

Konica Minolta, Inc.
Q&A from 2Q/ March 2017 Financial Results Briefing Session

Date: October 31, 2016 16:30 – 17:45 JST

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.

Moreover, readers are asked to further acknowledge in advance that the business performance outlook and other content concerning future results in this document is based upon information that the company has at present and upon a rational evaluation based on certain assumptions and, additionally, that actual business performance can greatly vary due to a number of factors.

[Q&A regarding overall company results]

Q. Given the difficult nature of the business environment, please share your thoughts on the key points for achieving the ¥55 billion operating profit forecast for the current fiscal year.

A. We are pushing ahead with the examination of structural reforms in our existing businesses, as well as cost reductions. Our review of the portfolio is making progress, and if we can execute ahead of schedule in the second half of this fiscal year, we will be in a strong position for fiscal 2017.

Q. Which management KPIs do you tend to follow most closely?

A. In terms of KPIs, we pay careful attention to the gross profit ratio and the SG&A expenses ratio.

Q. Your free cash flow has been improving. Going forward, will you focus on recovering the up-front investments in growth that you have been making? What are your thoughts on cash flow?

A. Our target for operating cash flow is ¥100 billion annually. In terms of cash flow from investing activities, our main priority is to get results from the M&As that we have implemented so far.

We are currently considering our new Medium Term Business Plan and, as we explained today, we are working to create new businesses in those fields where the Company has a competitive edge. Sometimes an M&A is necessary as a means of accelerating that process, and we would like to put in place an investment strategy framework for M&As as part of that new Medium Term Business Plan.

Q. Inventory at the end of the first half of the fiscal year rose a little. What is your opinion on the current level of inventory?

A. Inventory at the end of September was within expectations, and our perception is that it is at an appropriate level. Looked at individually, there are situations such as in the Business Technologies Business, where we increased production in preparation for National Day in China at the end of September, but overall, it is within the range of our assumptions.

[Business Technologies Business]

Q. What are the reasons for the success of your hybrid-type sales strategy?

A. The customers we are targeting with hybrid-type sales are the medium-sized companies that have about 300 to 500 people. Because we offer a total IT solution for this class of customers, we have moved forward to acquire IT service companies that have this capability. We have implemented 40 M&A transactions over more than three years, by region in the US and by country in Europe. It took time get that team and the document direct sales team collaborating with each other, but now they work as one team and we are starting to see that bearing fruit.

Today it is hybrid-type sales, but our goal is to provide profitable IT services to our corporate customers even in the age of IoT. These are the kind of human resources that we have been keeping in mind as we have implemented our M&As. Now we have developed to the point where we can cover nearly all the major countries.

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