Konica Minolta Group
Q&A from FY March 2013 Financial Results Briefing Session

Date: May 10, 2013 18:30 – 19:30 JST
Place: JP Tower Hall & Conference (Tokyo, Japan)

■ Overall Financial Results for the Fiscal Year Ended March 31, 2013

Q: Can you give us details of the reasons for the difference of ¥7.3 billion between the operating income result of ¥40.7 billion and the previously announced projection of ¥48.0 billion?

A: There are two major factors. First, results were impacted by a product mix that focused on low-speed models more than expected at the time of a sales push in the fourth quarter as well as a delay in achieving cost reduction plans in the Business Technologies Business.
The focus on low-speed models in the product mix was not due to changes in the market environment but was rather an extraordinary factor in sales at the end of the period. With regard to cost reductions, we have seen remarkable improvement since the third quarter.
The second factor concerns sales of TAC films for LCD polarizers. The decline in demand from certain customers was in line with expectations and although we were expecting to improve on previously announced projections based on sales momentum up until now, adjustments from January to March were more severe than we anticipated, which hampered efforts.

■ Business Technologies

Q: Please tell us the reasons for falling short of cost reduction plans by ¥4.4 billion for the fiscal year ended March 31, 2013 as well as your outlook for achieving cost reduction plans this fiscal year. Are there any areas you will make improvements in?

A: One reason is the fact that we increased the number of personnel at the Wuxi Plant, one of our key production plants, at the time of launching a new color MFPs (Multi-functional peripherals) for the office. We also bolstered headcount at the Dongguan Plant in line with the consolidation of production sites in the South China region.
In addition, component prices did not decrease sufficiently in the first and second quarters, which had an impact.
These factors were eliminated in the third quarter and we have been improving cost reductions. In the fiscal year ending March 31, 2014, we intend to further speed up efforts in this regard. We are projecting cost reductions in the amount of ¥8.0 billion for the full year for variable costs

and fixed costs combined, primarily by promoting medium- to long-term measures with vendors around Wuxi, which we commenced in the fourth quarter, and through centralized purchasing by narrowing down the number of vendors.

Q: What are the grounds for believing you can continue to increase share from last fiscal year despite the absence of significant positive factors in the market environment for office MFPs?

A: First, market confidence in new products released last year has increased. Also, direct sales are strong overseas relative to sector peer companies, particularly in Europe and the United States. Since direct sales are strong, we can make the most of our proposal capabilities for solutions, while we are expecting synergies to emerge in earnest with IT service vendors that we acquired to promote a transformation in our business portfolio. We are also acquiring MFP dealers, and through the combination of these initiatives, we are confident we can achieve our target.

■ Industrial Business

Q: Can you tell us the sales targets for your main products?

A: We are forecasting sales of TAC films to decrease by approximately 10% in monetary terms on a year-on-year basis despite plans to cover the decline in demand since the fourth quarter of the fiscal year ended March 31, 2013 by recapturing share in models in 2014 and expanding sales of small and medium-size products.

With regard to replacement lenses, we forecast recovery in the DSLR market following a decline in the latter half of the fiscal year ended March 31, 2013 by securing new customers. Meanwhile, demand has become saturated for replacement lenses used in projectors, and as a result, sales in this sector on the whole are forecast to remain roughly on par with the previous fiscal year. In the sensing field, we expect expansion of around 30-40% due to solid results in Instrument Systems, which we acquired in 2012.

Sales of pickup lenses for optical disks are projected to remain unchanged year on year while sales of lenses for mobile phones are projected to decline around 30%. Sales of glass substrates for HDDs have now hit bottom and are expected to recover around 15% in year-on-year terms.

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