

# **Konica Minolta Group**

## **1<sup>st</sup> Quarter/March 2014 Consolidated Financial Results**

### **(April 1, 2013 – June 30, 2013)**

**- Announced on July 30, 2013 -**

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*Cautionary Statement:*

*The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.*

*Remarks:*

*Yen amounts are rounded to the nearest 100 million.*

## Main points of 1Q/Mar2014 financial results



The Business Technologies Business posted solid sales in the color units. Cost reduction plans made steady progress and earning capacity was on a recovery track. This result drove increases in sales and profit for the entire company. The effect of foreign exchange rates improved ensuring a strong start for the Group, effectively exceeding its targets.

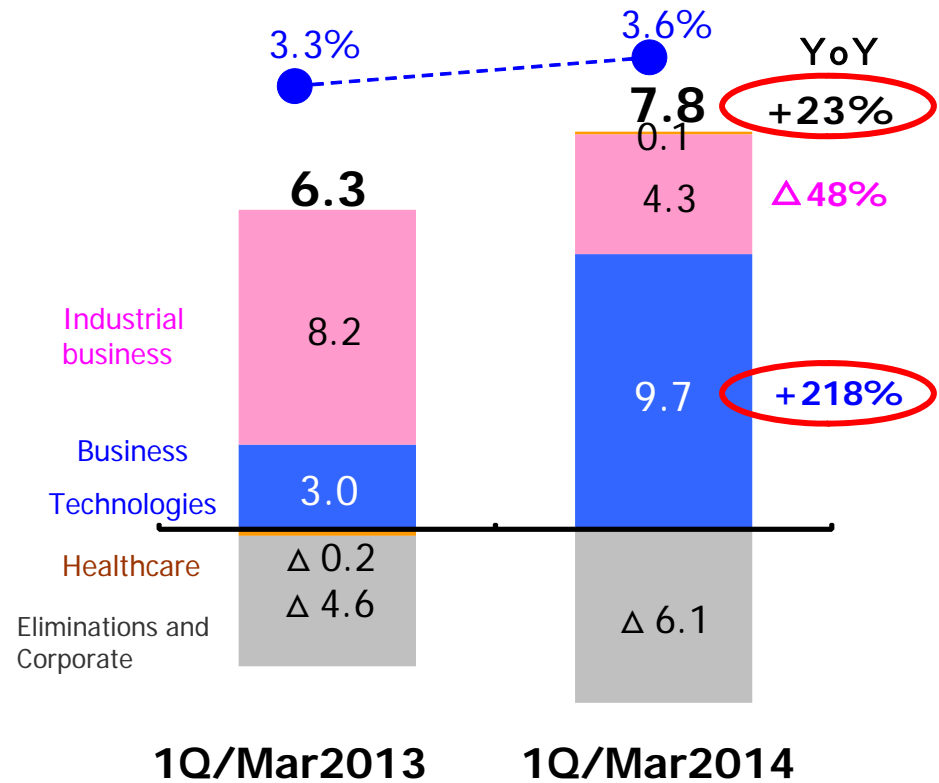
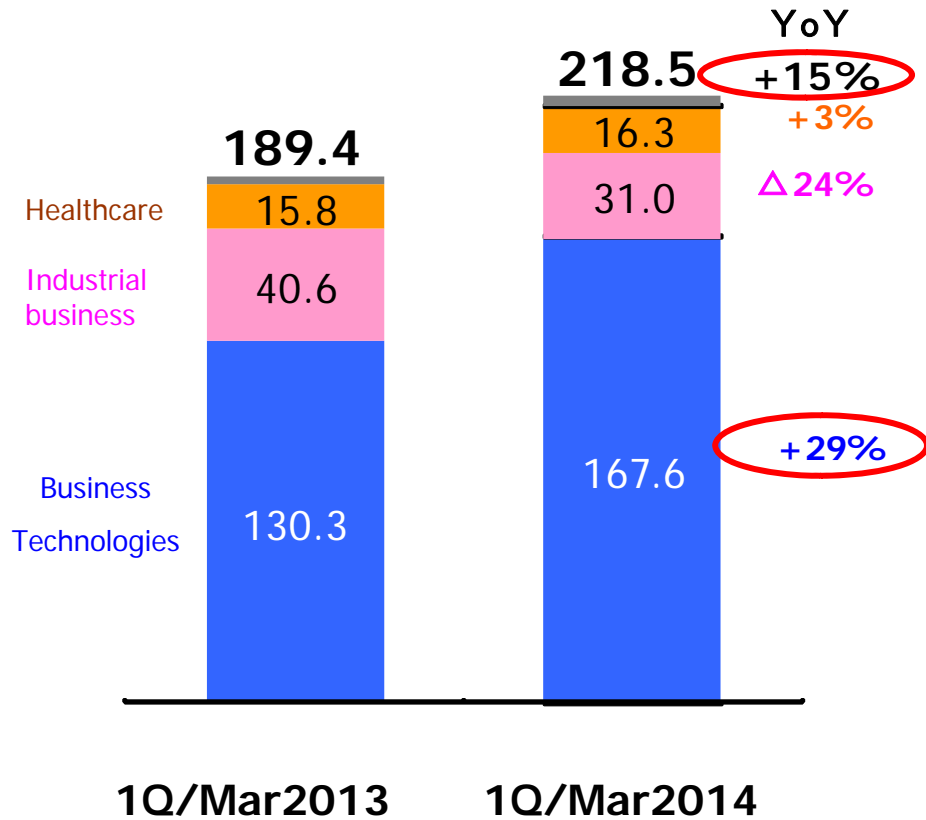
- **Net sales: ¥218.5 billion (+15%)**
  - ▶ Net sales increased due to growth in sales volumes, M&As and the effect of foreign exchange rates, particularly in the Business Technologies Business.
- **Operating income: ¥7.8 billion (+23%)**
  - ▶ Operating income increased year on year as the decline in the Industrial Business was covered by the Business Technologies Business and Healthcare Business.
- **Net income : ¥9.8 billion (great increase)**
  - ▶ This result factors in tax effects related to a review of deferred tax assets in line with reorganization of the management system.

# Main points of 1Q/Mar2014 (YoY Changes by segments)



## Net Sales

## Operating income



# 1Q/March 2014 financial results highlight - Overview



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[Billions of yen]

	1Q Mar 2014	1Q Mar 2013	YoY
Net sales (a)	218.5	189.4	15%
Operating income	7.8	6.3	23%
<i>Operating income ratio</i>	3.6%	3.3%	-
Goodwill amortization	2.9	2.3	24%
Operating income before amortization of Goodwill (b)	10.7	8.6	24%
<i>(b)/(a)</i>	4.9%	4.6%	-
Net income	9.8	0.2	great increase
<i>Net income ratio</i>	4.5%	0.1%	-
Foreign exchange rate [Yen] USD	98.76	80.20	18.56
Euro	128.95	102.91	26.04

## 1Q/March 2014 financial results - Segment



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	1Q		1Q		[Billions of yen]
	Mar 2014		Mar 2013		YoY
<b>Net Sales</b>					
Business Technologies	167.6		130.3		29%
Industrial Business	31.0		40.6		-24%
Healthcare	16.3		15.8		3%
Others	3.7		2.6		-
<b>Group total</b>	<b>218.5</b>		<b>189.4</b>		<b>15%</b>
<b>Operating income</b>					
Business Technologies	9.7	5.8%	3.0	2.3%	218%
Industrial Business	4.3	13.8%	8.2	20.1%	-48%
Healthcare	0.1	0.4%	-0.2	-1.0%	-
Eliminations and Corporate	-6.1	-	-4.6	-	-
<b>Group total</b>	<b>7.8</b>	<b>3.6%</b>	<b>6.3</b>	<b>3.3%</b>	<b>23%</b>

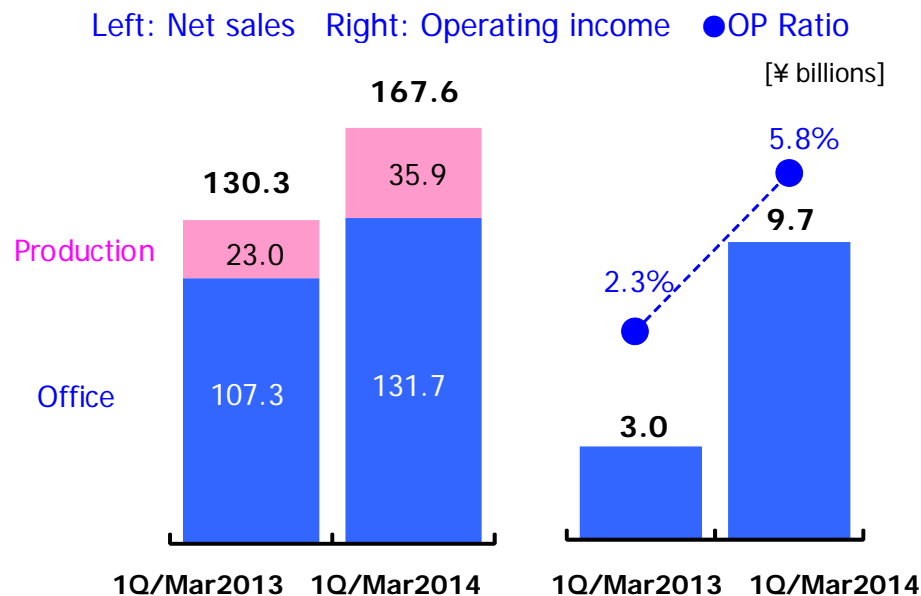
# Business Technologies Business

## - Overview

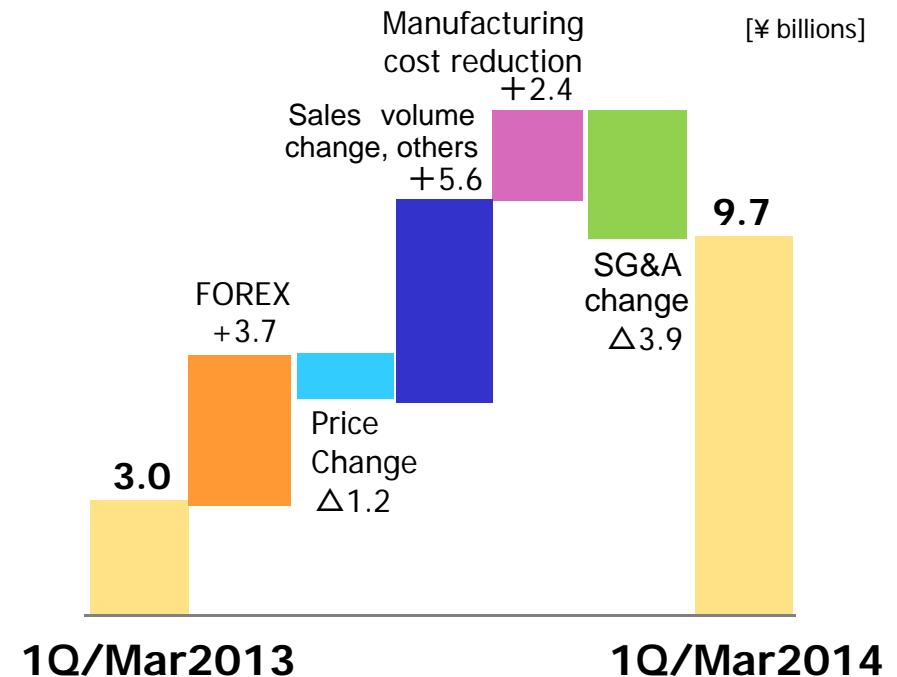


- **Net sales: ¥167.6 billion +29% (w/o forex: +9%)**
  - ▶ Net sales increased due to sales growth of main products, the effect of M&As and the effect of foreign exchange rate shift to weaker yen.
- **Operating income: ¥9.7billion +218% (w/o forex: +95%)**
  - ▶ Operating income increased significantly due to an increase in gross profit in line with sales expansion and to steady progress in cost reduction plans.

Net sales/Operating income(YoY)



Operating income analysis



# Business Technologies Business

## - Sales performance

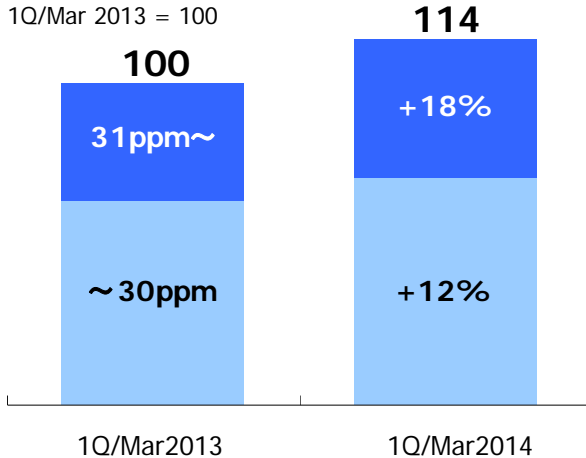


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### Office

A3 Color MFP unit sales, YoY

1Q/Mar 2013 = 100

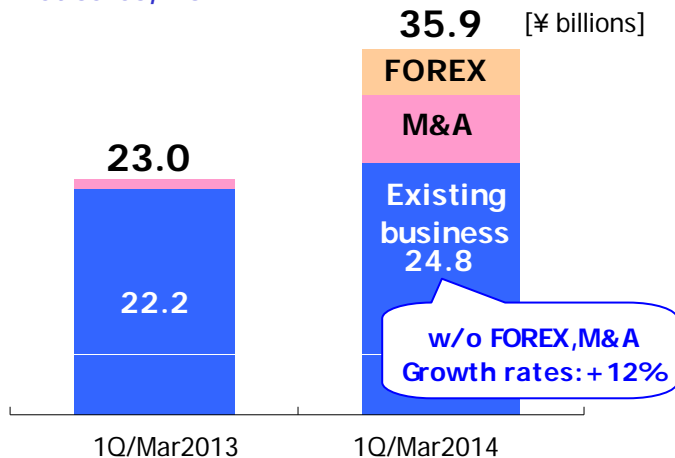


▶ Although sales in the monochrome MFP units decreased, sales of new color units drove growth and a solid showing overall. In particular, non-hardware sales were strong due to solid sales of medium- and high-segment color units.

Changes in sales by region	Japan	U.S.	Europe	Others	TTL
(w/o FOREX)	Δ1%	+2%	+9%	+4%	<b>+4%</b>

### Production print

Net sales, YoY



▶ Both sales of equipment and non-hardware grew steadily. And there are signs of recovery in the printing market. The effect of M&As also contributed to the increase in net sales.

Changes in sales by region	Japan	U.S.	Europe	Others	TTL
(w/o FOREX)	+40%	+9%	+71%	+34%	<b>+36%</b>



## Business Technology Business: - Growth measures



Synergy between sales of existing MFPs and IT service providers has started to make a contribution and there was steady progress in business expansion in growth domains mainly in European and U.S. markets. The Group is gradually transforming its business portfolio and steadily building up results in terms of sales expansion of MFPs.

- ▶ GMA net sales: ¥4.2 billion (YoY +39%)
- ▶ OPS net sales: ¥9.1 billion (YoY +77%)
- ▶ IT service solutions net sales: ¥17.5 billion (YoY +82%)

## Business Technology Business:

### - Status of manufacturing cost reductions and SG&A expenses

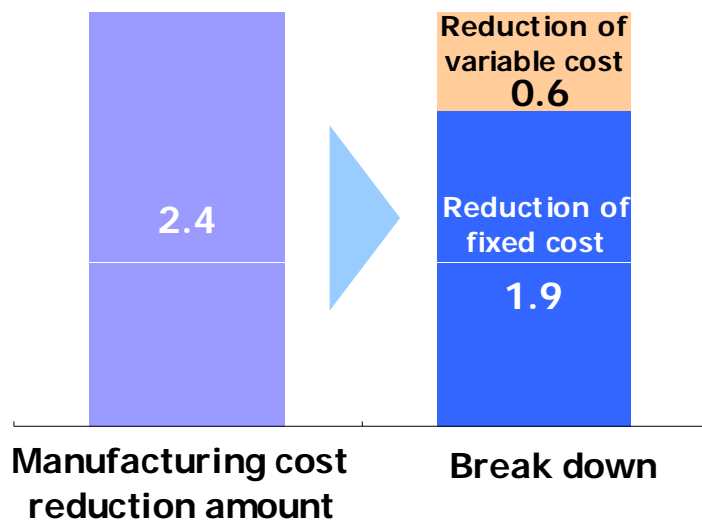


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Fixed costs decreased significantly due mainly to personnel downsizing conducted in line with enhanced production efficiency. Steady progress was made in reducing variable costs through centralized purchasing of components and advancements in unitization. SG&A expenses were controlled in line with plans, which included M&As and strengthening sales.

#### Manufacturing cost reductions (YoY w/o FOREX)

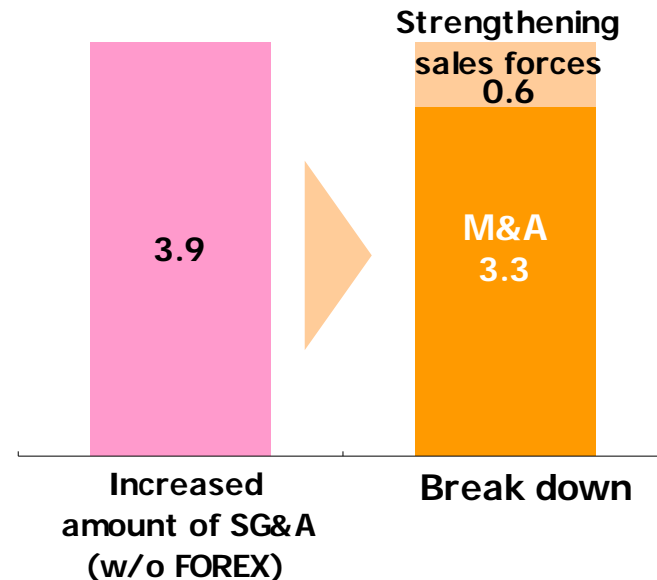
[¥ billions]



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#### SG&A breakdown (YoY increase amount w/o FOREX)

[¥ billions]



# Industrial Business - Overview

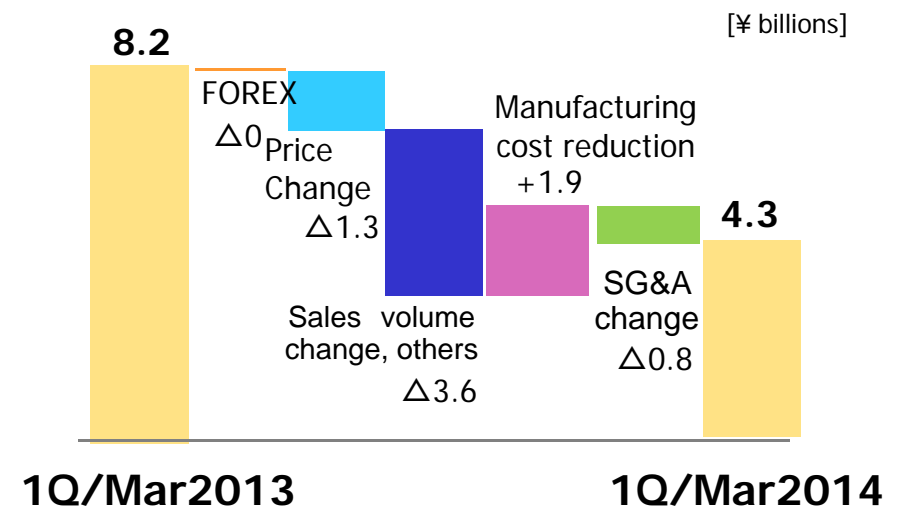
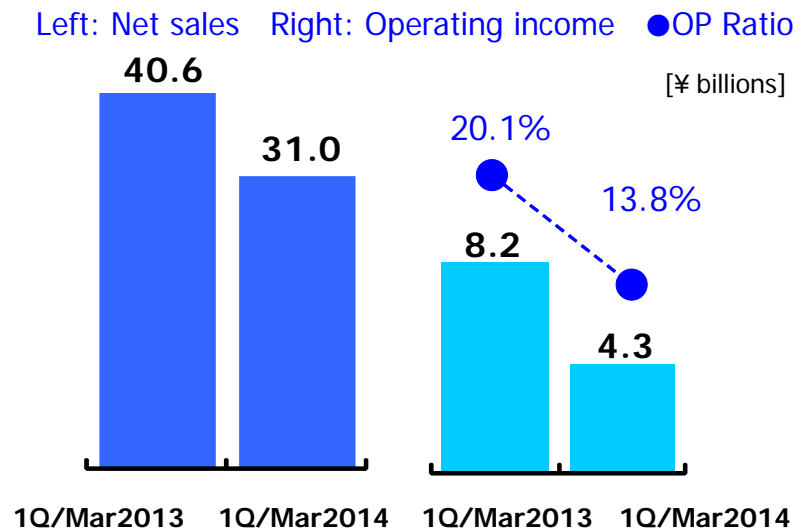


- Net sales: **¥31.0 billion -24%**
- Operating income: **¥4.3billion -48%**

Sales of TAC film decreased due to deterioration in the market for notebook PCs and the impact of diversification in components and materials used for TVs. Tough conditions persisted in glass substrates for HDDs as well. The sensing field contributed to operating revenue, including the effect of M&As.

Net sales/Operating income(YoY)

Operating income analysis



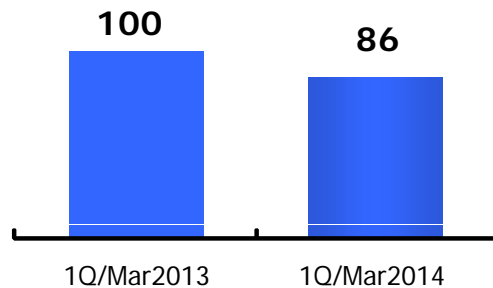
# Industrial Business - Sales performance (Units)



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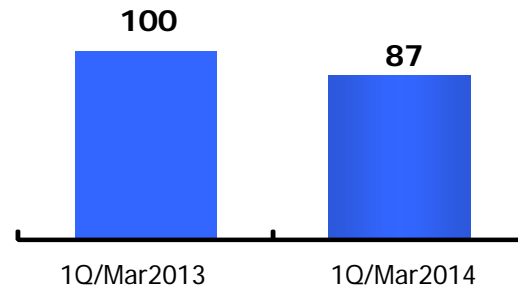
## TAC films

Orders decreased in line with diversification in components and materials for TVs and deterioration in notebook PC market conditions.



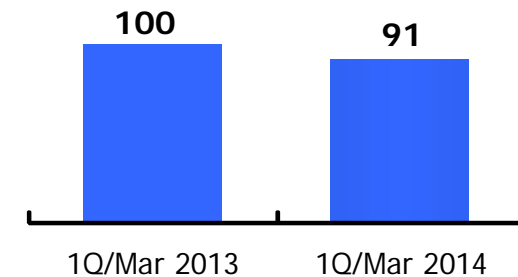
## Replacement lenses for DSLR cameras

Sales declined due to the impact of inventory adjustments. Progress was in line with expectations, however.



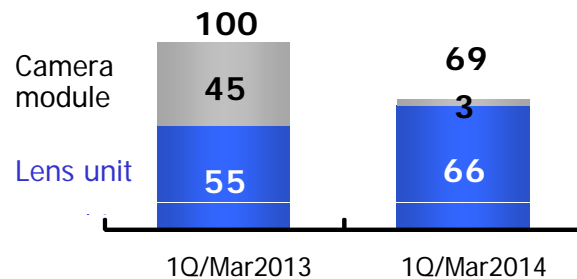
## Measuring instruments

Although sales volume decreased, there was a shift to high-segment products, including the effect of M&As.



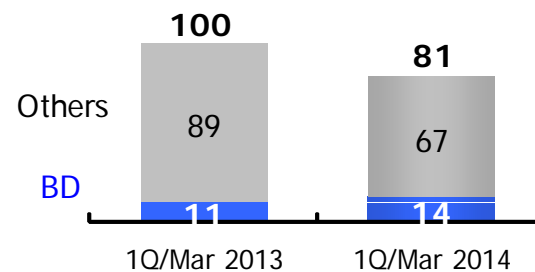
## Optical units for mobile phones

Sales of lens units for smartphones were strong.



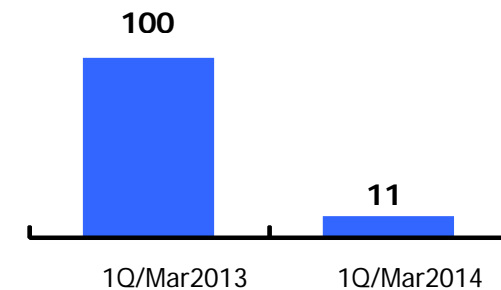
## Optical pickup lenses

Although sales of products for both AV- and IT-related DVDs decreased, increased sales of products for BDs contributed to earnings.



## Glass substrates for HDDs

Orders declined significantly due to the impact of market deterioration.



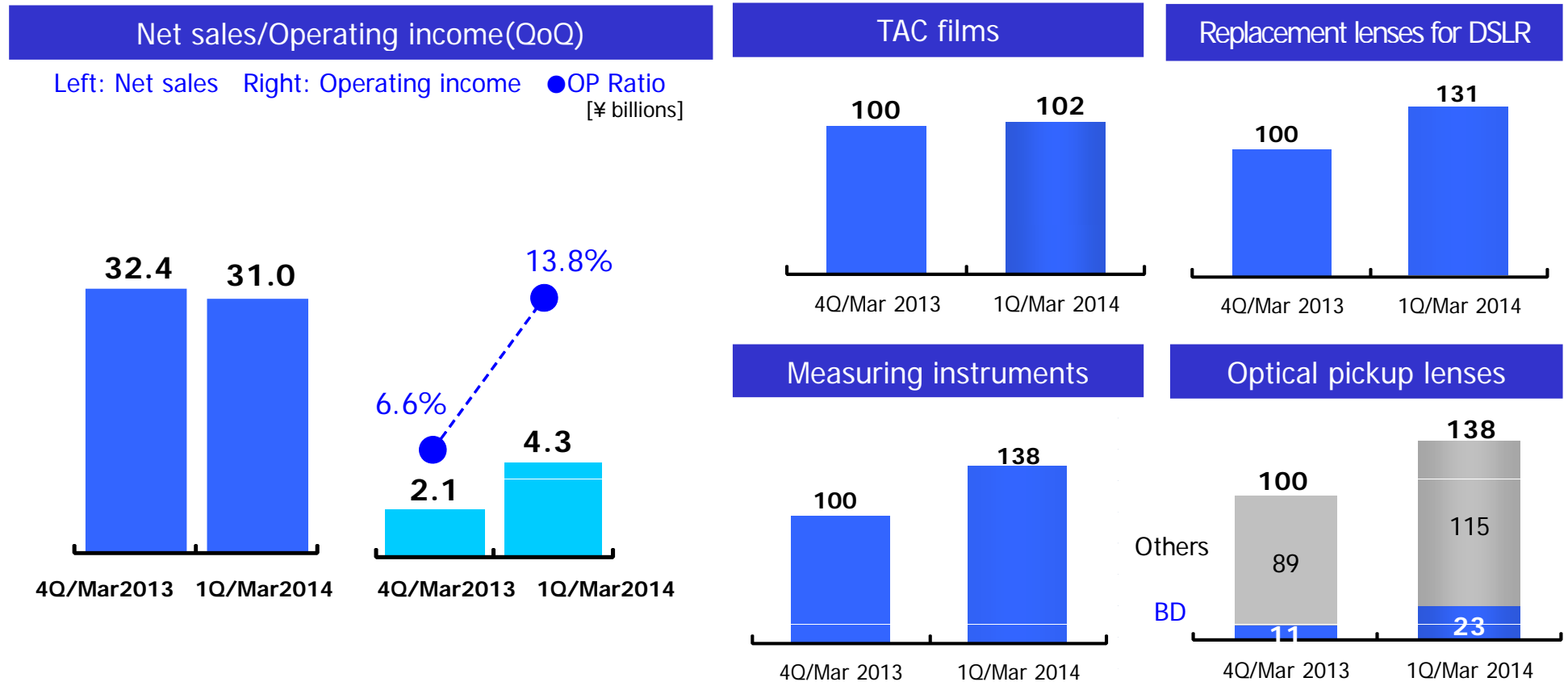
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\*Base index : 1Q.Mar2013= 100

# <Supplement> Industrial Business – QoQ comparison



Compared with the most recent period (4Q FY2012), sales momentum of main products improved. Coupled with the effect of enhanced earnings, operating income increased despite the slight decline in sales.



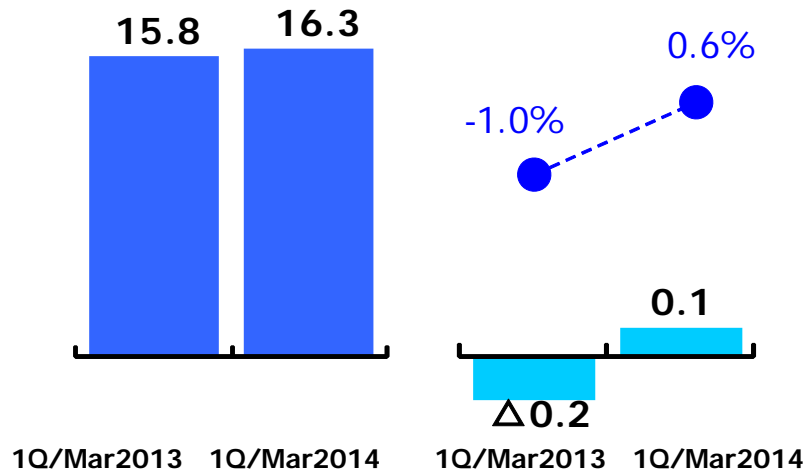
# Healthcare Business - Overview



- Net sales: **¥16.3 billion +3%**
  - ▶ DR/CR product sales were solid in Japan and overseas, covering the decline in sales of film products.
- Operating income: **¥0.1 billion Improve+0.2 billion**
  - ▶ There was a turnaround to profitability due to an increase in gross profit on the back of growth in sales of DR/CR products and to cost reductions.

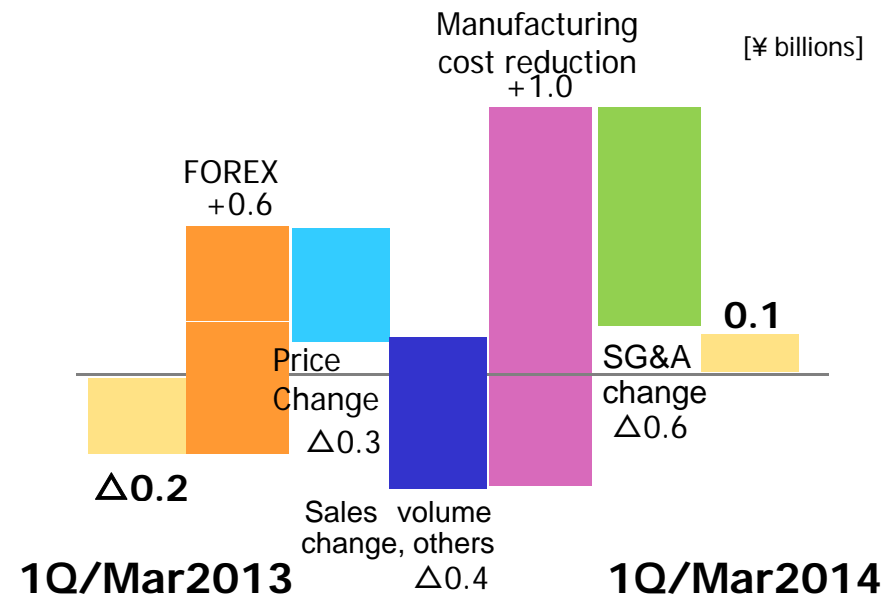
## Net sales/Operating income(YoY)

Left: Net sales Right: Operating income ●OP Ratio [¥ billions]



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## Operating income analysis

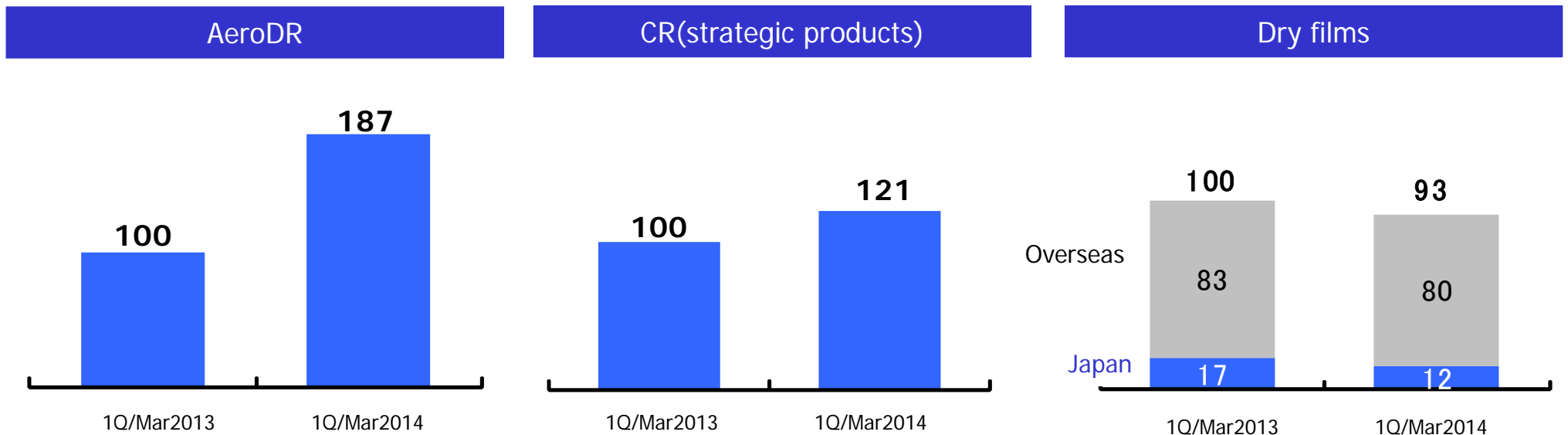


## Healthcare Business - Sales performance (Units)



Sales of DR/CR products continued to be strong. Large orders were secured in North America. The Group launched B2B business with customers that it has sales agreements with and accelerated sales expansion overseas.

\*A global sales agreement was concluded with GE Healthcare in June. Active efforts were made to roll out sales of dry films in emerging nations.



\*Base index : 1Q.Mar2013= 100

## Full-year forecasts for year ending March 2014



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While recognizing the future uncertainty of the management environment, initial forecasts remain unchanged from the May 10 announcement in light of steady progress in performance.

- **Net sales:** ¥900.0 billion +11%
- **Operating income:** ¥55.0billion +35%
- **Net income:** ¥26.0billion +72%
- **Dividend:** Annual dividend ¥17.5 (Pay out ratio:36%)  
The interim dividend/year end dividend: ¥7.5 each  
Commemorative dividend:2.5yen per share
- **FOREX assumption:** US\$ 93yen/Euro 123yen



## Main Points for accomplishing full-year forecasts



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### Action from 2Q onward

- ▶ In the Business Technologies Business, efforts will be made to: (1) focus on sales of color products and high-segment products; (2) continue with initiatives to reduce costs; and (3) accelerate transformation of business portfolio by strengthening service business.
- ▶ In the Industrial Business, efforts will be made to: (1) secure sales for TAC film through thin-type products; (2) further cultivate customers for measuring instruments by leveraging synergy with IS that the Group acquired; and (3) enhance earnings in underperforming businesses.
- ▶ In the Healthcare Business, the Group will work to further expand sales of strong-selling DR/CR products.

### Risks to be considered

- ▶ Market deterioration in line with prolonged problems in Europe and stagnant growth in emerging economies.
- ▶ Intensifying price variation due to the yen's depreciation and sharp rebound of foreign exchange rates.



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# ■ Supplementary Information 1Q/March 2014 Financial Results

# 1Q/March 2014 financial results - Group



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	1Q Mar 2014	1Q Mar 2013	[Billions of yen] YoY
Net sales(a)	218.5	189.4	15%
Gross income	102.3	86.3	19%
<i>Gross income ratio</i>	46.8%	45.6%	
Operating income	7.8	6.3	23%
<i>Operating income ratio</i>	3.6%	3.3%	
Goodwill amortization	2.9	2.3	24%
Operating income before amortization of Goodwill (b)	10.7	8.6	24%
(b)/(a)	4.9%	4.6%	
Ordinary income	7.1	4.8	47%
Pre-tax Profit	6.0	4.0	52%
Net income	9.8	0.2	great increase
<i>Net income ratio</i>	4.5%	0.1%	
EPS [Yen]	18.43	0.29	
CAPEX	11.5	7.8	
Depreciation	11.6	10.7	
R&D expenses	17.3	17.6	
FCF	3.4	Δ 16.3	
CF from operating activities+CAPEX*	5.5	Δ 9.7	
*Purchase of tangible/intangible assets			
FOREX [Yen] USD	98.76	80.20	18.56
Euro	128.95	102.91	26.04

# Full-year forecasts for year ending March 2014

## - Group highlights



[Billions of yen]

	Forecast Mar 2014	Results Mar 2013	YoY
Net sales(a)	900.0	813.1	11%
Operating income	55.0	40.7	35%
<i>Operating income ratio</i>	<i>6.1%</i>	<i>5.0%</i>	
Ordinary income	53.0	38.9	36%
Net income	26.0	15.1	72%
<i>Net income ratio</i>	<i>2.9%</i>	<i>1.9%</i>	
EPS [Yen]	49.03	28.52	
CAPEX	47.0	38.4	
Depreciation	50.0	46.0	
R&D expenses	76.0	71.5	
FCF	2.5	3.0	
CF from operating activities+CAPEX	32.5	27.4	
*Purchase of tangible/intangible assets			
FOREX [Yen] USD	93.00	83.10	
Euro	123.00	107.14	

FOREX impact per 1yen movement (Full year)		
	Net sales	Operating income
	3.0	0.4
	1.4	0.7

# Full-year forecasts for year ending March 2014

## - Segments



[Billions of yen]

Net Sales	Forecast	Results	YoY
	Mar 2014	Mar 2013	
Business Technologies	665.0	581.6	14%
Industrial Business	139.0	146.8	-5%
Healthcare	78.0	72.8	7%
Eliminations and Corporate	18.0	11.9	-
<b>Group total</b>	<b>900.0</b>	<b>813.1</b>	<b>11%</b>

Operating income	Forecast		Results		YoY
	Mar 2014	%	Mar 2013	%	
Business Technologies	55.0	8.3%	31.7	5.4%	74%
Industrial Business	19.0	13.7%	23.7	16.1%	-20%
Healthcare	6.0	7.7%	3.3	4.6%	79%
Eliminations and Corporate	-25.0	-	-18.0	-	-
<b>Group total</b>	<b>55.0</b>	<b>6.1%</b>	<b>40.7</b>	<b>5.0%</b>	<b>35%</b>

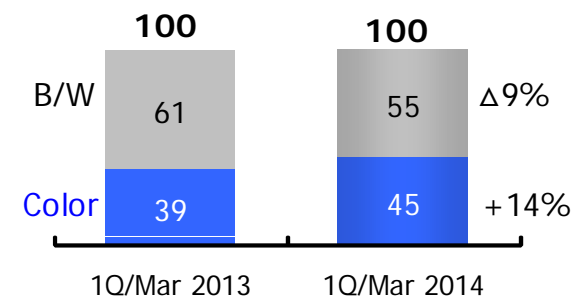
# Business Technologies Business – Sales



## A3 Office MFPs (Units)

<Growth rate of units by regions (YoY)>

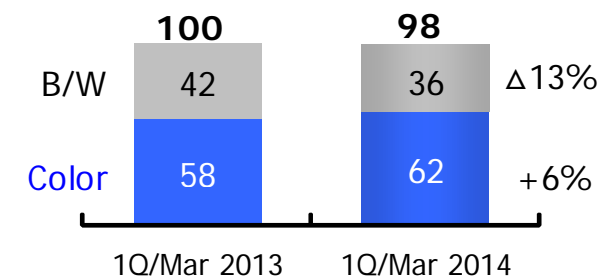
	Japan	U.S.	Europe	Others	Total
Color	+16%	+15%	+22%	Δ1%	+14%
Mono	Δ26%	Δ28%	Δ15%	0%	Δ9%
Total	Δ2%	Δ9%	+7%	0%	0%



## Production printing systems (Units)

<Growth rate of units by regions (YoY)>

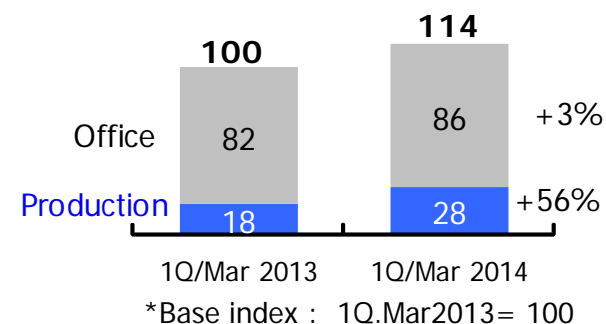
	Japan	U.S.	Europe	Others	Total
Color	+102%	+12%	+1%	Δ2%	+6%
Mono	+62%	Δ17%	Δ10%	Δ14%	Δ13%
Total	+89%	Δ5%	Δ2%	Δ7%	Δ2%



## Non-hardware (local currency-based, w/o FOREX) (Value)

<Growth rate of non-hard sales by regions (YoY)>

	Japan	U.S.	Europe	Others	Total
Office	Δ1%	+4%	+13%	+23%	+5%
PP	+45%	+7%	+143%	+100%	+56%
Total	+7%	+5%	+32%	+37%	+14%



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\*Base index : 1Q.Mar2013= 100

# Operating profit analysis



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[Billions of yen]

*1Q/Mar 2014 vs. 1Q/Mar 2013*

	Business Technologies	Industrial Business	Healthcare	Other	Total
<b>[Factors]</b>					
Forex impact	3.7	0.0	0.6	0.4	4.6
Price change	-1.2	-1.3	-0.3	0.0	-2.9
Sales volume change, and other, net	5.6	-3.6	-0.4	-1.2	0.4
Cost down	2.4	1.9	1.0	0.0	5.3
SG&A change, net	-3.9	-0.8	-0.6	-0.7	-6.0
<b>[Operating income]</b>					
Change, YoY	6.6	-3.9	0.2	-1.5	1.5

## SGA, non-operating and extraordinary income/loss



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[Billions of yen]

	1Q Mar 2014	1Q Mar 2013	YoY
<b>SG&amp;A:</b>			
Selling expenses - variable	11.6	10.9	0.8
R&D expenses	17.3	17.6	-0.4
Labor costs	40.7	30.9	9.8
Other	24.9	20.6	4.4
<b>SGA total*</b>	<b>94.5</b>	<b>79.9</b>	<b>14.6</b>

\* *Forex impact: ¥8.6 bn. (Actual: ¥6.0 bn.)*

### Non-operating income/loss:

Interest and dividend income/loss, net	-0.1	-0.1	0
Foreign exchange gain, net	-0.4	-1.0	0.6
Other	-0.3	-0.5	0.1
<b>Non-operating income/loss, net</b>	<b>-0.8</b>	<b>-1.6</b>	<b>0.8</b>

### Extraordinary income/loss:

Sales of noncurrent assets, net	-0.3	-0.7	0.4
Sales of investment securities	0.0	-0.1	0.1
Business structure improvement expenses	-0.6	-	-0.6
Other	-0.1	0.0	-0.1
<b>Extraordinary income/loss, net</b>	<b>-1.0</b>	<b>-0.8</b>	<b>-0.2</b>



## Cash flows



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YoY [Billions of yen]

	1Q Mar 2014	1Q Mar 2013	YoY
Income before income taxes and minority interests	6.0	4.0	2.1
Depreciation and amortization	11.6	10.7	0.9
Income taxes paid	-5.6	-4.2	-1.4
Change in working capital	2.8	-11.4	14.2
<b>I. Net cash provided by operating activities</b>	<b>14.9</b>	<b>-0.9</b>	<b>15.8</b>
<b>II. Net cash used in investing activities</b>	<b>-11.5</b>	<b>-15.4</b>	<b>3.9</b>
<b>I.+ II. Free cash flow</b>	<b>3.4</b>	<b>-16.3</b>	<b>19.7</b>
Change in debts and bonds	0.9	3.7	-2.8
Cash dividends paid	-3.8	-3.8	0.0
Other	-0.5	-0.3	-0.2
<b>III. Net cash used in financing activities</b>	<b>-3.4</b>	<b>-0.5</b>	<b>-2.9</b>

# B/S



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	Jun 2013	Mar 2013	[Billions of yen] Change
<b>Assets:</b>			
Cash and short-term investment securities	215.6	213.9	1.7
Notes and A/R-trade	188.9	194.0	-5.1
Inventories	112.8	112.5	0.3
Other	61.8	59.2	2.7
<b>Total current assets</b>	<b>579.1</b>	<b>579.6</b>	<b>-0.5</b>
Tangible assets	185.4	179.9	5.5
Intangible assets	110.2	110.9	-0.7
Investments and other assets	78.0	70.1	7.9
<b>Total noncurrent assets</b>	<b>373.7</b>	<b>361.0</b>	<b>12.7</b>
<b>Total assets</b>	<b>952.7</b>	<b>940.6</b>	<b>12.2</b>

## Liabilities and Net Assets:

Notes and A/P-trade	82.0	85.4	-3.4
Interest bearing debts	227.9	224.9	3.0
Other liabilities	160.7	163.8	-3.1
<b>Total liabilities</b>	<b>470.6</b>	<b>474.1</b>	<b>-3.5</b>
Total shareholders' equity*	480.5	464.9	15.6
Other	1.6	1.5	0.1
<b>Total net assets</b>	<b>482.1</b>	<b>466.4</b>	<b>15.7</b>
<b>Total liabilities and net assets</b>	<b>952.7</b>	<b>940.6</b>	<b>12.2</b>

\*Equity = Shareholders' equity +

Accumulated other comprehensive income

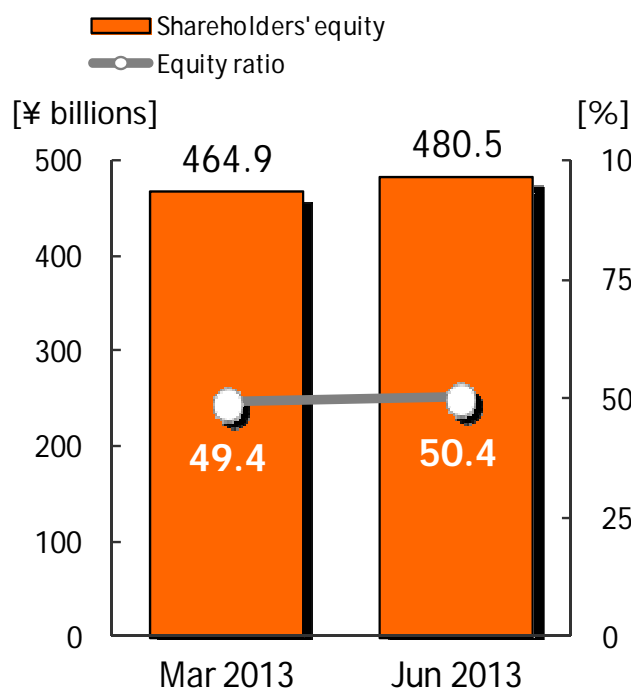
	Jun 2013	Mar 2013	YoY
US\$	98.59	94.05	4.54
Euro	128.53	120.73	7.80

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# B/S – Main indicators

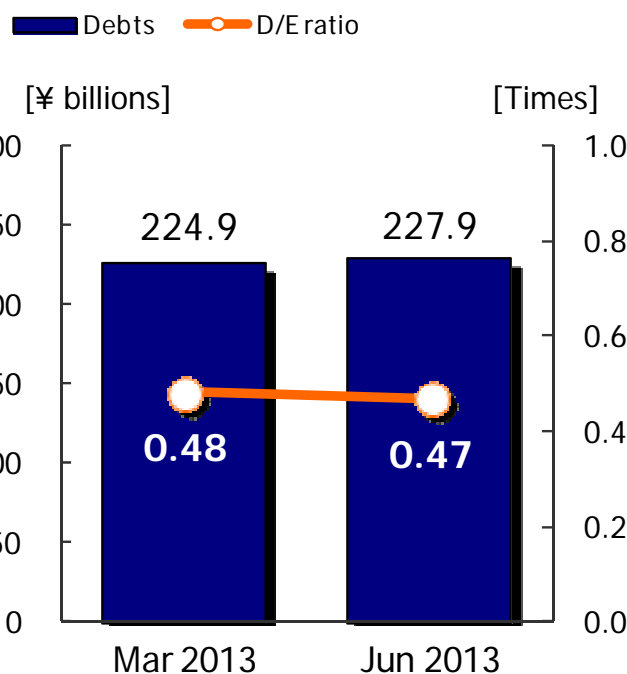


## ■ Equity & Equity ratio



Equity ratio = Equity / Total assets

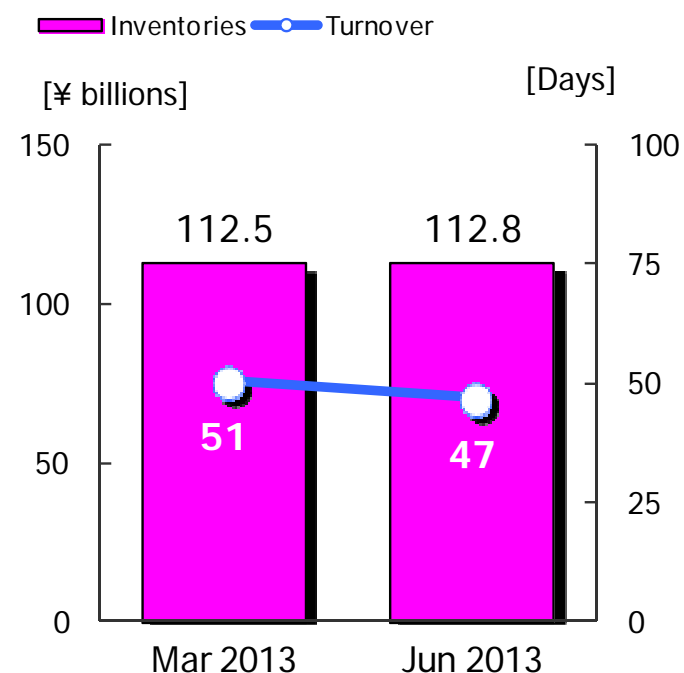
## ■ Interest-bearing debts & D/E ratio



D/E ratio =

Interest-bearing debts at year-end / Shareholders' equity at year-end

## ■ Inventories & Inventory turnover



Inventory turnover (days) =

Inventories at period-end / Average sales per day

\*Equity = Shareholders' equity + Accumulated other comprehensive income

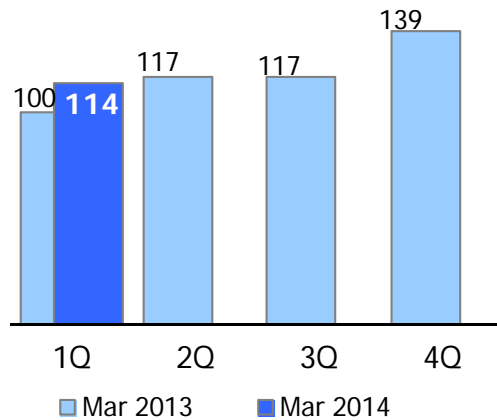
# Unit sales trend: Business Technologies



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(w/o forex effects)

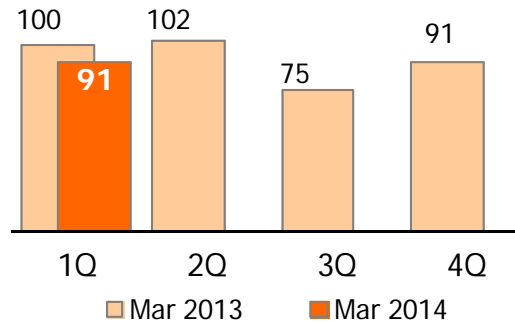
## A3 color MFP – Units\*

YoY: +14%



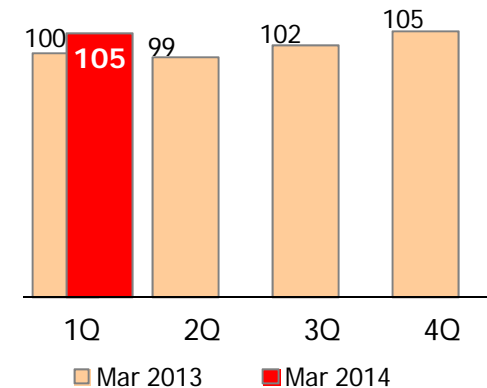
## A3 mono MFP – Units\*

YoY: Δ9%



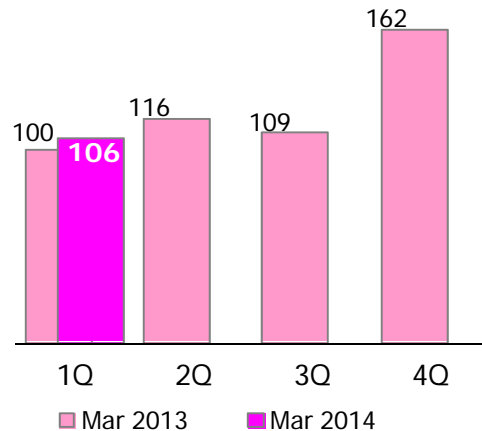
## Office Non-hardware \*

YoY: +5%



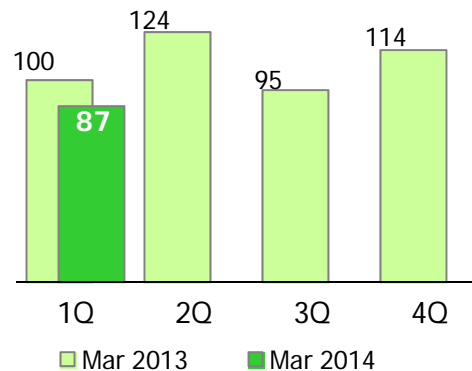
## Color Production Print – Units\*

YoY: +6%



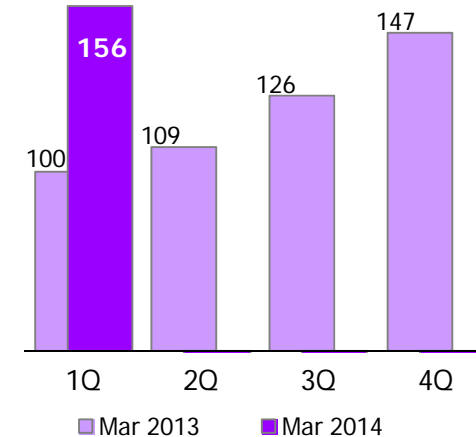
## Mono Production Print – Units\*

YoY: Δ13%



## Production Non-hardware \*

YoY: +56%



Giving Shape to Ideas

\* Base index : "1Q Mar2013" = 100

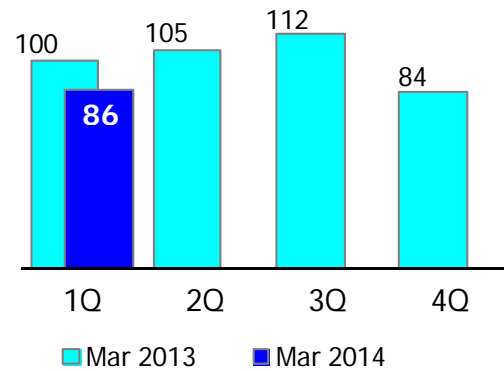
# Unit sales trend - Industrial Business



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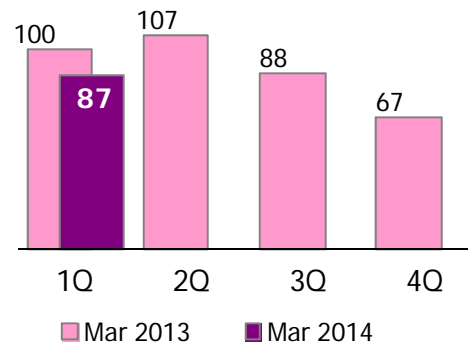
## TAC film – Volumes

YoY:  $\Delta 14\%$



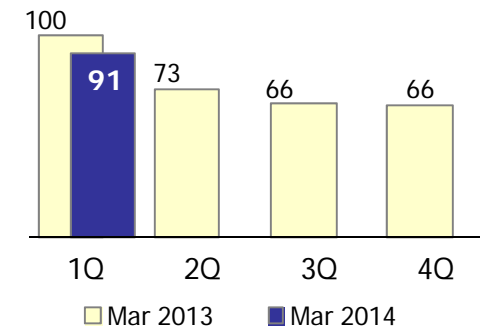
## Replacement lenses for DSLR – Units

YoY:  $\Delta 13\%$



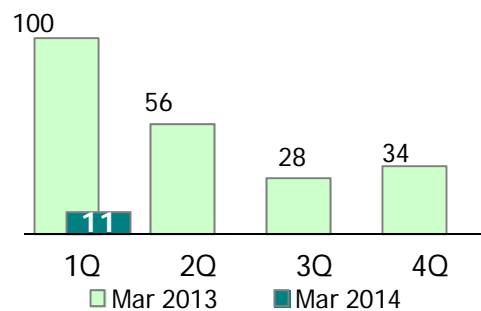
## Measuring instruments – Units

YoY:  $\Delta 9\%$



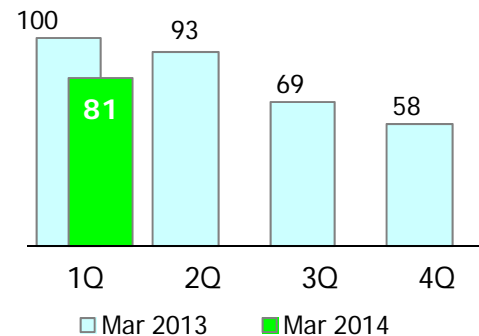
## Glass substrates for HDDs – Units

YoY:  $\Delta 89\%$



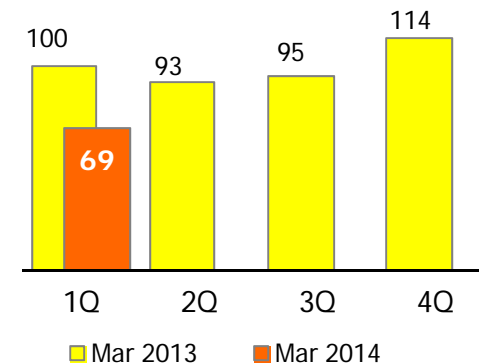
## Optical pickup lenses – Units

YoY:  $\Delta 19\%$



## Mobile phone components – Units

YoY:  $\Delta 31\%$



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\* Base index : "1Q Mar2013" = 100