Konica Minolta, Inc.
Q&A from 1Q/ March 2017 Financial Results Briefing Session

Date: July 28, 2016 18:00 – 19:00 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.

[Q&A regarding overall company results]

Q. Please tell us to what extent operating profit failed to achieve the level anticipated by the internal plan.
A. The amount was approximately 2 billion yen. This was caused by a reduction in revenue in the Industrial Business, while other businesses remained on track.

Q. Please tell us to what extent the M&A conducted last year contributed to revenue.
A. Approximately 10 billion yen. Roughly half of this amount was related to the Business Technologies Business, while the other half was a result of the new consolidation of the Healthcare Business, Viztek, LLC, and the measuring instruments field, Radiant Vision Systems, LLC.

Q. Please tell us your thoughts about the M&A that occurred this fiscal year.
A. Our policy is to continue to aggressively pursue M&As after carefully confirming that the specific M&A is in accordance with the Company's growth strategy. Considering the current value of equity ratio, shareholders' equity, and goodwill etc., we consider that we have maintained a balanced financial structure. At present, Konica Minolta has an A rating. Our basic strategy is to create financial conditions that allow us to maintain this A rating. In the event of a large M&A proposal, we will consider various measures including acting jointly with our partners.

Q. Please tell us how Konica Minolta views the current inventory level.

A. Looking at the number of months in the inventory turnover period, our inventory levels appear to be slightly in excess. Factors that influenced this are our inability to achieve sales targets in the Industrial Business and recently released high-end inkjet presses. However, the Business Technologies Business exceeded estimates as a whole.

[Q&A regarding Businesses]

Q. Please tell us about sales in the Business Technologies Business for each region.

A. In Japan and North America, we increased sales of color products over the previous year in both office services and commercial and industrial printing. In Europe, although we greatly increased sales of A3 color MFPs for office use, with regard to production print there were many customers who refrained from placing orders until the drupa 2016 exhibition, which was held in May. This led to a slight year-on-year decline. However, at drupa 2016, we secured orders that will lead to sales of a significant value, and we hope to reap the rewards of these soon.

Q. Please tell us about the background behind the positive turnaround in operating profit ratio in the Business Technologies Business, even when the currency exchange rate is taken into account.

A. We see this as resulting first from the success of structural reforms, and second, from the success of the value-added sales known as hybrid-type sales. Specifically, we have been able to increase the MIF retention rate, avoid price competition though proposal-based sales, and increase transaction amounts per customer by combining hardware sales and services.

Q. Please tell us how Konica Minolta views the market for performance materials, given that some other players in the industry feel that they have bottomed out.

A. We agree. We expect a recovery to occur in 2Q and 3Q. The launch of the new QWP product, which was not available last year, went smoothly and we will increase revenue from this as well.

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