

**Notice Regarding Revision of the Forecasts,  
Revision of the Dividend Forecasts,  
and Recording of Impairment Losses for  
the Consolidated Financial Results  
for the Fiscal Year ended March 31, 2023**

**May 10, 2023**

**President & CEO, Representative Executive Officer  
Toshimitsu Taiko**

Thank you for taking the time to join our briefing today on a very short notice. I will explain the timely and voluntary disclosures at Tokyo Stock Exchange we filed at 11:30 this morning.

**Background of Recording Impairment Losses**

- Have focused on efforts to improve the profitability of strategic new businesses under the new management team.
- Set milestones of profits as of the end of the current fiscal year.
- Examined its investments, particularly past acquisitions. (technological assets; goodwill and intangible assets; property, plant and equipment; resource allocation; etc.)
- Performed impairment testing in accordance with International Financial Reporting Standards (IFRS). As a result, we expect to record impairment losses in the fourth quarter of fiscal 2022.

**Policy for the Future**

- Breaking away from the past, reviewing the positioning of strategic new businesses, and working on selection and concentration of businesses.
- Improving the balance sheet and cash generating capability as urgent tasks.
- As President, making every effort to get Konica Minolta back on a growth trajectory by maximally applying reflection and learnings from the past to the management.

First, I would like to explain the background of booking impairment losses in fiscal 2022. Since I became President and CEO in April 2022, we started a new management structure and have shifted to a business management policy that places the highest priority on profitability for strategic new businesses such as Precision Medicine, including efforts to improve profitability by reducing the number of employees, among others. In particular, Precision Medicine achieved its targets of turning profit for each of Ambry Genetics and Invicro in the fourth quarter.

In parallel, we reexamined and inspected in detail our tangible and intangible assets, including goodwill. After consultation with external accounting auditors, we expect to record an impairment loss for assets under the International Accounting Standards.

For the 12 months since becoming CEO, I visited many sites and talked with people on the front line, focusing on businesses that face challenges. At the same time, under the new Board of Directors with the independent outside director as chairperson, and independent outside directors as majority members since June last year, we have been discussing the important agenda items not only at Board of Directors meeting but also at informal meeting of Board of directors and meeting within independent outside directors, based on strong trust between people on the execution function and on monitoring function. We had deeper and deeper discussions on future directions and the ideal state of the company.

Considering the severe financial situation of the last few years, I believe the top proposition is to first return to a normal company, and this is the mission that I have been assigned to. We are firmly determined to fully apply lessons learned from the past to the future management, including the policy of setting realistic targets of management, which was set out since the beginning of fiscal 2022. We will do our utmost to put Konica Minolta back on a growth trajectory.

With regard to the business groups, including Precision Medicine, that have been positioned as strategic new businesses so far, we will review their positioning in light of our strategic fit, based on our financial strength and other factors, and proceed with the selection and concentration of businesses. To improve the balance sheet, which was further impaired in the wake of the impairment loss, we urgently need to improve our ability to generate cash. We have appointed a corporate senior vice president specially in charge of these activities and have formed a project team that have started working on the tasks.

## Revisions of the Earnings Forecast

- Revenue and operating profit excluding impairment losses exceeded the previous forecast.
- Earnings forecasts for operating profit and profit attributable to owners of the Company were revised on the grounds that impairment losses of goodwill and intangible assets, etc. are expected to be recognized and recorded in the precision medicine field and other areas.
- Due to the revision of the forecast for the consolidated financial results, it is expected that the Company will infringe on one of the clauses of financial covenants stipulated in syndicated loan agreements and other agreements executed between the Company and multiple financial institutions. However, the Company has obtained the consent from all relevant financial institutions not to request the Company to forfeit the benefit of time due to this infringement.

[¥ billions]

	FY2022 Forecast (Current)	FY2022 Forecast (excl. impairment loss)	FY2022 Forecast (Previous)	FY2021 Result	Change rate
<b>Revenue</b>	<b>1,130.0</b>	<b>1,130.0</b>	<b>1,120.0</b>	<b>911.4</b>	<b>+ 24%</b>
<b>Operating Profit</b>	<b>-95.0</b>	<b>21.0</b>	<b>15.0</b>	<b>-22.3</b>	<b>-</b>
<b>Profit attributable to owners of the Company</b>	<b>-105.0</b>	<b>10.0</b>	<b>5.5</b>	<b>-26.1</b>	
FOREX [Yen]					
USD	135.5		135.0	112.4	
EUR	141.0		140.0	130.6	
RMB	19.8		20.5	17.5	

I will explain the revision of the financial results forecast. In the revision, revenue is expected to be ¥1.13 trillion, operating profit excluding impairments is expected to be ¥21 billion, and profit attributable to owners of the company is expected to be ¥10 billion, both above the previous forecast. Including the impairment of ¥116.6 billion, operating profit is expected to incur an operating loss of ¥95 billion and a loss of ¥105 billion as loss attributable to owners of the company.

As a result of the revision of the forecast, we expect to infringe on financial covenants included in certain syndicated loan agreements that we entered with multiple financial institutions. However, we have received waiver from all of the relevant institutions that they will not request the acceleration of payment due to that infringement. As a result, we will avoid the impact on our cash flow and proceed with improvement plans.

Impairment losses of assets of ¥116.6 billion including goodwill are expected to be recorded due to deviation from the initial plan in the following cash-generating unit groups.

● Precision medicine field	103.6 billion yen
● MOBOTIX related	8.1 billion yen
MOBOTIX (non-consolidated)	3.7 billion yen
Imaging-IoT solutions synergy	3.2 billion yen
QOL solutions synergy	1.2 billion yen
● Others	5 billion yen

I would like to explain the breakdown of the ¥116.6 billion impairment mentioned earlier. The biggest of them are goodwill and intangible assets impairments of ¥103.6 billion in the Precision Medicine field of Healthcare Business. I will get back to this later with more details, including the post-acquisition progress.

The second largest is MOBOTIX impairment losses in Imaging-IoT Solutions Business. While the MOBOTIX Group continued to be constrained by the supply of semiconductors and other materials from the previous fiscal year, the economic downturn in Europe, which is the main market of the MOBOTIX Group, and an increase in the discount rate following the recent rise in interest rates considerably decreased MOBOTIX's value in use. In addition, a decline in the stock price of MOBOTIX, which is listed on the Frankfurt Stock Exchange, resulted in a decline in fair value on our balance sheets. Due to these factors, the recoverable amount is expected to decline, and we expect to record an impairment loss of ¥3.7 billion on goodwill in the fourth quarter of fiscal 2022.

In addition, for synergies in Imaging-IoT solutions field and synergies in the QOL field expected from the MOBOTIX acquisition, the market development delayed in each field and operating losses continued since the start of operations. Consequently, as the business plans were revised and it was deemed difficult to recover the investment, we expect to record an impairment loss on goodwill.

Furthermore, we expect to record impairments of approximately ¥5 billion as a whole, including goodwill and tangible assets in DW-DX and Marketing Services Businesses, as well as OLED-related production equipment in Performance Materials Business, and tangible assets in Visual Solutions Business.

**Dividend Policy**

The Company’s basic policy regarding the determination of dividends of surplus, etc., is to endeavor to enhance shareholder returns, with dividends as the foundation, while comprehensively taking into consideration consolidated results, investment in growth areas, cash flows, and other factors.

**Dividend Forecast for the Year Ended March 31, 2023**

As a result of the comprehensive consideration of the forementioned forecasts and business environment, with great regret, the Company announces that as for the year-end dividend forecast, no dividend will be paid for the fiscal year ended March 31, 2023, and that the annual dividend forecast is 10 yen per share (10 yen per share for interim, none for year-end).

	Interim	Year end	Total
Previous forecast	10 yen	10 yen	20 yen
Revised forecast	10 yen	0 yen	10 yen

Our shareholder return policy was revised at the beginning of fiscal 2022, when we made it clear that we would take into account a comprehensive range of factors, including cash flow, and will endeavor to enhance shareholder returns with dividends as the foundation. As I have explained, in consideration of the business environment in which the earnings forecast was revised following the large impairment loss and all relevant financial institutions agreed not to request the acceleration of payment due to the infringement of the financial covenants for two consecutive years, it is with great regret that we inform you that we will not be providing year-end dividend for fiscal 2022. The total annual dividend for fiscal 2022 is ¥10 per share, with an interim dividend of ¥10 per share and no dividend for the year-end.

The following executives will voluntarily return part of their remuneration, considering the fact that the forecast of financial results was significantly revised downward and that the Company is not providing the year-end dividend.

### Amount of returned remuneration and term

- President & CEO, Representative Executive Officer: 30% of fixed monthly remuneration, 12 months from April 2023
- Executive Chairman and Executive Officer : 30% of fixed monthly remuneration, 3 months from April 2023
- Senior Executive Vice Presidents and Executive Officers, and Executive Vice Presidents and Executive Officers\*: 10% of fixed monthly remuneration, 3 months from April 2023

\*as of April 1, 2023

Considering the fact that the forecast of fiscal 2022 results was substantially revised downward and that we are not providing the year-end dividend for the same year, the executive officers under Companies Act of Japan will voluntarily return part of their remuneration.

President & CEO, Representative Executive Officer will return 30% of fixed monthly remuneration, for 12 months from April 2023.

Executive Chairman and Executive Officer will return 30% of fixed monthly remuneration, for 3 months from April 2023.

Senior Executive Vice Presidents and Executive Officers, and Executive Vice Presidents and Executive Officers will return 10% of fixed monthly remuneration, for 3 months from April 2023.

We would like to clearly show responsibility for results.

**Precision Medicine Field**

Next, I would like to explain how the situation came about in the Precision Medicine field, which is expected to record a large impairment loss.

- The business contributes to supporting healthy, high-quality living, one of our material issues.
- Recently, the business growth has fallen below the initial forecast due to changes in the competitive environment in the U.S. genetic testing market, the impact of COVID-19 expansion, and the cancellation or delay of clinical trials. In the fiscal year, we changed our focus to profitability and implemented structural reform, resulting in profitability at Ambray Genetics and Invicro in the fourth quarter.
- In spite of having begun preparations for listing on the U.S. stock market, in response to environmental changes in the securities market caused by rising interest rates and other factors, we have been weighing the right time for the IPO.
- We developed a GenMineTOP cancer genome profiling system in Japan, in collaboration with the University of Tokyo and the National Cancer Center Research Institute, and obtained manufacturing and marketing approval for it.
- We have reviewed the business plan in light of changes in the competitive environment, the impact of COVID-19 expansion in the U.S., and delays in proceeding with corporate strategies, such as alliance with 3<sup>rd</sup> party. In addition, an increase in the discount rate following the recent rise in interest rates resulted in a significant decrease in the recoverable amount. As a result, we expect to record 103.6 billion yen of an impairment loss on goodwill and other assets in the fourth quarter of the current fiscal year.

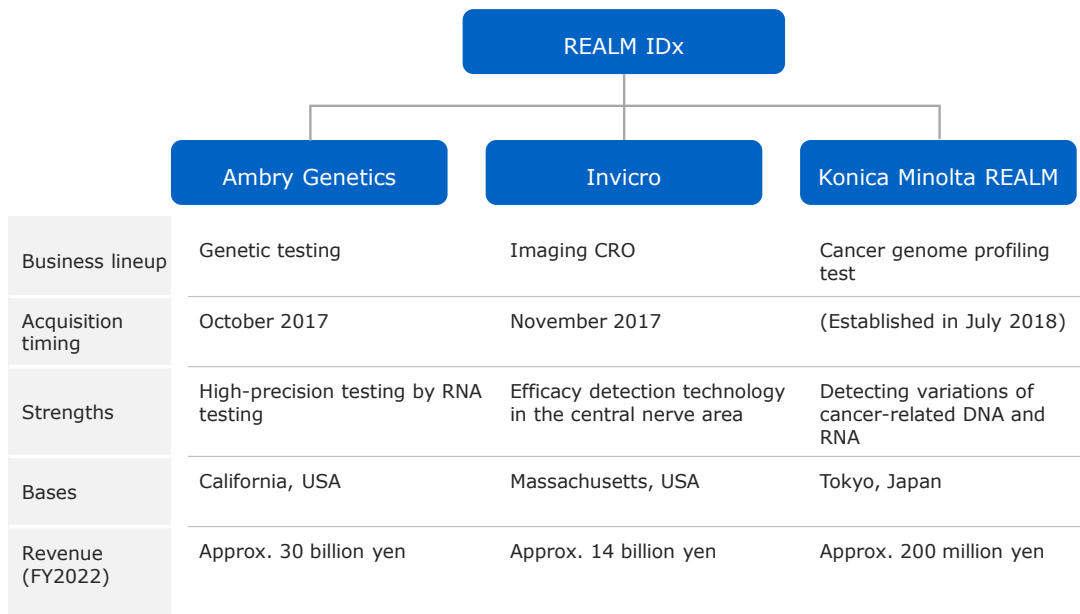
In the Precision Medicine field, we acquired two U.S. companies, Ambray Genetics and Invicro, in 2017 with the aim of acquiring sales channels and technologies to commercialize our high-sensitivity protein quantitative analysis technology (HSTT), which will contribute to "supporting healthy, high-quality living," one of our material issues toward 2030.

Subsequently, as a result of changes in the competitive environment in genetic testing market in the United States, the major market for the acquired company, and a sharp decline in the number of visitors for preventive genetic diagnosis during the Covid-19 pandemic and a shortage of healthcare staffs since then, demand for genetic testing at hospitals for diagnosis and health checkups grew significantly below expectations. Similarly, clinical trials at pharmaceutical companies have been considerably delayed. In addition, business growth opportunities have recently been below the initial expectations due to delays in implementing our own strategies, such as collaborations with other companies. In fiscal 2022, we shifted our focus to profitability and implemented structural reform, which resulted in the achievement of turning a profit at each of Ambray Genetics and Invicro in the fourth quarter. On the other hand, we must counter the competitors with business models in the healthcare insurance reimbursement, as they are listed on the U.S. market and built on the competitive advantage of fundraising by leveraging capital markets, pricing strategy and growth investments. For this end, we have been preparing to publicly list REALM IDx, Inc., our U.S.-based subsidiary that operates Precision Medicine Business in the U.S. stock market since 2021. We have been weighing when the time is right, in light of the condition of the U.S. capital market since the beginning of 2022.

In the meantime, in Japan, Konica Minolta has obtained manufacturing and marketing approval for GenMineTop, a cancer genome profiling system developed in collaboration with the University of Tokyo and the National Cancer Center Research Institute. In the approval of GenMineTop, the synergistic effect is generated by Ambray Genetics' know-how in the process of extracting DNA and RNA and data utilization on hereditary variants, and we are planning to launch the service in the current fiscal year.

With such medical advances, the social value of this business is significant in the field with potential for long-term growth. That said, we expect to record a ¥103.6 billion impairment loss for intangible assets, including goodwill, for the reasons I mentioned earlier.

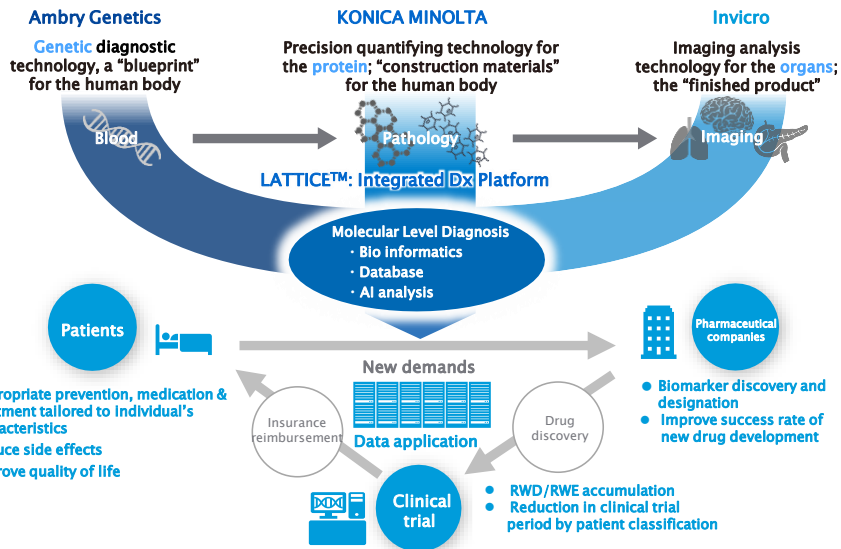




This is the outline of REALM IDx. It has three companies in its group: Ambry Genetics, which we acquired in 2017, has strengths in genetic testing and is the first company in the world to commercialize tandem testing for DNA and RNA; Invicro has strengths in contract of central nervous system clinical trials, such as trials for therapeutic drugs targeting Amyloid beta for the treatment of Alzheimer's disease and some drugs are being approved for the first time lately; Konica Minolta REALM was established in 2018 with the aim of expanding the services and expertise of these acquired companies into the Japanese market and developing Japan's first genetic testing technology and expanding it globally.

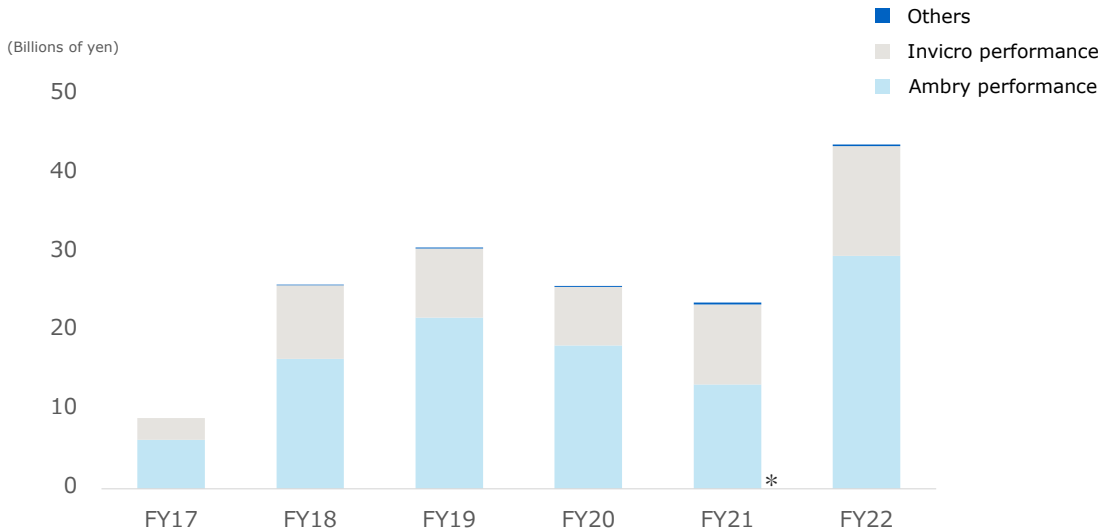
## Purpose of Acquisition in the Precision Medicine Field

- Full-scale entry into the Precision Medicine field.
- Value provision combining imaging technology, genetic analysis technology, and protein analysis technology (HSTT/Quanticell) .
- Building a highly profitable business in the healthcare field, targeting patients and pharmaceutical companies.



Konica Minolta is, in the world, a rarity that possesses Ambry Genetics' genetic analysis technology - a design plan for the human body, highly precise quantitative technology for cells and protein generated from that design plan, and image analysis technology for organs, which are complex combination of these cells. We have aimed to build a highly profitable business for reducing the physical and financial burden on patients, improving the success rate of new drug development by pharmaceutical companies and reducing development costs, and ultimately reducing governmental healthcare costs through these efforts.

## Revenue in Precision Medicine



\*At the end of 4<sup>th</sup> quarter of FY21, Ambry Genetics booked decrease of revenue as a result of revision in the estimated amounts of accounts receivable.

COVID-19 impact  
Genetic testing growth delayed due to shortage of healthcare professionals and delay in the CARE Program deployment

Delay in alliances with 3<sup>rd</sup> party

Our Precision Medicine Business, which mainly consists of Ambry Genetics and Invicra, was unable to meet its Medium-term Business Plan due to the Covid-19 pandemic and the subsequent lack of medical staffs in the U.S. However, we recognize that, when the balance between growth and upfront investment was extremely important, the outbreak of Covid-19 overwhelmed the world.

<p>Ambry Genetics</p>	<p>Accomplishments in the genetic testing domain</p> <ul style="list-style-type: none"> <li>✓ Expanded presence in the RNA testing area</li> <li>✓ Deployment of CARE Program</li> </ul> <p>Contribution to pharmaceutical R&amp;D in the genetic testing domain</p>
<p>Invicro</p>	<p>Contribution to the launch of Alzheimer’s disease drugs by a large number of excellent medical engineering experts</p>
<p>Konica Minolta REALM</p>	<p>Development in a GenMineTOP cancer genome profiling system in collaboration with the University of Tokyo and the National Cancer Center Research Institute., and obtention of Japanese regulatory approval for manufacturing and marketing</p>

- We value the business with the high market growth rates, contributing to the development of medical care.
  - It is necessary to continually secure capital resources for growth investments while pursuing a highly profitable business model.
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- REALM Idx has substantial social value and the potential for long-term growth. Meanwhile, we will proceed with the examination of strategic options, including the transfer of business to a third party as well as listing on the U.S. stock market.

We have a proven track record in this business, as discussed so far, and we can expect high growth rates in the markets we serve. There is no change in the fact that this business contributes to the progress of healthcare and has substantial social value. From this perspective, we recognize that this business has the potential for long-term growth. However, in consideration of the need to continue securing funds for growth investments, we have taken into account the perspective of the best owner and decided to proceed with the deliberation of strategic options, including the transfer of business to a third party, in addition to the listing on the U.S. equity market, which we have been considering for some time.

- Announcement of financial results briefing session for the year ended March 31, 2023 and the medium-term business plan toward 2025
  - Date and time: Monday, May 15, 2023, 16:00-17:30 (JST)
  - Form: Online

Our financial results briefing session is scheduled on May 15, as announced earlier. At the same time, I would like to explain the Medium-term Business Plan, which was originally scheduled to be disclosed at the management policy briefing on April 12.

As top management, I am fully determined to move forward without hesitation and hope for the continued support of all shareholders.



KONICA MINOLTA

150

YEARS

*Cautionary Statement:*

*The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.*

*Remarks:*

*Yen amounts are rounded to the nearest 100 million.*

That concludes my explanation. Thank you for your attention.