

**Konica Minolta, Inc.**  
**1st Quarter/March 2015 Consolidated Financial Results**  
**(April 1, 2014 – June 30, 2014)**  
**- Announced on July 30, 2014 -**

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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/Mar 2015 financial results

Sales and profit gains in the Business Technologies Business and a positive momentum in profit in the Industrial Business were growth drivers for 1Q. Year-on-year sales and profit increases resulted in a steady start to the fiscal year, slightly ahead of target.

**Net Sales : ¥ 228.3 bn. (YoY +4%)**

- ✓ An increase in sales of A3 color MFPs and new PP products in the Business Technologies Business coupled with business expansion for OPS and IT service solutions contributed to higher sales.

**Operating income : ¥ 11.7 bn. (YoY +49%)**

- ✓ Profit increase in the Business Technologies Business combined with higher sales than initially expected in TAC films, measuring instruments, and pickup lenses for BDs contributed to higher operating income.

**Net income : ¥ 5.6 bn. (YoY - 43%)**

- ✓ Net income declined temporarily due to an increase of ¥9.9 billion in tax expenses in the 1Q following the recording of tax effects (¥9.2 billion) related to a review of deferred tax assets in the 1Q of the previous year. Expected to normalize from 2Q onward.

## Acquisition of Own Shares and Cancellation of Treasury Shares

This move is part of a management measure in accord with the medium term management plan of focusing on shareholder return and ROE. The objective is to enhance shareholder value through agile shareholder return and boost ROE.

### Newly acquiring own shares with a limit of 10 million shares and ¥10 billion

- ✓ Number of shares to be acquired: 10 million (2.0% of the total number of outstanding shares)
- ✓ Total value of stocks to be acquired: ¥10 billion
- ✓ Acquisition period: July 31, 2014 to October 31, 2014

### Cancellation of 20 million shares from previous acquisition (Jan. - Apr. 2014)

- ✓ Number of shares to be canceled: 20 million (3.8% of the total number of issued shares prior to cancellation)
- ✓ Planned date of cancellation: August 29, 2014

# 1Q/Mar 2015 financial results highlight- overview

	1Q Mar 2015	1Q Mar 2014	[Billions of yen] YoY
Net sales	228.3	218.5	4%
Operating income	11.7	7.8	49%
<i>Operating income ratio</i>	<i>5.1%</i>	<i>3.6%</i>	-
Amortization of goodwill	2.3	2.9	-19%
Operating income before amortization of Goodwill (b)	14.0	10.7	31%
(b)/(a)	6.1%	4.9%	-
Pre-tax Profit	11.8	6.0	95%
Net income	5.6	9.8	-43%
<i>Net income ratio</i>	<i>2.5%</i>	<i>4.5%</i>	-
FCF	-6.7	3.4	
FOREX [Yen] USD	102.16	98.76	3.40
euro	140.07	128.95	11.12

# 1Q/Mar 2015 financial results highlight- segment

[Billions of yen]

Net Sales	1Q		Change (%)
	Mar 2015	Mar 2014	
Business Technologies	181.4	169.8	7%
<i>Office Services</i>	138.2	131.7	5%
<i>Commercial/Industrial print</i>	43.2	38.1	13%
Healthcare	16.1	16.3	-1%
Industrial Business	30.1	31.0	-3%
Industrial Optical Systems	13.3	16.1	-18%
Performance Materials	16.8	14.9	13%
Others	0.8	1.5	-
<b>Group Overall</b>	<b>228.3</b>	<b>218.5</b>	<b>4%</b>

Operating income	1Q		1Q		Change (%)
	Mar 2015	Mar 2015	Mar 2014	Mar 2014	
Business Technologies	11.8	6.5%	10.1	6.0%	17%
Healthcare	0.0	-0.1%	0.1	0.4%	-
Industrial Business	6.6	21.8%	4.3	13.8%	54%
Eliminations and Corporate	-6.7		-6.7		-
<b>Group Overall</b>	<b>11.7</b>	<b>5.1%</b>	<b>7.8</b>	<b>3.6%</b>	<b>49%</b>

# Business Technologies Business - Overview

## Net Sales : ¥ 181.4 bn. (YoY +7%)

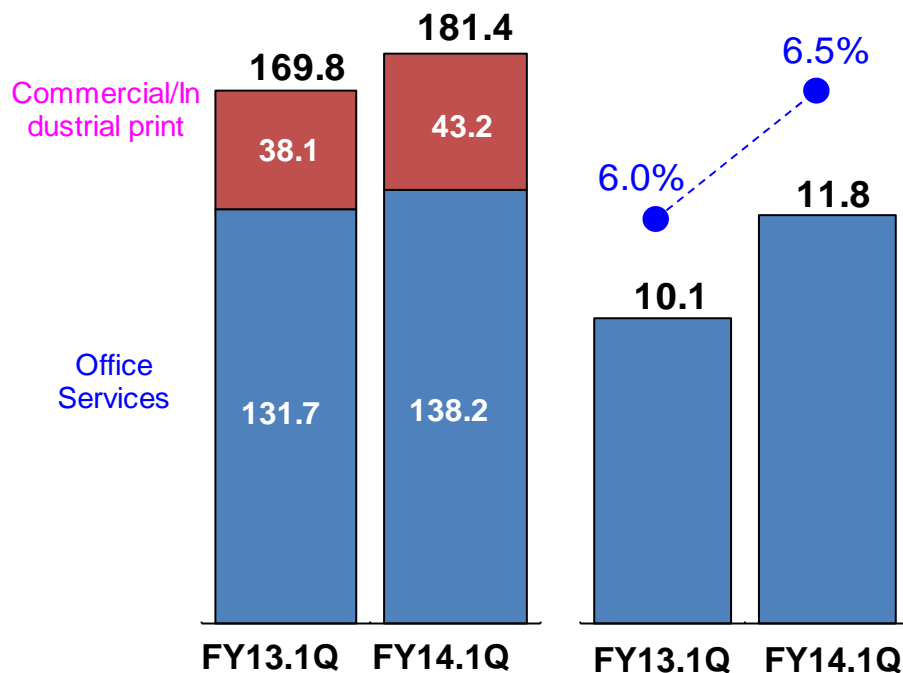
- Sales increased due to sales growth of core products, expansion of service businesses, and foreign exchange effects.

## Operating income : ¥ 11.8 bn. (YoY +17%)

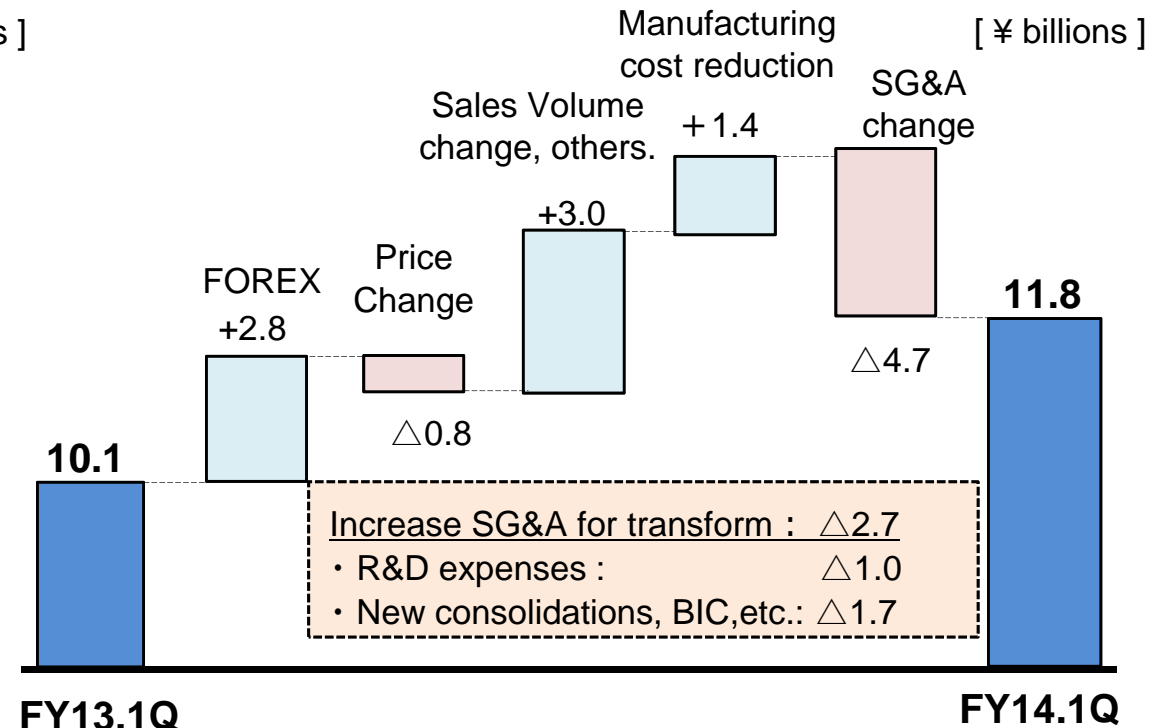
- An increase in gross profit associated with sales growth and profit ratio increase in the production print field contributed to the increase in operating income.

### Net sales/Operating income

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



### Operating Income Analysis



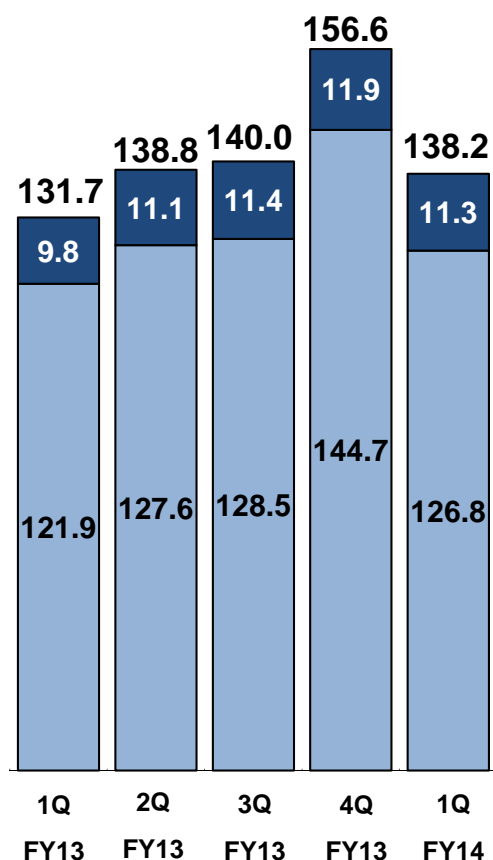
# Business Technologies Business : Office Service business – sales performance

## □ Net sales : ¥ 138.2 bn. (YoY +5%)

- Sales increased due to sales gains in A3 color units and expansion of hybrid-type sales, mainly in Europe and the US
- Sales of OPS and GMA also grew steadily following reinforcement of global sales systems.

### Quarterly Net Sales Transition

[¥ billions]



IT service  
Solution

Office  
Product

### Sales

**¥11.3 bn.**  
(YoY +16%)

- ✓ Hybrid-type sales penetrated the market, mainly in Europe and the US. The pipeline was also built up further.

**¥126.8 bn.**  
(YoY +4%)

**OPS Sales**  
**¥15.3 bn.**  
(YoY +68%)

**GMA Sales**  
**¥5.3 bn.**  
(YoY +26%)

- ✓ Sales of A3 color models increased, mainly in emerging countries.
- ✓ Sales of color PVs increased due to expansion of color MIFs, mainly in advanced nations.
- ✓ Introduction of OPS to major customer BMW led to expansion into the US, Japan and Asia following Europe.
- ✓ Gained new contract from a world-class foodstuffs company headquartered in Europe.

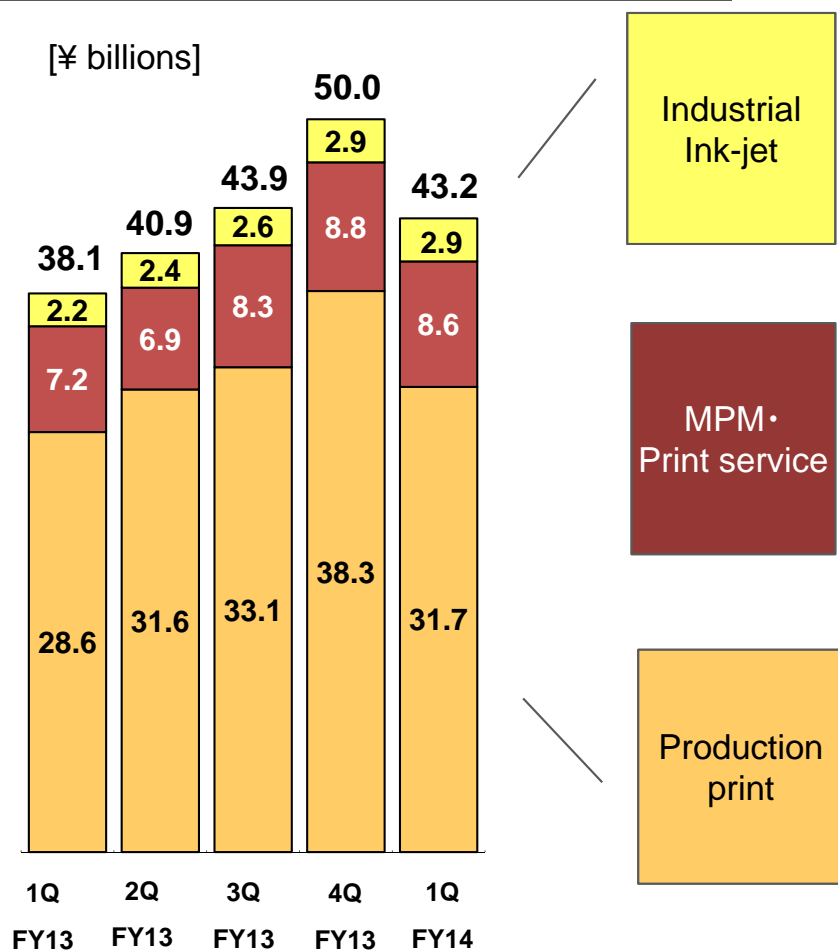


# Business Technologies Business : Commercial/Industrial Print Business – sales performance

## □ Net sales : ¥43.2bn.(YoY+13%)

- Sales of both color and monochrome units took a positive turn. An increase in PV in line with growth in MIFs contributed significantly to the sales growth.
- MPM and print services expanded mainly in Europe. Steady progress was made toward worldwide expansion.

### Quarterly Net Sales Transition



### Sales

**¥2.9 bn.**  
(YoY + 32%)

**¥8.6 bn.**  
(YoY+ 18%)

**¥31.7 bn.**  
(YoY+ 11%)

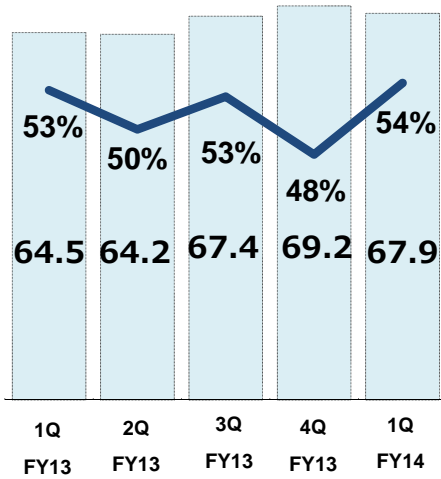
### 1Q -summary

- ✓ Sales of both components and textiles increased significantly due to favorable sales, mainly in Europe, the US and Asia.
- ✓ Sales expanded on a pan-European basis by leveraging knowhow of Charterhouse PM Limited (UK).
- ✓ Konica Minolta concluded a purchase agreement with Ergo Asia Pty Limited (Australia), with an aim to expand services in the APAC region.
- ✓ Sales of both hardware and non-hardware increased, mainly in overseas markets.
- ✓ A steady start was achieved in new color and monochrome products released in June. A full-fledged contribution will appear from the 2Q.

# <Ref.>Sales results of Non-hard

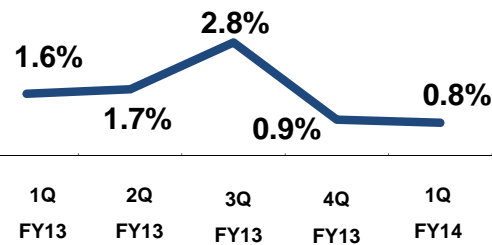
## Sales & ratio of Non-hard

### Office product



## YoY sales increase of Non-hard

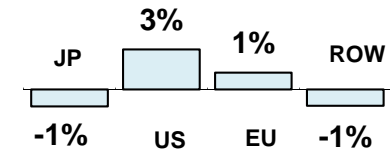
(w/o FOREX)



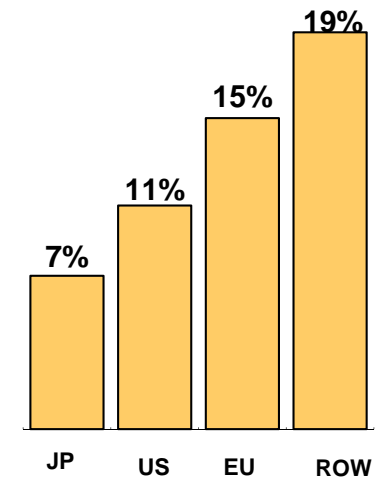
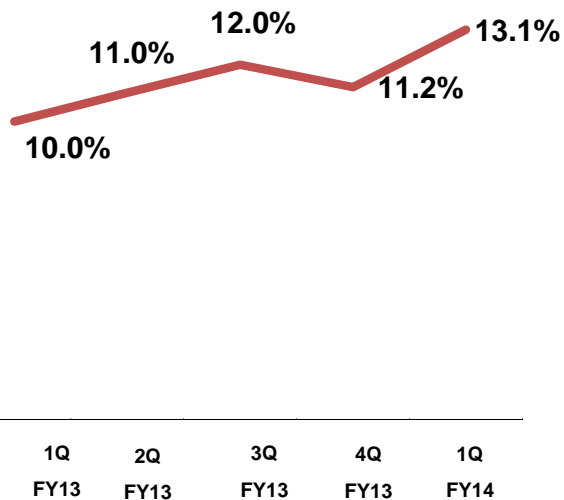
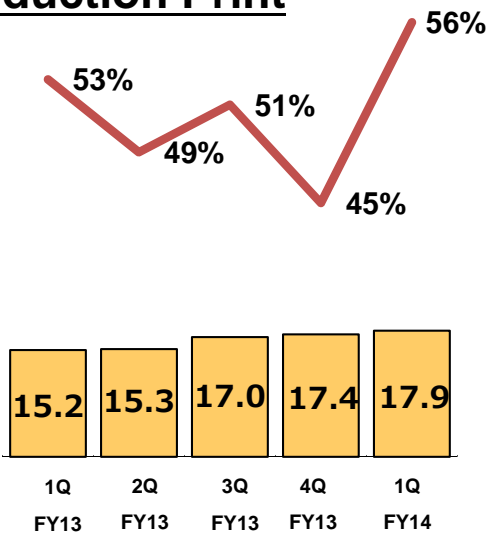
## YoY sales increase of Non-hard (regional)

【FY2014-1Q】

(w/o FOREX)



### Production Print



# Healthcare Business - Overview

## □ Net sales : ¥16.1 bn. (YoY - 1%)

- Sales were sluggish due to a decline in demand following the consumption tax hike and a revision of medical treatment fees in the core Japanese market.

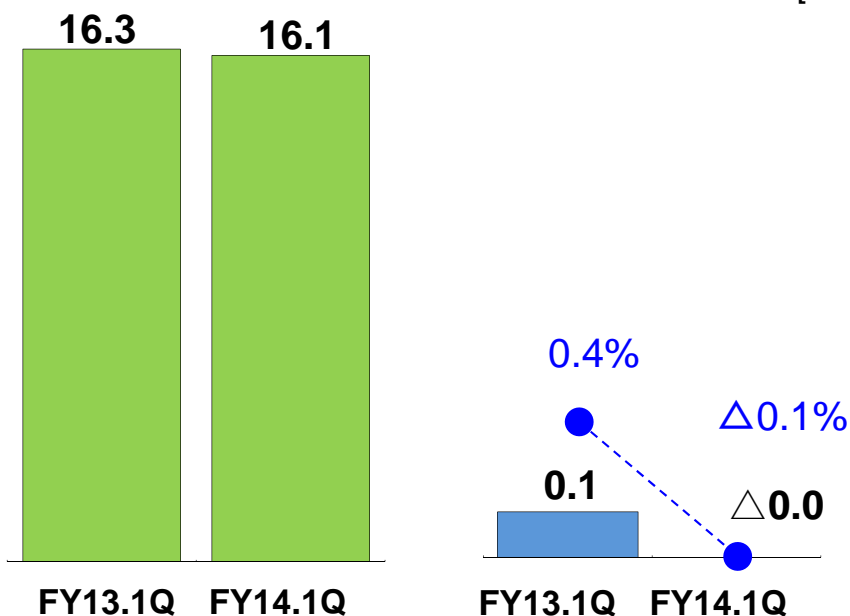
## □ Operating income : ¥ - 0.0bn. (¥0.1 bn. surplus in 1Q/FY13)

- Operating income decreased slightly, partially due to advance investment to launch the ultrasound (US) diagnostic equipment business

### Net sales/Operating income

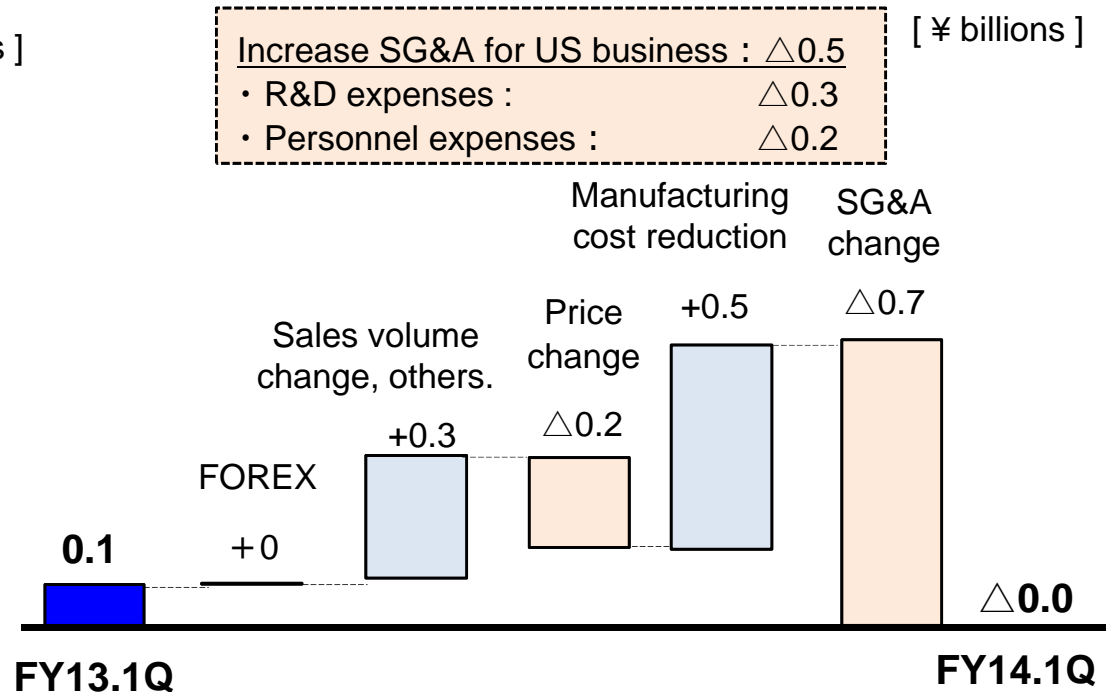
Left: Net sales Right: Operating income ● OP Ratio

[ ¥ billions ]



### Operating Income Analysis

[ ¥ billions ]



Increase SG&A for US business :  $\Delta 0.5$

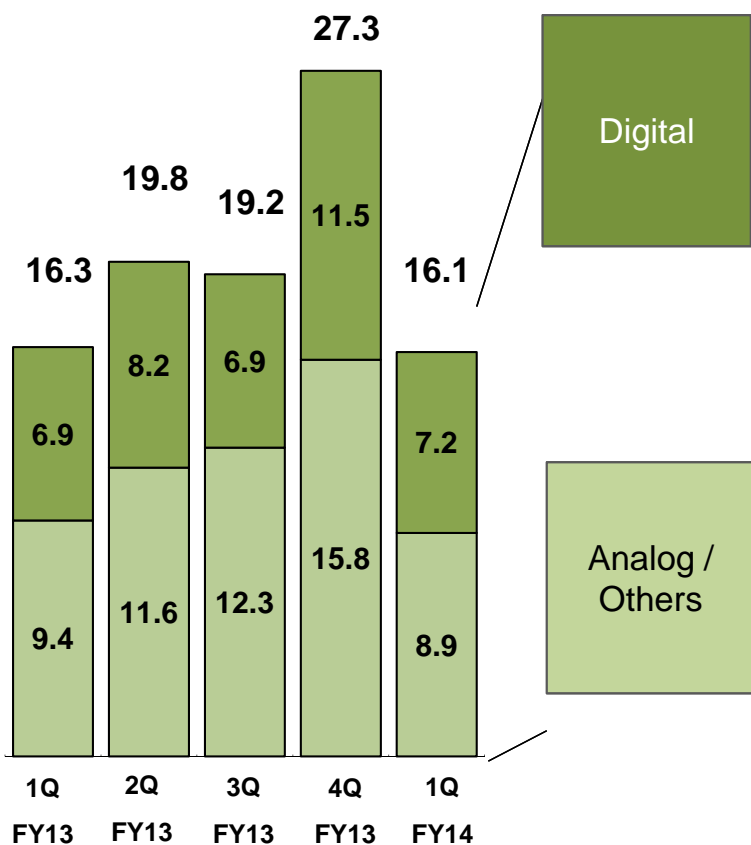
- R&D expenses :  $\Delta 0.3$
- Personnel expenses :  $\Delta 0.2$

# Healthcare Business – sales performance

※ **Digital** : X-ray systems(DR,CR), Ultrasound diagnostic imaging systems, Medical IT service etc.  
**Analog and others.** : Film, Imager, Purchased Materials etc.

## Quarterly Net Sales Transition

[¥ billions]



## Sales

**¥7.2 bn.**  
(YoY +4%)

**¥8.9 bn.**  
(YoY -5%)

## 1 Q -Summary

- ✓ Sales in cassette-type DR and CR were weak in Japan. Konica Minolta entered sales tie-ups with partners overseas in earnest.
  - ✓ The Company started full-fledged expansion of ultrasound diagnostic equipment. Cost of investment in launching business will appear for the time being.
- 
- ✓ Demand for film products continued to decline in Japan while increase in emerging countries, particularly China. Sales volumes increased year on year.
  - ✓ Demand decreased due to a decline in demand following the consumption tax hike.

# Industrial Business - Overview

## Net sales : ¥30.1 bn. (YoY - 3%)

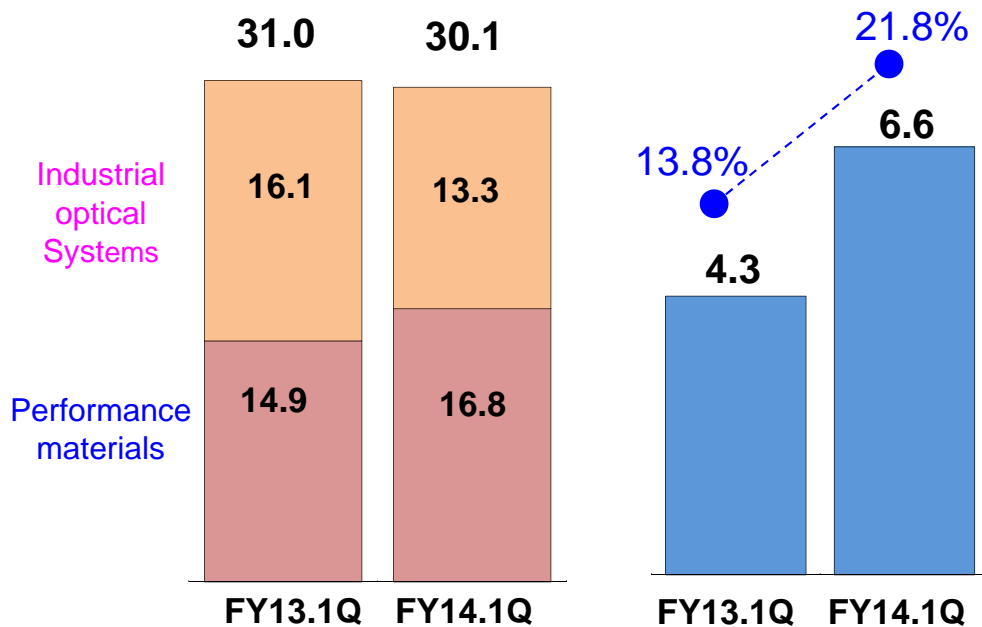
➤ Despite growth in sales of performance materials and sensing fields, sales declined slightly due to a decline in demand for compact DSC, and withdrawal of the glass substrates for HDDs business.

## Operating income : ¥6.6 bn. (YoY +54%)

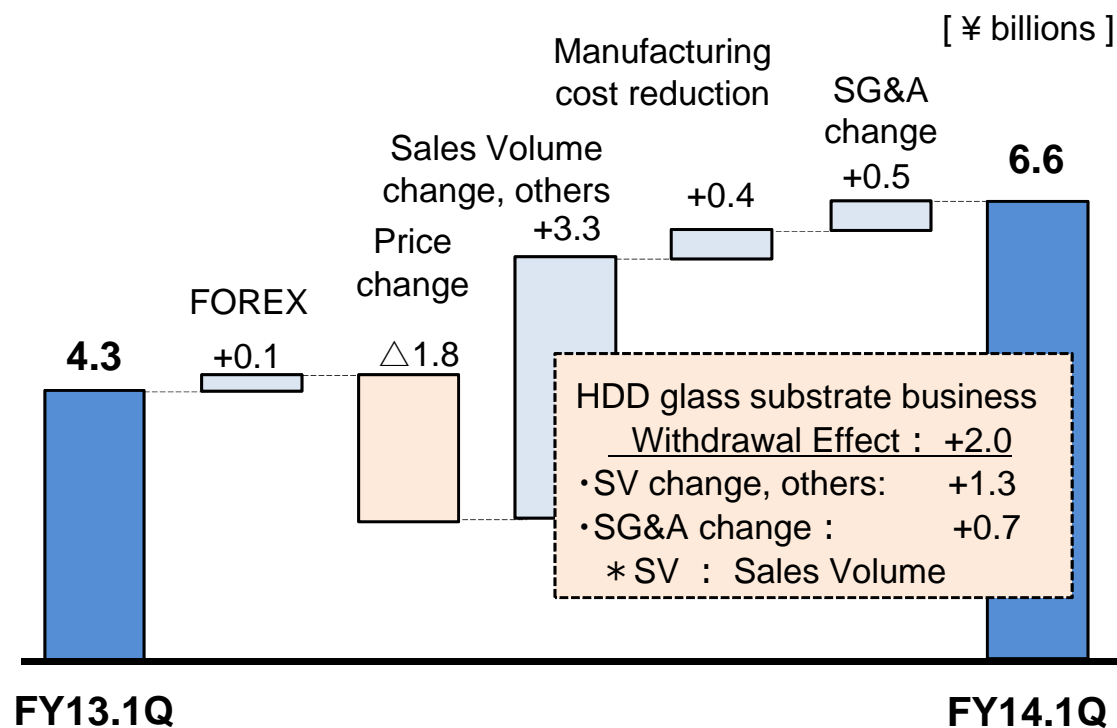
➤ Sales growth in performance materials and sensing fields contributed to the increase. Operating income increased significantly partially due to withdrawal from the glass substrates for HDDs business.

### Net sales/Operating income

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



### Operating Income Analysis



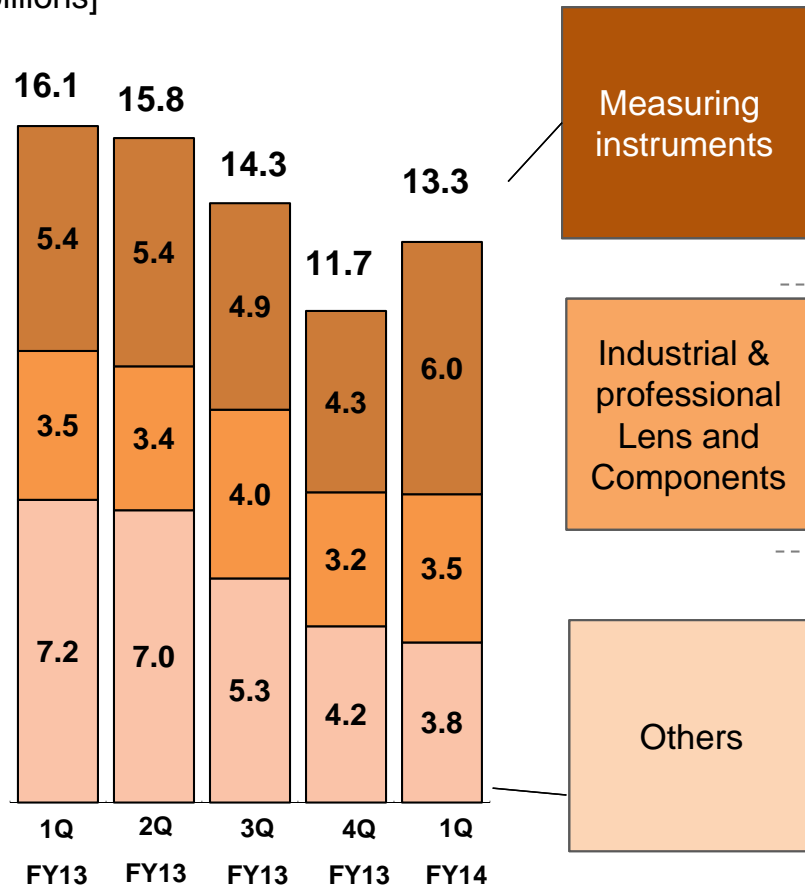
# Industrial business : Industrial Optical Systems – sales performance

## □ Net sales: ¥13.3 bn. (YoY - 17%)

- Measuring instruments sales remained solid at Instrument Systems. Pickup lenses for BDs also continued to be strong for home video game consoles. Sales went down due to market contraction for compact DSCs and the impact of withdrawal from the glass substrates for HDDs business.

### Quarterly Net Sales Transition

[¥ billions]



### Sales

**¥6.0 bn.**  
(YoY +12%)

**¥3.5 bn.**  
(YoY - 0%)

**¥3.8 bn.**  
(YoY - 47%)

### 1 Q -Summary

- ✓ Konica Minolta continued to earn benefits from M&A of IS. Object color application performance was solid.
- ✓ Lenses for projectors and interchangeable lenses for D-SLR cameras were solid in general.
- ✓ Pickup lenses remained strong in the home video game console sector. A year-on-year decrease was recorded for DVDs.
- ✓ Sales decreased in lens units for compact DSC and mobile phones.

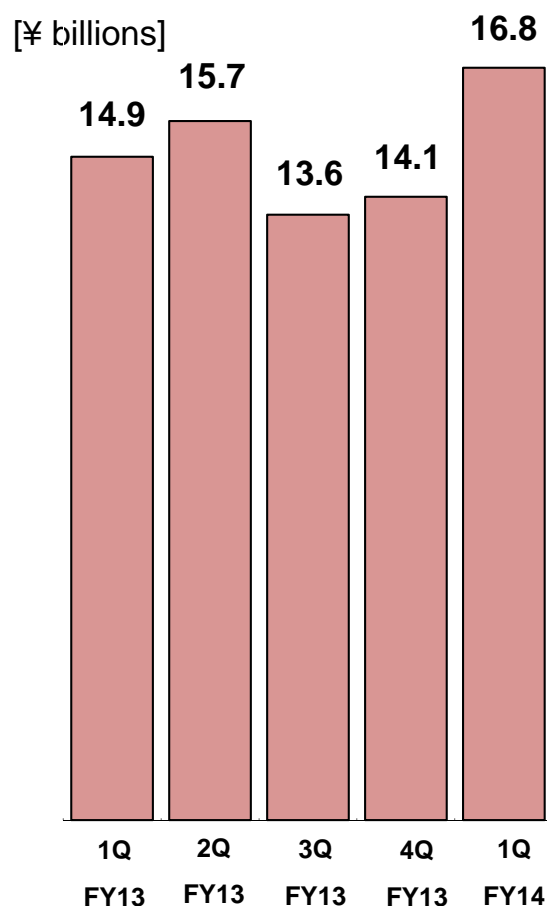
# Industrial Business :

## Performance materials – sales performance

### □ Net sales: ¥16.8 bn. (YoY +13%)

- Sales volumes of TAC film increased due to market factors such as improvement in small- and medium-size panels, and improvement in market conditions for LCD TVs associated with reputation for high product quality.
- Multiple businesses were established in the new business areas focusing on B2C.

#### Quarterly Net Sales Transition



- For FPD
  - Large size
  - Small & medium size

- For new field business
  - Window film
  - Barrier film

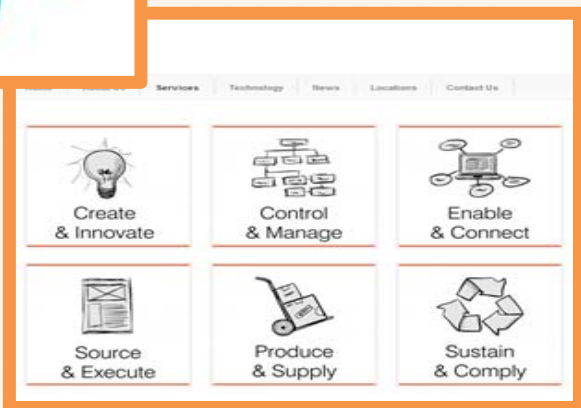
#### 1Q -Summary

- ✓ Orders increased for both VA-TAC and plain TAC due to increase in inch size and recovering market demand.
  - ✓ Thin-film products for booming smartphones and tablets expanded. Demand for notebook PCs was stronger than expected following termination of support for Windows XP
- 
- ✓ Window film sales started in China and ASEAN through B2C channel.
  - ✓ Barrier film commenced sales for flexible display applications.

# Ergo acquisition & Production print new product



**[Objective] Acquire unique MPM service operation knowhow and network of Ergo and one-of-a-kind application system leading to efficient operation**



- Company name : Ergo Asia PTY LTD
- Head office location : Sydney in Australia
- Numbers of employee: 176 (As of Aug. 2013)
- Business area : Australia, New Zealand, China, India, Indonesia, Thailand, The Philippines, Vietnam, Singapore
- Sales of FY2012: About ¥14.0 bn.

**bizhub PRESS C1100/C1085**

## Flagship bizhub PRESS series



- Expand scope of print orders
  - Possible to print at maximum speed with diverse paper types/thicknesses
- Optimize business efficiency
  - Maximize printing performance
- Secure trust and ensure reliability
  - Stable output with high image quality



# Strategic progress for realizing “Transform” - MPM concept & PP new products -

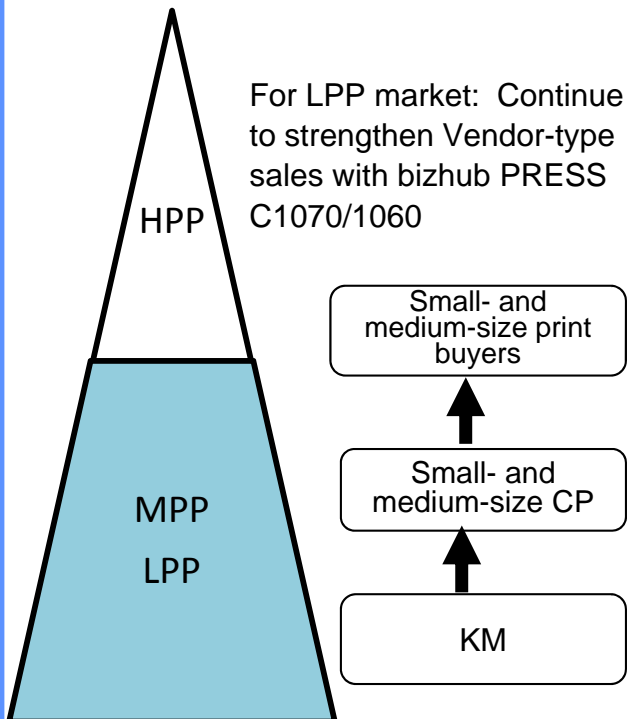
- ❑ Gain print orders directly from marketing departments of large companies
- ❑ Create symbiotic relationship with medium- and large-size commercial printing companies and expand business in HPP domain.

## MPM Concept

### Conventional Business Model

#### Vendor-type competitive axis

Equipment performance, service, channel

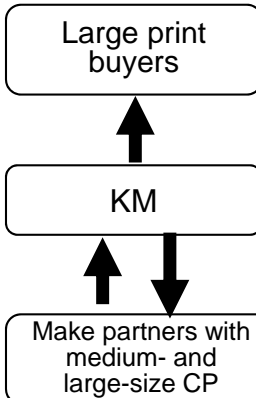


### MPM Business Model

#### Partner-type competitive axis

Create a print supply system that meets customer needs through partnership and harmonious relationship with CP.

For small- and medium-size CP markets: Full-fledged market entry with partner-type business model



\*Medium- to large-size CP: 20-200 employees as medium-scale CP

## Action

### Stage 1

#### Establish business foundation

May 2012

**kinko's**  
On Demand Solutions

November 2012

Acquired Charterhouse Acquired

### Stage 2

#### Expand MPM business globally

Release new bizhub PRESS C1100/1085/2250/1250 targeting MPP-HPP market



Concluded agreement to acquire in June 2014

**ergo**

### Stage 3

#### Further global expansion

Expand into other areas including the US

## Full-year forecast of FY 2014

While recognizing the uncertain business environment, initial forecasts (announced on May 9) remain unchanged in light of steady progress in results for the 1Q driven by Industrial Business.

Net sales : ¥ 1 trillion (YoY +6%)

Operating income : ¥ 62 bn. (YoY +7%)

Net income : ¥ 26 bn. (YoY +19%)

FOREX assumption(2Q) : 1 US \$ =¥100, 1€=¥135 (assumed rate unchanged from initial forecast)

Dividend forecast : ¥ 20 per share (total annual)

※ Increase by ¥2.5 per share on a year-on-year basis

Interim & year-end dividend : ¥10 per share each

## Supplementary Information

# 1Q/Mar 2015 financial results highlight- overview

	[Billions of yen]		
	1Q Mar 2015	1Q Mar 2014	YoY
Net sales(a)	228.3	218.5	4%
Gross income	114.4	102.3	12%
<i>Gross income ratio</i>	<i>50.1%</i>	<i>46.8%</i>	
Operating income	11.7	7.8	49%
<i>Operating income ratio</i>	<i>5.1%</i>	<i>3.6%</i>	-
Amortization of goodwill	2.3	2.9	-19%
Operating income before amortization of Goodwill (b)	14.0	10.7	31%
<i>(b)/(a)</i>	<i>6.1%</i>	<i>4.9%</i>	-
Ordinary income	10.4	7.1	48%
Pre-tax Profit	11.8	6.0	95%
Net income	5.6	9.8	-43%
<i>Net income ratio</i>	<i>2.5%</i>	<i>4.5%</i>	-
EPS [Yen]	10.97	18.43	
CAPEX	14.2	11.5	
Depreciation	11.6	11.6	
R&D expenses	18.3	17.3	
FCF	-6.7	3.4	
Investment and loan	7.2	2.5	
FOREX [Yen] USD	102.16	98.76	3.40
euro	140.07	128.95	11.12

# FY2014 financial forecast highlight - overview

[Billions of yen]

	Forecast Mar 2015	Results Mar 2014	YoY
Net sales	1,000.0	943.8	6%
Operating income	62.0	58.1	7%
<i>Operating income ratio</i>	6.2%	6.2%	
Ordinary income	57.0	54.6	4%
Net income	26.0	21.9	19%
<i>Net income ratio</i>	2.6%	2.3%	
EPS [Yen]	51.51	41.38	
ROE (%)	5.6%	4.6%	
CAPEX	60.0	47.4	
Depreciation	55.0	47.4	
R&D expenses	75.0	71.2	
FCF	2.0	34.2	
Investment and loan	40.0	6.1	
			FOREX impact per 1yen movement (Full year)
			Net sales      Operating income
			3.0              0.4
			1.4              0.8
FOREX [Yen] USD	100.00	100.24	
euro	135.00	134.37	

# FY2014 financial forecast highlight - segment

<b>Net Sales</b>	Forecast		Results		[Billions of yen]
	Mar 2015		Mar 2014		YOY
Business Technologies	800.0		739.9		8%
<i>Office Services</i>	600.0		567.1		6%
<i>Commercial/Industrial print</i>	200.0		172.9		16%
Healthcare	90.0		82.4		9%
Industrial Business	110.0		116.1		-5%
<i>Industrial Optical Systems</i>	61.0		57.8		5%
<i>Performance Materials</i>	49.0		58.3		-16%
Others	0.0		5.3		-
<b>Group Overall</b>	<b>1,000.0</b>		<b>943.8</b>		<b>6%</b>

<b>Operating income</b>	Forecast		Results		
	Mar 2015		Mar 2014		
Business Technologies	72.0	9.0%	66.6	9.0%	8%
Healthcare	7.0	7.8%	4.5	5.5%	56%
Industrial Business	12.0	10.9%	15.2	13.1%	-21%
Eliminations and Corporate	-29.0	-	-28.2	-	-
<b>Group Overall</b>	<b>62.0</b>	<b>6.2%</b>	<b>58.1</b>	<b>6.2%</b>	<b>7%</b>

# Operating profit analysis

[Billions of yen]

## 1Q/Mar 2015 vs. 1Q/Mar 2014

### [Factors]

	Business Technologies	Healthcare	Industrial Business	Total
Forex impact	2.8	0.0	0.1	3.1
Price change	-0.8	-0.2	-1.8	-2.9
Sales volume change, and other, net	3.0	0.3	3.3	7.0
Cost up/down	1.4	0.5	0.4	2.2
SG&A change, net	-4.7	-0.7	0.5	-5.5

### [Operating income]

Change, YoY	1.7	-0.0	2.3	3.8
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## SGA, non-operating and extraordinary income/loss

	[Billions of yen]		
	Mar 2015 1Q	Mar 2014 1Q	YoY
<b>SG&amp;A:</b>			
Selling expenses - variable	12.9	11.6	1.3
R&D expenses	18.3	17.3	1.0
Labor costs	44.4	40.7	3.7
Other	27.2	24.9	2.2
<b>SGA total*</b>	<b>102.7</b>	<b>94.5</b>	<b>8.2</b>
	<i>* Forex impact: + ¥2.7 bn. (Actual: ¥5.5bn.)</i>		
<b>Non-operating income/loss:</b>			
Interest and dividend income/loss, net	0.2	-0.1	0.2
Foreign exchange gain, net	-0.1	-0.4	0.3
Other	-1.3	-0.3	-1.0
<b>Non-operating income/loss, net</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-0.4</b>
<b>Extraordinary income/loss:</b>			
Sales of noncurrent assets, net	1.3	-0.3	1.6
Sales of investment securities	0.0	0.0	-0
Business structure improvement expenses	-	-0.6	0.6
Other	0.0	-0.1	0.1
<b>Extraordinary income/loss, net</b>	<b>1.3</b>	<b>-1.0</b>	<b>2.4</b>



# Cash flows

		[Billions of yen]		
		1Q Mar 2015	1Q Mar 2014	YoY
	Income before income taxes and minority interests	11.8	6.0	5.7
	Depreciation and amortization	11.6	11.6	0.0
	Income taxes paid	-5.1	-5.6	0.4
	Change in working capital	-11.6	2.8	-14.4
<b>I.</b>	<b>Net cash provided by operating activities</b>	<b>6.7</b>	<b>14.9</b>	<b>-8.2</b>
<b>II.</b>	<b>Net cash used in investing activities</b>	<b>-13.4</b>	<b>-11.5</b>	<b>-1.9</b>
<b>I.+ II.</b>	<b>Free cash flow</b>	<b>-6.7</b>	<b>3.4</b>	<b>-10.1</b>
	Change in debts and bonds	-6.0	0.9	-6.9
	Purchase of treasury shares	-3.5	0.0	-3.5
	Cash dividends paid	-3.8	-3.8	0.1
	Other	-0.4	-0.5	0.1
<b>III.</b>	<b>Net cash used in financing activities</b>	<b>-13.7</b>	<b>-3.4</b>	<b>-10.3</b>

	Jun 2014	Mar 2014	[Billions of yen] Change
<b>Assets:</b>			
Cash and short-term investment securities	167.7	188.5	-20.8
Notes and A/R-trade	200.1	220.1	-20.0
Inventories	120.2	115.3	4.9
Other	63.8	65.4	-1.6
<b>Total current assets</b>	<b>551.8</b>	<b>589.3</b>	<b>-37.5</b>
Tangible assets	175.6	173.4	2.2
Intangible assets	111.1	111.4	-0.3
Investments and other assets	97.4	92.0	5.4
<b>Total noncurrent assets</b>	<b>384.0</b>	<b>376.7</b>	<b>7.3</b>
<b>Total assets</b>	<b>935.9</b>	<b>966.1</b>	<b>-30.2</b>

**Liabilities and Net Assets:**

Notes and A/P-trade	84.9	96.2	-11.3
Interest bearing debts	189.3	196.1	-6.9
Other liabilities	194.1	193.6	0.5
<b>Total liabilities</b>	<b>468.3</b>	<b>486.0</b>	<b>-17.7</b>
Total shareholders' equity*	465.9	478.4	-12.5
Other	1.7	1.7	0.0
<b>Total net assets</b>	<b>467.5</b>	<b>480.1</b>	<b>-12.5</b>
<b>Total liabilities and net assets</b>	<b>935.9</b>	<b>966.1</b>	<b>-30.2</b>

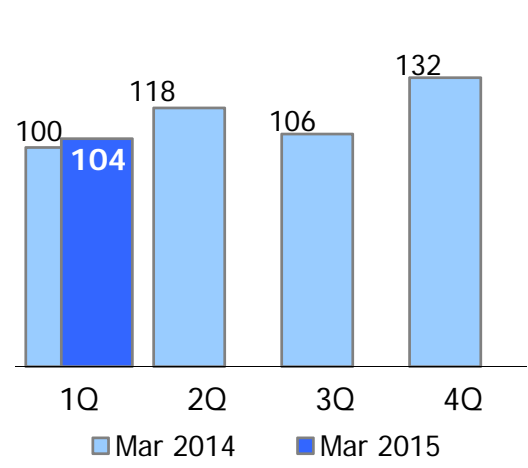
**Main indicators**

	June 2014	Mar 2014	[yen] YoY	Mar 2014	Jun 2014
US\$	101.36	102.92	-1.56	D/E ratio	0.41
euro	138.31	141.65	-3.34	Inventories turnover (Month)	2.52
				Shareholders' equity (%)	49.5
					49.8

# Unit sales trend: Business Technologies

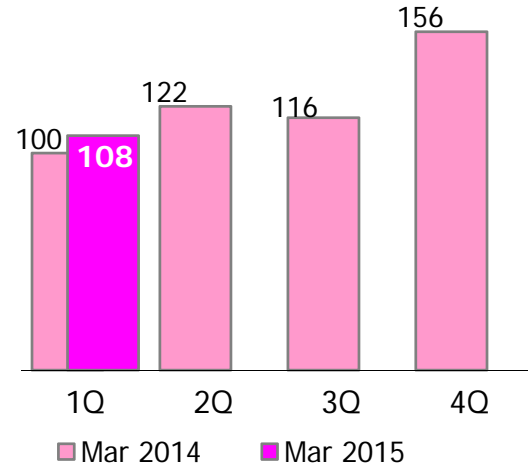
## A3 color MFP – Units\*

YoY: +4%



## Color Production Print – Units\*

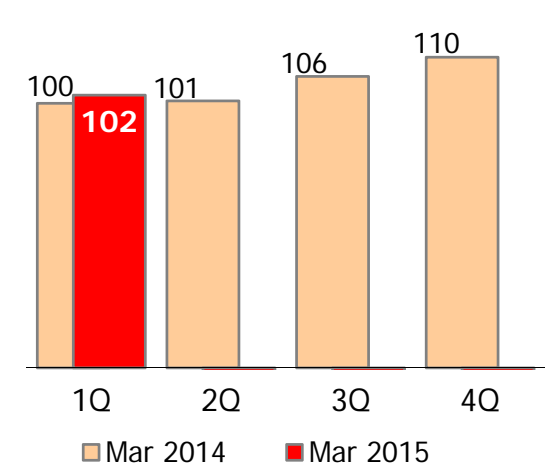
YoY: +8%



## Office Non-hardware \*

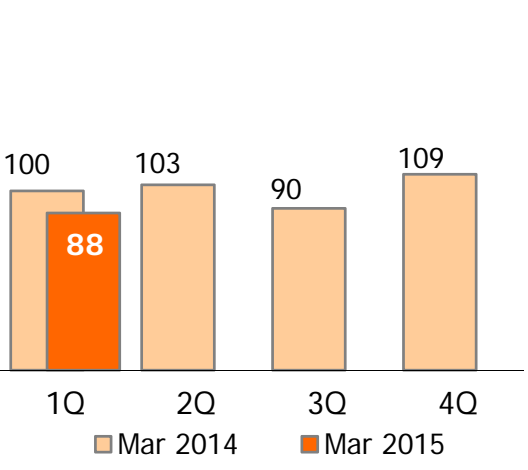
(w/o forex effects)

YoY: +4%



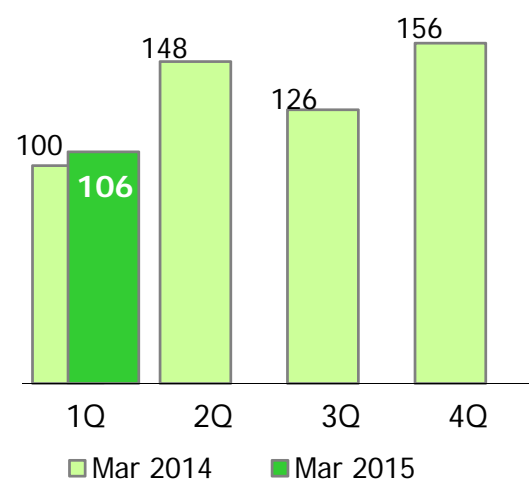
## A3 mono MFP – Units\*

YoY: -12%



## Mono Production Print – Units\*

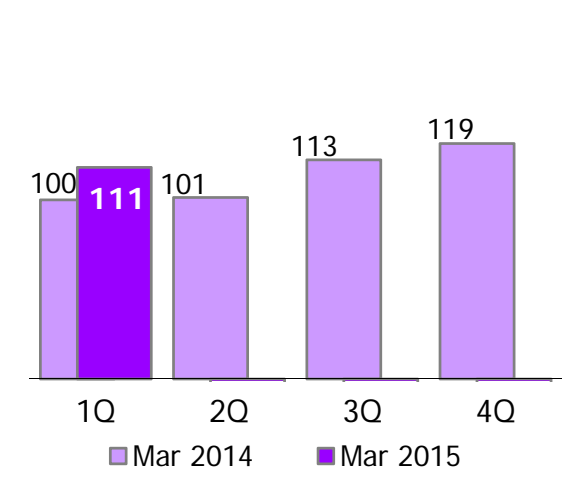
YoY: +6%



## Production Non-hardware\*

(w/o forex effects)

YoY: +11%



\* Base index : "1Q Mar2014" = 100

# Giving Shape to Ideas



**KONICA MINOLTA**