

**Konica Minolta, Inc.**  
**Q&A from FY March 2017 Financial Results Briefing Session**

Date: May 11, 2017 18:00 – 19:30 JST  
Place: Iino Hall & Conference Center (Tokyo, Japan)

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*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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**[Q&A regarding FY2016 Earnings Results]**

Q: 4Q operating profit undershot forecasts, so please explain the details of any special factors that affected it.

A: We carried out structural reform in Europe ahead of schedule. This was not factored into our plans. Also, we increased up-front development expenses. This was targeted at Workplace Hub and new products in production print.

The outcome was that results deteriorated relative to the plan, but this was implemented as the result of thinking about the situation in fiscal 2017 and beyond.

Q: I would like to ask your opinion on inventories. Even at the 3Q results, I had the impression that they were a little bit high, but the answer we were given then was that “The contents are sound.” I think the time taken to turn over inventory, expressed in months, is high for the end of March, so I would like to hear your views on this and on the outlook for fiscal 2017.

A: As you say, the inventory turnover period has risen by about 0.3 months year on year. The cash conversion cycle has also increased by about 0.2 months year on year, and although the content of inventories is sound, from a management perspective this is certainly not a level with which we are satisfied. For this fiscal year, as far as business management is concerned, in order to bolster our earnings power by, for example, introducing ROIC, we are aiming to compress inventories from the level of ¥136 billion at the end of March 2017 to somewhere in the ¥120-billion range,

which was recorded at the end of fiscal 2016. We feel that management needs to keep a tight grip on this.

#### [Q&A regarding FY2017 Earnings Forecast]

Q: I have a question about the assumptions underpinning the FY2017 earnings forecast by segment. The Office Business was doing well until quite recently, and then revenue fell in 4Q, and the Professional Print Business was not great last year; however, my understanding is that you are expecting new products this year, is that the right interpretation? Also, please explain what the drivers of the Healthcare Business will be in the new fiscal year.

A: One of the reasons for the decline in revenue in the Office Business was the impact of the forex, but another factor was that we included the revenue from Workplace Hub in the forecast for the “New Business” segment. As for the Professional Print Business, we will ensure that new products make a solid contribution in fiscal 2017. In addition, the forecasts include a full-scale assault on commercial printing with the “KM-1” digital inkjet press, and in industrial printing, we have included growth in products from the newly consolidated MGI.

As for the Healthcare Business, there are a number of drivers, but the largest contributor is ultrasound. In addition to it being “genre-top” in the orthopedic surgery market in Japan, we have also put in place the structure to expand sales in the US and China. The key point is that we expect contributions in terms of revenue and profits to rise in fiscal 2017. The sales curve for maintenance services in digital products is also beginning to steepen, which is another reason for the increase in revenue.

Q: Please provide a breakdown of the difference between operating profit and business contribution profit (BCP).

A: There is an ¥8 billion difference between BCP of ¥54 billion and operating profit of ¥46 billion in fiscal 2017, and structural reform expenses account for slightly more than ¥4 billion of that. Expenses in new businesses related to trial manufacturing before mass production are slightly over ¥2 billion, in addition to which there is a loss on sales and disposals of property, plant and equipment of slightly over ¥1 billion, so we are forecasting a total of about ¥8 billion.

Q: Revenue of measuring instruments grew in 4Q to ¥9.7 billion, but what is the outlook for fiscal 2017?

A: Conditions in the measuring instruments business are extremely favorable. In particular, in the main business itself, business with a major display customer is growing steadily. Also, because business with a major US customer is growing at IS, the German company that we acquired, we expect a steady contribution in the first quarter of fiscal 2017 and beyond as well.

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