Konica Minolta, Inc.
Q&A from 1Q/ March 2016 Financial Results Briefing Session

Date: August 6, 2015 16:30 – 17:30 JST
Place: Keidanren Hall (Tokyo, Japan)

【Q&A】

Q: In the first quarter, your progress was basically in line with your internal assumptions in respect to your planned full-year operating profit of 77 billion yen. Even so, progress during the quarter seemed slow. How high were you actually setting your sights for the first half? And if you achieve that, will profits rise in the first half?

A: As we see it, we will reach about 42 or 43% of our yearly goal in the first half. Typically the first and second half account for 45 and 55% of progress, respectively. This year we have high expectations starting in the second quarter. One thing in particular is the timing of our switch to new office equipment products. We do anticipate year on year profits increase.

Q: Compared to last year, how much effects have you received from M&A in the office services field and the commercial and industrial printing field of the Business Technologies Business?

A: M&A effects are very fluid and hard to explain. However, if we include, for example, even small M&A conducted in the first quarter, they increased revenue by more than 1 billion yen. Viewed year on year, first quarter revenue includes about 5 billion yen at Ergo Asia Pty Limited, an MPM firm we acquired in the second quarter of last year.

Q: Tell us about the factors surrounding your operating margin ratio for the Business Technologies Business in the first quarter and your outlook for the second quarter.

A: In the first quarter, we made a partial change to our channel policies in North America and revised direct sales territories there. Our purpose was to optimize business for the future and boost profitability and efficiency. After reorganizing, some negative impact is inevitable until things stabilize, but results have been improving since June.

I cannot give much detail about profitability in the second quarter and beyond, but in terms of strategy, we are looking into launching new products in the office services field. Office products have a product cycle of about two years, and the first quarter was the final quarter of that cycle. As such, it was an exceptionally challenging time for profitability. For the second quarter and beyond, we have factored in the improvement that new products will make on the operating margin ratio.

Q: Why was it necessary to change your channel policies in North America and revise direct sales territories there as far as the Business Technologies Business was concerned?

A: Revising direct sales is something we do periodically in every region, not just North America. In the case of direct sales, differences in our salespersons' individual capabilities have a major impact on sales. The more excellent, capable salespersons get more territory and preferred customers so they can fully demonstrate their talent. Our goal in doing this is to increase productivity.

Q: Tell us how things have been for the Business Technologies Business in each region.

A: Looked at regionally, Europe was very solid in the first quarter. Direct sales in particular really boosted results. As for North America, if you look at the first quarter alone things were rather sluggish because of the impact of channel policies. However, if you look at the last three or four periods, you find that Konica Minolta is really putting up a good fight. We are the only business in this industry that has maintained revenue growth during that time.

In Japan, although the unit printing price has severely eroded in the last few years, the volume of color printing for Konica Minolta has risen year on year. Monochrome printing volume is down slightly, but overall there is growth year on year.

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