[Q&A regarding the Whole Company]

Q: How is operating income affected in terms of the full-year forecast when International Financial Reporting Standards (IFRS) are applied? Please also explain the period for disclosing financial results based on IFRS.

A: Goodwill is non-depreciable when IFRS are applied and this drives up operating income. On the other hand, non-operating income excluding interest and dividend income/loss, net and extraordinary profit/loss also fall under operating income, and as such, these factors cancel each other out, resulting in very little change in operating income relative to Japanese financial standards in fiscal 2014.

With regard to the voluntary application period for IFRS, we are planning to start from the filing of the Securities Report for fiscal 2014.

Q: Please tell us how appropriate you think the balance of cash and short-term investment securities and interest-bearing debt is.

A: We intend to reduce cash and short-term investment securities and interest-bearing debt by ¥30 billion each compared with the current levels.

[Q&A regarding the Business Technologies Business]

Q: Is there any risk that the delayed economic recovery in Europe will exert downward pressure on results?

A: In the case of Konica Minolta, we achieved sales and profit growth in Europe in fiscal 2013 and this trend continued in the first quarter of fiscal 2014 as well. Although economic recovery has been delayed, our market position has risen in Europe. However, there is some deviation within Europe itself, with France and the UK showing strong performance while we are keeping an eye on Northern Europe where market conditions are less favorable.

Q: Please explain the main factor behind the solid results in the commercial/industrial print field.

A: Konica Minolta started this business with light production printers and expanded sales volumes with mid-production printers in 2013, which resulted in an increase in the number of machines installed in the marketplace. This was the biggest reason for the non-contiguous growth of color print volume.
Q: Please tell us the status of M&A implementation in the Business Technologies Business. What was the sales contribution of M&As in the first quarter?

A: We conducted seven M&As in the first quarter. We acquired a sales distributor in Thailand and the Document Imaging Solutions business of Pitney Bowes Canada. In June, we signed an agreement with Australia-based Ergo Asia Pty Limited (Ergo) to acquire all of its shares and we also acquired three IT dealers in the US. Investments and loans related to these seven acquisitions amounted to approximately ¥10.0 billion. We forecast an outlay of ¥40.0 billion for M&As on a full-year basis and intend to continue with this policy going forward.

Pitney Bowes Canada and the US-based IT dealers contributed around ¥1.0 billion to sales in the first quarter, but we expect full-year sales contribution of roughly ¥15.0 billion from Ergo and ¥2.0 billion from the Thailand-based sales distributor, and these sales will make a contribution as we move forward.

[Q&A regarding the Industrial Business]

Q: You reported that TAC film business performance was better than expected. However, was this because you were overly cautious in your initial demand projection? Also, please tell us about the correlation between market share of alternative materials and the sales volume of TAC film.

A: We were fairly conservative in our outlook of market conditions for end-products from April onward in light of the difficult market conditions from November last year to around February this year. We pushed ahead with efforts to cultivate new customers based on concerns that we would lose share from existing customers owing to the rise of alternative materials. This strategy proved successful while we were also requested to maintain supply quantity by existing customers, which resulted in sales volumes exceeding expectations.

The fact that the relationships of trust we have built up with customers over the years were stronger than expected also played a part.

Q: Do you have any concerns over future demand for LCD panels?

A: With regard to the first half, we expect trends from the first quarter to continue in the second quarter, however we realize it is important to closely review overall trends for LCD panels and the reasons for concerns in notebook PCs and tablets in terms of demand in the second half, especially following November and December.

Q: Have you reviewed sales of materials in the OLED business?

A: We aim to expand business for lighting and light source devices in the OLED business over the medium and long term and we are looking into the kinds of merits there are for Konica Minolta in terms of licensing business for blue phosphorescent materials, one of our strengths in the materials field.