

Konica Minolta Group

Q&A from 2Q / March 2012 Financial Results Briefing Session

Date: October 28, 2011 18:30 – 19:30 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.

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■ Business Technologies

Q: In contrast to the first quarter, earnings improved sharply in the second quarter. What was behind the change?

A: During the first quarter of FY2011, given difficulty procuring components stemming from the Great East Japan Earthquake, we operated on a fixed production plan, with priority on avoiding a fall in the plant operating rate. As a consequence, despite strong sales, we faced a mismatch between demand and supply and missed sales opportunities. In the second quarter, the procurement of components recovered more quickly than expected, and the production system returned almost normal. Against this background, in the office field, sales of color MFPs, which are profitable, rose a substantial 19% quarter on quarter, primarily reflecting strong sales of medium- to high-speed MFPs. In the production print field, sales of new high-end color systems targeting the commercial printing market increased sharply, partly because of an improvement in proficiency in sales activities. As a result, the gross margin improved sharply from the previous quarter.

Q: You said that the production print business grew sharply in emerging countries. What was the background? What percentage of sales in the business do sales in emerging countries represent?

A: Sales in the production print field were approximately 48.0 billion yen in the first half of the fiscal year. Domestic sales accounted for around 15% of the sales, and sales in emerging countries grew to account for almost the same percentage. The main emerging countries include China and India, where we have established sales subsidiaries, and South Africa and Indonesia, where local dealers have strong sales bases. The markets in advanced countries, including Japan, have been formed through the technical shift from analogue to digital. In contrast, in emerging countries, the value of on-demand digital printing was well received from the beginning, and operations have been expanding more quickly than expected.

Q: I assume that the competitive environment will intensify in the second half, reflecting competitors' initiatives to grow sales. What are the assumptions in your forecasts for the second half?

A: We reviewed our forecasts this time, considering the effect of worsening business conditions in Europe and an intensifying competitive environment in the market. Sales expand in the second half from the first half due to seasonal factors at the Group, whose fiscal year ends in March.

■ The Overall Group

Q: You said that the revised full-year forecasts do not include the effects of the flooding in Thailand. Could you tell us what you can about what effects you might expect?

A: We do not have any production bases in Thailand. However, the Business Technologies Business and part of the Optics Business could be affected by the flooding. We procure some materials from the flooded area in the Business Technologies Business, but there are substitutes for some of those materials, which is a different situation from the one after the Great East Japan Earthquake. In the Optics Business, the damage sustained by certain customers for our glass substrates for HDDs and lens units for digital cameras is unclear.

Q: You announced that the effect of the Great East Japan Earthquake on operating income would be 5.0 billion yen. Was operating income affected in the first half as expected?

A: The production system returned almost normal in the second quarter, and earnings improved sharply. However, the missed sales opportunities in the first quarter were not completely offset. The procurement of parts normalized, but cost-cutting activities did not resume in earnest in the second quarter. For these reasons, we estimate that the impact of the earthquake on operating income in the first half was around 3.5 billion yen.

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