

KONICA MINOLTA GROUP Q&A from 1H / March 2008 Financial Results Briefing Session

Date: Thursday, November 1, 2007 18:30 - 19:30 JST
Place: Tokyo Station Conference Sapia Hall
Announced by: Yoshikatsu Ota, President and CEO

Cautionary Statement

This material was prepared for those who were unable to attend the financial results briefing in person and is intended only for reference purposes. The reader is asked to acknowledge in advance that the text is not a verbatim account of everything that was said at the briefing but a basic summary whose content was determined by the judgment of Konica Minolta.

Moreover, The reader is asked to acknowledge in advance that the business performance outlook and other content concerning future results in this document is based on information that the company has at the present time and a rational evaluation based on certain assumptions and that actual business performance can greatly vary due to a number of factors.

■ Business Technologies

Q: The Business Technologies business saw substantially increased sales and profits due mainly to increased revenue from color MFP products. In what regions did these products do best?

A: With launching the bizhub C451, the bizhub PRO C6500 for production printing, and other segment 4 models (41 to 69 ppm) in the first quarter sales increased in North America and Japan where demand for high-speed MFPs is high. In addition, the renewal of the office medium/low-speed lineup in the second quarter contributed to increased sales in Europe. Moreover, first-half sales in other regions including China saw revenue increase by more than 30% year-on-year thus contributing to increased profits.

Q: Since the launching of new color MFP concentrates the high-speed segment in the first-half and the medium/slow segment in the second-half, won't this result in a poorer product mix in the second-half and thus risk lower profits?

A: In the second-half of the fiscal year we will continue to both work on increasing segment 4 product sales and concentrate on the production printing area. We think that by increasing the proportion of sales derived from our high-speed products the risk of a decline in profit performance is slight.

Q: What is your strategy going forward for your primary focus, color MFP?

A: Our basic strategy of concentrating on investing management resources in the growing high-valued added product area and strengthening sales in segment 2 (21 ppm) and above color MFP in line with our "genre-top" strategy aimed at gaining the top position in that area will not change. In particular, we want to improve business performance in the so-called commercial printing field that includes segment 4 high-speed office use MFPs and production printing models.

For high volume office use color MFP segments 2 and 3 (21 to 40 ppm), besides Japan, the US, and Europe, growth in regions led by China has been significant in recent years, and we intend to keep working hard on increasing sales in such regions..

■ Optics

Q: You plan for second-half optics operating profits lower than for the first-half. What are the reasons for this?

A: Market recovery in the second-quarter boosted profits of display and memory products for the first-half period. While we think that performance will continue to be good for both these areas through the third-quarter, our strategy incorporates a still unclear demand outlook as well as more intense price competition for the fourth-quarter.

■ Other

Q: You concluded your announcement today by stating that you refuse to be satisfied with things as they are and are aiming to achieve even higher goals. What measures are you taking within the company in this regard?

A: Based on our motto of “urgency, innovative spirit, and speed”, I have taken every opportunity to get all employees in the group to work together and transform our company into an organization brimming with more fighting spirit than ever. Under a medium term business plan fine tuned last year to include the keyword “growth”, we have moved vigorously in the direction of our performance targets. For the current period full year earnings forecast, we feel there is the distinct possibility of reaching our medium term business plan final year profit target a year ahead of time. But even though we may achieve such results, we refuse to be satisfied and instead look ahead toward achieving even higher business performance targets.

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