Konica Minolta, Inc.

Q&A from 1Q/ March 2019 Financial Results Briefing Session

Date: August 1, 2018 17:00 - 18:00 JST
Place: Nomura conference plaza Nihonbashi (Tokyo, Japan)

[Q&A regarding Results for Konica Minolta as a whole]

Q. How good was the 1Q operating profit of ¥15.4 billion with regard to the Company plan? Also, Slide 4 shows an anticipated net figure of ¥10.0 to ¥11.0 billion in one-off profit for FY2018, but how did this contrast with initial expectations come about? Please explain these two points.

A. On the business side, the Company plan was exceeded by approximately ¥4.0 billion. Breaking this down, we see ¥2.0 billion from the Office Business, while extremely strong performance in Performance Materials raised the figure for Industrial Business by approximately ¥2.0 billion. In corporate real estate (CRE) strategy, the figure of sale and leaseback was ¥20.1 billion for the full year, but we were initially expecting about ¥18.0 billion, so this is an increase of ¥2.0 billion over what we saw at the start of the period.

Q. Please tell us about the background to your ¥2.0 billion increase in expected operating profit for the year.

A. Under the Company plan, we were initially looking at an operating profit of about ¥55.0 billion on an actual performance basis on the business side, to which we would add ¥10.0 billion in special factors for a total of ¥65.0 billion. We then took changes in the business climate and risks into account and, as we explained, arrived at a forecast figure of ¥60.0 billion. We would like you to understand that this time, the CRE impact is expected to raise the figure ¥2.0 billion higher than anticipated, so with the increase of about ¥67.0 to ¥68.0 billion, we made the judgement that operating profit should be raised to ¥62.0 billion. The base figure of ¥55.0 billion on the business side is looking more probable now, and we are thinking that we would like to add that much more on top.

[Q&A regarding Business segments]

Q. Please tell us about the changing climate of competition in Office Business, and particularly about the circumstances in Europe where you experienced such a struggle last year.

A. We are concentrating on the Segment 4+ high-speed products, for which unit sales in Europe have increased 40% year-on-year. A3 color MFPs (multi-functional peripherals) as a whole have also increased 14%. As we see it, these results tell us that the momentum has been continuing since the second quarter of FY2017.

Q. Consumables in the Office Business have been improving steadily, and considering that sales of A3 color MFPs have been solid, is it correct to understand that the full-year figures for the current fiscal year will be positive?

A. On a local currency basis, we are anticipating a 1% increase for the full year.

Q. Business in performance materials and measuring instruments appears to have produced solid results in 1Q, but please tell us what we should anticipate in these respective areas in terms of their directions from 2Q on.

A. Performance Materials showed solid performance that rose to or above expectations. The high value-added portfolio strategy has shown its effectiveness as water-resistant VA-TAC films, ZeroTAC films for IPS panels, and thin films. These products are making up a larger percentage of revenue, and we think they will continue producing solid results in and after 2Q. Measuring Instruments showed a record high revenue in the previous year, so it was down on a year-on-year basis. However, the customer base and applications have continued expanding in and after 2Q, and we expect matters to proceed as planned.

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