

Konica Minolta, Inc.
Q&A from 2Q/ March 2018 Financial Results Briefing Session

Date: October 30, 2017 16:30 – 17:45 JST
Place: Nomura conference plaza Nihonbashi (Tokyo, Japan)

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

[Q&A regarding Results for Konica Minolta as a whole]

Q. Does operating profit in 2Q include anything corresponding to items in “Other income and expenses,” such as gains on liquidation of assets?

A. Expenses incurred in relation to structural reform, as well as gains derived from the liquidation of assets through sale & leaseback and from disposal of non-core businesses, and so on, are included in “Other income and expenses.” The details are presented on page 32 of the presentation materials for the results meeting.

Q. Are you developing deep learning technologies, implemented using AI, in house? Also, has the company been accumulating data related to that?

A. The data we have gained from deep learning as part of our strategy to build the Workplace Hub (WPH) is an important value-added component. For that reason, the analysis and aggregation of the data is carried out within the Company. If there are areas where we need additional capabilities, we will also take advantage of the technologies offered by our alliances and partners that are moving forward at our five BIC locations around the globe.

[Q&A regarding Business segments]

Q. In the Office Business, how long will it take before we begin to see the positive impact of hardware sales in sales on the non-hardware side?

A. In 2Q, European sales of A3 color MFPs (hardware) that had been weak in 1Q recovered, and the momentum in North America and China, which had been solid in 1Q, continued. Because the MFPs that were sold in 2Q will begin operating in the second half of fiscal year 2017, we can expect an improvement in the sales of non-hardware, primarily in Europe and the US.

Q. In the operating profit analysis by segment for the Office Business in 2Q, “Price Change” was significantly negative. What was the reason for that? How do you see the effects of pricing unfolding from the second half onward?

A. While there has been no change in our basic strategy of emphasizing profitability when selecting projects, one factor was that we took a flexible approach to pricing for certain bids to win large direct-sales projects and secure high volumes. Another was that the proportion of sales to sales companies was higher than normal. In terms of the outlook, there will be a global increase in sales related to business discussions on the direct-sales side that slipped into the second half, so we believe that the negative impact of price changes will be reduced.

Q. With regard to cost reductions in the Office Business, you said that you were expecting positive effects of ¥1 billion or so for the full year from the transfer of production to Malaysia. Those effects were limited in the first half, so should we expect the positive impact in the second half to compensate for this all in one go?

A. We are implementing measures to extract those benefits in the second half, and we expect the magnitude of the effects to expand as well.

Q. In the performance materials business unit, revenue grew by ¥3.0 billion from the first quarter to the second quarter, but what was the background to this, and what is the outlook for the second half?

A. The reason for the increase in revenue was growth in new, high value-added products, primarily water-resistant VA-TAC, as well as Zero-TAC film for IPS and thin TAC film products for small and medium-sized display panels. Judging by the pipeline, we expect this trend to continue in the second half.

Q. The full-year revenue forecasts for the field of optical systems for industrial use, including the measuring instruments business unit, have been raised from ¥35.0 billion to ¥40.0 billion, so does this mean that the “future target of ¥50.0 billion” that was discussed at the Measuring Instruments Business Strategy Meeting could be achieved earlier than expected?

A. The measuring instruments business unit in the first half was extremely strong, but we are taking a somewhat careful view on the second half. However, over the past few years our customer base has expanded, and now we are in the leading position in the industry for color measurement in the display field. Accordingly, we cannot give a clear indication regarding the timing, but we would like to achieve our targets ahead of plan.

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