

INTERVIEW WITH THE PRESIDENT

TIME FOR ACTION

MANAGEMENT POLICY <09-10>

The Konica Minolta Group, has formulated and enacted MANAGEMENT POLICY <09-10> in its quest to become a robust company capable of achieving strong, sustainable growth, and one vital to society. Spanning the fiscal years ended March 31, 2010 and March 31, 2011, the plan identifies this period as a time for enacting initiatives aimed at achieving the Group's vision.

BASIC POLICIES

1. Execute structural reforms
2. Achieve strong growth
3. Reform our corporate culture

Initiatives for FY March 2011 Shifting to a Growth Track

- Grow sales and expand operations in existing businesses
- Realize full-scale advancement into Asian markets
- Accelerate development of new businesses

BOLSTER EXISTING BUSINESSES

Refine our "genre-top" strategy in Business Technologies and Optics

BUSINESS TECHNOLOGIES

Consolidate Position among Industry Leaders in Europe and the U.S.

- Office MFPs: Strengthen genre-top position in color MFPs and consolidate position as the top industry group in Europe and the U.S.
- Production printing: Step-up our approaches in medium and heavy production printing field, and in commercial printing

OPTICS

Retain Strong Market Position and Enhance Cost Competitiveness

- TAC films: Solidify our position in current businesses and pursue development of next-generation and new products
- Glass hard disk substrates: Expand production capacity to meet growing demand
- Optical pickup lenses: Bolster extensive cost competitiveness to resolutely maintain a dominant market position

ACHIEVE STRONG GROWTH

EMERGENCY REDUCTIONS IN OPERATING EXPENSES

EXECUTE STRUCTURAL REFORMS

REFORM OUR CORPORATE

CSR MANAGEMENT/

FY MARCH 2009

FY MARCH 2010

FY MARCH 2011

EXPAND SCOPE OF EXISTING BUSINESSES

Create new value in production printing and optical devices

PRODUCTION PRINTING

Expand Scope in Medium and Heavy Production Printing and in Commercial Printing

- Leverage advanced polymerized toner technologies and customer-centric product planning acquired in light production printing to establish a genre-top presence in the digital color printing domain

OPTICAL DEVICES

Advance Into New Business Domains Beyond Digital Appliances

- Utilize optical technologies to enter the LED lighting domain; advance into new domains beyond digital appliances

FOSTER NEW BUSINESSES

Create new businesses that will usher in the next generation; make social contributions

ENVIRONMENT AND ENERGY

Foster the OLED Lighting and Organic Thin-Film Photovoltaics Businesses

- OLED Lighting: leverage superior technologies to establish a base for new businesses

HEALTH, SECURITY AND SAFETY

Offer New Value to the Medical Diagnosis and Industrial Process Fields

- Create business focusing on devices/modules applying proprietary optical sensing technologies

FOSTER NEW BUSINESSES

Contribute to society by creating new businesses that will usher in the next generation

EXPAND SCOPE OF EXISTING BUSINESSES

Create new value in the production printing field and in optical devices

REINFORCE EXISTING BUSINESSES

Refine our "genre-top" strategy in Business Technologies and Optics

OPERATIONAL INNOVATION/EVOLUTION OF BUSINESS MODELS

CULTURE: "SIMPLY BOLD"

ENVIRONMENTAL MANAGEMENT

FY MARCH 2012 ~

FY MARCH 2014 TO 2016

QUESTION

CAN YOU GIVE AN OVERVIEW OF MANAGEMENT POLICY <09-10>?

ANSWER

MANAGEMENT POLICY <09-10> IS STRUCTURED AROUND THREE INITIATIVES—EXECUTE STRUCTURAL REFORMS, ACHIEVE STRONG GROWTH, AND REFORM OUR CORPORATE CULTURE.

In my view, the global economic slowdown that followed the financial crisis in the fall of 2008 was no temporary change. Rather, I believe it marked a major turning point for a much more significant transformation that is underway. In May 2009, we formulated MANAGEMENT POLICY <09-10> to seize this moment as a chance to elevate our position and strive for strong growth. The fiscal years ending March 2010 and 2011 were designated as the time to bring these initiatives to fruition.

In terms of executing structural reforms, our aim is threefold. First, we will develop a robust corporate structure capable of generating free cash flow, even in a harsh economic environment with little prospects for sales growth. In parallel, we will innovate all of our business processes, and extensively develop customer-centric marketing and business models.

The next initiative is to achieve strong growth. This requires the presence of businesses that powerfully promote growth in order to swiftly put us on a growth track. Our first task is to refine the genre-top position of existing businesses. This includes areas such as color models in office multi-functional peripherals (MFPs) and production printing in the Business Technologies business, as well as in display materials and optical pickup lens-related fields in the Optics Business. At the same time, we are leveraging our advantages in these fields to broaden our business scope. Environment and energy, as well as health, security and safety, are all fields where social needs are growing. Here, we intend to foster new businesses that will underpin growth for five to ten years from now.

Our third initiative is to reform our corporate culture. To emerge at the top of global competition, it is essential that we build a dynamic corporate culture that drives our people to overcome adversity, be innovative, and trigger paradigm shifts in our business sectors.

Today, we stand armed with a strong aspiration to become a company that delivers robust and sustainable growth that is vital to our society. This vision is one we are determined to realize by actively promoting our management policies.

QUESTION

HOW DID KONICA MINOLTA PERFORM IN THE FISCAL YEAR ENDED MARCH 2010, AS THE INITIAL YEAR OF MANAGEMENT POLICY <09-10>?

ANSWER

WE EXCEEDED OUR PLAN WITH RESPECT TO STRUCTURAL REFORM, AND SAW A RECOVERY IN GROUP OPERATING RESULTS BEGIN TO EMERGE DURING THE SECOND HALF OF THE YEAR.

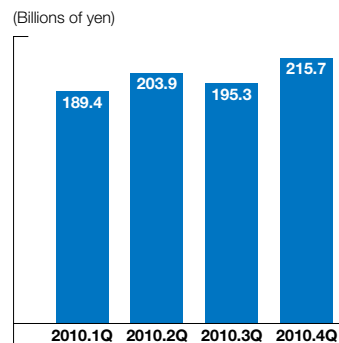
FY March 2010 started with an operating environment that offered no real prospects for growth in net sales or profit. Our highest priority was to work to establish a corporate structure capable of delivering steady free cash flow despite these daunting conditions. In practical terms, we concentrated on lowering the breakeven point for profitability. For example, we sought to optimize our domestic and foreign production frameworks, sales bases and the headcount at our overseas sales divisions, and worked extensively to reduce fixed costs, mainly by executing structural reforms and paring down operating expenses. In addition, we strove to streamline our balance sheet by reducing inventories, scaling back capital expenditure, and negotiating more favorable terms with respect to credit and debt.

As a result, we generated free cash flow of ¥72.9 billion, substantially exceeding our initial target of ¥30.0 billion. Meanwhile, our balance of interest-bearing debt declined ¥33.0 billion year on year to ¥197.3 billion.

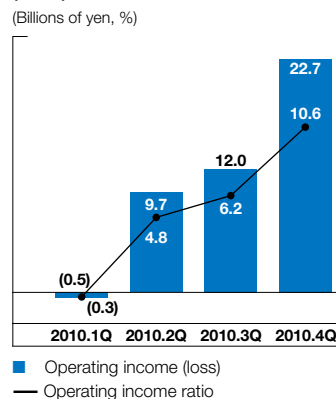
Where operating results are concerned, in Business Technologies, we successfully boosted demand by aggressively unveiling new color MFPs, a move that breathed vigor back into selling conditions from the second half of FY March 2010. In Optics, we capitalized on a rebound in market demand for LCD televisions and PCs, leading to firm sales of TAC films and glass hard disk substrates. In this way, Group operating results are continuing their turn towards eventual recovery.

Realizing robust and sustainable growth requires constant efforts in certain areas. We plan to take firm, decisive action over the coming year to boldly enact the reforms necessary to make Konica Minolta a stronger company.

QUARTERLY NET SALES



QUARTERLY OPERATING INCOME (LOSS) AND OPERATING INCOME RATIO



QUESTION

WHAT INITIATIVES ARE PLANNED IN FY MARCH 2011 FOR THE SECOND YEAR OF MANAGEMENT POLICY <09-10>?

ANSWER

THE YEAR IS A TURNING POINT FOR PUTTING KONICA MINOLTA ON TRACK FOR GROWTH, AS WE SHIFT TO A MORE AGGRESSIVE STRATEGY.

The operating environment in FY March 2011 is expected to see both economic expansion in emerging markets and a rebound in developed economies. However, the outlook remains less than optimistic given several persistent macroeconomic indicators that are fueling uncertainty. These include an adverse employment environment, rising long-term interest rates, and currency exchange rate fluctuations.

As we confront this operating environment, the Group is positioning the year as a turning point for putting itself on a growth track. Specifically, in a single-minded push to break a run of lower sales and earnings that has continued for two consecutive fiscal years, we plan to shift to a more aggressive strategy in order to generate growth over the next five to ten years. To this end, we have identified three key issues that we will move resolutely to address—promoting sales growth and expanding the scope of our existing businesses, full-scale advancement into Asian markets, and accelerating the development of new businesses.



QUESTION

CAN YOU ELABORATE ON PROMOTING SALES GROWTH AND EXPANDING THE SCOPE OF EXISTING BUSINESSES?

ANSWER

WE WILL STRENGTHEN OUR ABILITY TO OFFER PRODUCTS AND SERVICES THAT CUSTOMERS FEEL THEY TRULY NEED.

In office MFPs, maintaining growth hinges on several factors. First is the launch of new products, as well as greater product competitiveness driven by enhanced cost competitiveness. The Group must also reinforce its Optimized Print Services (OPS) for proposing and providing greater office efficiency and higher productivity from the customer's viewpoint. We need to market this service to customers among whom our Group has a powerful business bases. At the same time, we will focus on enhancing vertical marketing with dedicated sales teams.

In production printing, we surpassed our rivals and held our leading position by developing the light production printing domain. Going forward, we hope to leverage technologies and sales expertise honed in this domain to expand our scope to medium and heavy printing in the commercial printing market where we anticipate future growth. Specifically, we will launch new products, actively promote strategic partnerships, and concentrate on strengthening our capacity to develop solutions that include software for workflows, applications and the like.

Two areas where we anticipate increased demand are retardation film (VA-TAC film) for large-size LCD televisions and glass substrates for hard disks. Konica Minolta is strongly competitive in these fields, and we will augment production capacity in order to expand both our sales volume and shares in each area. We will also take advantage of our optical technologies to enter the rapidly growing LED lighting field, where we will extend our reach into fields beyond digital home appliances.

Elsewhere, we are also looking to extend our business scope in the inkjet sector, where growth in industrial-use applications is expected. In addition to printer heads and ink for large-format inkjet printers, we will branch out into sales of large industrial-use printers as inkjet technologies prepare to advance into the field of commercial printing.

QUESTION

PLEASE DISCUSS YOUR PLANS FOR FULL-SCALE ADVANCEMENT INTO ASIAN MARKETS.

ANSWER

WE WILL DRIVE THE FULL-SCALE ADVANCEMENT OF KONICA MINOLTA INTO ASIA, WHERE HIGH GROWTH RATES ARE WIDELY EXPECTED.

Developing a presence in fast-growing Asian markets is one of the keys to spearheading the Group's growth in the coming years. We will look to expand the sale of Konica Minolta products and services in Asia, particularly in China and India, centered on our Business Technologies and Healthcare operations.

Turning to production, in China we have established production sites for products such as MFPs, printers and optical pickup lenses. We are working to raise productivity further to pursue greater cost competitiveness in our production activities. Expanding the procurement of raw materials, parts and components from sources near production sites or in neighboring parts of Asia is another way we are further reinforcing cost competitiveness. Currently, we produce our glass substrates for hard disks in Malaysia, and will go ahead with plans to boost production within this region, given the proximity of this production site to many of our customers.

Asia is both a major production center and a massive consumer market. We will design products tailored to the specific national markets in the region and vigorously promote sales expansion, with an eye to being able to both produce and sell our products in Asia.

QUESTION

HOW DO YOU INTEND TO ACCELERATE THE DEVELOPMENT OF NEW BUSINESSES?

ANSWER

OUR PLAN IS TO DEVELOP NEW BUSINESSES IN THE ENVIRONMENT AND ENERGY FIELD.

When considering new businesses, we evaluate them according to these criteria. First, can the business sustain growth over the next 10 to 20 years? Second, can Konica Minolta's strengths be brought to bear to win out against the competition? And third, does the business offer value to the public?

Given these criteria, we turned our focus particularly to the fields of environment and energy, where social needs are growing. For instance, we pushed forward with the launch of a business around organic electroluminescent diode (OLED) lighting, which is poised to join LEDs as a next-generation lighting source. To this end, we are setting up a pilot line, both to establish the right mass production technologies and to produce the samples and limited-release products needed to attract potential customers.

QUESTION

WHAT DO YOU THINK IS NEEDED TO PUSH AHEAD FURTHER WITH EXECUTING THE STRUCTURAL REFORMS CALLED FOR IN MANAGEMENT POLICY <09-10>?

ANSWER

WE ARE CONSTANTLY AWARE OF THE NEED TO ENHANCE OPERATIONAL QUALITY.

One task we face is finding ways to improve the quality of our operations, since this proposition is essential to becoming a robust company capable of achieving strong, sustainable growth. In practice, we are reviewing and improving every operational process, including planning, development, production, distribution, and sales, all from a more customer-centric standpoint, and deploying these improvement programs horizontally across the entire Group.

My vision for Konica Minolta is to see us become a robust company capable of achieving strong, sustainable growth, and to be a company vital to society.

Molding Konica Minolta into this type of company means that in addition to growth in operating results, our approach to work itself must evolve. Another important aspect is fostering a corporate culture where every individual is highly motivated and has the bold spirit to take on challenges, with a mind open to new concepts and innovation. Our Group-wide slogan in this area—"simply BOLD"—will guide our efforts to build this culture going forward.

