Konica Minolta, Inc.
Q&A from 3Q/ March 2016 Financial Results Briefing Session

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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.

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【Q&A】

Q: The third quarter appears to have been a difficult one overall, but which businesses were worse than expected?

A: In terms of profit, the Business Technologies Business. The other businesses went more or less according to our internal plans.

Q: Inventories had risen at the end of December; please explain how you plan to reduce these going forward.

A: One of the characteristics of the Company's business is that inventories tend to rise at the end of December every year. That is because sales volumes in the Business Technologies Business and the Healthcare Business peak in 4Q, so in December we increase stocks in anticipation.

This financial year, in addition to that seasonal factor, the Business Technologies Business was affected by increased competition in North America and was unable to achieve the expected level of sales. In response to this, we are already scaling back production.

As for sales, the direct sales pipeline has filled up and inventories in the reseller channel have shrunk, so our target for the end of March is to bring this down to the ¥120 billion level.

Q: If you are scaling back production I think that will cause some difficulty with costs, so if you have a strategy for dealing with that please give us some detail.

A: We are shifting from concentrating production in China to ASEAN countries. Our new factory in Malaysia is ramping mass production and we also expect to reduce costs by means of automation.

Q: Please give us a breakdown of the ¥110 billion in net cash flows from investments and a sense of the scale of the increase in revenue deriving from M&A.

A: First, on that ¥110 billion, the part related to M&A comes to ¥60 billion and capital expenditures is about ¥50 billion. The incremental contribution of M&A to revenue for the first nine months is just under ¥20 billion. We estimate that will be around ¥25 billion on an annualized basis.

Q: What level are you estimating for net cash flows from operating activities next financial year?

A: We are still in the process of drawing up our budgets for next term, but currently we are looking at ¥100 billion.

Q: Regarding exchange rate sensitivity, there is a note attached to the impact of the euro. Please explain this and also how you view the impact of exchange rates going forward.

A: Until now we had explained the impact of the euro on operating income as being ¥800 million for each 1-yen movement. However, sometimes non-euro currencies in Europe move with the euro and the yen, so we took the view that it would cause less misunderstanding if we reported a figure for sensitivity that includes this factor.

In order to limit the effects of the euro we have considered strategies such as local production in Europe, but at this point we have not come to a decision on taking the plunge. Our basic stance on euro sensitivity will remain unchanged next financial year as well.

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