

# **Konica Minolta Group**

## **1<sup>st</sup> Quarter/March 2013 Consolidated Financial Results**

### **(April 1, 2012 – June 30, 2012)**

**- Announced on July 27, 2012 -**

Yoshiaki Ando  
Senior Executive Officer  
Konica Minolta Holdings, Inc.

Despite the strong yen, net sales and operating income rose, thanks to earnings growth in the Industrial Business.

The Group made a strong start, effectively exceeding its targets.

- ▶ In the Business Technologies Business, net sales and operating income fell year on year on the stronger yen. Sales were roughly in line with the target.
- ▶ In the Industrial Business, net sales and operating income rose sharply year on year. This owed partly to the Group's restructuring in April this year.
- ▶ The Healthcare Business posted an operating loss, albeit with a better result than a year ago.

# 1Q/March 2013 financial results - Group



	1Q Mar 2013	1Q Mar 2012	[Billions of yen] YoY
Net sales	189.4	186.2	3.2
Operating income	6.3	3.3	3.1
<i>Operating income ratio</i>	<i>3.3%</i>	<i>1.8%</i>	-
<b>Goodwill amortization</b>	<b>2.3</b>	<b>2.2</b>	<b>0.1</b>
Operating income before amortization of Goodwill(b)	8.6	5.5	3.1
<i>(b)/(a)</i>	<i>4.6%</i>	<i>3.0%</i>	-
Net income	0.2	-0.1	0.3
<i>Net income ratio</i>	<i>0.1%</i>	<i>-0.1%</i>	-
Foreign exchange rate [Yen] USD	80.20	81.74	-1.54
Euro	102.91	117.40	-14.49

# 1Q/March 2013 financial results - Segment



[Billions of yen]

<b>Net Sales</b>	1Q Mar 2013	1Q Mar 2012	YoY
Business Technologies	130.3	134.1	-3.7
Industrial Business	40.6	33.5	7.1
Healthcare	15.8	15.5	0.3
Eliminations and Corporate	2.6	3.1	-0.5
<b>Group total</b>	<b>189.4</b>	<b>186.2</b>	<b>3.2</b>

<b>Operating income</b>	1Q Mar 2013		1Q Mar 2012		YoY
Business Technologies	3.0	2.3%	3.6	2.7%	-0.6
Industrial Business	8.2	20.1%	3.6	10.8%	4.5
Healthcare	-0.2	-	-0.5	-	0.4
Eliminations and Corporate	-4.7	-	-3.5	-	-1.2
<b>Group total</b>	<b>6.3</b>	<b>3.3%</b>	<b>3.3</b>	<b>1.8%</b>	<b>3.1</b>

Industrial Business: The Sensing Business and new businesses of the functional materials, especially Organic Light Emitting Diode (OLED) lighting in the Holding Company, were merged with the previous Optics Business.

- ▶ **Net sales: ¥189.4 billion +2% (w/o forex: +6%)**
- ▶ **Operating income: ¥6.3 billion +94% (w/o forex: +221%)**

**The Group's results were driven by higher earnings in the Industrial Business.**

▶ **Business Technologies:**

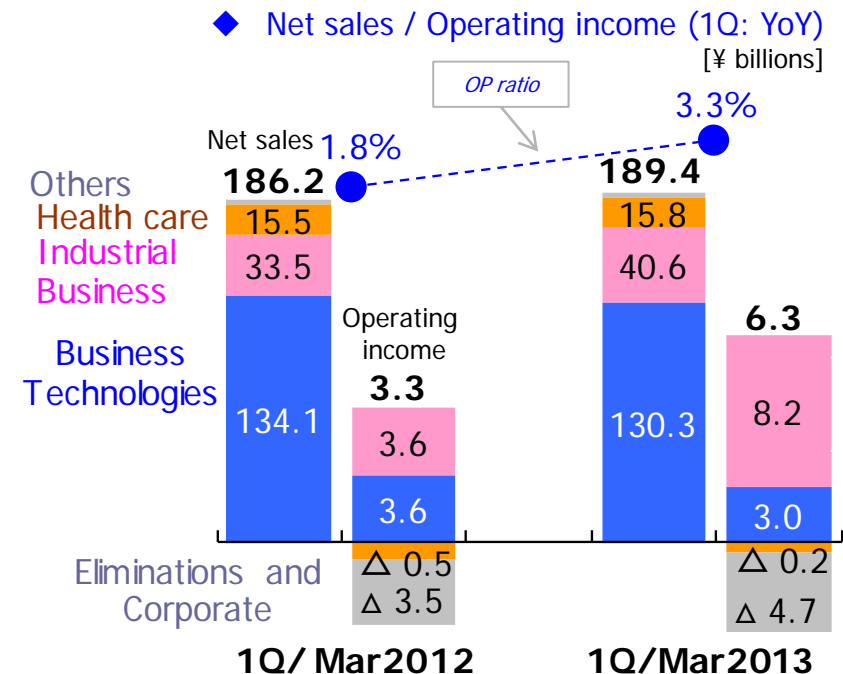
Sales momentum continued despite the weak euro.

▶ **Industrial Business:**

Earnings expanded with the performance of glass substrates for HDDs and optical units, as well as TAC films.

▶ **Healthcare:**

Sales of film products declined, but sales of digital medical input equipment (CR, DR) increased sharply.

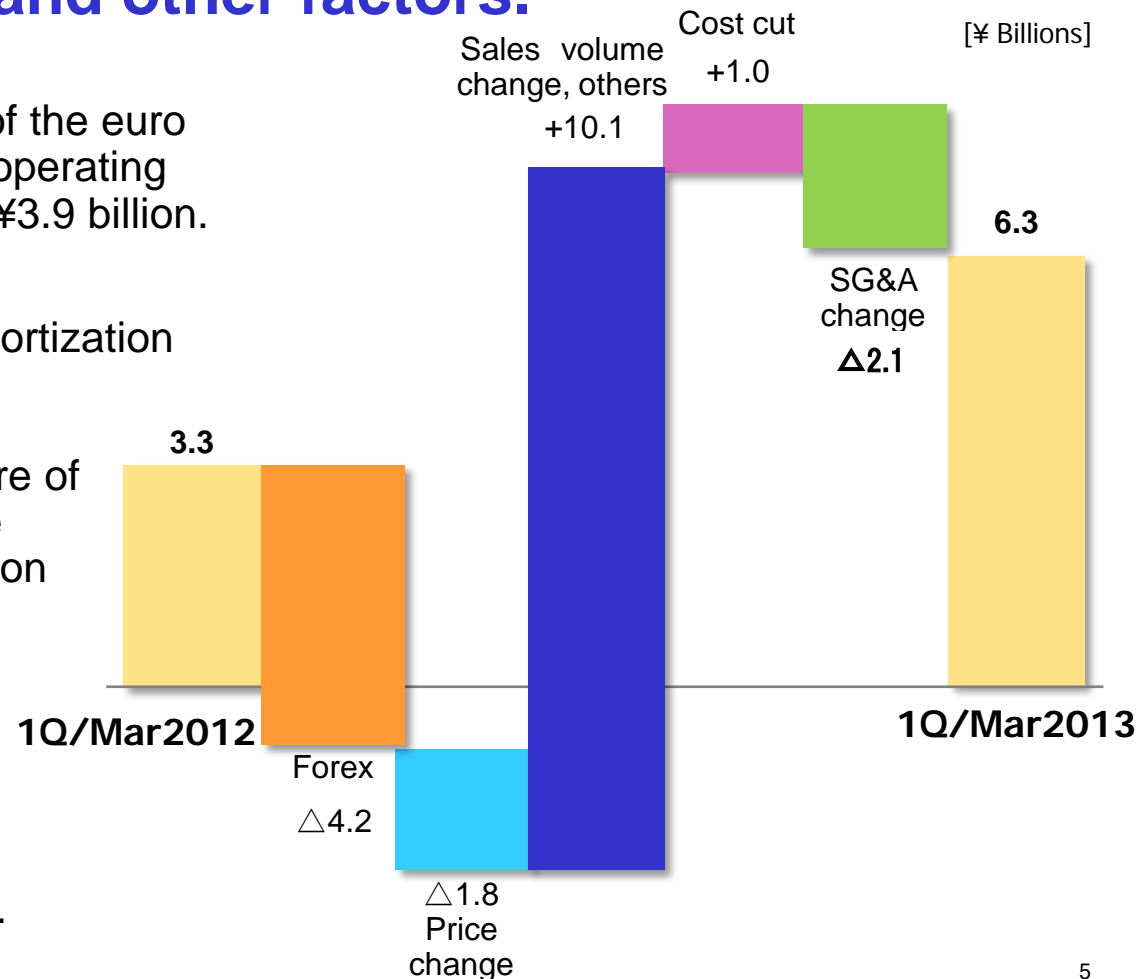


# 1Q/March 2013 operating income analysis - Group



**Operating income rose sharply from a year ago, with the strong yen and higher M&A expenses more than offset by a rise in sales volumes and other factors.**

- ▶ **Forex:** The effect of the exchange rates of the euro and other European currencies reduced operating income in the Business Technologies by ¥3.9 billion.
- ▶ **Cost cut:**  
Industrial Business; Depreciation and amortization decreased.  
Business Technologies; Fixed costs rose because of an increase in the manufacture of new products. Temporary expenses were incurred with the restructuring of production bases in China.
- ▶ **Sales volume change, others:**  
Business Technologies; ¥+6.3 billion  
Industrial Business; ¥+4.1 billion
- ▶ **SG&A:** Expenses increased in Business Technologies because of M&A.



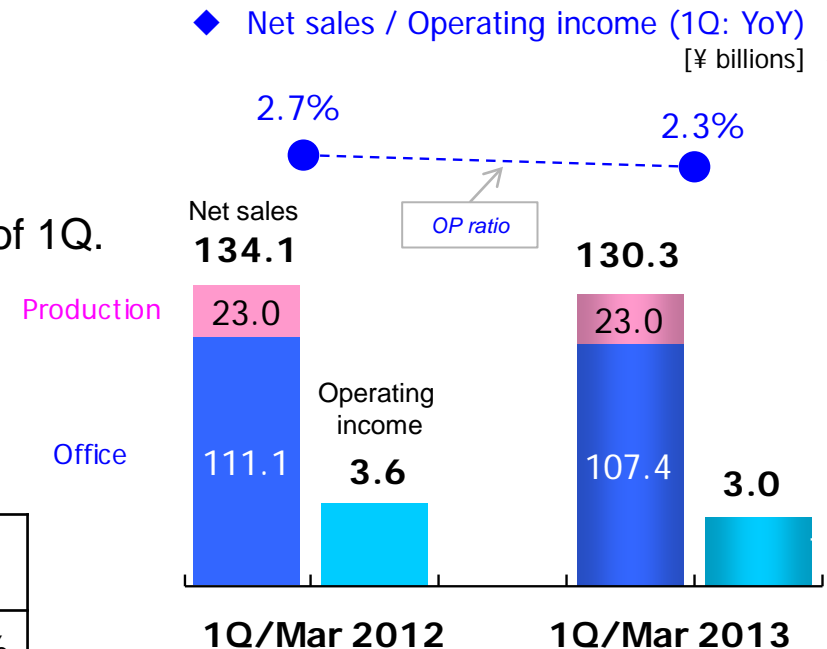
- ▶ **Net sales: ¥130.3 billion  $\Delta$ 3% (w/o forex: +3%)**
- ▶ **Operating income: ¥3.0 billion  $\Delta$ 16% (w/o forex: +91%)**

## Sales momentum remained unchanged in both office and production print.

- ▶ Sales were in line with the sales plan, which takes into account the full launch of new office color MFPs in 2Q.
- ▶ Orders increased in production print from the latter part of 1Q.

### Changes in sales by region (w/o forex)

	Japan	U.S.	Europe	China	All regions
Office:	+2%	+9%	+0%	0%	+2%
PP:	+19%	+4%	+4%	+11%	+5%



# Business Technologies - Sales performance

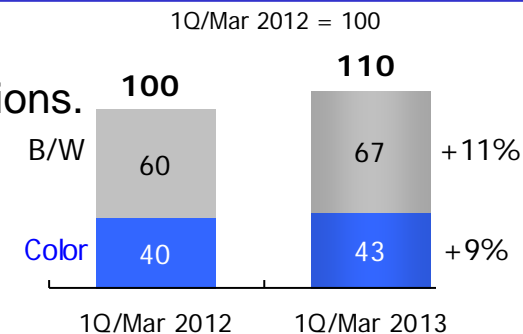


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## A3 MFP for office (unit sales, YoY)

- ▶ Sales were solid, especially in the U.S. and emerging markets.
- ▶ Sales slowed in South Europe, but the decline was within expectations.

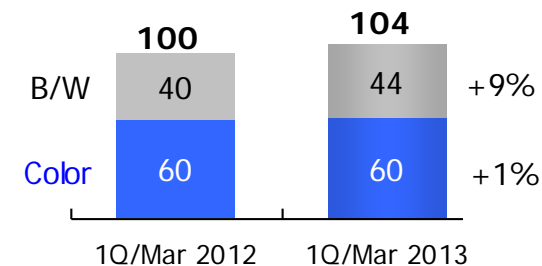
	Japan	U.S.	Europe	China
Growth rate of color units sales by regions (YoY)	+3%	+17%	0%	+3%



## Production Print (unit sales, YoY)

- ▶ Sales volumes fell in Japan and North America. However, sales volumes of high-end color systems rose significantly.

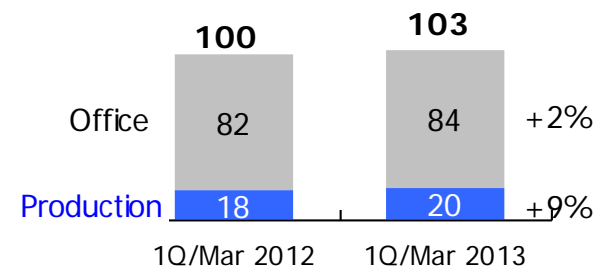
	Japan	U.S.	Europe	China
Growth rate of units sales by regions (YoY)	△14%	△4%	+7%	+36%



## Non-hard sales (on local currency basis, YoY)

- ▶ Both office and production print grew.

	Japan	U.S.	Europe	China
Growth rate of non-hard sales by regions	+4%	+2%	+4%	+8%

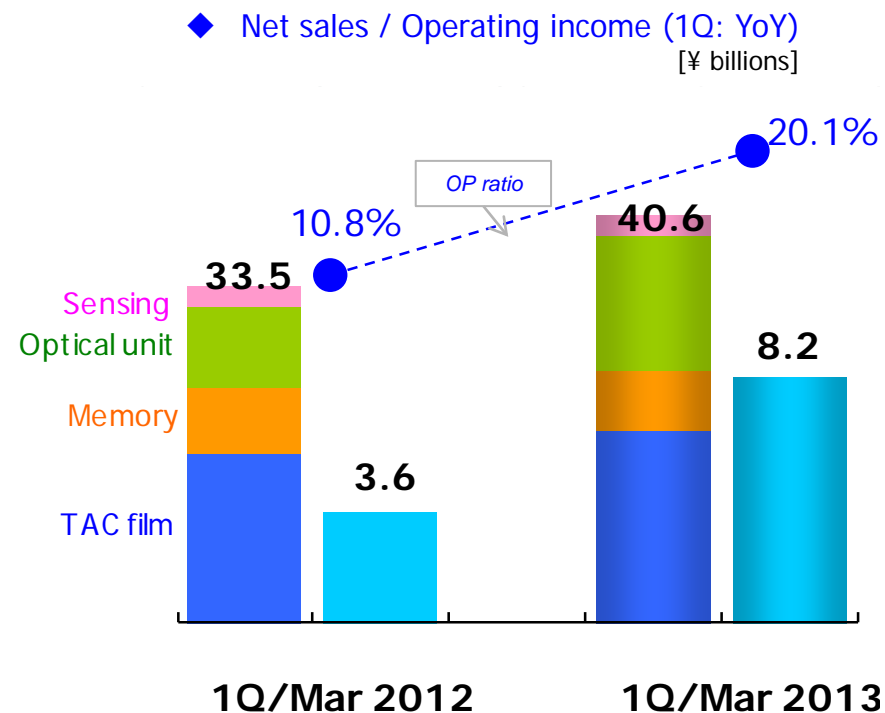




- ▶ **Net sales: ¥40.6 billion +21%**
- ▶ **Operating income: ¥8.2 billion +125%**

## Earnings improved in all product areas, especially in TAC films.

- ▶ TAC films: The strong sales momentum from last year continued.
- ▶ Memory: The effect of the flooding in Thailand on glass substrates for HDDs was eliminated. Shipments of products for 500 GB HDDs began. Sales of pickup lenses for BDs remained sluggish.
- ▶ Optical units: Sales volumes of lens units for cell phones with cameras rose sharply, mainly because of customers' higher sales of products using our lens units. Sales of products, including replacement lenses for DSLR cameras and optical systems for digital cinema, moved higher.
- ▶ Sensing: Sales of light meters were strong.



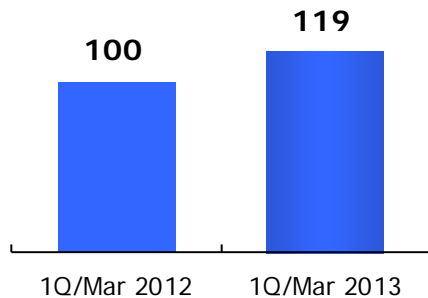
# Industrial Business - Sales performance (Sales volumes)



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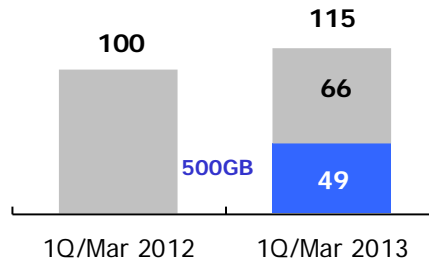
## TAC films

- Sales volumes of VA-TAC films rose sharply. Demand for thin plain TAC films expanded.



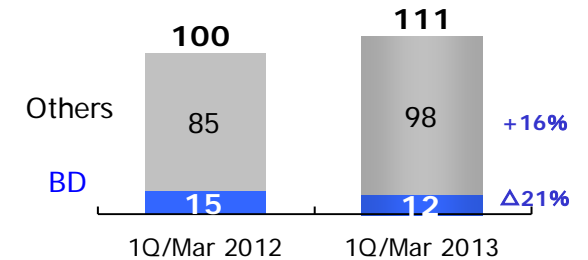
## Glass substrates for HDDs

- Orders recovered. Shipments of 500 GB products began.



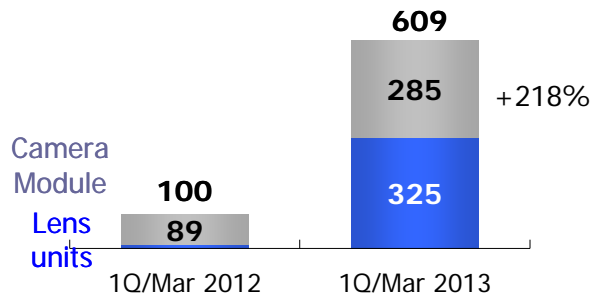
## Optical pickup lenses

- Sales volumes of products for DVDs increased, but those of products for Blu-ray Discs remained weak.



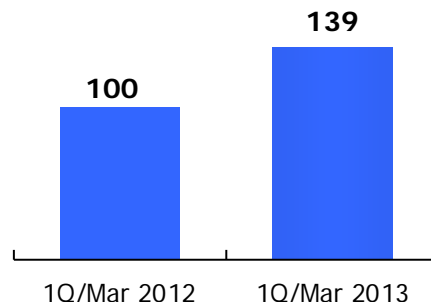
## Lenses for cell phones with cameras

- Sales volumes climbed sharply with applications in new models of cell phones with cameras.



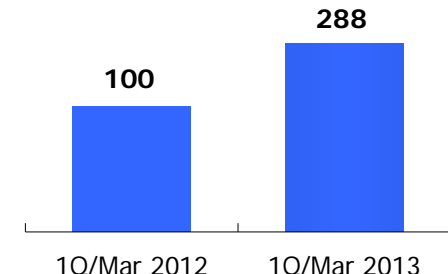
## Replacement lenses for DSLR cameras

- Sales volumes rose because of strong sales at customers.



## Light meters

- Sales volumes increased sharply thanks to acquisitions of major accounts.



1Q/Mar 2012 = 100

▶ **Net sales: ¥15.8 billion +2%**

▶ **Operating income: ¥-0.2 billion, up ¥0.4 billion year on year**

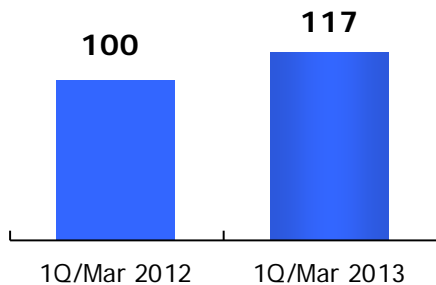
**An operating loss remained, but earnings strength improved with higher sales of digital medical input equipment.**

- ▶ Sales rose, reflecting an increase in sales of digital medical input equipment. DR unit sales exceeded 1,000 units a year after the launch.
- ▶ Earnings also improved with comprehensive cost management.

◆ Net sales / Operating income (1Q: YoY)  
[¥ billions]

## CR / DR

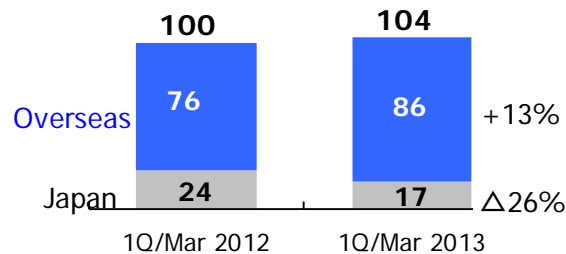
- ▶ Both CR and DR rose from a year ago.



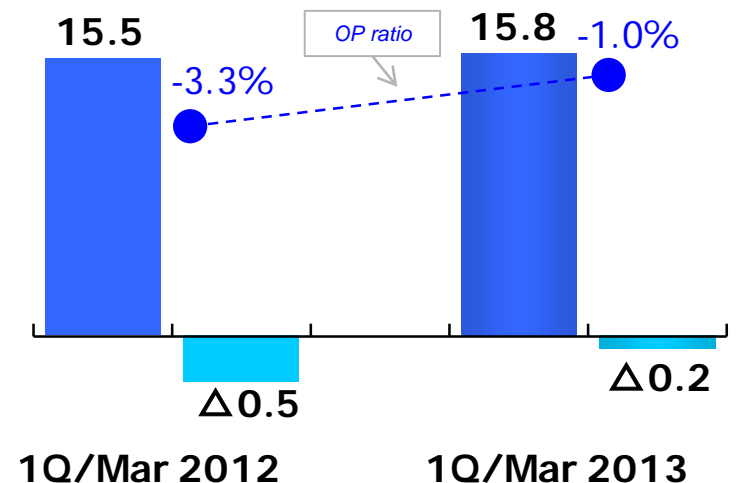
1Q/Mar 2012 = 100

## Dry films

- ▶ Sales rose in emerging markets.



Δ26%



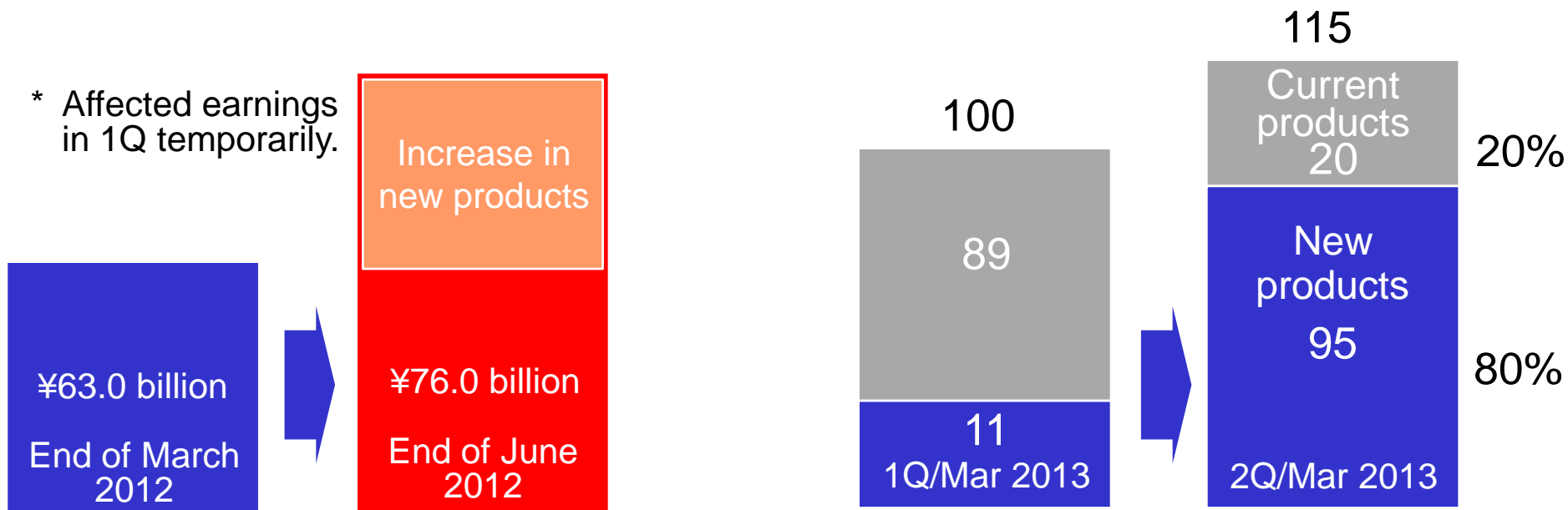
# Increased inventories in Business Technologies



Sales volumes of office MFPs increased 10% year on year as planned. Inventories of new color MFPs rose at the end of 1Q in preparation for their full-scale launch in 2Q.

## Inventories at period-end

## Planned sales of office color MFPs in 2Q

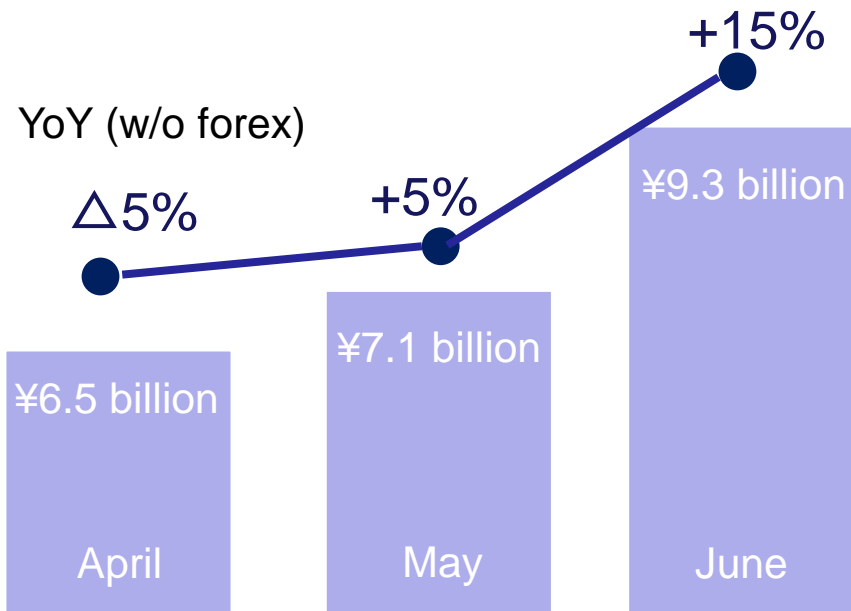


## Sales performance in production print

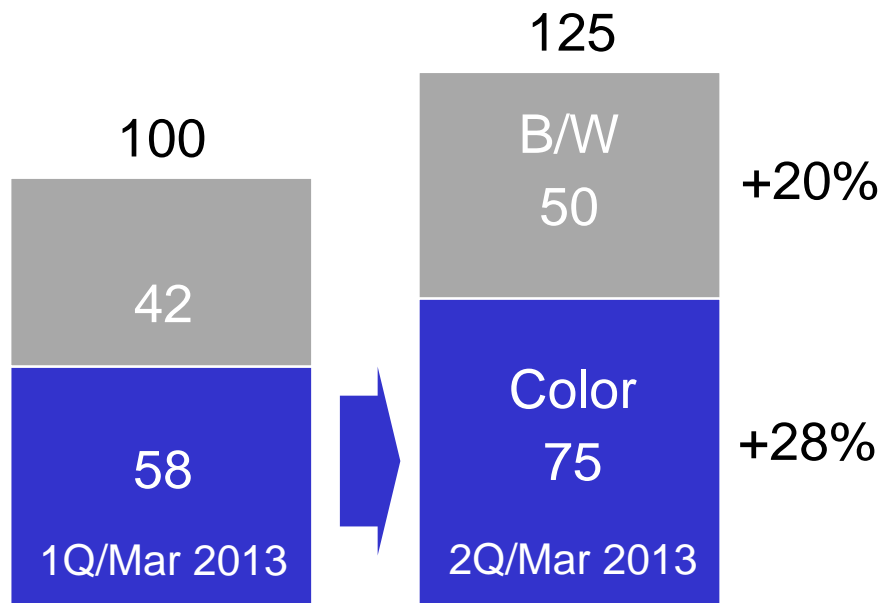


The Group anticipated a weak performance in 1Q, in reaction to the performance in 4Q and conservative purchases before “drupa.” Sales were roughly in line with the plan. Sales momentum recovered from June, and sales are set to increase in 2Q.

### Sales in April through June



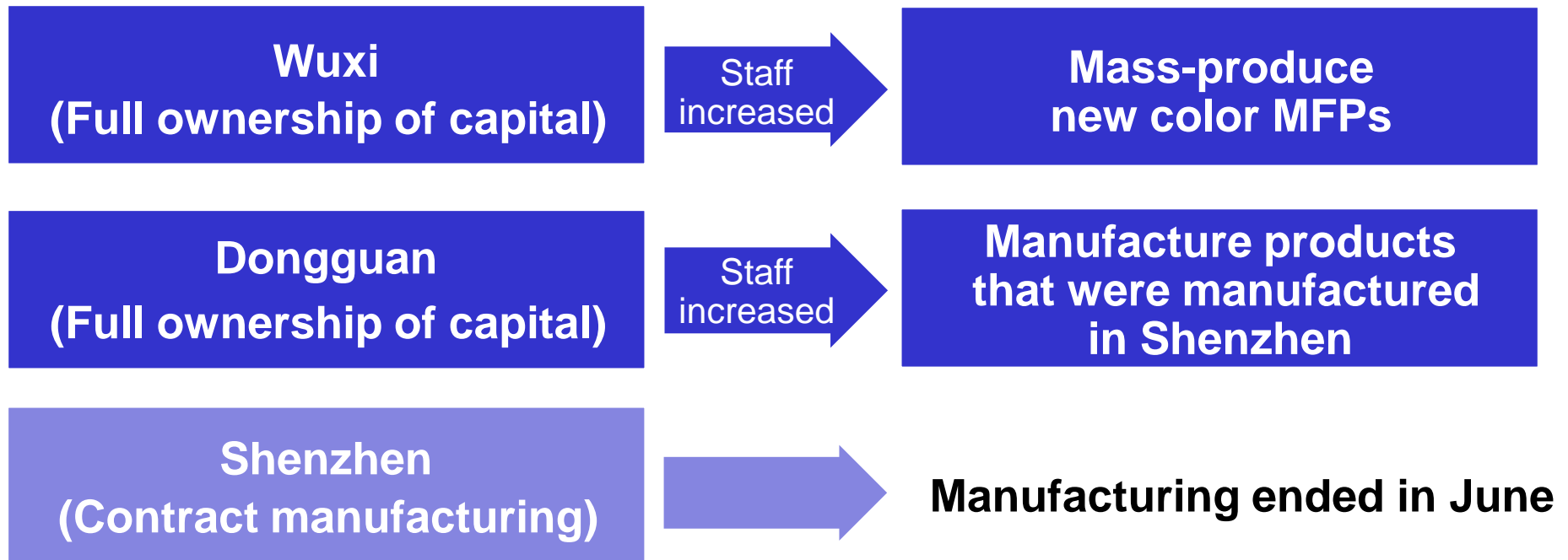
### PP equipment sales plan for 2Q



- ▶ OPS sales: ¥5.1 billion (up 61% year on year)
- ▶ GMA sales: ¥3.0 billion (up 48% year on year)
  - Renewed an agreement with Erste Group Bank AG (one of the largest financial groups in Central and East Europe) to become a single supplier.
- ▶ M&A: 2 cases in Europe, 1 in Japan
  - France: Acquired Serians S.A.S. (a hybrid dealer handling IT service and MFP sales).
  - Turkey: Acquired a sales distributor and made it a sales subsidiary.
  - Japan: Acquired FedEx Kinko's Japan Co., Ltd. (one of Japan's largest on-demand printing providers).



Three MFP production bases have been consolidated into two. Costs rose temporarily in 1Q with the launch of new products and work associated with the consolidation, but these costs will be eliminated from 2Q.



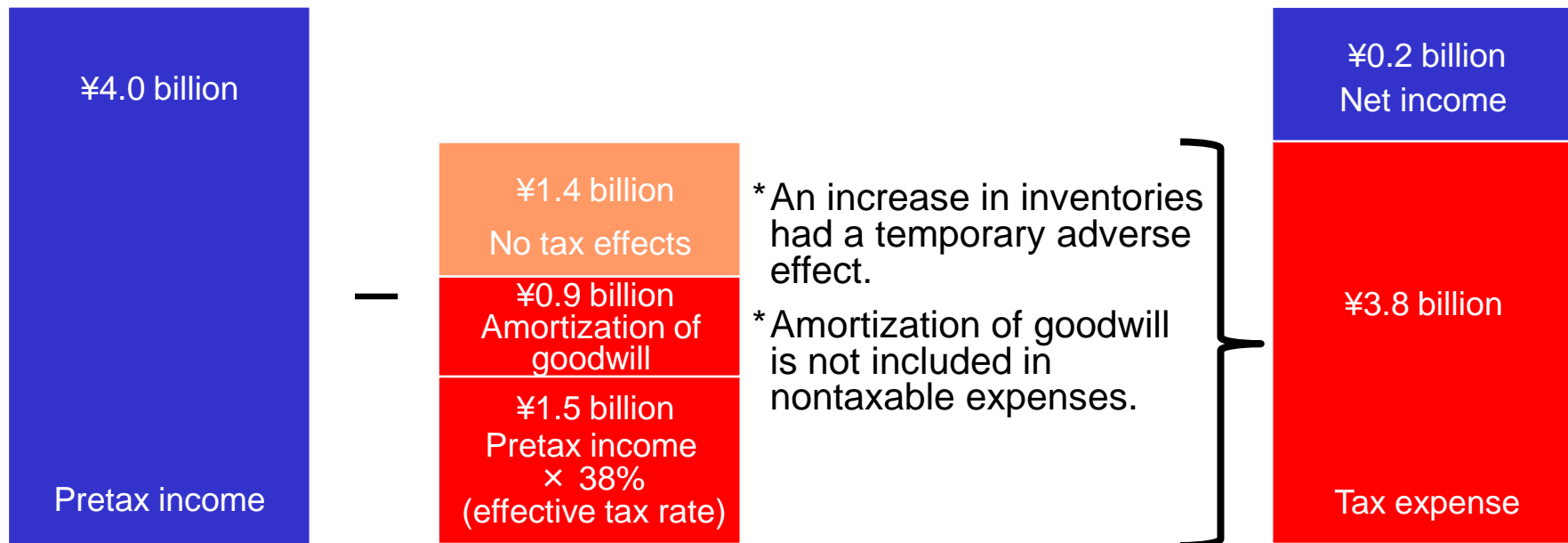


- ▶ Sales were roughly in line with the target in both office and production print.
  - Both sales volumes and sales value (hard and non-hard; on a local currency basis) increased from a year ago.
- ▶ OPS and GMA continued to grow. M&A was promoted steadily.
- ▶ An increase in inventories of new products and the consolidation of production bases in China reduced earnings in 1Q temporarily.
- ▶ The Company aims to maximize income in 2Q by expanding sales of new office color MFPs and increasing sales in production print.





The difference compared to the effective tax rate varies quarterly in step with income, but should level out during the fiscal year. The rate does not affect the initial net income forecast of ¥22.0 billion.





Despite concerns about the business environment, including a strong yen and uncertainty in Europe, the Group maintains its initial guidance (net sales of ¥800.0 billion and operating income of ¥48.0 billion) announced on May 10, given the strong start in 1Q.

- ▶ The Group has changed the initially assumed exchange rates to 80 yen for the US dollar and 100 yen (appreciating 5 yen) for the euro for the quarters from 2Q.
- ▶ The Group is concerned about declines in demand due to the prolonged crisis in Europe but does not expect a major change in market trends.
- ▶ The forecast annual dividend remains ¥15 per share (interim dividend of ¥7.5 and year-end dividend of ¥7.5). The payout ratio will stay at 36% on a consolidated basis.
- ▶ The Group aims for increases in net sales and operating income in 2Q as in 1Q.



## Forecasts: March 2013 - Segments

[Billions of yen]

### Net Sales

	Forecast Mar13	Result Mar12	Change
Business Technologies	570.0	547.6	4%
Industrial Business	140.0	135.1	4%
Healthcare	75.0	73.0	3%
Eliminations and Corporate	15.0	12.1	-
<b>Group total</b>	<b>800.0</b>	<b>767.9</b>	<b>4%</b>

### Operating income

	Forecast Mar13	Forecast Mar13	Result Mar12	Result Mar12	Change
Business Technologies	46.0	8.1%	39.5	7.2%	17%
Industrial Business	17.0	12.1%	15.1	11.2%	12%
Healthcare	1.0	1.3%	0.1	0.0%	-
Eliminations and Corporate	-16.0		-14.4		-
<b>Group total</b>	<b>48.0</b>	<b>6.0%</b>	<b>40.3</b>	<b>5.3%</b>	<b>19%</b>

## Initiatives to achieve full-year forecasts



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### Responding to a ¥5 rise in the assumed exchange rate with the euro

- ▶ Accelerate cuts in production costs to offset the strong yen in Business Technologies.
- ▶ Promote sales in the United States, Japan, and emerging countries in Asia (outside the eurozone).
- ▶ Seek to boost earnings in the Industrial Business, monitoring changes in market trends, including adjustments.

### Risks to note while working towards targets

- ▶ Expansion of the debt crisis in the eurozone and spread of the crisis beyond the eurozone
- ▶ Further appreciation of the yen and worsening market conditions associated with the debt crisis in Europe
- ▶ (Unexpected natural disasters and accidents such as abnormal weather and major earthquakes)



*Supplementary Information*  
*1Q/March 2013 Financial Results*

# 1Q/March 2013 financial results - Group



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	1Q Mar 2013	1Q Mar 2012	YoY	[Billions of yen]
Net sales	189.4	186.2	3.2	
Gross income	86.3	83.6	2.7	
<i>Gross income ratio</i>	45.6%	44.9%	-	
Operating income	6.3	3.3	3.1	
<i>Operating income ratio</i>	3.3%	1.8%	-	
Goodwill amortization	2.3	2.2	0.1	
Operating income before amortization of Goodwill(b)	8.6	5.5	3.1	
<i>(b)/(a)</i>	4.6%	3.0%	-	
Ordinary income	4.8	2.6	2.2	
Net income	0.2	-0.1	0.3	
<i>Net income ratio</i>	0.1%	-0.1%	-	
EPS [Yen]	0.29	-0.21		
CAPEX	7.8	4.9		
Depreciation	10.7	11.7		
R&D expenses	17.6	19.0		
FCF	-16.3	0.6		
CF from operating activities+CAPEX*	-9.7	4.9		
*Purchase of tangible/intangible assets				
FOREX [Yen] USD	80.20	81.74	-1.54	
Euro	102.91	117.40	-14.49	

# Operating profit analysis



*1Q/Mar 2013 vs. 1Q/Mar 2012*

## [Factors]

	Business Technologies	Industrial Business	Other	[Billions of yen] Total
Forex impact	-3.9	-0.1	-0.2	-4.2
Price change	-0.2	-1.5	-0.1	-1.8
Sales volume change, and other, net	6.3	4.1	-0.3	10.1
Cost down	-0.6	1.5	0.1	1.0
SG&A change, net	-2.2	0.7	-0.6	-2.1

## [Operating income]

Change, YoY	-0.6	4.6	-0.9	3.1
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# SGA, non-operating and extraordinary income/loss



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	[Billions of yen]		
	1Q Mar 2013	1Q Mar 2012	YoY
<b>SG&amp;A:</b>			
Selling expenses - variable	10.9	10.5	0.4
R&D expenses	17.6	19.0	-1.4
Labor costs	30.9	30.3	0.6
Other	20.6	20.5	0.0
<b>SGA total*</b>	<b>79.9</b>	<b>80.3</b>	<b>-0.4</b>

\* *Forex impact: ¥2.6 bn. (Actual: ¥2.1 bn.)*

## Non-operating income/loss:

Interest and dividend income/loss, net	-0.1	-0.1	0
Foreign exchange gain, net	-1.0	-0.7	-0.3
Other	-0.5	0.1	-0.5
<b>Non-operating income/loss, net</b>	<b>-1.6</b>	<b>-0.7</b>	<b>-0.8</b>

## Extraordinary income/loss:

Sales of noncurrent assets, net	-0.7	-0.2	-0.5
Sales of investment securities	-0.1	-1.8	1.8
Business structure improvement expenses	-	-	-
Other	0.0	-0.1	0.1
<b>Extraordinary income/loss, net</b>	<b>-0.8</b>	<b>-2.2</b>	<b>1.4</b>

# Cash flows



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	1Q Mar 2013	1Q Mar 2012	[Billions of yen] YoY
Income before income taxes and minority interests	4.0	0.4	3.6
Depreciation and amortization	10.7	11.7	-1.0
Income taxes paid	-4.2	-3.4	-0.8
Change in working capital	-11.4	3.3	-14.7
<b>I. Net cash provided by operating activities</b>	<b>-0.9</b>	<b>12.0</b>	<b>-12.9</b>
<b>II. Net cash used in investing activities</b>	<b>-15.4</b>	<b>-11.4</b>	<b>-4.1</b>
<b>I.+ II. Free cash flow</b>	<b>-16.3</b>	<b>0.6</b>	<b>-16.9</b>
Change in debts and bonds	3.7	2.8	0.9
Cash dividends paid	-3.8	-3.8	0.0
Other	-0.3	-0.4	0.0
<b>III. Net cash used in financing activities</b>	<b>-0.5</b>	<b>-1.4</b>	<b>0.9</b>

# B/S



	Jun 2012	Mar 2012	[Billions of yen] Change
<b>Assets:</b>			
Cash and short-term investment securities	215.3	231.9	-16.6
Notes and A/R-trade	164.9	174.2	-9.3
Inventories	109.5	105.1	4.4
Other	56.4	54.7	1.7
<b>Total current assets</b>	<b>546.2</b>	<b>565.9</b>	<b>-19.8</b>
Tangible assets	173.9	179.0	-5.1
Intangible assets	88.6	87.3	1.3
Investments and other assets	67.8	69.8	-2.0
<b>Total noncurrent assets</b>	<b>330.4</b>	<b>336.1</b>	<b>-5.7</b>
<b>Total assets</b>	<b>876.6</b>	<b>902.1</b>	<b>-25.5</b>

## Liabilities and Net Assets:

Notes and A/P-trade	85.8	88.1	-2.3
Interest bearing debts	229.6	227.9	1.6
Other liabilities	140.1	151.0	-10.9
<b>Total liabilities</b>	<b>455.6</b>	<b>467.1</b>	<b>-11.5</b>
Total shareholders' equity*	419.6	433.7	-14.1
Other	1.4	1.3	0.1
<b>Total net assets</b>	<b>421.0</b>	<b>435.0</b>	<b>-14.0</b>
<b>Total liabilities and net assets</b>	<b>876.6</b>	<b>902.1</b>	<b>-25.5</b>

\*Equity = Shareholder's equity +

Accumulated other comprehensive income

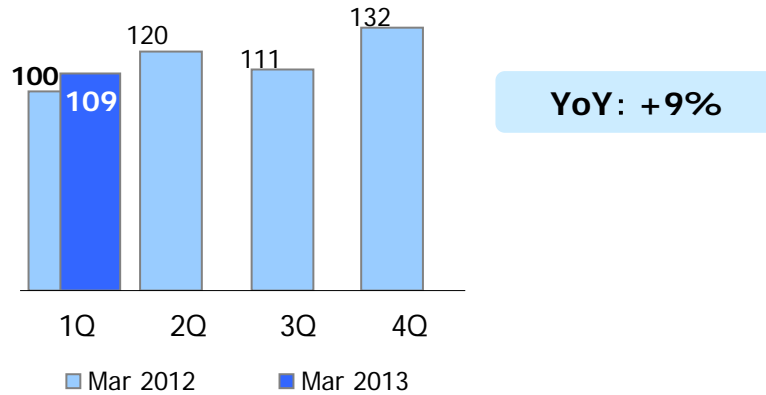
	Jun 2011	Mar 2011	[yen] YoY
US\$	79.31	82.19	-2.88
Euro	98.74	109.80	-11.06



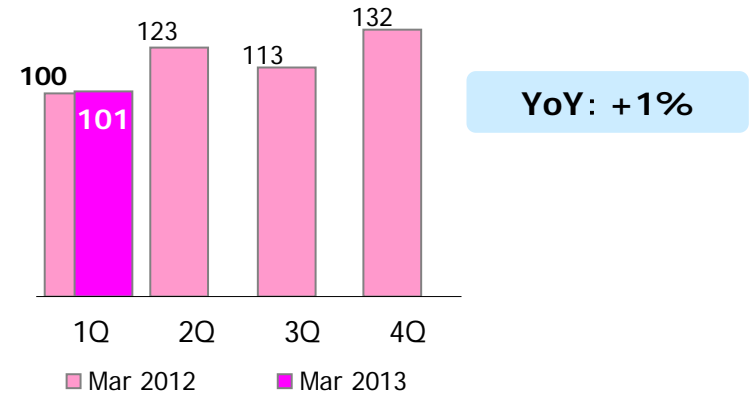
# Unit sales: Business Technologies



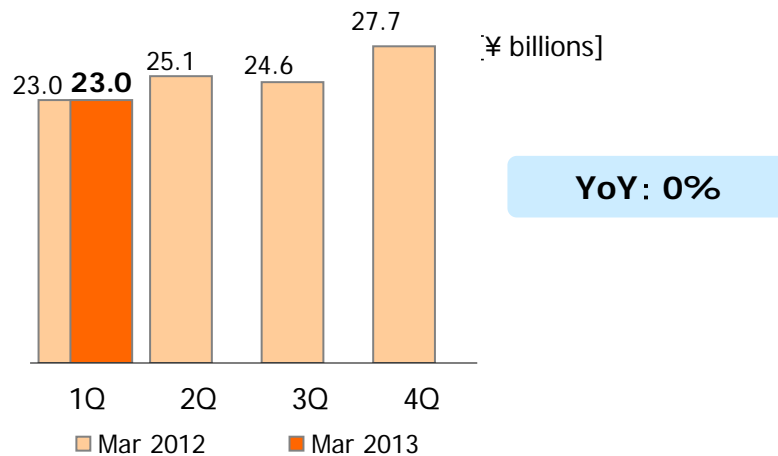
■ A3 color MFP– Units



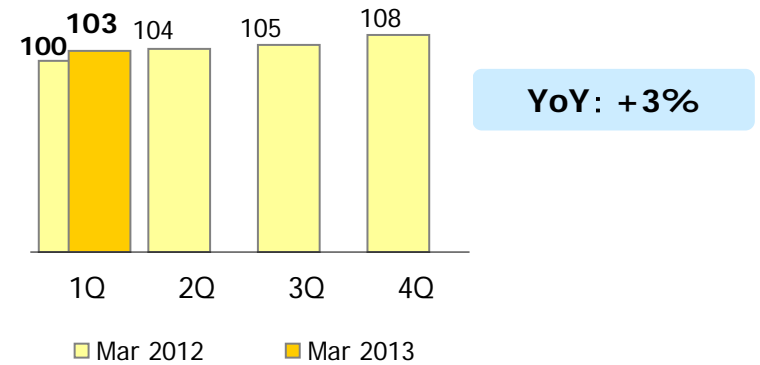
■ A4 color MFP – Units



■ Production printing – Value



■ MFP non-hardware\* w/o forex effects

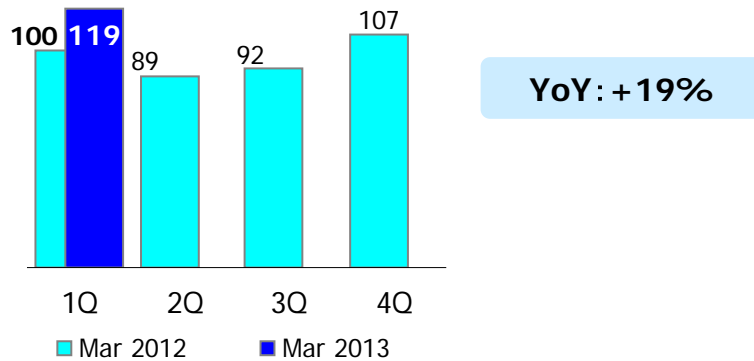


\* Base index : "1Q Mar2012" = 100

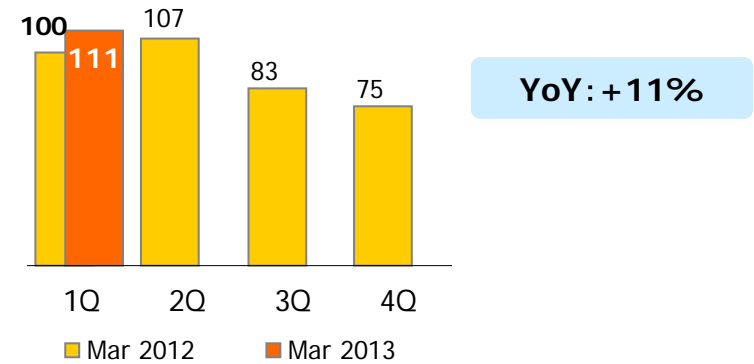
# Unit sales: Industrial Business



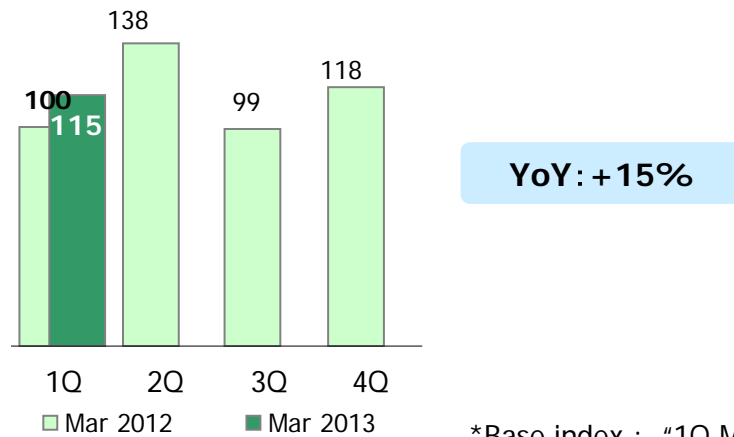
## ■ TAC film – Units



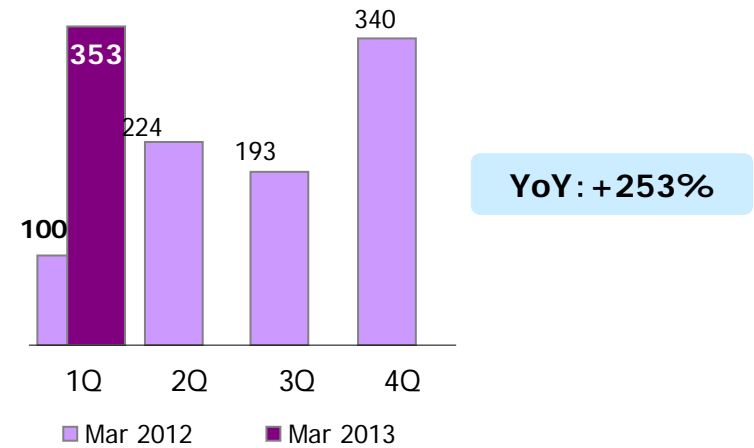
## ■ Optical pickup lenses - Units



## ■ Glass substrates for HDDs - Units



## ■ Mobile phone components – Units



\*Base index : "1Q Mar2012" = 100



*Cautionary Statement:*

*The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.*

*Remarks:*

*Yen amounts are rounded to the nearest 100 million.*