Konica Minolta Group  
Q&A from 2Q / March 2010 Financial Results Briefing Session  

Date: Thursday, October 29, 2009 16:30 – 17:30 JST  
Place: Tokyo Station Conference, Sapia Hall  

Cautionary Statement  
This material was prepared for those who were unable to attend the financial results briefing session 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.  

■ Overview of Performance  

Q: What contributed to group-wide fixed cost reductions (year-on-year) reaching 37 billion yen, 4 billion yen higher than predicted in your initial plan?  
A: In addition to the reduction in fixed costs of 22 billion yen achieved in the first half, we expect to reduce another 15 billion yen in the second half. In Business Technologies, organizational restructuring of administrative back-offices of U.S. sales companies and Danka Office Imaging Company (acquired last year) was completed in the first half ahead of the original schedule. Further, production site restructuring and personnel optimization were implemented in the Optics Business, where demand greatly decreased beginning in the third quarter of last fiscal year. The production volume of main products began to increase, in particular, in the second quarter in line with the recovery of the market, and fixed cost increases were curbed by business structural reform. Research and development spending and capital investment were also closely analyzed against plans and selectively cut back, thus we expect larger reductions than were predicted in initial targets.  

Q: Besides these fixed cost reductions, further cost reductions were implemented in sections not factored you’re your initial plan. Can you please explain these additional cost reductions?  
A: We have begun to approach further improvement of the Group’s business structure by taking such measures as reduction of procurement costs across the group, cutting of regular IT investment, and elimination and consolidation of logistic bases beyond business boundaries. While we expect the effects of these measures to be visible in FY March/2011, we are prioritizing efforts expected to produce immediate results in this second half. It should be noted, however, that these improvement effects were not factored into the current adjusted figures.  

■ Business Technologies  

Q: What factors contributed to profitability greatly improving in the second quarter, and can we expect even greater improvement in the third quarter and subsequent quarters?  
A: Profitability greatly improved in the second quarter from the first quarter base due to the success of measures such as sales promotion of old products and cost reduction. We also hope to make intensive efforts – such as strengthening competitiveness through new products and lowering costs – to allow for a further improvement in profitability in the third quarter and subsequent quarters.
Q: What is the current status of the production printing segment?

A: The market environment, as with the office segment, faced continued bleak economic conditions stemming from lackluster customer investment originating in the second half of last fiscal year, with commercial printing in particular hitting a low note. While we predict that this situation will continue throughout the second half, we nonetheless hope that actively implementing measures to expand sales of current products will positively contribute to the development of new products planned for the next fiscal year.

— Optics —

Q: Do you expect to adjust the volume of TAC (triacetyl cellulose) film in the fourth quarter according to your second half plan?

A: TAC film sales have shown strong recovery up until now, but we anticipate a slowdown in sales reflecting customer inventory adjustments due to the post year-end sales.

Q: It appears that competition in the VA-TAC (viewing angle compensation film) segment is escalating. Will there be any changes in shares in the second half?

A: Our products are superior to the competition in production capacity, quality, and price and, as such, we have not recognized any major changes in market position. Moreover, we hope to enlarge the scale of operations by participating in new segments and developing new customer bases for existing products next fiscal year.

Q: What are the factors contributing to your decision to downwardly-revise the BD (Blu-ray disc) optical pickup lens segment for the second half?

A: The amount of orders received for optical pickup lenses for video game consoles and home electronics was favorable in the second quarter. On the other hand, though, expanded installation of optical pickup lenses for PCs by customers was delayed due to the worsening of business conditions, thus causing overall orders received to fall well below our initial plan. We expect that second quarter business conditions will continue to follow a similar pattern in the third quarter and we have thus readjusted our sales plan accordingly for the PC optical pickup lens segment.