

Konica Minolta Group

Q&A from March 2010 Financial Results Briefing Session

Date: Thursday, May 13, 2010 16:30 – 17:30 JST
Place: 3F Otemachi Sankei Plaza (Chiyoda-ku, Tokyo)

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: Your operating income forecast for FY/March 2011 is 50 billion yen. This may be inferred from the assumed effect of the yen appreciation and increases in R&D expenses and depreciation over FY/March 2010 results. What sort of message are you sending to inside the Company?

A: Our operating income forecast of 50 billion yen for FY/March 2011 is recognized within the company as the minimum level which we must achieve. Although the economic environment remains unpredictable due to economic uncertainty in Europe and concerns about the Euro, we nonetheless position FY/March 2011 as a turning point for the return to growth, and aim for higher objectives. While I cannot reveal any concrete internal planned figures, the FY/March 2009 level (56.3 billion yen) is one benchmark.

Q: According to your operating income forecast for FY/March 2011, you expect costs to increase by approximately 6 billion yen with holding company's (HD's) expenses. Can you elaborate on this?

A: An increase in HD's expenses most significantly comprises development expenses for the establishment of new businesses such as those related to organic electro luminescence diode (OLED) lighting and organic thin-film photovoltaics (OPV). We also expect a partial increase in advertising expenses, which we reduced in FY/March 2010. Investments for the new business development are necessary for the early establishment of these businesses, while other expenses will be implemented only after being carefully reviewed.

Q: Although we're only one month into FY/March 2011, could you shed some light on the present state of your main businesses?

A: In Business Technologies, current sales of new products are staying strong despite economic uncertainty in Europe and concerns about the Euro. We are also getting very good customer feedback regarding our new monochrome products slated for sale in the spring. In Optics, sales and profits in TAC film (protective film for polarizing plates) were flat, delivering rather weak results for both 3Q and 4Q of FY/March 2010. We will recover in FY/March 2011 and exceed the level of the market growth rate by strengthening production capacity of both TAC film and glass HD substrates.

■ Business Technologies

Q: Business Technologies operating profit for 4Q significantly increased QoQ. Please explain the reason behind this.

A: One reason for this increase in operating profit in 4Q was the increase in unit sales of highly profitable new color MFPs and improvement in product mix, delivering 28% growth YoY. End-of-year sales were strong, particularly in Europe. One of the reasons is that higher-than-expected sales led to a favorable situation in terms of profits by reducing inventories.

Q: Your planned MFP unit sales for FY/March 2011 is 10% higher than the previous year (color is 13% higher and monochrome is 9% higher). What is your market growth projection in making your own targets?

A: We assume a 3% increase (7% increase in color and 1% increase in monochrome) in the entire MFP market. We aim to exceed the market growth rates by increasing sales in new MFPs with enhanced functionality including new color MFPs, which we began to sell in FY/March 2010, as well as monochrome machines.

Q: In your production printing segment, you expect sales to significantly increase by 30% YoY in FY/March 2011. Other than product line expansion, you have cited enhancing marketing to achieve the plan. Can you explain any further details on this?

A: At present, centralized office printing so called CRD printing and printing at print shops are the main portion of the production printing business, but it is possible that commercial printing will largely expand in the future. In order to expand business in this area, it is necessary that we communicate the benefits of digital printing to our customers. As such, it is critically important that we not just sell hardware, but also that we offer a complete packaged service which includes contents and distribution systems. At Konica Minolta, we have a graphics imaging group which offers products and services tailored for commercial printing customers. In the future, we will work towards business expansion in this area by effectively utilizing resources from our graphics imaging field.

■ Optics

Q: Your FY/March 2011 earnings forecast indicates a 40% increase YoY in profits. Please explain how this 40% increase will be achieved. Please explain by segment.

A: The number one driving force for profit growth in Optics is the glass hard disk (HD) substrates. Market conditions for the glass HD substrates substantially recovered beginning in the middle of FY/March 2010, and we have since been unable to keep up with the booming demand in this area. Beginning in 2H/March 2011, we plan to significantly boost production capacity at our Malaysian factory and expect a 70% increase in unit sales YoY. Product mix will improve as the demand for higher storage density is increasing. We also expect sales on a value basis to increase sales to increase unit sales increase. We are also expecting an increase in profits for all other segments: TAC film, optical pickup lenses, and image input/output devices.

Q: Regarding TAC film, there is a concern that Konica Minolta's market share in VA-TAC film may fall as a competition becomes tougher? Can you discuss your plan for FY/March 2011 in this regard?

A: In FY/March 2011, we will aim for business expansion centered on our strong products: thin film and wide type film. We will also aim to boost competitiveness of our VA-TAC film by introducing new products.