

Konica Minolta Group

Q&A from 1Q / March 2012 Financial Results Briefing Session

Date: July 28, 2011 18:30 – 19:30 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.

■ Business Technologies

Q: The earthquake appears to have negatively affected earnings for the first quarter of FY2011, compared to the initial forecast. What was the background to these results?

A: During the first quarter of FY2011, given difficulty procuring electronics and other components, we operated on a fixed production plan, with priority on avoiding a fall in the plant operating rate. As a consequence, we were able to achieve results in line with our plan in April and May, without having problems with product supply. In the second half of June, however, a month in which we traditionally record our highest sales in the first quarter of the year, we faced a mismatch between actual demand and product inventories. With these missed sales opportunities, earnings for the first quarter underperformed in relation to the forecast. In addition, because the priority was placed on securing components and materials, cost-cutting activities temporarily slowed, resulted in a factor for higher costs.

Q: Can you make up for the missed sales opportunities, which were caused by fixed production, in the second quarter of FY2011?

A: Products for which we missed sales opportunities in the first quarter of FY2011 were mainly profitable medium-speed color MFPs (multi-functional peripherals) and production printing products. As a result, the product mix deteriorated and earnings were negatively affected. From the second quarter of FY2011, however, given a recovery in the supply system of components and materials at a pace that is faster than anticipated, the production system is likely to normalize. With these improvements, we expect an improvement in earnings as we make up for sales opportunities missed in the first quarter and improve the product mix.

Q: An analysis of year-on-year changes in operating income for the first quarter of FY2011 has been presented in the reference information of the documents for the financial results briefing session. Can you provide some indication of anticipated changes in prices, sales volumes, costs, and expenses for the second quarter, compared to the figures for the first quarter?

A: We expect some impact on prices, as in the first quarter of FY2011. As for sales volumes, we expect volumes of MFPs to grow approximately 5%. We also anticipate a positive impact on sales volumes from an improvement in the product mix, as we make up for sales opportunities missed in the first quarter. With respect to rising costs, a negative factor in the first quarter, as the procurement situation has normalized, earnings are likely to improve. Finally, we do not currently expect to significantly cut expenses, as we will continue to make research and development outlays to enable future growth.

■ Optics

Q: Can you explain the background to the apparently strong sales from the display materials fields for the first quarter of FY2011? Can you also provide a sales forecast for the second quarter of FY2011?

A: We have been promoting strategic new VA-TAC films for increasing viewing angle (VA-TAC films) since the second half of the previous year. Orders for these products rose steadily, even during a period of production adjustment. Sales held steady in the first quarter of FY2011. Although we expect a production adjustment in the liquid crystal panel market in the second quarter of FY2011, we are confident of achieving both sales volumes and yen sales on a par with the figures for the first quarter 2011, given higher sales of VA-TAC films.

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