Konica Minolta Group
Q&A from 1Q/ March 2014 Financial Results Briefing Session

Date: July 30, 2013 18:30 – 19:30 JST
Place: Nomura Conference Plaza Nihonbashi (Tokyo, Japan)

■ Business Technologies

Q: Can you tell us by how much operating income in the Business Technologies Business exceeded the company projection and the reasons for this?

A: Operating income exceeded the projection by approximately ¥1.0 billion. The first reason concerns sales growth, particularly as color MFPs for the office in Europe surpassed expectations due to sales efforts. The second reason is on a cost front, whereby the achievement level of cost reductions surpassed expectations. These were the two main reasons.
Operating income exceeded the projection by approximately ¥2.0 billion on a Group-wide basis.

Q: Can you explain your outlook for the July to September period in the Business Technologies Business from the perspective of market conditions and competitive environment?

A: First, with regard to market conditions, the good news is that the Purchasing Managers' Index in Europe exceeded 50 for the first time in two years and there was double-digit sales growth in South Europe, which was stagnant in 2012. Despite these positive factors, there is little room for optimism in expecting recovery in the third or fourth quarters. China is the same. However, our view is that China and Europe are not quite at the point of deterioration.
On the other hand, we expect Japan and the United States to continue improving.
In terms of the competition, we maintained solid sales by further enhancing product reliability through upgrades to firmware and certain specifications of the color MFP launched in 2012 in the office field. With respect to sales, we strengthened our ability to provide solutions and proposals for direct sales, an area of comparative advantage for the Group, which resulted in sales expansion for high segment units that are of Segment 4 category and above.
In the production print field, we are gradually building up the pipeline for the second quarter and will seek to reap benefits mainly through high segment items.
Although the competition has launched new products in both the office and production print fields, we do not think our competitiveness will decline in terms of product appeal or sales capabilities and we are not considering engaging in a price war.

■ Industrial Business

Q: Can you tell us your outlook for the main products of the Industrial Business for the July to September period?

A: We are forecasting the following for the second quarter primarily in light of the current status of orders.
Sales of TAC film are expected to increase by around 10% compared with the first quarter, down approximately 7% from the same period of the previous fiscal year.
Sales of optical pickup lenses are forecast to increase by 5% and sales of glass substrates for HDDs are forecast to remain unchanged despite recognition that they have currently bottomed out.
Sales of measuring instruments are expected to continue growing in the second quarter thanks to the acquisition of Instrument Systems in 2012.
Sales of replacement lenses for DSLR cameras are projected to increase over the first quarter.

■ Group Overview

Q: Please tell us the contribution of M&As to profitability.

A: Direct contribution to profit in the first quarter was limited in consideration of the amortization of goodwill. However, the acquisition of IT service providers heightened trust in dealers, which led to increased sales of MFPs and in particular high segment units. Notably, sales increased of high segment MFPs at medium-sized companies in the U.S., an area of strength for the Group.

Q: Can you describe the background to your decision not to change any of your financial forecasts or assumed exchange rates for the year ending March 2014?

A: We left financial forecasts unchanged in the latest announcement in line with our commitment to achieve targets based on assumed exchange rates of ¥93 to the U.S. dollar and ¥123 to the euro. Accordingly, if exchange rates remain at current levels, we will aim to enhance performance beyond our projections as much as possible.

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