

Konica Minolta Group Q&A from 3Q/ March 2014 Financial Results Briefing Session

Date: January 30, 2014 15:30 – 16:30 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 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.

■ Business Technologies

Q: Can you tell us about market conditions and competitive environment by region?

A: In Europe, market growth has slowed in northern, central and eastern regions while recovery has been pronounced in the south. Sales in Western Europe account for 70% of total sales in Europe for Konica Minolta, with the key regions of the UK, Germany and France posting a level of expansion that exceeds market growth. Sales expanded in southern, central and eastern areas of Europe.

In particular, the growth rate in sales of core high-segment color units exceeded the competition as a result of hybrid-type sales in the office field that combine various business solution services with MFPs through companies we acquired and of adding upstream services provided by Charterhouse in the production print field, which has enabled us to improve our proposal-making capabilities to customers. In the fourth quarter, we will strive to continue momentum in color units for the office and make the most of the effect of color units in the production print field and new monochrome units for the office to drive further sales growth. In North America and Japan, we will aim to expand sales as in Europe although contribution from monochrome units for the office is still some way off.

In Asia, sales of low-margin low-segment units decreased and share dropped on a volume basis in China in line with a profit-oriented policy. Even so, the level of sales was in line with targets. In the ASEAN region, where we have positioned a regional head office in Singapore, we are working to boost hybrid-type sales capabilities. In India, where the creation of a sales system has been delayed relative to the competition, we have recently gone all the way to number one in market share, primarily owing to steady progress in employment of human resources.

Q: Please tell us about progress in structural reform through a review of the sales system and other areas as well as future direction.

A: The full-year financial forecast has factored in plans to start structural reform of the sales system in Japan, the United States and Europe and of the production system in Japan in the fourth quarter. We will take action from the fourth quarter.

■ Industrial Business

Q: Can you tell us your outlook for demand and the competitive environment for TAC films for next fiscal year?

A: First, we forecast the market for TAC films used in TVs to expand by almost 5%. Of that amount, Konica Minolta aims to secure sales volumes on par with fiscal 2013, mainly by launching products with enhanced water-resistance and cultivating Chinese manufacturers as customers, despite the emergence of TAC film substitutes.

For small- and mid-sized TAC films, the overall market is projected to expand by over 10% on the back of increased application in smartphones and tablets, even though demand for notebook PCs continues to decline. Konica Minolta seeks to maintain sales volumes primarily by introducing TAC films for LCD polarizers for smartphones and tablets as well as TAC films for increasing the viewing angle in the IPS-LCD sector.

Q: Please tell us the effects of improvements made in profit and loss through structural reform such as downsizing the business for lenses used in smartphones and mobile phones.

A: We expect to benefit in the amount of approximately ¥1.0 billion next fiscal year.

Q: Please tell us the positioning and direction of the Industrial Business overall.

A: In the optical products field, we are taking a view to focus on high-profitability businesses even if the scale of sales is small as a business unit, and we will shift to industrial-use and professional-use sectors that are less susceptible to demand fluctuations.

A typical example would be the sensing field and projector lenses for digital cinema in the component sector. We are drawing up a scenario that will see the Konica Minolta Group secure a certain level of profit derived from the aggregate of these businesses.

In the functional film field, we aim to make aggressive investment and create new products while TAC film is in the profit-generating phase.

-END-