

Konica Minolta, Inc.
Major Questions and Answers
IR day - Digital Transformation (DX) Strategies of Functions to Strengthen
Intangible Assets -

Date and time : March 11, 2021, 9:30 to 12:45

Formula : Web Online/Telephone Conference

<Notes>

"Major Questions and Answers" is included for reference only for the convenience of those who were unable to attend this briefing session. Please be aware that everything we have talked about at the briefing has not been written as is, but is summarized briefly in our judgment.

The forward-looking statements such as earnings forecast contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual financial performance may differ materially from the forecasts due to various factors.

[Regarding Technology Strategy]

Q) Please update the positioning and the current status of BIC (Business Innovation Center), which have been working as a function of the preparation of New Business in terms of the new company-wide technological strategy and direction.

A) BIC had 2 objectives since its inception. The first is to Create Business by creating business at the customer's site. The current business status is small, but we are creating New Business and will continue to do in the future. Second, this will lead to today's briefing event, intangible assets, BIC will quickly lead the development of New Business like tugboats, and they will transplant such functions to the mothership, that is, the entire company, and greatly change our company's culture. For example, BIC members enter and guide the innovation programs of the development team, and provide investment know-how for innovation in Europe. We are strengthening efforts to cultivate a new corporate culture and nurture human resources, and we can expect them to do so in the future. We plan to spend about the same amount as before on expenses.

Q) Regarding as the allocation of R&D costs described in P.16, research and development expense for

MFP will be reduced for the next 3 years. As the back ground, what assumptions and considerations do you have, such as reducing the number of models and utilizing external resources?

A) MFP will be limited the number of models considerably, and the timing of life cycle and full model changes will extend slightly. However, as a year model, we will continue to develop software that improves customer usability and further evolve it into an easy-to-operate product. In addition, energy conservation and other environmental measures for MFP's engines as well as cost reductions are essential, so we will continue to develop them. In terms of development, we will consider the possibility of alliances with a variety of companies as well as in-house.

Q) Other companies in the same industry emphasize business opportunities in which they use their own production resources to supply third parties. Are you planning to use such external resources or provide production resources?

A) Even in the same industry, we are considering the possibility of collaboration together in procurement and other areas. We also believe that MFP and production print are heavily weighted not only on the body, but also on options, some of which we can provide or to be provided, depending on the counterparty. We will continue to improve firmware and software, but we will also pursue a different business model in terms of how we provide them.

Q) Regarding as P.9, FORXAI's platforms can also be used for advanced healthcare. What is the current status of collaboration with Ambry Genetics (AG) and Invicro (IC) in the Precision Medicine Business, and how will they develop in the future?

A) Precision Medicine's Technical AI combines DNA and RNA analysis with our proprietary protein analysis technology, HSTT to detect and categorize cancer cells as an area of unique strength through a combination of imaging and material technologies. AG's genetic analysis, protein analysis, and when these are combined, they develop into a Multiomics Technology. We announced the "LATTICE" platform for this purpose last day. We have begun to talk about combining technologies in this platform environment to develop new pharmaceutical technologies, etc. sought by our customers. Going forward, we will expand these services once LATTICE is completed.

In addition, IC has the technology to convert the status being inspected into image AI. We believe that these combinations can contribute to the pharmaceutical industry. LATTICE's development schedule will be explained in detail at the business briefing next week, but the launch of the service is FY22 planned to be fully rolled out in FY23.

Q) Your explanation is that AI-related human resources will be expanded. What is the ratio of overseas and domestic? Do you plan to increase the number of overseas development bases and personnel in the future?

A) Of the approximately 1,000 image IoT personnel, 500 are domestically and 500 are overseas. Domestic is focused on training, while overseas will be hiring and M&A. Overseas development bases are about 15% mainly in Europe and the U.S. In particular, we are focusing on software development, so we will use this development base as a hub for hiring.

Q) Demand for human resources in the AI field is brisk worldwide, and I think it is difficult to recruit. What are your plans for investment in human resources?

A) We recognize that the level of allowance for hiring is high, and based on this, we formulate a recruitment plan. With R&D institutions in Europe and the U.S. as the starting point, we are building a network with AI-specialized universities, through which we will secure excellent human resources.

[Regarding Manufacturing & Procurement Strategy]

Q) Please let us know specific examples of solutions from the front lines that lead to improvements in productivity, and examples that will lead to improvements by using DX in the future.

A) The most common themes in P.11 is quasi-indirect's quality and logistics, where quality improvement is the most common. There are many themes that we want to improve quality at production sites and other locations. In the indirect field, for example, we are actively pursuing initiatives to optimize the supply chain, to formulate production plans, to hold inventories, and ordering parts. Specific examples include the perception of variable cost and fixed cost related to manufacturing management and the forecast of how cost reductions will be effective in the future.

Q) In terms of enhancing productivity, there was an explanation for 6% decrease in MFP and 9% decrease in production print (PP) models as production cost reductions. How much do you think cost reductions can be achieved throughout the whole company?

A) We plan to set up a new opportunity to present the figures for the medium-to long-term plan. As shown in P.15, office is 2% per year, and PP is 3% per year. The weight of variable cost is large, and it is planned around this area. Figures such as 2% and 3% are also the setting of targets that take into account the response to sales prices in the market required.

[Regarding Human Capital Strategy]

Q) Regarding the ratio of women in management positions, during increasing the number of DX human resources and placing importance on training, is it difficult to progress in diversity due to the business structure which increase the number of new employees in science and engineering?

A) We do not think it is difficult to increase the ratio of women. At this stage, we have not issued

guidelines for the percentage of women (such as 50%) among new graduate recruits. Average results over the past few years show that the percentage of women in total new graduates is about 40%, but this is a person-oriented approach. At the same time, HR requests that each division include women in the list of candidates for career recruitment from outside the company. The biggest challenge we face is how to provide such female employees with an environment in which they can work for a long time. Even if it is 40% at the time of joining the company, the problem is that it will decrease. The focus is on the formulation of development processes, the creation of role models, and the providing of a solid picture of the future.

Q) We recognize that Mr.Oka, who is in charge of human resources, joined your company from outside in June last year. Considering the background, I think there is a unique mission, but I would like to know in particular what issues you think should be realized at your company.

A) We believe there are two major things. The first is that we have been expanding our business overseas from an early stage. Despite the fact that three-fourths of all Group employees are overseas human resources as global company, the utilization of human resources and the development of leadership are biased toward the Japanese headquarters and Japan. This was one of the motivations for joining this company, and we will identify, appropriately develop, and utilize outstanding human resources from outside Japan who can contribute firmly to our business. Assign those employees to main headquarters positions to improve business. I feel that there are still many opportunities for this.

Second, as our business portfolio shifts from the office domain to new domains, human resources are essential to realizing the business and internal DX that will be our engine. We believe that the challenges and opportunities for human resources are how to secure and develop human resources that will drive DX acceleration.

Q) As a DX promotion, I think the human resources that each company should acquire are similar, but what do you think is important for enhancing your company's recruitment competitiveness?

A) There are 3 points.

The first is that our culture and personnel and welfare systems are more advanced than other companies. We believe that our systems to support employees' self-actualization, such as the attitude of young employees themselves to engage in activities that lead to innovation and the company to support them, and the lifting of the ban on side businesses, are extremely attractive.

The second is a company that is expanding globally, and has the places, opportunities, and culture in which it can perform well around the world. I think this will be a point that can be appealed to people who want to work in these areas.

Third, since we have experienced multiple management consolidations, mergers and acquires, and

business transformations in the past, our employees will be able to respond very flexibly to changes. Under this backdrop, the human resources coming from outside the company have opportunities to appeal and realize their new ideas and knowledge, which I think is also attractive.

Q) Employees seem to be surveyed on the level of comprehension and consent of Medium Term Business Strategy and DXs. Please let us know about the outcomes.

A) DX2022 will be surveyed in July of this year. We have begun to communicate about DXs and Medium Term Business Strategy, but we plan to conduct a survey when we have completed briefings to our employees worldwide.

Q) Regarding human resources in the IT and IoT fields, please let us know if you will increase the number of people, or a few people with superstar-like skills will lead?

A) Although the number of superstars is not large, we hire experienced and skilled personnel from outside the company. We believe that there is a need for a certain number of employees to put their skills, experience, technologies, etc. into the implementation phase. And, we believe that this can be secured through education and training of human resources with some skills and experience within the company.

Originally, IT-services have been acquired through acquisitions, backed by synergies with Office Business in the U.S. and Europe. For example, the senior management of All Covered, which we first acquired in the United States, is still driving us as the head of the headquarters function of developing our business globally. And, The senior management of Serians in France, an IT service provider, is also responsible for the head of the direct sales force, including MFP sales. We are working to retain the human resources necessary to drive these businesses.

[Regarding Environmental Management]

Q) Regarding your approach to paperless, what is your understanding of paper usage from an environmental perspective?

A) As described in P.21, we are considering scenario-analysis with a long-term view of TCFD until 2050.

In the field of paper, we consider that paperless work will progress over the long term. In terms of sustainability, we believe that there are paperless risks and opportunities from the perspective of climate change. We see the evolution of our business into a “as a Service model” as a countermeasure.

Paperless work as a society needs to be viewed over a long period of time. On the other hand, from the perspective of our business, Commercial printing and Industrial Printing currently use analog

printing, and due to their long lead times, unnecessary amount of papers are produced and inventory that is not used is discarded. We will convert this to DX and change the amount of paper used.

In addition, during the output of paper declines, when we analyze the scanned images by AI, we will understand the data trends of printed materials used in offices, and based on these trends we will propose ways of working. We believe that implementing proposals for workflow reforms and seeing them as business opportunities will lead to contributions to a paperless society.

[Regarding Corporate Governance]

Q) We have heard in Board of Directors that there have been repeated discussions regarding Ambry Genetics and the Precision Medicine Business, but it seems that there are no experienced people in this special field among the members of Outside Director. Isn't there any issue?

Regarding the selection of a Outside Director, have there been no discussions such as selecting a person who is familiar with this area?

A) For the Precision Medicine Business, we have established an advisory board of experts in the United States.

In anticipation of our business development, In Board of Directors, since 2018 Mr, Fujiwara, a former member of Asahi Kasei, a chemical company that is also developing the healthcare field has been outside directors.

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