce headcounts by streamlining and simplifying administrative and indirect operations, to extend the life of consumables components, and to streamline operations by strengthening predictive maintenance and remote maintenance functions, and streamlining by restructuring in regions, all of which are progressing as planned. We do not anticipate any additional costs for the next fiscal year at this moment.

**[Q&A regarding Business segments]**

Q. This time, Office Business has not changed its financial performance forecast, but its 3Q results seem weak relative to the forecast. Describe the factors that are expected to significantly improve 4Q.

A. In 3Q, Office Business's year-on-year production cost reduction has not yet been effective, but the fact that sales in the U.S. did not increase in the previous quarter has been normalized due to monetary easing and other factors. In addition, 3Q experienced a lull in sales prior to the launch of Seg4 color models, and the gross profit margin from sales of conventional models was sluggish.

Q. In production print business, what are the reasons for the increase in sales despite the decline in monochrome sales units while color sales units increased? You said that the value of IQ-501, which has been on the market for 2 years, has been appealed its value to the customers. Has there been any change in 3Q, such as a version upgrade?

A. In the previous quarter, we were pushed by competitors in terms of prices. However, by reinforcing a way that differentiates us from our competitors and bundles our IQ-501, we were able to win our customers' understanding without lowering prices, and sales grew.

Q. Trends in hardware sales units and non-hard shown on page 10. Generally speaking, we think that after sales units of hardware has grown, non-hard sales follow. However, after sales units has grown, FY2018's non-hard seems to have declined in tandem with sales unit decline. 3Q, sales units of Seg4 color models is increasing, but how do you think non-hard is related in the future?

A. Based on our experiences, we expect that non-hard will be affected in about 3 months from the installation of the hardware. The sluggish performance of Seg4 color models this time compared to the previous year is attributable to a decline in the price per click rather than print volume. Looking at the financial results materials on page 28, non-hard has been growing significantly in China and India, and also in Europe thanks to the installation of large-scale projects has also been progressing.

Q. We believe that Industrial Business is likely to cause substantial fluctuations in profits in the future. In measuring instruments, small and medium-sized OLED will once again increase, and performance materials will also increase its market share. Will this increase be stronger than the 3% growth forecast for the current fiscal year?

A. Industrial Business's operating profit ratio is in the 17-8% range, but we are focusing on this area and would like to move on to the next stage. Performance materials is affected by temporary inventory adjustments in panels, but we would like to expand our business from the next fiscal year onward by SANUQI new resin. Also, in measurement instrument, we will expand visual inspection business, including acquired Eines, and expand both existing light source and object color measurement businesses.

Q. What is the breakdown of the revised New Business's financial performance forecast?

A. Due to delays in the top-line of status monitoring and QOL (Care Support Solution), and delays in CARE program in Bio-healthcare, the total behind ¥2 billion. Workplace Hub is progressing in line with the revised forecasts made in the previous quarter.

Q. Please explain why top-line QoQ for Bio-healthcare business has not grown so much, but profitability has improved significantly. I would also like to know how 4Q will progress, and if it does not reach the top line, will it achieve profits?

A. Although there was a delay in the rollout of CARE program due to a delay in the development of infrastructures, we will start to collaborate with partners and accelerated the rollout in 4Q. We have also begun 3 measures to recover earnings, and we expect 4Q profitability to improve.

-END-