KONICA MINOLTA, INC.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

November 5, 2024

Event Summary

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[Venue Size]	
[Participants]	
[Number of Speakers]	6

Toshimitsu Taiko	Director, President & CEO, Representative Executive Officer
Noriyasu Kuzuhara	Director, Executive Vice President & Executive Officer Responsible for Industrial Business
Yoshihiro Hirai	Executive Vice President & Executive Officer Responsible for Corporate Accounting, Corporate Finance, Legal, Risk Management and Compliance
Miwa Okamura	Senior Vice President & Executive Officer Responsible for Corporate Communications and IR
Norihisa Takayama	Senior Vice President & Executive Officer Responsible for Business Technologies Business

	Takahiko Ueno	Manager of Investor Relations
[Analyst Names]*	Masahiro Shibano	Citigroup Global Markets
	Takashi Shimamoto	Okasan Securities
	Masahiro Nakanomyo	Jefferies
	Yu Okazaki	Nomura Securities
	Ryusuke Katsura	SMBC Nikko Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

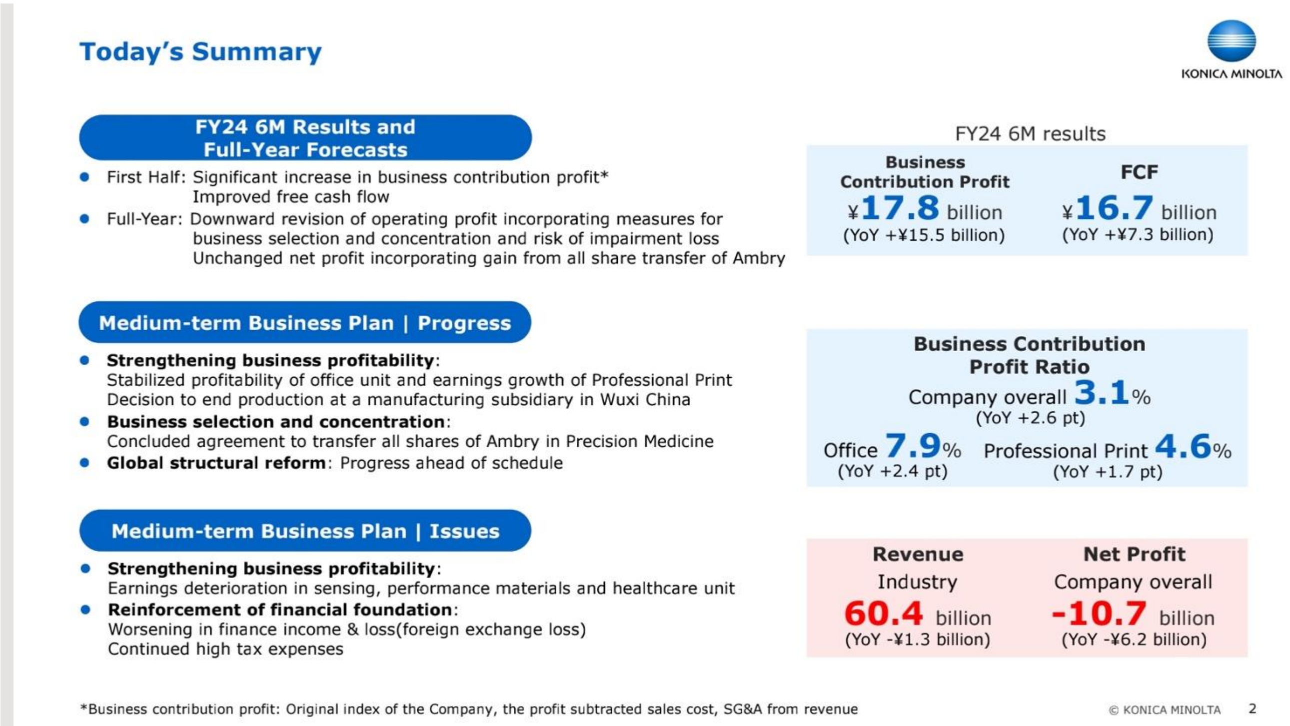
Ueno: Hello everyone. Thank you very much for taking time out of your busy schedule today. We will now begin Q2 Financial Results Briefing for the Fiscal Year Ending March 2025 of KONICA MINOLTA, INC.

First, I would like to introduce today's attendees. Toshimitsu Taiko, Director, President & CEO of KONICA MINOLTA. Noriyasu Kuzuhara, Director, Executive Vice President & Executive Officer Responsible for Industrial Business. Yoshihiro Hirai, Executive Vice President & Executive Officer Responsible for Corporate Accounting, Corporate Finance, Legal, Risk Management and Compliance. Norihisa Takayama, Responsible for Business Technologies Business. Miwa Okamura, Senior Vice President & Executive Officer Responsible for Corporate Communications and IR. The facilitator is Ueno from the IR Office. Thank you for your cooperation.

I would now like to move on to the presentation. Mr. Taiko, please begin.

Taiko: Hello, everyone. Thank you for attending our earnings presentation today.

I will now explain the financial results for Q2 of FY2024, which were disclosed at 3:30 PM.



Page two is the key points we would like to convey today.

First of all, H1 results show a significant YoY increase in business contribution profit from business operations, which is used as an indicator of business earning power. Free cash flow is also improving.

Although H1 of the fiscal year saw steady progress throughout the Company, we have revised our full-year operating profit forecast downward, factoring in transient expenses and impairment risks associated with the progress of measures for business selection and concentration in order to complete the management reform in FY2024 with a view to growth in FY2025 and beyond.

On the other hand, we have released a statement today, but we have left the forecast for profit attributable to owners of the Company unchanged, taking into account the financial impact of the transfer of all shares of Ambry Genetics, an affiliate in the Precision medicine business, for which we have concluded a transfer agreement.

The biggest progress in the medium-term business plan is the conclusion of the share transfer agreement with Ambry, which was positioned as a non-focused business as mentioned earlier.

Global structural reforms are also progressing ahead of initial plans.

Lastly, in terms of the issues to be addressed in the medium-term business plan, we recognize that improving the profitability of our Industry Business and accelerating the strengthening of our financial base are important issues for the remaining period of this medium-term business plan.

FY2024 6M Performance | Summary

KONICA MINOLTA

- Revenue: Increased
- Gross profit: Improved profit ratio
- Business contribution profit*:
  Contributed by profit increase of office/production print, loss reduction from non-focused/direction-changing businesses
- Operating profit:
  Recorded structure improvement expenses of ¥16.4 billion(incl. ¥12.0 billion for global structural reforms, ending production of factory in Wuxi and selection and concentration of DW-DX unit and other factors)
- Profit attributable to owners of the Company:
  Loss due to worsening in finance income & loss(incl. ¥4.6 billion foreign exchange loss), continued high tax expenses

[¥ billions]

	FY23 6M	FY24 6M	YoY	w/o FOREX	FY23 Q2	FY24 Q2	YoY	w/o FOREX
Revenue	552.8	583.7	+6%	-1%	286.4	297.5	+4%	+0%
Gross Profit	237.2	260.7	+10%	+2%	125.3	134.3	+7%	+2%
Gross Profit ratio	42.9%	44.7%	+1.7pt		43.8%	45.1%	+1.4pt	
SG & A	235.0	242.9	+3%	-2%	119.0	118.0	-1%	-3%
Business Contribution Profit	2.3	17.8	+679%	+364%	6.4	16.2	+154%	+107%
Operating Profit	0.8	-0.7	-	-	5.2	-0.3	-	-
Profit attributable to owners of the Company	-4.5	-10.7	-		1.1	-7.3	-	
FCF	9.4	16.7	+78%		20.2	25.0	+23%	
FOREX [Yen]								
USD	141.00	152.63	+11.63		144.62	149.38	+4.76	
EUR	153.39	165.95	+12.56		157.30	164.01	+6.71	
RMB	19.75	21.15	+1.40		19.94	20.82	+0.88	

*Business contribution profit: Original index of the Company, the profit subtracted sales cost, SG&A from revenue

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Page four, the company-wide summary of H1 results.

Revenue increased in all regions, partly due to the impact of foreign exchange rates. By business segment, sales increased in all business segments except Industry Business.

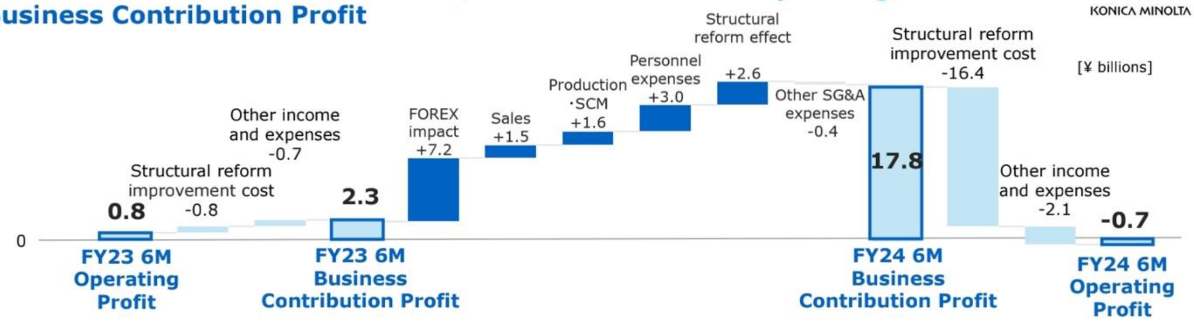
The business contribution profit increased significantly by JPY15 billion from the previous year due to increased profits in office and production print unit as well as reduced losses in non-focused and direction changing businesses.

Operating profit, on the other hand, was a loss of JPY0.7 billion due to the impact of transient expenses recorded as a result of global structural reforms and progress in measures for business selection and concentration.

Profit attributable to owners of the Company was a loss of JPY10.7 billion due to worsening foreign exchange losses and high tax expenses, although interest paid on financial income and expenses remained unchanged.

Free cash flow increased by JPY7.3 billion from the previous year.

FY2024 6M Performance | Increase/Decrease Factors of Operating Profit and Business Contribution Profit



	actual amount				increase /decrease amount						actual amount			
	FY23 6M Operating Profit	Structural reform improvement cost	Other income and expenses	FY23 6M Business Contribution Profit	FOREX impact	Sales	Production · SCM	Personnel expenses	Structural reform effect	Other SG&A expenses	FY24 6M Business Contribution Profit	Structural reform improvement cost	Other income and expenses	FY24 6M Operating Profit
Digital Workplace	10.0	-0.5	-0.2	10.7	+3.5	-0.0	+1.5	-0.3	+1.7	+2.0	19.1	-12.9	0.4	6.6
Professional Print	3.7	-	0.0	3.6	+2.8	+2.2	-0.2	-0.8	+0.4	-1.5	6.5	-1.7	0.1	4.9
Industry	7.6	-	-0.5	8.1	+0.7	-2.4	+0.2	+0.0	+0.2	+0.6	7.5	-0.5	0.2	7.2
Imaging Solutions	-3.5	-	-0.0	-3.5	+0.0	-1.4	-	+0.0	+0.3	-0.4	-5.0	-0.5	-0.4	-5.9
Precision Medicine	-5.2	-0.1	-0.0	-5.0	+0.1	+2.9	-	+3.9*	-	-0.5	1.4	-0.0	-1.2	0.2
Corporate, etc.	-11.8	-0.2	0.1	-11.7	+0.0	+0.2	-	+0.2	-	-0.5	-11.8	-0.7	-1.2	-13.8
Company overall	0.8	-0.8	-0.7	2.3	+7.2	+1.5	+1.6	+3.0	+2.6	-0.4	17.8	-16.4	-2.1	-0.7

* Includes personnel expenses reduction by transfer of Invicro

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This page shows the increase/decrease in the business contribution profit from H1 of the previous year, broken down by factor.

Business contribution profit for H1 of FY2023 was JPY2.3 billion. Regarding the factors that contributed to this change, in addition to the positive impact of foreign exchange rates, gross profit from sales increased mainly in professional print and precision medicine, while unfortunately, Industry business and Imaging solutions business decreased. In terms of total business, sales increased by JPY1.5 billion

Costs, including production and logistics, are being reduced, especially in office unit.

Personnel expenses were reduced mainly due to the transfer of Invicro, plus the effects of structural reforms, which had a positive effect on profits. As a result of these factors, the Company’s business contribution profit for H1 of FY2024 was JPY17.8 billion, a significant increase.

The actual amount is shown up to operating profit, which was minus JPY0.7 billion due to expenses in global structural reforms and in business selection and concentration, and other income and expenses.

FY2024 6M Performance | Revenue & Profit by Segment

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[¥ billions]

Revenue	FY23 6M	FY24 6M	YoY	w/o FOREX	FY23 Q2	FY24 Q2	YoY	w/o FOREX
Digital Workplace	294.5	307.6	+4%	-2%	151.2	155.6	+3%	-1%
Professional Print	124.0	139.1	+12%	+5%	63.8	71.4	+12%	+8%
Industry	61.7	60.4	-2%	-7%	32.0	29.5	-8%	-11%
Imaging Solutions	48.5	50.4	+4%	+0%	26.7	27.6	+3%	+2%
Precision Medicine	23.8	25.8	+9%	+1%	12.4	13.3	+7%	+4%
Corporate, etc.	0.3	0.3	+8%	+8%	0.2	0.1	-2%	-2%
Company overall	552.8	583.7	+6%	-1%	286.4	297.5	+4%	+0%

Business Contribution Profit	FY23 6M	ratio	FY24 6M	ratio	YoY	w/o FOREX	FY23 Q2	ratio	FY24 Q2	ratio	YoY	w/o FOREX
Digital Workplace	10.7	4%	19.1	6%	+78%	+45%	8.4	6%	12.3	8%	+47%	+32%
Professional Print	3.6	1%	6.5	5%	+80%	+2%	2.8	2%	4.8	7%	+68%	+26%
Industry	8.1	3%	7.5	12%	-7%	-19%	4.3	3%	3.8	13%	-12%	-23%
Imaging Solutions	-3.5	-	-5.0	-	-	-	-0.8	-	-0.9	-	-	-
Precision Medicine	-5.0	-	1.4	5%	-	-	-2.1	-	1.6	12%	-	-
Corporate, etc.	-11.7	-	-11.8	-	-	-	-6.3	-	-5.3	-	-	-
Company overall	2.3	1%	17.8	3%	+679%	+364%	6.4	4%	16.2	5%	+154%	+107%

Operating Profit	FY23 6M	ratio	FY24 6M	ratio	YoY	w/o FOREX	FY23 Q2	ratio	FY24 Q2	ratio	YoY	w/o FOREX
Digital Workplace	10.0	3%	6.6	2%	-34%	-64%	8.0	5%	2.1	1%	-74%	-85%
Professional Print	3.7	1%	4.9	4%	+34%	-40%	2.7	2%	3.3	5%	+19%	-22%
Industry	7.6	3%	7.2	12%	-5%	-18%	3.7	2%	4.1	14%	+11%	+0%
Imaging Solutions	-3.5	-	-5.9	-	-	-	-0.8	-	-1.7	-	-	-
Precision Medicine	-5.2	-	0.2	1%	-	-	-2.1	-	-1.2	-	-	-
Corporate, etc.	-11.8	-	-13.8	-	-	-	-6.4	-	-7.0	-	-	-
Company overall	0.8	0%	-0.7	-	-	-	5.2	3%	-0.3	-	-	-

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Please refer to the next page, which shows revenue, business contribution profit, and operating profit by business segment.

FY2024 6M Performance | Business Trends of Industry

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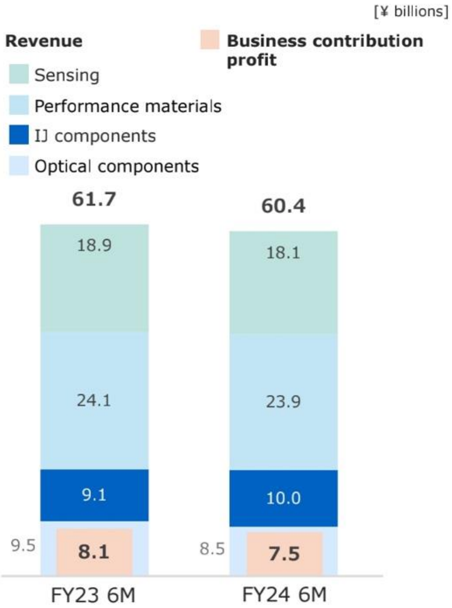

Revenue (YoY)

Sensing -0.8	(−) Light source color: Impact of major customers' restraints on capital investment, harsher competition for some applications (+) Object color: Increase mainly in Asia (+) HSI: Strong for recycling applications (+) Automotive visual inspection: Increase mainly in Europe and the U.S.
Performance materials -0.3	(−) IT: Decrease due to market stagnation (+) Smartphones: Recovery trend from adjustments of surplus stock in market supply chains (−) TV: Q2 decrease for small to mid-sized TV despite Q1 increase
IJ components +0.8	(+) Fundamental: Steady for sign graphics in Europe, the U.S., India, and South Korea (+) Growth: Progress in adoption of cardboard printing, etc.
Optical components -1.0	(−) Non-industrial: Sluggish sales in lenses for projectors due to market conditions (+) Upstream industrial: Steady for semiconductor manufacturing equipment application

Business Contribution Profit

Industry Business -0.6	(−) Performance materials, sensing (+) IJ components

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Starting on page seven, I will explain a little more about each of our business segments.

First, in the industry business, sales in the sensing unit were down about 4%. Sales of light source color measuring instruments have decreased due to a decline in demand, mainly from major customers, affected by customers' restrained investment in display equipment, as well as intensified competition in some applications. Sales of object color measuring instruments increased due to strong sales, especially in the Asian region.

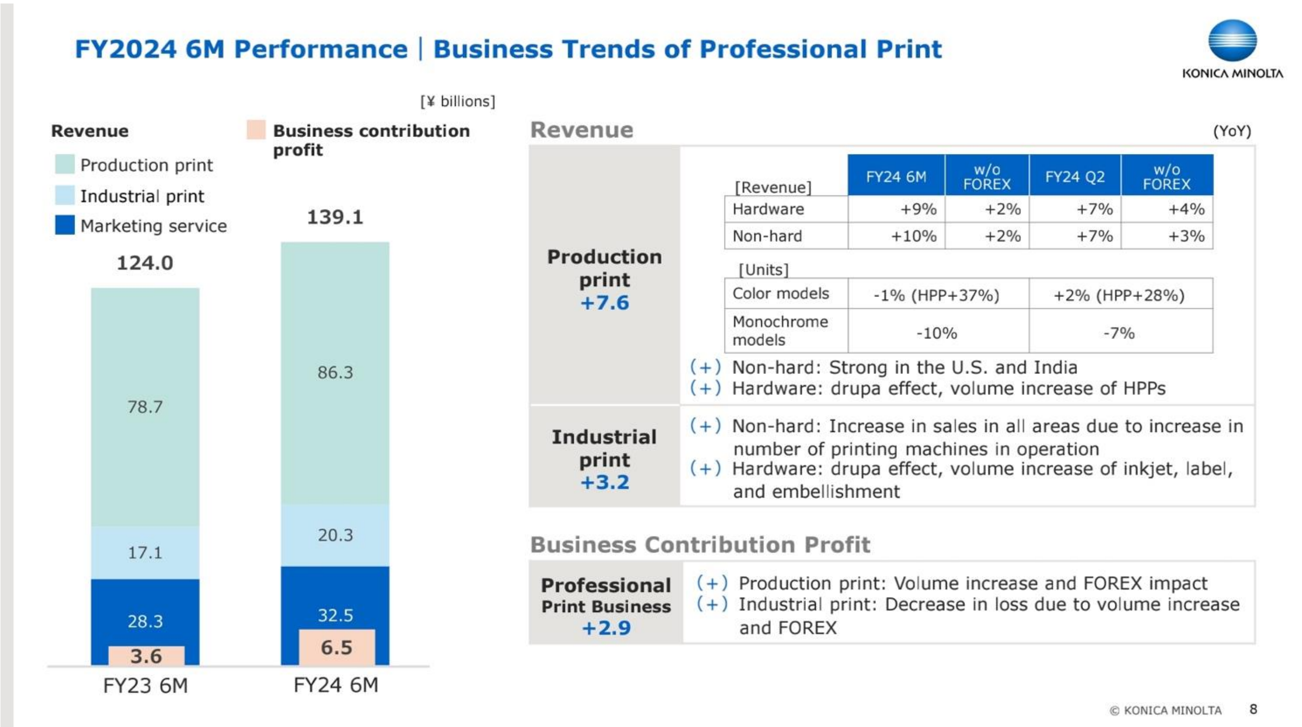
Sales of measuring instruments based on hyperspectral imaging technology increased due to strong sales for recycling applications and a new demand for measuring instruments for automobile visual inspection, mainly in Europe and the US.

Sales in the performance materials unit decreased. By application, sales of thin film for IT devices declined due to market stagnation. In thin films for smartphones, demand is recovering as excess inventory in the supply chain in the same period of the previous year began to dissipate and the sales themselves have remained steady. For TV applications, demand for SANUQI-VA for large-size TVs has remained strong due to increased adoption in the previous year. On the other hand, due to the decrease in panel demand, sales of phase difference film for small and medium size TVs, have been declining.

IJ components unit are increasing revenue. For sign graphic applications, which is fundamental area, inkjet printhead sales in China slowed down due to inventory adjustments, but in Europe, the US, Korea, and India remained strong, and the overall sales are increasing. In the growth area, the adoption of printing on cardboard and other applications has been progressing, leading to an increase in head sales.

In optical components, sales of lenses mainly for high-luminance projectors declined due to market conditions, but sales of products for semiconductor manufacturing, our focus, remained strong, and efforts for future expansion are progressing, including the introduction of next-generation polishing machines. This will be explained in more detail later.

The overall business contribution profit for Industry business as a whole was down JPY0.6 billion due to lower sales of sensing and performance materials unit.

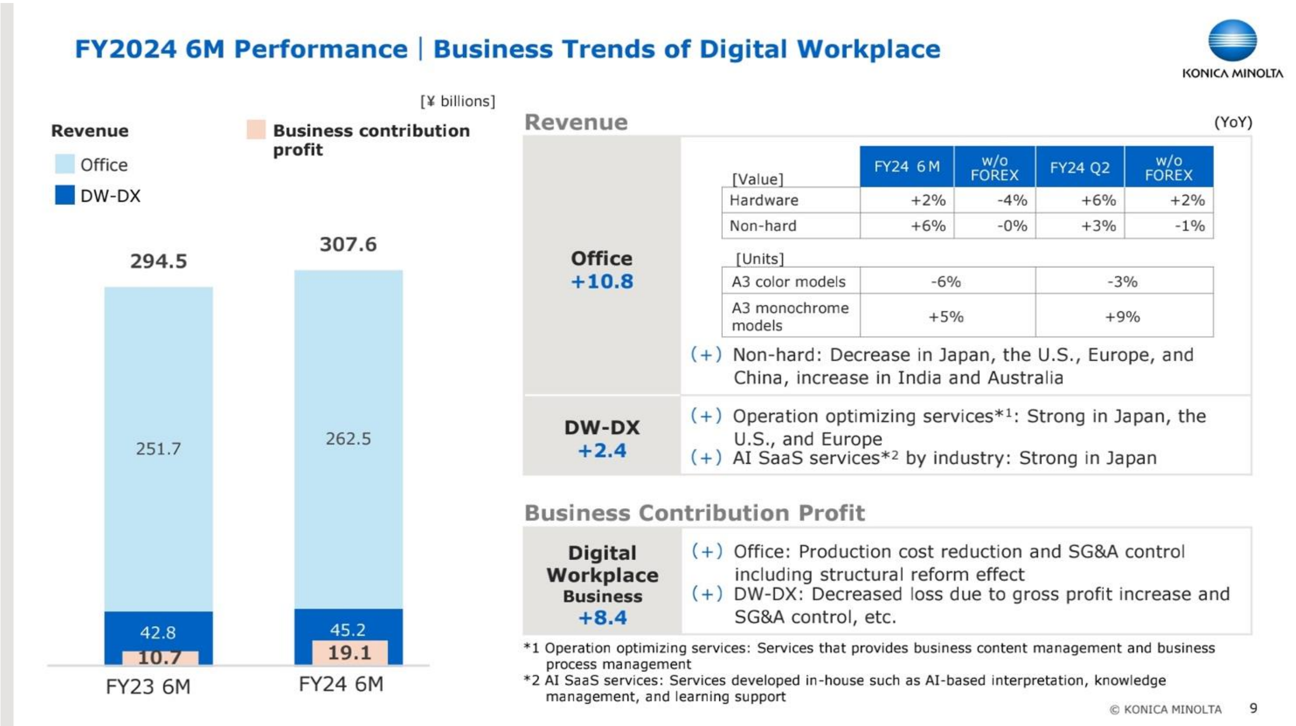


Page eight shows professional print.

In the production print unit, both hardware and non-hardware sales increased 2% in H1 of the year, even in real terms excluding exchange rates. The rate of revenue growth in Q2 increased from Q1. Although unit sales of color machines have declined slightly, sales of high-volume color production print machines, which we are focusing on for high-volume printing demand, have increased significantly in this area. Orders received at drupa in Germany also contributed to sales. In this context, non-hardware is increasing especially in the US and India.

Sales of industrial print unit also increased. In hardware, the drupa effect has contributed to an increase in sales volume, particularly in digital inkjet press AccurioJet KM-1e segment, as well as in label press and decorative printing presses. In non-hardware, revenue is increasing in all areas as the number of printing machines on the market increases.

Business contribution profit increased by about JPY3.0 billion for Professional print business as a whole, due to the increase in production print and the reduction of losses in industrial print.



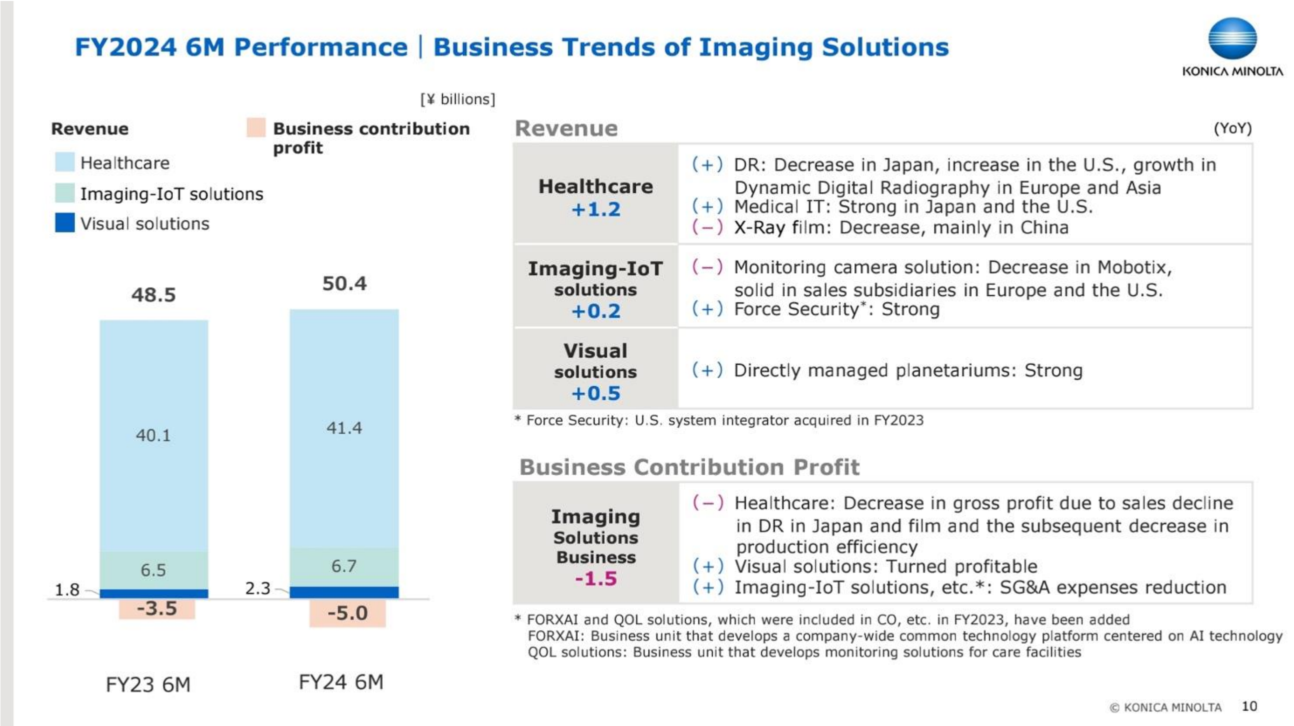
Page nine, Digital workplace business.

Demand for hardware continues to be firm. Unfortunately, there is a backlog of orders for Europe, especially due to supply constraints such as the switch to new products and longer ocean transport times. As a result, although sales volume was below the previous year's level, sales of both hardware and non-hardware products increased, partly due to the impact of foreign exchange rates.

In terms of profit, business contribution profit increased due to an increase in gross profit resulting from volume growth and production cost reductions, as well as the curbing of SG&A expenses, including the effects of structural reforms.

DW-DX, which focuses on the provision of IT services and other services, saw a YoY increase in revenues. In Europe, the US, and Japan, operation optimizing services that provide business content management and business process management performed well, and in Japan, self-developed AI SaaS services, such as AI-based interpretation services, grew in the hotel industry and for local governments.

The business contribution profit increased significantly by JPY8.4 billion as a result of these factors, along with an increase in gross profit of office, SG&A control, and a narrowing of losses at DW-DX.



Page 10 shows the results of the Imaging solutions business.

The healthcare unit had an increase in revenues. Sales of digital X-ray system DR are increasing, especially in the US. The volume of our only global offering of dynamic digital radiography continues to be strong, with growth in Asia and Europe.

The Imaging-IoT solutions unit also saw an increase in revenue. Sales of monitoring camera solutions in Europe and the US have remained strong. In addition, sales of force security, a US system integrator acquired in the previous fiscal year, have been favorable.

Business contribution profit turned profitable in visual solutions unit, and Imaging-IoT solutions and others also narrowed their losses. On the other hand, the overall profit of Imaging solutions business remained in decline due to a decrease in profit in healthcare, where sales of DR in Japan and X-ray film in China declined and production efficiency deteriorated as a result.

Healthcare is positioned as a strengthening business, and we are hurrying to improve profitability. We will also continue our efforts to reduce losses in the area of Imaging-IoT solutions, which we have positioned as one of the directions changing businesses.

Precision Medicine Business

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- Agreement concluded to transfer all shares of Ambry Genetics, a U.S. genetic testing company, to Tempus AI (November 5, 2024)

Tempus AI	Location: Chicago, the U.S. Year of Establishment: 2015 Business description: Providing precision medical technology utilizing data and AI

- Transfer price and schedule

Transfer price	USD600 million (approximately ¥84.0 billion), of which USD375 million will be paid in cash, USD225 million will be paid in Tempus Type A common stock*
Transfer date	FY24 H2 (planned)

*Of the Tempus Type A common stock of USD225 million, USD125 million portion will be available for selling after completing the registration process, and USD100 million portion is subject to a 12-month lock-up period.

- Impact on Profit and Loss
  - The Precision medicine business will be classified as a discontinued operation. It is excluded from revenue, business contribution profit, and operating profit.
  - The ¥41.0 billion* gain from the transfer of the shares is expected to be recorded on net profit as a profit from discontinued operation in FY24 H2.

Impact of classification as discontinued operation on FY2024 full-year consolidated earnings

Revenue	-¥46.0 billion
Business contribution profit	+¥4.0 billion
Operating profit	+¥4.0 billion
Profit attributable to owners of the Company	Approx. +¥41.0 billion

* The gain from transfer is calculated by deducting net assets, debt from the Company, transaction costs from the corporate value, and adding realized profit and loss on exchange differences on translation of foreign operations.
* The final amount of a gain or loss on the share transfer might change depending on the future stock price, foreign exchange rate fluctuations, and other factors.

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From page 12, we will explain our progress in terms of the medium-term business plan.

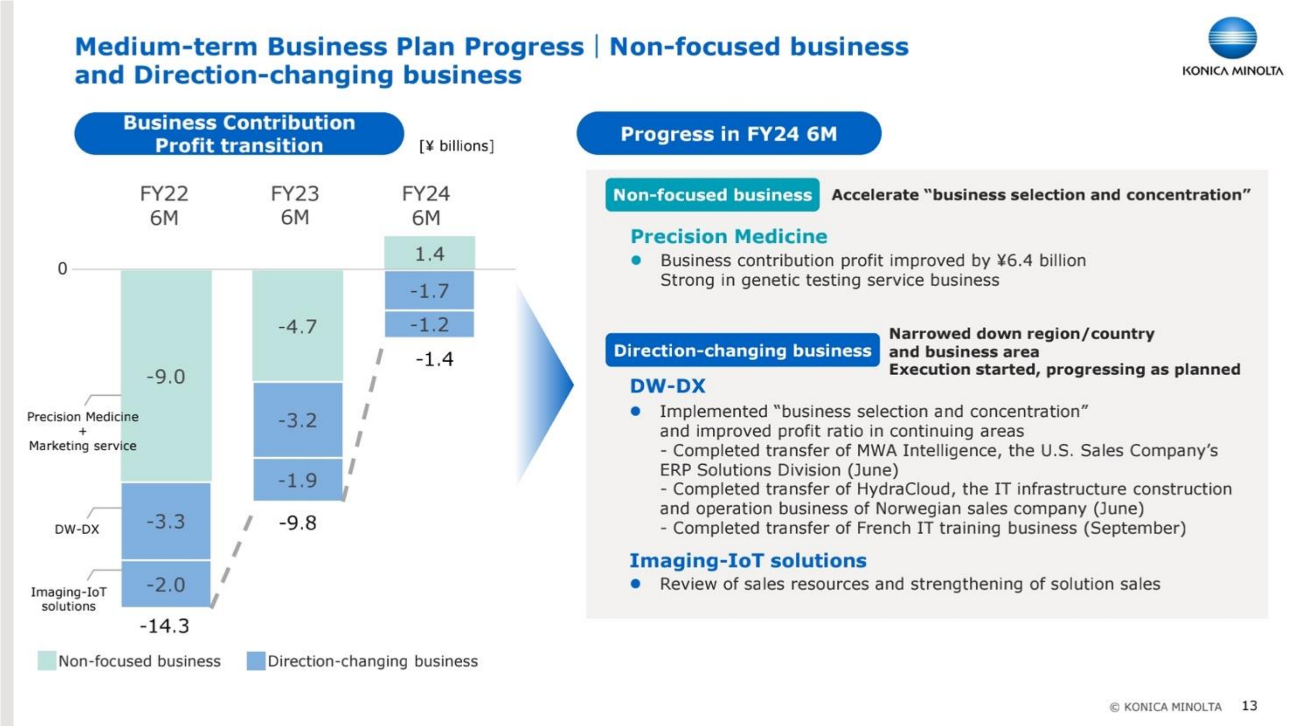
First, we would like to mention Ambry, which we released today. In the Precision medicine business, which is positioned as a non-focused business in the current medium-term business plan, we have been aiming to utilize third-party capital as an important issue, and today we concluded an agreement to transfer all shares to Tempus AI located in the US.

Tempus is a technology company that promotes personalized healthcare through the use of medical data and AI. The company is engaged in the genetic testing business, medical data analysis using its proprietary database, and the development of optimal treatment using AI.

The acquisition of Ambry was a result of Tempus' desire to increase its corporate value and our desire to have Ambry's value appreciated as much as possible.

The transfer price was USD600 million, of which USD375 million was cash. The remaining USD225 million is expected to be paid in common stock. Closing is scheduled during H2 of this fiscal year.

As for the impact on profit and loss, the stock transfer will classify the precision medicine business as a discontinued operation and thus exclude it from consolidated revenue, business contribution profit, and operating profit. Although we expect to gain JPY41 billion from the transfer of these shares, it is expected to be recorded only in profit attributable to the owner of the Company in H2 of FY2024.

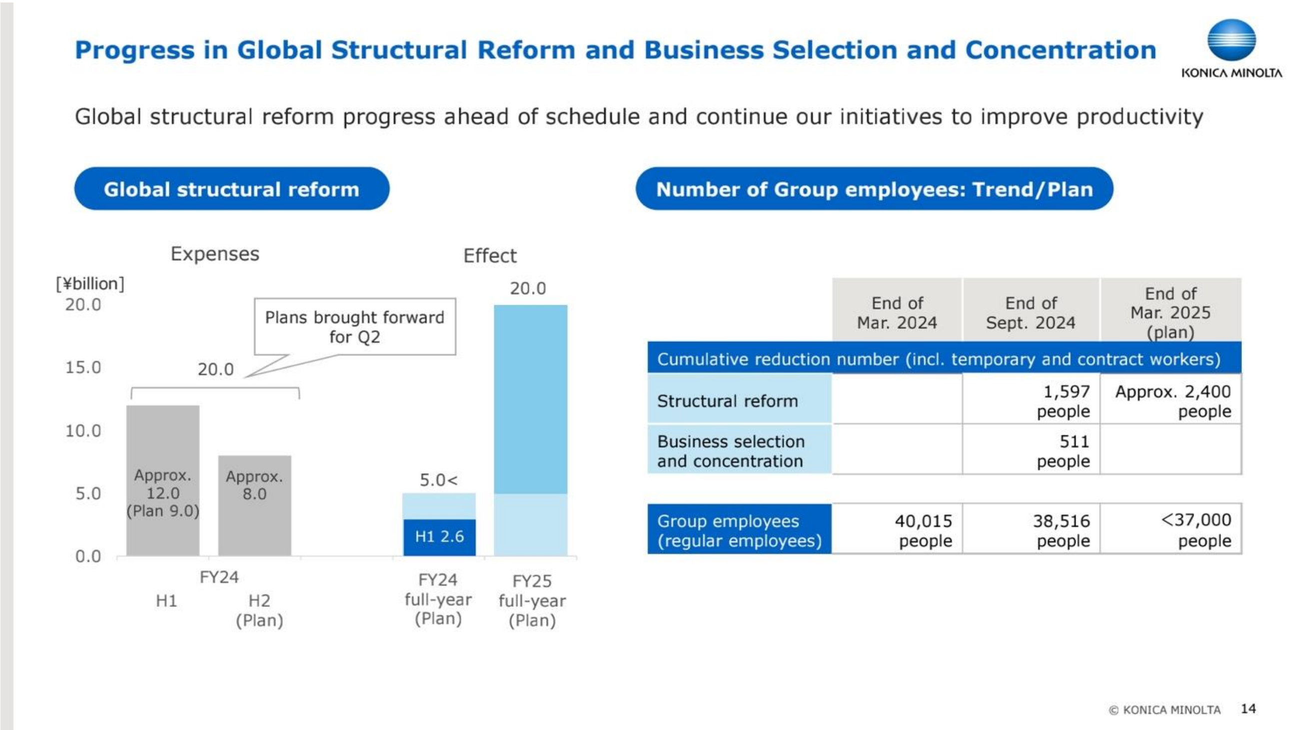


Next, on page 13, we show the progress on non-focused and direction changing business initiatives.

The operating loss from non-focused businesses and these businesses has been shrinking since FY2022, but compared to the previous fiscal year, H1 of this fiscal year showed a significant improvement of JPY8.4 billion. In particular, precision medicine improved by JPY6.4 billion as its genetic diagnosis service remained strong and returned to profitability.

DW-DX has begun to narrow down its business areas, including regions and countries of operation, i.e., service products, and is progressing as planned. By clearly defining and executing areas of withdrawal, we will focus more on areas of continued operations and improve profit margins.

In H1 of the fiscal year, we completed the transfer of the ERP solution division and the IT infrastructure operation business in the US, Norway, and France, as well as other businesses that should be streamlined.

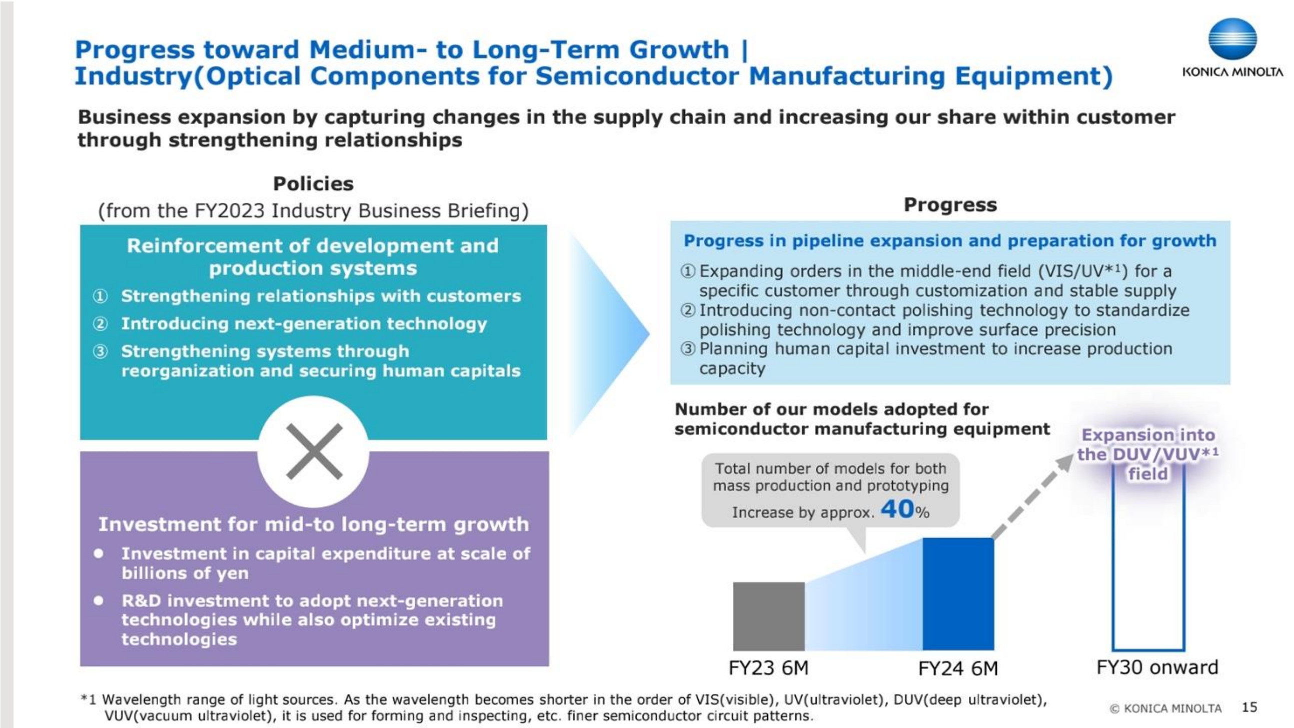


Page 14 shows the progress we are making in reforming our global human resource optimization.

In addition to personnel optimization, we are continuing our efforts to improve productivity. This section will focus on personnel reduction in particular.

In H1 of the year, we were able to execute our plans ahead of schedule. Transient expenses, which are expected to total JPY20 billion annually, amounted to approximately JPY12 billion during H1 of the year. We are also projecting a profit improvement of JPY20 billion by the end of FY2025, of which more than JPY5 billion is expected to be generated during FY2024.

Due to the global structural reforms, the number of employees in our group is expected to decrease by 2,400 from the initial plan, but the number of employees decreased by about 1,600 at the end of H1 of the year. In addition to this, there has been a reduction in personnel in line with the selection and concentration of business. Apart from the 2,400 people, there has also been a decline of 510 people, particularly in H1 of the year, as Invicro, which was sold ahead of schedule within precision medicine business, has been removed from the consolidated results.



On page 15, as we make progress toward business growth in Industry business, I would like to explain a little about optical components for semiconductor manufacturing equipment, which is a particular focus of our company.

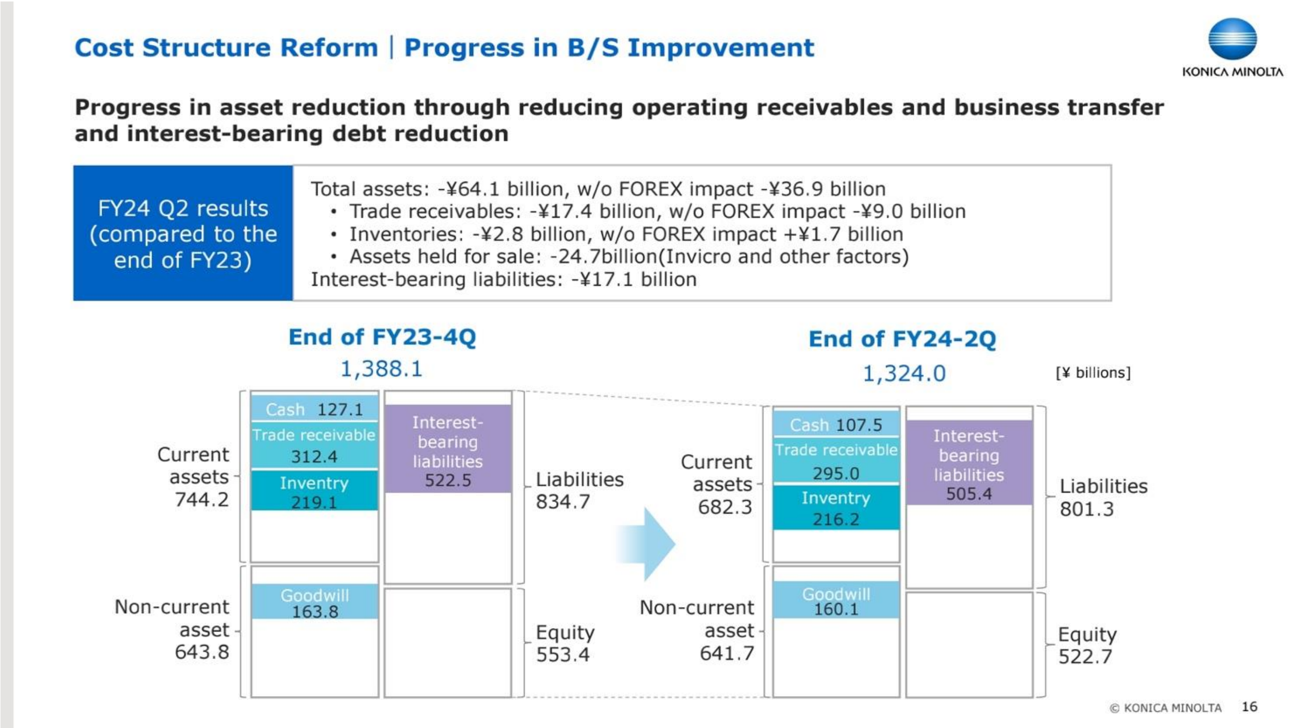
What I am showing on the left side of the slide, which I also explained at last year’s Industry business presentation, is our policy of strengthening our development and production systems and investing for medium- and long-term growth.

There are three things that have progressed over the past year. First, the number of our models that have been adopted by customers, including those that are already in mass production and those that are still in the prototype stage, has increased by 40% over the past year. In particular, in middle area such as power semiconductors, where the supply capacity of major suppliers shifting to high-end products is declining, we are seeing an increase in orders from customers thanks to our strengths in customization and stable supply.

Second, as a next-generation technology, we are introducing non-contact polishing technology. This allows us to move away from a reliance on human craftsmanship to a standardization based on high quality technology.

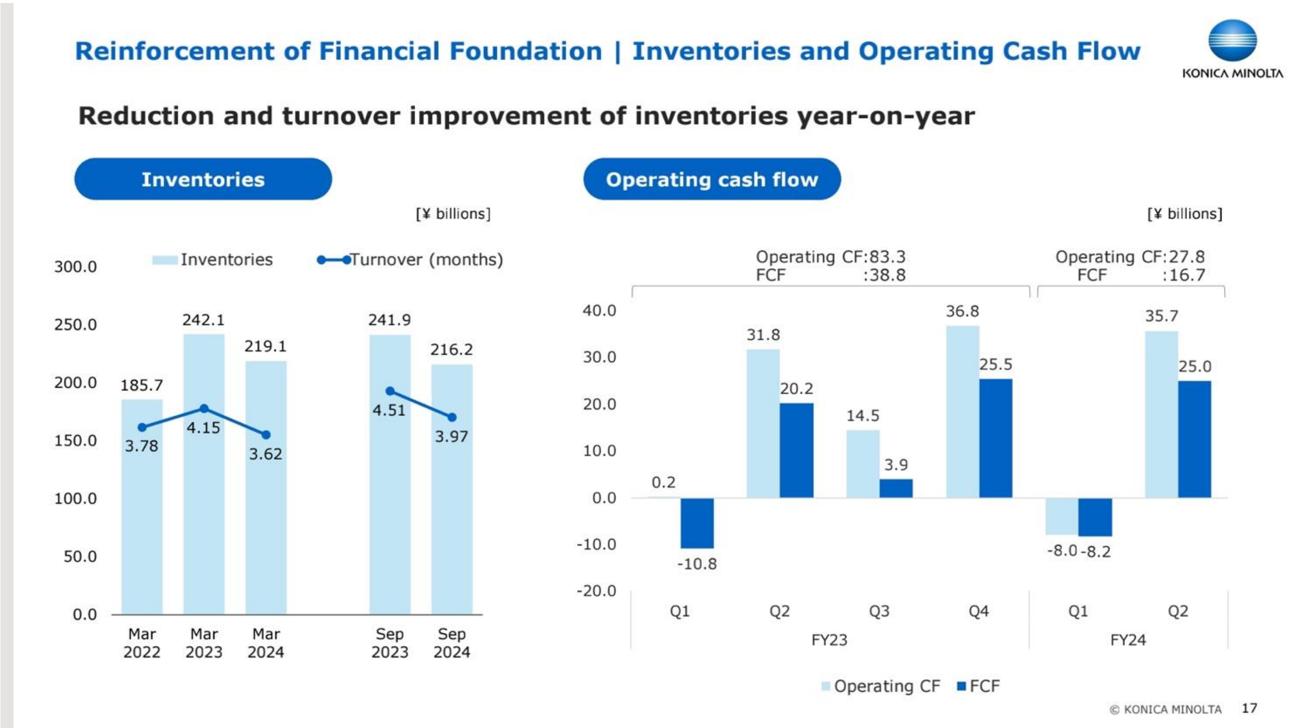
The third is to increase production capacity for future sales expansion. In particular, we intend to accelerate our investment in specialized technical personnel involved in development and production.

These efforts have been underway for the past year, and we will continue to promote these efforts in the future.



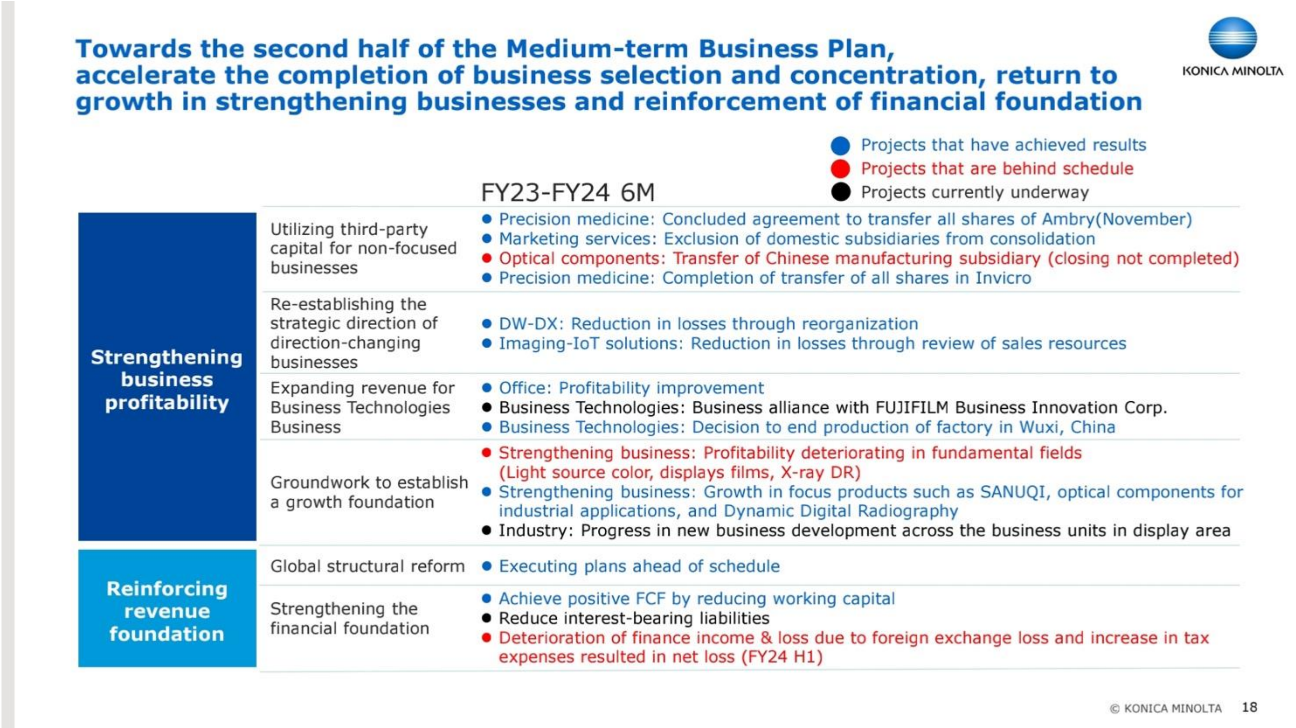
Page 16 shows progress in strengthening the financial base. With regard to balance sheet improvement, we have clearly defined targets and are working to achieve a total asset turnover ratio of 1.0x in FY2025.

Compared to the end of the previous fiscal year, total assets were reduced by about JPY37 billion on a real basis due to decreases in trade receivables, inventories, and assets held for sale. Interest-bearing liabilities also decreased by JPY17 billion.



Page 17 shows a graphical representation of inventory reduction, operating cash flow, and free cash flow improvements to strengthen the Company's financial base.

In this context, we would like to further reduce the month turnover toward the end of the fiscal year, especially with regard to inventories, which have been transported by sea for an extended period of time. We are trying to reach the 3.5-month level.



Page 18 shows a 1.5-year progress summary of the medium-term business plan to date. The blue text indicates projects that are achieving results, while the red indicates those that are lagging behind against the plan.

Sensing unit is implementing additional structural reforms, but we will expand into new areas such as automotive visual and hyperspectral imaging. In performance materials, we will execute the expansion of production of films for large displays, centering on SANUQI. Healthcare will improve its cost structure and execute initiatives for growth centered on dynamic digital radiography.

By doing this, we will catch up, especially where we are a little behind in the current situation. As a result of this, we would like to work on keeping exactly what I said.

In addition to reducing interest-bearing liabilities, we will also work to optimize tax expenses in order to lighten future burdens.

FY2024 Earnings Forecast | Summary

KONICA MINOLTA

- FOREX impact and solid demand in Digital Workplace and Professional Print
- Industry: Restrained capital investment by customers and intensified competition for some applications in sensing, and a decrease in IT applications in performance materials
- Discontinued operation and gain from transfer through the business transfer of Precision Medicine
- Incorporation of use of third-party capital for non-focused businesses, business selection and concentration, and impairment loss risks for some businesses (¥-29.0 billion)
- Deterioration in finance income & loss, including foreign exchange loss

[¥ billions]

	FY23*1 Result	FY24 Previous forecast	FY24 Forecast	Change	Discontinued operations (excluded)
Revenue	**1,160.0**	**1,160.0**	**1134.0**	-26.0	- 46.0
Business contribution profit	**26.0**	**40.0**	**42.0**	+2.0	+4.0
Operating Profit	**26.1**	**13.0**	**-14.0**	-27.0	+4.0
Profit attributable to owners of the Company	**4.5**	**0.0**	**0.0**	-	+41.0
Dividends (¥/share)	**5**	**0**	**0**	-	

FOREX [Yen]			6M	Full year*2
USD	144.62	140.00	152.63	146.32
EUR	156.80	150.00	165.95	157.97
RMB	20.14	20.00	21.15	20.58

FOREX Sensitivity [¥ billions]

	Revenue	Operating profit
USD	+3.0	- 0.0
EUR	+1.6	+0.4
RMB	+3.2	+1.1

*1 Before retrospective adjustment of discontinued operations
*2 Average of actual rates for 6M and expected rates for H2 (USD: ¥140, EUR: ¥150, RMB: ¥20)

 20

On page 20, we will explain the revision of the full-year earnings forecast.

The revenue and business contribution profit incorporates the progress made in H1 of the year and the fact that precision medicine business is positioned as a discontinued operation.

As for the business contribution profit, the real figure is an upward revision of JPY2.0 billion.

On the other hand, with regard to operating profit, in addition to the classification into discontinued operations, we have incorporated the impact of the use of third-party capital in non-focused businesses, the progress of business selection and concentration, and the risk of impairment loss in some businesses, and we have recognized transient expenses and loss risks of JPY29 billion compared to the previous forecast, and we expect to post an operating loss of JPY14 billion in FY2024.

On the other hand, we expect a gain on the sale of Ambry's shares for profit. The effect of this change to discontinued operations will be hit only in profit, but we have taken this into account and our forecast for the full year remains unchanged at zero.

We are currently maintaining our initial dividend forecast of no dividend payment.

FY2024 Earnings Forecast | Revenue & Profit

[¥ billions]

Revenue	FY23 result	FY24 Previous forecast	FY24 Forecast	Change
Digital Workplace	614.9	600.0	620.0	+20.0
Professional Print	263.4	270.0	280.0	+10.0
Healthcare	123.6	136.0	126.0	- 10.0
Industry	105.2	108.0	108.0	-
Precision Medicine	52.3	46.0	0.0	- 46.0
Corporate, etc.	0.7	0.0	0.0	-
Company overall	1,160.0	1,160.0	1,134.0	- 26.0

Business contribution profit	FY23 result	Ratio	FY24 Previous forecast	Ratio	FY24 Forecast	Ratio	Change
Digital Workplace	32.7	5%	33.5	6%	34.5	6%	+1.0
Professional Print	13.8	5%	16.5	6%	17.5	6%	+1.0
Healthcare	17.6	14%	22.0	16%	18.0	14%	- 4.0
Industry	-8.4	-	-5.5	-	-5.5	-	-
Precision Medicine	-7.6	-	-4.0	-	0.0	-	+4.0
Corporate, etc.	-22.2	-	-22.5	-	-22.5	-	-
Company overall	26.0	2%	40.0	3%	42.0	4%	+2.0

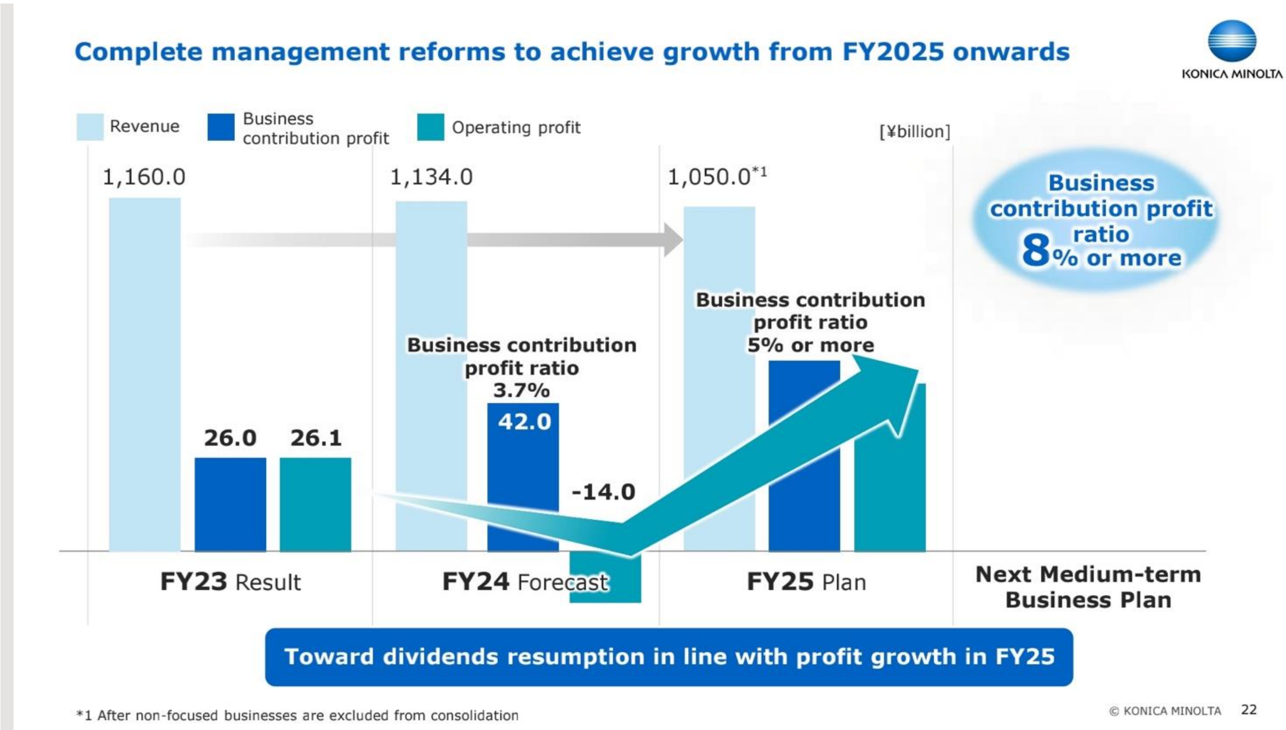
Operating profit	FY23 result	Ratio	FY24 Previous forecast	Ratio	FY24 Forecast	Ratio	Change
Digital Workplace	33.0	5%	33.5	6%	15.0	2%	- 18.5
Professional Print	11.6	4%	16.5	6%	15.0	5%	- 1.5
Healthcare	16.6	13%	22.0	16%	19.0	15%	- 3.0
Industry	-10.9	-	-5.5	-	-6.0	-	- 0.5
Precision Medicine	-1.7	-	-4.0	-	0.0		+4.0
Corporate, etc.	-22.5	-	-49.5	-	-57.0	-	- 7.5
Company overall	26.1	2%	13.0	1%	-14.0	-	- 27.0

 21

Page 21 shows the outlook by business segment.

Operating profit forecast at each business level, which reflects transient costs associated with restructuring and other expenses in each business segment.

In the past, all of these transient costs were consolidated in corporate, etc., but this time the transient costs associated with the restructuring have been allocated to each business. In addition, the use of third-party capital, costs associated with business selection and concentration, and the risk of impairment loss of certain businesses are incorporated in the corporate and other sections of the Company's accounts.



Page 22 shows an image of business contribution profit and operating profit for FY2025, the final year of the medium-term business plan, as explained in the management policy in April of this year.

There will be no major change in the existing policy here. We will work toward this goal by doing what needs to be done during the remainder of this fiscal year, and we will work to ensure that this figure is achieved in FY2025.

We will definitely resume dividend payments in FY2025 in line with profit growth. During the next medium-term business plan period, we will work with the idea of aiming for an even higher level of business contribution profit ratio.

The last page 24 is regarding material issues. In particular, we will introduce our sustainability initiatives and recent topics.

As we have mentioned several times, in addition to bio-manufacturing, we are also promoting some of our sales activities using recycled plastic materials as "growth seeds."

Recycled materials are used in the exterior of SATO Corporation's label printers. We are using it in the exterior of our MFP, but we want to introduce it as something that has already been put to practical use, and we want to make sure that we can turn it into money and position it as one of the drivers of future growth.

Lastly, in the area of diversity of human resources, I would like to introduce that we received an award for the development of female engineers.

These are my explanations for today. Thank you very much for your attention.

Question & Answer

Ueno [M]: Thank you very much.

I would now like to take your questions. Please provide your company name and your name before asking your questions.

Now, first, Mr. Shibano, you may begin.

Shibano [Q]: Thank you for your explanation. My name is Shibano from Citigroup Securities. I would like to ask a question with reference to pages 20, 21, and 22.

First, I would like to ask about this revision of the full-year plan. Although the revision in business contribution profit looks like it's JPY2 billion upward, if you exclude the JPY4 billion deficit of non-consolidated precision medicine, I thought it was a small downward revision.

Operating profit is expected to deteriorate by JPY27 billion if the JPY4 billion loss from precision medicine is excluded, and by JPY31 billion in total if it is included. I would like to ask for a more detailed explanation of this.

You mentioned several things, such as additional structural reform costs, impairment risk, the use of third-party capital, and so on. Could you tell us how these are composed? Perhaps this is a bit difficult to explain but let me check as a first question to see. if there is any quantitative explanation.

Okamura [A]: This is a detailed answer, so Okamura will answer.

Regarding business contribution profit, as Mr. Shibano pointed out, the revision is in the form of a small downward revision in real terms.

As for operating profit, global structural reforms will be JPY20 billion as planned at the beginning of the fiscal year. We had estimated at the beginning of the fiscal year that JPY7 billion would be spent on the selection and concentration of businesses, and there is almost no change in that figure either. As for the contents, the production at the plant in Wuxi, China was discontinued. As additional measures, we are also carrying out structural reforms at our subsidiary in sensing unit, and this figure also includes structural reform costs for the DW-DX unit, which was not originally subject to global structural reforms. This is about JPY7 billion.

We are forecasting expenses of around JPY15 billion to JPY20 billion, in line with the use of third-party capital for non-focused businesses and the progress of business selection and concentration. To be more specific, for example, we have announced the transfer of our optical component assembly plant in China, but this has not yet been completed, so we have also incorporated the risk of price adjustments, etc. into our forecasts. We have also factored in costs such as the use of third-party capital for non-focused business.

Lastly, we are factoring in the risk of impairment loss of some businesses, which is about JPY8 billion to JPY15 billion. These are forecasts based on these assumptions.

Shibano [Q]: Thank you very much. Just to confirm, in comparison to the assumptions of the previous plan, is the difference between the JPY15 billion to JPY20 billion and the JPY8 billion to JPY15 billion. Are these two correct?

Okamura [A]: Yes. You are right.

Shibano [Q]: Okay. Thank you very much. Second question.

On page 22, the slide for FY2025 onward, I believe you have shown this before.

By taking the additional actions, you have just explained, can we expect to increase the level of profit ratio that you can aim for from the next fiscal year onward? Please let me know about this point if you can.

Taiko [A]: Taiko will explain. First of all, we will be spending a little extra money this quarter on things like sensing and DW-DX. When we optimize our personnel, we naturally expect to see additional benefits in these areas.

On the other hand, we also talked about non-focused and direct-changing businesses, which we have included in the JPY15 billion-JPY20 billion range, but of course, these are businesses that are currently in the red, so if we can improve these areas, we should be able to do a little better than our previous plan.

The impairment risk is a risk that has been taken at this point, but the business itself will have to work hard to reach the point where it has been incorporated into the existing 25-year medium-term plan, and this is not yet seen as a positive factor.

In this light, by implementing to reducing some labor costs, as well as the non-focus and directional changes, the contribution profit ratio of more than 5% shown here will naturally be higher than the 5%. We are in the stage of finalizing our future plans for the next fiscal year based on such assumptions and estimates.

But I wondered if it was a 6% or a 6.5%. I am sorry to say that as of today, we are not yet at the point where we can say that.

Shibano [Q]: I understand very well. Third question, please.

In my recent discussions with investors, one of the questions I am often asked is what role KONICA MINOLTA will play in the merger and acquisition or restructuring of the office equipment industry. I don’t think there is any major change in your approach, but can you tell us again what you think, President Taiko? That is all.

Taiko [A]: As I mentioned when discussing with Fujifilm business innovation, rather than positioning ourselves in what role we should play in the industry reorganization, our business will be about how to improve investment efficiency, so from that perspective, I believe that we should tie up where we can.

I do not deny the fact that the number of friends will increase as a result, and I would welcome such an increase if it can be realized. That is the attitude we intend to take. That is all.

Shibano [M]: Thank you very much.

Ueno [M]: Thank you. Next, Mr. Shimamoto. Please begin.

Shimamoto [Q]: Thanks for your continued support. My name is Shimamoto, Okasan Securities Co.

In relation to Mr. Shibano’s question just now, or perhaps a similar question, as a market, the stock price was very high after the announcement of the activists’ ownership. I think there is a lot of attention being paid to structural reform, but is it correct to say that basically, as you just said, there has been no change in the concept of making the best choices while working with various other parties?

Taiko [A]: Is it correct to assume that what you are saying now is the assumption in your question about the business technologies part?

If so, then the idea is as you just said.

Shimamoto [Q]: Okay. Thank you very much.

The other thing I would like to talk about is the non-hardware situation in the business technologies business and in the office businessfor this fiscal year. In Q2, I think that the transition is relatively mild, at -1%. I would like to know how you see the medium- to long-term level of non-hardware in this area.

Takayama [A]: Takayama, responsible for business technologies business, will answer.

In the long term, as we have said all along, we have not changed our view of a 2% decline in non-hardware and a 1% decline in hardware.

As you can see from the figures for Q1 and Q2, there has been a gentle decline of 0.5% and 0.6%, respectively. That is all.

Shimamoto [M]: Okay, thank you very much.

Taiko [A]: I would like to add one additional answer. Although that is the current view, I do not think it is realistic to expect the rate to fall below 50% or to zero percent, and we must continue to watch to see where the rate will stop falling. The status of such a situation is unchanged. I'll just add that part in case.

Shimamoto [Q]: Okay. Thank you very much.

Regarding the Industry business part, we have heard a lot of new stories this time, and I was wondering if you could give us any suggestions or comments on the scale of business in the semiconductor-related area.

Taiko [A]: It is a fact that the number of products adopted in the past year has increased by 40% since last year, but actually, in addition to those adopted for mass production of manufacturing equipment, the number of products adopted has increased mainly in those used in the research phase by our customers. We and our customers will verify the precise technology, and once that is done, we will be able to incorporate sales and profit into our plans.

I am sorry, but as of today, I think it is a bit early and difficult to talk about the scale yet, because we would like to continue to value this step in the future.

Shimamoto [M]: Okay, thank you very much. That is all.

Ueno [M]: Thank you. Mr. Nakanomyo, now it's your turn to ask.

Nakanomyo [Q]: My name is Nakanomyo from Jefferies Securities. Thank you for your cooperation.

I think the business contribution profit in H1, or in Q2, was probably stronger than you had expected. How strong was it? Sorry if this has already been explained. How good was it?

Taiko [A]: As president, I do not accept the internal budgets that each department accumulates as they are, so from that perspective, JPY17.8 billion in contributed profit at the end of H1 is almost 45% of the annual progress, so I think that we are on a slightly faster pace than in the past. For myself, it means that this is the level I would like to go.

It is difficult to say how good it was. That is all.

Nakanomyo [Q]: However, if you exclude the discontinued operations, the full-year business contribution profit will be reduced by JPY2 billion, so in that sense, do you think that H1 was slightly biased and too good?

Taiko [A]: That's not what I mean. On the contrary, for H2 of the year, we will not deviate from the figures we have said for the year. On top of that, we have changed the JPY40 billion to JPY42 billion, and have set a figure that we will definitely not miss.

Nakanomyo [Q]: Looking at Q2 alone, it seems to me that the factors contributing to the improvement in business contribution profit are improving in actual terms in both production and office areas, and that production costs are also improving.

I think the top line is good and production costs are improving. Can we take the situation in Q2 as a sign that we are seeing structural improvements as a base to some extent in the future?

Taiko [A]: From here, while office has switched to new products in some areas, what we need to be a little careful about is the situation in the Middle East, where logistics costs have remained high and transportation times are lengthening, so I think we need to pay special attention to the logistics part of the situation today.

Nakanomyo [Q]: Looking at just Q2 of this professional print, it looks like both hardware and non-hardware are getting quite a bit stronger, but is this a trend, and is it sure that it will continue to look like this from here on out ?

Taiko [A]: That's basically how I see it. In particular, we participated in drupa this year, and the effects of drupa will not end in one quarter or even this quarter. We will continue to build on this in the next quarter and the quarter after that, including how to reliably receive orders from the pipeline we have acquired. Therefore, we are in a mode of continuing the trend of increased revenue and profit.

In addition, I believe that the current situation, especially in industrial print and PP, has not yet returned to its original market strength in Europe and China, even though there has been a profit turnaround of about JPY3 billion compared to the previous fiscal year. I believe there are factors that can help to become positive trend in the future

Nakanomyo [M]: Thank you very much.

Ueno [M]: Thank you. Next, Mr. Okazaki, please continue.

Okazaki [Q]: My name is Okazaki from Nomura Securities. if there is any quantitative explanation.

As for the digital workplace, as he mentioned in the previous question, I think that Q2 was quite profitable, but if we subtract from the current plan, it appears that the profit margin will drop again in H2 of the year, starting in Q2.

You pointed out some risks, such as the issue of logistics in the Middle East, but in the past, I think that the profit margin often improves from H1 of the year to H2, so what other factors should we consider as factors that could cause the profit margin of the digital workplace to decline in H2?

Takayama [A]: Takayama will answer your question The momentum of the business hasn't changed that much, so I think it will continue to be strong, but first of all, the forex impact will be different between H1 and H2 of the year.

In addition to the marine transport route issues I just mentioned, the end of production at the Wuxi plant will result in transient expenses such as capital investment and depreciation of equipment in H2 of the year. So, this is the current forecast.

Okazaki [Q]: Is the transient cost of the Wuxi plant related to the turnaround profit as well?

Takayama [A]: Yes, that's right. Since the equipment will be amortized, is it a part of non-structural reform, amortization of equipment or transfer cost to other plants? That's about it.

Okazaki [Q]: I understand. Thank you very much.

Also, regarding the industry, looking at the performance materials segment, I have the impression that there was a change in Q2 compared to Q1. In Q1, there was a significant YoY increase, but looking at Q2 alone, there was a sharp decline. Please tell us what kind of changes occurred between Q1 and Q2, and what kind of market environment we should expect in H2 of the year.

Kuzuhara [A]: Kuzuhara will answer your question.

In Q2, as I mentioned earlier, there was a noticeable change in the market. Although shipments of small- and medium-sized TVs had been continuing at a steady pace, there was a build-up of inventory in the market, and this had a significant impact, causing a slowdown compared to the previous quarter.

On the other hand, there is a lot of demand for large sizes over 55 inches, and this is covered by the SANUQI variety. Although there is strong demand for this, there are some areas where supply has not been able to keep up, and because of this, and the fact that it has not been possible to completely make up for this, the market is basically moving towards larger sizes. We see this movement itself as not reversible.

We will further accelerate our existing efforts to respond to the needs of the market, including the supply of large size and wide width products.

Okazaki [Q]: I think there was a bit of a tailwind from the troubles at the competitors, is it correct to consider that the backlash is not really relevant?

Kuzuhara [A]: Yes, that's right. The part where we are competing directly with competitors in the large size category is also growing very strongly for our company, so we see this as a slowdown in response to the trend of a slight change in the size mix.

Okazaki [M]: I understand. That is all. Thank you very much.

Ueno [M]: Thank you. Mr. Katsura, please ask the questions.

Katsura [Q]: This is Katsura of SMBC Nikko Securities

I would like to ask you three questions. First, about structural reform, I have the impression that the timing of the transfer of Ambry was quicker than you initially indicated in the medium-term plan. In addition, I think this announcement showed a very strong determination to carry out structural reforms and deal with various impairment risks. Looking at it from President Taiko's perspective, I think that in slide 13, this part was supposed to turn a profit in the medium-term plan, but do you have a sense that you have almost reached that goal?

If so, as indicated on slide 22, do you expect the difference between the business contribution profit and operating profit for the next fiscal year to be small, or if anything, is there something that will remain in that gap? This is the first question.

Taiko [A]: As Mr. Katsura commented, there are still some areas that we have not focused on in the mid-term, such as a part of marketing services and optical components for non-industrial applications, in addition to precision medicine. Naturally, there are still some things that remain to be done, and the first task is to finish those things properly.

As for the direction-changing, while the DW-DX is making progress as explained above, the Imaging-IoT solutions, especially IP cameras, are still in the red, so we have internally decided on the direction to take in this area. However, we still need to provide answers and results in this area. Even if this presentation ends, I'm not in the mood to feel relieved. What I need to do is to finish the remaining tasks for this term.

Katsura [Q]: Thank you. Secondly, the industry business, which has been strongly positioned as a growth business, has been stagnant for a long time, partly due to the cyclical nature of the market environment and partly because of the long cycle of stagnation. Please let me know how do you see the industry overall, considering from what has been achieved, what has not been achieved, and the adjustments while you are moving toward the next mid-term plan?

Taiko [A]: In our case, the industry also consists of four main business units: sensing, performance materials and inkjet components, and optics. In particular, in the area of performance materials, as Mr. Kuzuhara mentioned in response to your earlier question, although there are inevitably fluctuations depending on the segment, we are determined to strengthen our supply system in areas of growth and to seize opportunities.

On the other hand, in terms of sensing, if we don't stop being overly dependent on major customers, we will be at risk of repeating the current situation. We need to rethink how to expand the application of the technology itself, such as light and color, and the stage is necessary to rethink for the future, and to strength the expansion.

In addition to that, as an extension of color light, hyperspectral imaging and automotive visual inspection are areas where the pipeline's demand is becoming more solid, so we have to invest in human resources, and need to expand the installation of such systems by converting them to fixed-order systems. I think that is where we need to expand our business.

We would like to graduate from being static, relying only on the parts of each of our existing businesses that we can stretch and our market partners.

Starting this year, we are not only working hard in each of these four businesses but are also trying to propose new value to our customers by combining them: displays, mobility, and semiconductors. We are also considering areas of semiconductors other than optics, so we will see how we can achieve this in the next fiscal year and beyond, including the next medium-term business plan. As of today, we are unable to say that this is all growth, but we hope to be able to explain this to you as soon as possible.

Katsura [Q]: Thank you. Lastly, in the area of cash, we have been working to raise free cash while reducing inventories, and I think there will be some cash inflow from the sale of Ambry. As you mentioned, you are confident that you will be able to resume dividend payment in the next fiscal year by balancing the dividend with the balance of borrowings and allocating the balance to this area. So, if there is anything you can share with us at this point, such as the scale or your thinking, please let us know.

Taiko [A]: Regarding the cash, I would like to look at Ambry's case properly, including cash-in and closing, and then I will be able to answer your question next time.

The main three components are: ordinary investment, shareholder dividends, and the reduction of interest-bearing liabilities. The composition of the medium-term dividend and interest-bearing liabilities will not change significantly. The cash inflow from the sale of the business will first be used to repay interest-bearing liabilities.

However, it is not the end, and we need to continue to grow in the future, so we would like to spend money while carefully considering where to focus our efforts. Of course, we naturally have the idea of giving priority to dividends from the next fiscal year.

Katsura [M]: That's all.

Ueno [M]: Thank you. It is now exactly 6:00 PM, and since no one has raised their hand yet, I would like to end this meeting here.

If you continue to have any questions, the IR office will be happy to respond to them in the interview.

Thank you very much for your time today.

[END]

Document Notes

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