

## Konica Minolta Group Q&A from 1Q / March 2010 Financial Results Briefing Session

Date: Thursday, August 6, 2009 16:30 – 17:30 JST  
Place: Keidanren Kaikan (Tokyo, Japan)  
Speakers: Shoei Yamana, Senior Executive Officer  
Yasuo Matsumoto, Senior Executive Officer

### Cautionary Statement

*This material was prepared for those who were unable to attend the financial results briefing in person and is intended only for reference purposes. The reader is asked to acknowledge in advance that the text is not a verbatim account of everything that was said at the briefing but a basic summary whose content was determined by the judgment of Konica Minolta.*

*Moreover, the reader is asked to acknowledge in advance that the business performance outlook and other content concerning future results in this document is based on information that the company has at the present time and a rational evaluation based on certain assumptions and that actual business performance can greatly vary due to a number of factors.*

### ■ Overview of Performance

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- Q: To what extent were the internal targets for the Konica Minolta Group achieved in the first quarter?
- A: Specific targets for the Group for each quarter are not disclosed. However, our core business, Business Technologies, failed to reach targets set for the first quarter. On the other hand, our Optics and Medical and Graphic imaging sectors performed better than expected, however, it was not sufficient to cover the shortfall in business technologies.
- Q: The Group has not revised its performance forecasts. Is it possible that the Group will achieve its earnings targets for the first half? Are you expecting an increase in the forecasted amount of 33 billion yen in cost reductions stemming from structural reforms announced in previous financial results?
- A: Although Business Technologies failed to reach the set targets for the first quarter, we expect to recover that shortfall by implementing measures to maintain sales volumes from the second quarter onwards. We expect our Optics and Medical and Graphic Imaging sectors to continue to exceed targets set for the second quarter. At present, achieving targets for the first half will be difficult. In regards to March 2010 full-year forecasts, we hope the effective implementation of measures geared towards further cost reductions in the area of procurement, logistics and IT expenses will ensure that initial targets are achieved.

### ■ Business Technologies

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- Q: Forecasts for Business Technologies for the first quarter fell short of projected targets. What factors caused to this shortfall?
- A: The start of the first quarter saw a deterioration in the Middle Eastern and Eastern European MFP markets resulting in a return from color segment back to low-end monochrome segment in which we have a small number of models. This was coupled with price hikes and concentrated efforts to streamline indirect sales departments in the US and Europe - both factors which served to curb sales performance. In light of these conditions, assertive

measures were taken in the latter half of the first quarter to maintain sales volumes in all regions including sales promotions for current models. As a result, sales increased by 20% in June over the previous month with strong sales continuing over the month of July.

**Q:** It appears that sales for A4 machines in the office printer segment performed strongly. What effect did this have on earnings and how is the office printer segment looking overall?

**A:** There is currently a strong trend in downsizing from low-end A3 office-use MFPs to A4 machines. Our color tandem A4 machines were developed based on the same concept as the office-use A3 model, resulting in strong sales throughout the first quarter. Earnings for the first quarter were slightly in the red however, increased sales of consumables, a primary source of revenue in this segment, should see an increase in earnings in the coming months.

**Q:** The Group seems to be concentrating on the production printing segment, and in particular, commercial printing. In comparison to the existing office market, will business expansion in this segment require proportionate investment?

**A:** We are currently working to strengthen a global, direct sales network dedicated to the production printing market. Over the last 18 months we have channeled efforts into strengthening our sales framework, recruiting personnel from outside the group in order to expand our service capabilities and to provide specialized training to our sales staff.

## ■ Optics

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**Q:** The Groups optics business appears to have achieved projected targets for the first quarter. How did each of the individual segments perform over this period?

**A:** The TAC (triacetyl cellulose) film (material used to protect polarizing plates for liquid crystal displays) segment was the strongest performer over the first quarter with sales volumes returning to peak levels experienced in the same period last year in line with the recovery of the market. Sales for optical pick-up lenses also increased significantly in comparison to the fourth quarter last financial year. A rapid recovery in orders for hard disk glass substrates was also experienced in the latter half of the first quarter and we are currently increasing production in this area. Mobile phone camera lenses are also performing strongly on the back of structural reforms implemented throughout the fourth quarter last financial year.

**Q:** You have mentioned that sales volumes for TAC film exceeded the forecasted targets. What are your forecasts for the second quarter onwards, and do you expect to see any changes in market prices and market share trends?

**A:** We have recently experienced a large number of inquiries from the Taiwan market and we expect sales volumes to remain robust from the second quarter onwards. Although sales showed a slight recovery in VA-TAC the first quarter also saw a fall in market prices. We intend to keep a close eye on our competitors and to concentrate on the development of new products that will be more competitive in the market.

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