

Konica Minolta Group

Q&A from 1Q / March 2013 Financial Results Briefing Session

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Place: Nomura Conference Plaza Nihonbashi (Tokyo, Japan)

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

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■ Business Technologies

- Q: The performance of some office equipment manufacturers overseas has been weak compared to expectations. Despite this and the fact that JPY/EUR exchange rate assumptions have been revised in adjustment to the high yen, Konica Minolta has not changed its full-year earnings forecast. We understand that the forecast has been maintained due to expectations for increased sales of new office color multi-functional peripherals (MFPs) from the second quarter onwards. Please tell us about the features and appeal of these new products.
- A: Although the business environment for office equipment does not allow for optimism, we will appeal to customers by providing them benefits such as running cost reductions through our core A3 color MFP products. With these products, unlike standard printers that are sold without additional customer support, we can strengthen OPS (Optimized Print Services) and provide solutions to our customers through our direct sales network. Konica Minolta has particularly strong sales foundations and service capabilities overseas. The new products with which we are currently expanding the lineup are both highly network-compatible to meet these solution services and the reliability of equipment has been improved as well. Furthermore, in terms of profitability, these are strategic products with higher cost performance thanks to the unified platform and adoption of design that takes into consideration the automated assembly line.
- Q: Following the economic downturn precipitated by the collapse of Lehman Brothers, the decline in the number of leases approved was one factor leading to sluggish MFP sales volumes. What is the current situation in Europe?
- A: Although there have been some signs of a decline in the number of leases approved in some southern European countries, there have not been any changes in the western European countries centered on Germany, the UK, and France, nor have there been any delays in customer plans to replace MFPs.

Q: In production print color units, while sales of high-end models have increased, growth has been limited in terms of overall sales volumes. What is the reason for this?

A: Sales growth for high-end models was most prominent in the US, which is our largest market. On the other hand, we believe the stagnation of sales of low- and mid-range models was not due to factors such as intensified competition, but that this trend represents recoil to the increase in sales during the fourth quarter of the fiscal year ended March 31, 2012.

■ Industrial Business

Q: Although TAC films for LCD polarizers (hereinafter referred to as "TAC films") have performed strongly since the previous fiscal year, are there any concerns regarding the future? In addition, is there sufficient production capacity if sales volumes increase even more in the future?

A: Pricing pressure is expected to increase for all LCD panel parts, including TAC films. Rivalry with our competitors in this market is also expected to intensify in the future. Nonetheless, Konica Minolta's leading thin plain TAC film products are forming a larger part of our sales composition, and while we will be affected by pricing, we will improve productivity in order to attain stable profitability for these products.

Q: In addition to TAC films, earnings have improved for the optical business, with the Industrial Business segment achieving approximately half of full-year target levels during the first quarter. However, earnings by segment have not been revised at this time. Does this suggest that major risks are expected in the future?

A: Although the full-year earnings forecast takes into consideration some degree of pricing pressure from intensified competition and demand fluctuation risks, we do not anticipate there being any risks that would cause a significant decrease in earnings.

■ Group Overview

Q: Since a breakdown of the full-year earnings forecast for the first half and second half has not been disclosed, it seems that more profits have been allocated to the second half in consideration of the first quarter results and the sales volume assumptions for major products for the second quarter.

A: Only the full-year earnings forecast has been disclosed here because there are expected to be discrepancies in short-term performance due to increased sales stemming from sales growth of new products in Business Technologies and the accrual of expenses for such areas as R&D. Although the specific figures have not been disclosed, we anticipate 37% to 38% of operating profits to be recorded during the first half, as was the case during the previous fiscal year.