

Konica Minolta, Inc.
Major Questions and Answers
Industry Business Briefing Session

Date and time: October 6, 2021, 13:00 to 15:30
Formula: Web Online/Telephone Conference

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"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 Materials and components]

Q. Regarding IJ heads, I think it is an area where competitors are also growing, please let us know once again about Konica Minolta's strengths against competitors. And, what is your current market share?

A. We do not sell IJ heads in large quantities at low prices. We are actively incorporating chemical resistance and chemical compatibility into designing IJ heads to make them high value-added.

It has a wide range of applications, including various acids, alkalis, and solvents, and can be used for ink with very high viscosity. Durability is also highly evaluated in the market, and there is a particularly clear difference in industrial applications. As our IJ head has been chosen in the ODF process of LCDs and in new QD OLED, I think it will be understood as a result. We have the background as a chemical company. Our IJ head is characterized by the deep involvement of chemical engineers cultivated in film manufacturing.

While our current market share varies according to the fields, there are some fields in which we are expanding with a market share of more than 50% in the newly developed industrial application field.

Q. Please let us know what market is large one and how large it is for IJ Head as growth areas and core areas?

A. We are vigorously expanding the portion of solder resist, and so we will first expand this. At this stage, we have not yet fully linked to the actual items in

FY2025, but we will focus on areas of the solder resist and the display including QD.

Q. How do you think about IJ's ink business? Please let us know the current sales ratio of it, future outlook and business model, etc.

A. We believe that ink is essential to make the area of industrial use stronger. Although it is difficult to make added value on inks for large-scale printing and signage displays. For industrial applications, the demands on ink from customers are strict and the added value is high, so we will aggressively develop it in combination with the head using our chemical technology. Although IJ heads business is highly profitable due in part to the elements of the subscription, we expect that by adding ink, we will become closer to our customers, evolve together with our customers, and drive profitability as well. Currently, ink business does not account for a large percentage, and it is around a few percent. In the future, we will increase the ratio of ink sales.

Q. What is the current composition ratio of the SANUQI in the film business? In addition, full-scale deployment of QD OLED is planned. I guess you can take advantage of the opportunity with SANUQI. What do you think about it?

A. Currently, SANUQI is less than 10% in terms of volume, but we will not rely solely on SANUQI as a business plan. We will grow the total more than SANUQI growth by raising the sales volume of existing films while keeping high-end areas in SANUQI. The adoption in QD OLED has not yet been decided specifically, but there is a need for films for OLED TV as an anti-reflection film, and it is expected that this will grow significantly due to strong inquiries and high reputation for SANUQI-QWP.

Q. Regarding as SANUQI film, please let us know about the differences, differentiation, and competitiveness with other film manufacturers that produce films by melting out of polymers.

A. We consider this is a point of competitiveness, our production method makes it easy to add additives to materials. Some additives are used in SANUQI for large TVs in order to make it easier to wind up films. In addition, for OLED, we add dyes to increase functionality easily. Manufacturing by melt-cast from raw materials seems to be lower costs at first glance, but it is difficult to add these functions, which makes it difficult to respond to the various requests of customers. On the other hand, the solvent casting type is characterized by being able to respond to a variety of detailed customer requests, and it empathizes customers and are very interested by customers.

Q. What responses can you make for mobile and smartphones?

- A. For small and medium sized products, TAC and COP are available. However, acrylics can also be produced in a similar process and using a solvent casting process combined with stretching process to produce a few microns of film. These are considered as the development of various applications in the market. Customers are very keenly interested in areas where we can respond to customer needs through a variety of processes, including materials. We do not know what demands manufactures of small and medium-sized display will make in the future, but we will quickly and flexibly respond to such demands.

Q. As a protection film, PET, acrylics, etc. are increasing. Please let us know about the impact on your company.

- A. We have been aggressively reducing the volume of our protective TAC films for TV. In other words, we have been avoiding competition and increasing the number of phase difference film for 5 years. For the protection film, we will aggressively develop a strategy to lengthen the films, including materials such as new acrylics.

Going forward, we do not intend to make any further active use of TAC in the field of the protection films.

【Regarding Imaging IoT solutions】

Q. Is FORXAI basically deployed on Japan? Please let us know about the status of global development.

- A. Currently, we are starting with partner companies only in Japan. Regarding global deployment, we are considering of developing this business from the next fiscal year. We intend to carefully expand it with including the respond to GDPR and so on du to the data-handling platforms. Please understand that the development of image AI algorithms, etc. which are unrelated to the platform in European projects, has begun in part.

Q. Do you have any strengths as system platform when there are restrictions on information handling in nursing care solutions, etc.

- A. The platform allows users to switch processing among 3parts, edge, edge-side server, and cloud. Depending on the customer's case, only the facility-side server stores the parts related to personal information, and the results of analysis can be uploaded to the cloud to analyze data in facilities. You can use the system freely according to the services.

Q. Regarding as the forecasts of sales and earnings recovery of imaging IoT business, in FY2020, sales amounted to ¥9 billion and a loss of around ¥3 billion, but you expect to bring them to the break-even in the next fiscal year. As a growth driver for FY2025, you plan to increase recurring business, etc. and if you proceed as planned, it is likely that the progress will contribute in the profit significantly. Please arrange the concepts around this point.

A. The sales growth chart is the sum of MOBOTIX organic business and new businesses. In addition to the fact that MOBOTIX organic business is relatively strong in terms of market-growth, we will aggressively expand the business, which we have been working on particularly in Europe, into other regions. We will also propose solution-oriented businesses using FORXAI. We will aggressively sell new businesses mainly as solutions and software solutions. Although there are some areas in which we invest ahead, we are working the new businesses with an image of catching up and overcoming MOBOTIX businesses.

Q. Please let us know if you learned from the challenges of deploying Work Place Hub (WPH) and have corrected the strategy of FORXAI, etc.

A. The starting point for WPH is different in terms of business model. We had asset of MFP hardware for WPH at first, and it was a model to add service solutions to it. On the other hand, FORXAI is not centered on hardware, and is a model in which we will start with partners with the services of platforms and AI algorithms ahead.

However, both WPH and FORXAI are aiming to provide service solutions, so we are aiming to transform ourselves into a service business, both technological aspects and channels, while combining the ideas of both. I add a little more information on WPH. We are changing the operating system and proceeding with it. The main point is that the first approach to enter each of the business differs greatly, and FORXAI is expanding its base by utilizing partnerships. WPH was focused on direct sales, but FORXAI will prioritize partnership initiatives. We learned from WPH Business and are working to make sure that these approaches are correct in some regions.

[Regarding Sensing Business]

Q. Mini LEDs are starting up as a business, but micro LEDs are also said to be starting up. Please let us know how long the demand for mini LEDs is expected to continue.

A. Both are very small emission devices, but we expect their application fields to be different. Mini LEDs already have a position in place of backlight. By using

them in backlights, we expect LCDs to be able to achieve deep-contrast and be developed as large modules, which are difficult to achieve with OLED and micro-LEDs. Meanwhile, we recognize that micro LEDs are expected to grow in the future and that development is progressing year by year. We anticipate a start-up from a small device, and expect an expansion of uses that are different from mini LEDs.

Q. I recognize that mini LEDs have started mass production and increased production since March of this year. Do you have a positive impact on demand for your products? Also, when do you expect micro LEDs will start up?

A. Demand for mini LEDs began last fiscal year, and this fiscal year was also the case. Although the time for starting up micro LEDs is not clear, we believe that it is heading toward using them as mass-production in accordance with competition of development, evolvement of technologies, and reduction in costs. We are also targeting these development and prototyping periods. There are other demands for OLED, so we will be planning to not miss these opportunities as well.

Q. Your company is able to handle X-rays with Healthcare Business. Is it possible to expand the business by using X-rays in sensing business?

A. Naturally, as our business, we don't exclude any possibilities of all types of light and light sources. When using X-rays, we think it is important whether or not we can select a differentiation area of internal inspections. For the time being, there are no specific plans for sensing business. But in some cases we are considering applications with X-rays through horizontal links within our company, which we consider as one of the means for the future.

As a corporate R&D, although it is in the development stage, the structure of the contents of the object can be seen without destruction by X-rays. We are advancing R&D to apply it to the area of especially the polymer molding process, internal residual stress and strain, the area of batteries, and reinforced plastic materials such as CFRP, etc. On the business side, we are actually working with material components business which requires more upstream raw material knowledge. By expanding the scope of inspection for materials in the measurement field, the activities of the materials components business and sensing business will become one massive activity, and we are also advancing our R&D efforts toward this.

Q. The sales plan for core business of sensing business in FY2022 are projected to exceed those for FY2021. Please let us know the background behind this. In the past, after the number of large-scale projects increased in FY2017, the

results decreased by their adjustments. How do you assume the next fiscal year?

- A. The growth of core business in FY2022 includes the development in the change point on the value chain. In addition, we are expanding the automobile and object color measurement fields, and we are planning to increase core business from the contribution of the products we have introduced over the FY2019 to FY2020. While this might seem transient because we have achieved significant results in FY2021 Q1, we have opportunities from plans of continuous investments in displays, and multiple projects for new models and new devices. Therefore, the plan for FY2022 is considered as positive.

Q. As a smartphone manufacturer, Chinese manufacturers and other manufacturers have been emerged as players other than North America, and the value chain is constantly changing.

I think there is a possibility of expanding to countries other than China. Can you expect them next year?

- A. The value chain that has spread from the U.S. to South Korea and China is changing every year, and we may expand from China to other regions. We consider India to be a strategically important region.

[Entire Industry Business]

Q. As overall Industry Business, your close relationship with customers has been emphasized. Please let us know what is the background behind the achievement so far. In addition, it is expected that more companies will invest management resources in this field in the future. What are Konica Minolta's strengths and differentiation over competitors? Is there any difference that is easy to understand from the outside?

- A. As Industry Business, the scale of the business itself is not so large. Sales, production, development, and management functions are operated at the same place, and immediately share information received on the day with all departments. In addition to this operational system, we are conscious that development will involve a broad range of technologies in order not only to meet the revealed demands of our customers, but also to enter into and make proposals to customers from the perspective of our development. Additionally, we are implementing a flexible system that includes immediate prototyping of products that have been developed.

Although it depends on the business, regarding as performance materials, a small number of sales and development members are made into teams are carrying out together for sales activities. IJ business utilizes distributors in the

sign graphics area, but in industrial applications, sales and development work together directly. It depends on the property of each business.

As a differentiator from competitors, in addition to this operational system, we have the strength in the fact that we are able to move ahead in a predictive ways in terms of how to utilize technology. Naturally, I think that other companies are also devising ways to do this, but our strength is that we are consistently implementing it as the basis of our strategy.

Regarding as sensing business, direct sales and dealer channels are mixed well including through the use of sales channels. Originally, we handled standard products by utilizing the channels of cameras and copiers. Nowadays, it is the feature that we emphasize the pairing of technology and sales for large account customers and organize and operate teams globally across regions.

Q. Regarding MOBOTIX efforts of Image IoT, I have the impression that the results have not been satisfactory as much as you expected since you had started working on them from the past.

What are the backgrounds and changes that will lead to growth plans?

A. Since MOBOTIX had a strong presence in Germany, they have not made progress in changing their mindset to a new solution business. There were strategic issues. For example, in some regions, even if there were requests for combinations with cloud-based services, they are unable to make technological preparations. In FY2020, the policy was changed, and they will work together with Konica Minolta to create hardware and services with a clear strategy of "Winning in the AI-centered intelligent field." Going forward, we will develop these services together on common FORXAI platform. We will also expand our sales channels. In simple terms, they will change from a long-established camera manufacturer to a cloud-based service and monitoring solution company.

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