1. Consolidated Operating Results

(1) Overview of Performance

1st quarter results for the fiscal year ending March 31, 2010
(From April 1, 2009 to June 30, 2009)

[Billions of yen]

	Year-on-year				Quarter-on-quarter		
	1Q Mar/2010	1Q Mar/2009	Increase (Decrease)		4Q Mar/2009	Increase (Decrease)	
Net sales	189.4	255.1	(65.7)	-25.8%	201.2	(11.7)	-5.9%
Gross profit	79.6	119.9	(40.2)	-33.6%	80.6	(0.9)	-1.2%
Operating income (loss)	(0.5)	24.4	(25.0)	-	(7.1)	6.5	-
Ordinary income	0.6	27.9	(27.3)	-97.8%	(8.6)	9.2	-
Income before income taxes and minority interests	0.4	30.7	(30.3)	-98.7%	(17.3)	17.7	-
Net income	0.2	17.6	(17.3)	-98.3%	(12.1)	12.4	-
Net income per share [yen]	0.56	33.22	(32.66)	-98.3%	(22.95)	23.51	-
Capital expenditure	7.4	13.6	(6.2)	-45.5%	13.8	(6.4)	-46.2%
Depreciation	15.3	16.1	(0.8)	-5.1%	18.4	(3.1)	-16.8%
R & D expenses	17.6	20.8	(3.2)	-15.3%	19.0	(1.3)	-7.2%
Free cash flow	5.1	(9.2)	14.4	- %	10.9	(5.8)	-53.2%
Number of employees [persons]	36,264	38,359	(2,095)	-5.5%	36,875	(611)	-1.7%
Exchange rates [yen]							
US dollar	97.32	104.55	(7.23)	-6.9%	93.61	3.71	4.0%
Euro	132.57	163.43	(30.86)	-18.9%	121.81	10.76	8.8%

The Konica Minolta Group's net sales for the first quarter under review stood at ¥189.4 billion (down 25.8% year on year). The decline was attributable to significant falls in sales of its mainstay products, namely color multi-functional peripherals (MFPs) for offices and high-speed MFPs for production printing in the Business Technologies Business, as well as optical pickup lenses for Blu-ray Disks (BDs) in the Optics Business. This in turn reflected a sharp decline in demand worldwide starting in the fall of 2008. Revenue also fell with the appreciation of the yen, which produced the negative impact of approximately ¥19.8 due to foreign exchange translations.

The Group posted an operating loss of ¥500 million (against operating income of ¥24.4 billion in the corresponding period of the previous year). The decline in sales and the appreciation of the yen offset initiatives to institute structural reforms and reduce R&D and other costs, introduced primarily in the Business Technologies Business and the Optics Business.

Ordinary income stood at ¥600 million (down 97.8% year on year), primarily because of exchange gains of ¥1.1 billion in non-operating income.

Income before income taxes and minority interests for the first quarter under review was ¥400 million (down 98.7% year on year). Net income after income taxes and minority interests after posting income taxes and minority interests profit was ¥200 million (down 98.3% year on year).

<Reference>

Comparison with the Forth Quarter ended March 31, 2009 (Three months from January 1, 2009 to March 31, 2009)

The Company is adding the following explanation as a reference for comparing results for the first quarter under review with the outcomes for the preceding quarter. The preceding quarter is considered more reasonable than the first quarter of the provisos fiscal year (April 1, 2008 – June 30, 2008) in terms of continuity when comparing with the first quarter under review given the radical changes in the economic situation and business environment seen since last fall.

Net sales for the first quarter under review decreased ¥11.7 billion (5.9%) from the preceding quarter. Sales of the Business Technologies Business and the Medical & Graphic Imaging Business continued to fall, primarily because of the sluggish markets. Meanwhile, the effects of adjustments in supply chains centering on TAC film (a protective film for polarizing plates) in the Optics Business returned to a recovery trend overall.

Operating income improved ¥6.5 billion over the preceding quarter (from an operating loss of ¥7.1 billion). This improvement can be linked to structural reforms and reductions in R&D and other costs, introduced primarily in the Business Technologies Business and the Optics Business, as well as to an increase in revenue from the Optics Business. Similarly, ordinary income improved by ¥9.2 billion (from a recurring loss of ¥8.6 billion for the preceding quarter). Income before income taxes and minority interests improved by ¥17.7 billion (from a loss before income taxes and minority interests of ¥17.3 billion for the preceding quarter) due to a significant decline in the cost of structural reforms from the ¥7.5 billion that had been posted as an extraordinary loss in the preceding quarter. Net income for the first quarter under review also improved, rising ¥12.4 billion (from a net loss of ¥12.1 billion for the preceding quarter). As a result, ordinary income, income before income taxes, and net income turned profitable for the first quarter under review.

The Konica Minolta Group adopted the **Management Policy <09-10>** in April 2009. The Group views the radical changes taking place in the operating environment as an opportunity to strengthen its position, and has consequently taken steps to create new and stronger growth streams. The Management Policy have set the coming two years, from the current fiscal year (the fiscal year ending March 31, 2010) until the next fiscal year (the fiscal year ending March 31, 2011), as the working period. Specifically, the **Management Policy <09-10>** has identified the following three initiatives as the most focusing issues: 1) The execution of structural reforms; 2) Achieving strong growth; and 3) Reforming the corporate culture. In particular, with respect to the current fiscal year ending March 31, 2010, during which the severity of the business environment is likely to be the same as that seen in the second half of the preceding fiscal year, we are determined to proceed rapidly with streamlining and emphasize the "select and concentration" policy, which we see as essential for our success. Konica Minolta aims to become a corporate group that is innovative and customer-oriented in the way it thinks and acts. With this initiative, we are emphasizing structural reforms through Group-wide efforts designed to establish a business structure that is able to generate earnings without sales growth.

We believe that the structural reforms have resulted in improvements in our performance in the consolidated first quarter under review.

(2) Overview by Segment

[Billions of yen]

	Year-on-year				Quarter-on-quarter		
	1Q Mar/2010	1Q Mar/2009	Increase (Decrease)		4Q Mar/2009	Increase (Decrease)	
Business Technologies							
Net sales - external	127.2	166.7	(39.4)	-23.7%	137.4	(10.2)	-7.4%
Operating income	0.2	17.1	(16.9)	-98.6%	4.8	(4.6)	-95.0%
Optics							
Net sales - external	33.9	51.0	(17.0)	-33.4%	26.9	7.0	26.3%
Operating income	1.6	8.8	(7.1)	-81.2%	(6.8)	8.5	-
Medical & Graphic							
Net sales - external	23.7	31.2	(7.5)	-24.2%	31.2	(7.5)	-24.1%
Operating income	0.8	1.4	(0.5)	-41.4%	(1.0)	1.9	-
Sensing							
Net sales - external	1.4	2.3	(0.9)	-40.3%	1.8	(0.4)	-22.6%
Operating income	-0.2	0.1	(0.3)	-	(0.0)	(0.1)	-

Business Technologies Business
[Multifunctional peripherals (MFPs), laser printers (LBPs), etc.]

The Company released two types of color MFPs for offices, namely the bizhub C652 and bizhub C552, to strengthen the competitiveness of its high-speed machines. These new products enable high image quality through the use of a polymerized toner and offering our latest security and network functions. The new products appeal to customers by helping them cut costs by offering industry-leading, energy-saving design, and long-life components. Sales volumes of color MFPs for the first quarter under review in the Japanese market performed well, reaching a level similar to that for the corresponding first quarter of last year despite a lingering global recession. However, sales volumes in our major markets in the United States and Europe fell below the level of the corresponding first quarter of the preceding year.

Sales volumes of monochrome MFPs in the US market maintained the same level as the first quarter of the previous fiscal year, partly thanks to the acquisition of Danka Office Imaging Company in June 2008. However, sales volumes in other markets were lower than the level of the corresponding first quarter of the previous year.

In the production printing field, we have sought to expand our business domains, centering on high-speed color MFPs, including bizhub PRO C65hc, which in an industry first comes equipped with a the industry-first high-chromatic toner. Given the recession, however, both domestic and overseas sales volumes of high-speed MFPs for production printing fell below the sales volumes of the corresponding first quarter of the previous year.

In the printer field, we stepped up our efforts to sell A4 tandem printers and A4 color MFPs for offices. As a result, sales volumes of printers surpassed those for the corresponding quarter of the previous fiscal year, thanks to higher sales of these color products.

Overall, our Business Technologies Business focused on sales of color MFPs for offices and high-speed MFPs for production printing in line with our "genre-top strategy." Despite these efforts, however, sales of MFPs remained generally sluggish in a much tougher business environment, marked by reduced corporate capital spending, cost cutting, and tighter credit controls for leases, driven by a lingering global recession triggered by the financial crisis. Sales of the Business Technologies Business to external customers fell to ¥127.2 billion (down 23.7% year on year), owing partly to a fall in sales due to the exchange impact of the stronger yen. In terms of operating income, we instituted structural reforms and cut costs, especially at our overseas sales companies, to lower the breakeven point and respond to the sweeping changes to operating conditions. Nonetheless, operating income fell sharply, to ¥200 million (down 98.6% year on year), on lower sales volumes, tougher price competition, and the impact of the stronger yen.

On a quarter-on-quarter basis, net sales declined by ¥10.2 billion from the preceding quarter (down 7.4%), primarily because of a decline in the MFP sales volume resulting from the market difficulties already described. Operating income decreased by ¥4.6 billion from the previous quarter (down 95.0%), despite efforts to improve profitability, including comprehensive structural reforms and cost-cutting programs to deal with weaker earnings on manufacturing following the decline in the sales volume of MFPs.

Optics Business
[Optical devices, electronic materials, etc.]

Display materials field

The Group sought to boost sales of new products centering on VA-TAC films (viewing angle expansion films) for large LCD TVs, one of our key strategic products. Sales volumes of both standard products and high-function products returned to the same record-setting level for the corresponding first quarter of the previous fiscal year, aided by a recovery in production output at LCD panel makers in South Korea and Taiwan following economic stimulus packages introduced by China and other nations.

Memory related product field

Our aim was to boost sales of optical pickup lenses for BDs, another of our major products. Supply chain adjustments for game machines and AV machines by consumer electric appliance makers—which had been in place since the fall of 2008—came to an end, suggesting a recovery in DVDs and CDs. In contrast, demand for optical pickup lenses for PCs remained weak. Sales volumes of pickup lenses overall fell from the level of the first quarter of the previous fiscal year. Although demand for glass HD substrates finally returned late in the first quarter under review, sales volumes were still down from the year-ago quarter.

Image input/output component field

Konica Minolta took steps to bolster sales of lens units for cell phones with cameras and zoom lenses for digital cameras. Although demand in this market is also recovering overall, sales volumes were still below the level of the year-ago quarter.

As already noted, we saw an easing of the impact on our Optics Business from the rapid contraction in production of digital electric appliances that had been underway last fall, and a recovery in demand for certain products, however, this business segment faced declining prices. As a result, net sales of the Optics Business to outside customers slipped to ¥33.9 billion (down 33.4% year on year), while operating income decreased to ¥1.6 billion (down 81.2% year on year).

On a quarter-on-quarter basis, net sales of the Optics Business for the first quarter rose ¥7 billion (up 26.3%), thanks to a recovery in demand for leading products, centering on TAC film. Operating income for the same quarter improved by ¥8.5 billion (against an operating loss of ¥6.8 billion for the preceding quarter), due partly to the effects of structural reforms adopted at domestic and overseas production facilities in addition to an increase in profit stemming from higher sales volumes.

Medical and Graphic Imaging Business
[Medical and graphic products, etc.]

Medical/healthcare field

Konica Minolta aggressively deployed its digital solution business, including digital X-ray image readers and systems that facilitate the adoption of IT for image diagnosis at medical facilities. We sought to boost sales of x-ray image input/output equipment and systems including high-quality-image Digital Radiography (DR) systems, called PLAUDR C30/C50, for hospitals, as well as digital X-ray image readers and systems, including small Computed Radiography (CR) systems called REGIUS MODEL 110 for clinics and other small medical facilities. These products have earned widespread acceptance in domestic and overseas markets. The number of units sold during the first quarter under review rose slightly over the corresponding quarter of the preceding year, despite the severe market environments.

Graphic imaging field

Konica Minolta focused on sales of digital equipment, including on-demand printing systems. However, the printing industry was suffering in the severe market condition, hit by the worsening global economy, with a marked trend toward freezing and postponing capital investment. This resulted in sluggish sales during the first quarter.

As noted, our Medical & Graphic Imaging Business focused on expanding digital systems sales. Nonetheless, demand for film products continued to fall in both the medical and graphics fields. As a result, sales volume in the Medical & Graphic Imaging Business fell significantly. Sales of the Medical & Graphic Imaging Business to outside customers fell to ¥23.7 billion (down 24.2% year on year), partly due to the effect of the appreciation of the yen. To improve operating income, we adopted a comprehensive round of reductions in fixed costs. Despite this, operating income fell to ¥800 million (down 41.4% year on year), primarily because of a decline in profit associated with lower sales volumes for films.

On a quarter-on-quarter basis, sales of the Medical & Graphic Business for the first quarter decreased by ¥7.5 billion (down 24.1%) from the preceding quarter. However, operating income improved by ¥1.9 billion (compared with an operating loss of ¥1 billion in the preceding quarter), due chiefly to measures to cut costs, lower R&D and other expenses, and implement structural reforms.

Sensing Business
[Colorimeters, 3D digitizers, etc.]

In the Sensing Business, we sought to expand sales of our mainstay products including spectroradiometers, spectrophotometers, and 3D digitizers in our principle industrial measuring segments of light sources, object colors, and 3-D shapes. In the 3D measurement field, we released RANGE 5, a new non-contact 3D digitizer, which enables accurate measurement of 3D shapes such as moldings, injection molding, and other diverse mold tools. To strengthen its lineup of products in the environmental sector, we began new businesses, such as handling solar cell assessment instruments.

Despite a focus on new products and new businesses, sales volumes in all segments continue to struggle, because manufacturers have continued to scale back capital spending in the major markets of Japan, the United Sates, and Europe, in response to the weakening economic environment since the second half of last year. As a result, sales of the Sensing Business to outside customers decreased to ¥1.4 billion (down 40.3% year on year). Although the Company introduced comprehensive reductions in fixed costs to response to the rapid falls in sales, the operating loss for the first quarter stood at ¥200 million (compared with operating income of ¥100 million in the year-ago period).

On a quarter-on-quarter basis, net sales for the first quarter under review fell ¥400 million, reflecting steep falls in sales of the color sensing products in the Japanese and European markets. Operating income for the same quarter decreased by ¥100 million, despite cost reductions to offset the decrease of profit from lower sales volumes.

2. Financial Position

(1) Analysis of Financial Position

		As of June 30, 2009	As of March 31, 2009	Increase (Decrease)
Total assets	[Billions of yen]	907.0	918.0	(11.0)
Total liabilities	[Billions of yen]	496.3	503.7	(7.4)
Net assets	[Billions of yen]	410.6	414.2	(3.6)
Net assets per share	[yen]	772.60	779.53	(6.93)
Equity ratio	[%]	45.2	45.0	0.2

Total assets at the end of the first quarter under review decreased ¥11.0 billion (1.2%), to ¥907.0 billion, from the previous consolidated fiscal year-end. Current assets fell ¥2.9 billion (0.6%), to ¥501.9 billion (55.3% to total assets), while noncurrent assets decreased ¥8.1 billion (2.0%), to ¥405.0 billion (44.7% to total assets).

With respect to current assets, cash and deposits decreased ¥3.2 billion, to ¥82.4 billion, from the previous consolidated fiscal year-end. Short-term invetment increased ¥23.5 billion, to ¥71.5 billion. Cash and cash equivalents increased ¥20.2 billion, to ¥153.9 billion.

Meanwhile, notes and accounts receivable-trade decreased ¥9.1 billion, to ¥162.6 billion, from the previous consolidated fiscal year-end. In addition, inventory assets decreased ¥12.2 billion, to ¥116.9 billion, following the implementation of production adjustment, etc.

Noncurrent assets decreased ¥5.4 billion, to ¥222.4 billion, from the previous fiscal year-end, reflecting the impact of a scaling back of capital investment in tangible assets. Intangible assets fell ¥3.5 billion, to ¥108.0 billion, with progress in amortization. Investments and other assets increased ¥900 million, to ¥74.5 billion, due primarily to an increase of ¥3.2 billion in investment securities, to ¥21.2 billion.

Liabilities at the end of first quarter under review decreased ¥7.4 billion (1.5%), to ¥496.3 billion (54.7% to total assets), from the previous consolidated fiscal year-end. Current liabilities fell ¥24.2 billion (7.8%), to ¥286.5 billion (31.6% to total assets), while noncurrent assets rose ¥16.8 billion (8.7%), to ¥209.7 billion (23.1% to total assets). In particular, interest-bearing debt (the total of short- and long-term loans and bonds) rose ¥22.6 billion, to ¥253.0 billion, partly because funds on hand were kept at a high level. Notes and accounts payable-trade, accounts payable-other, and accrued expenses slipped ¥20.1 billion, ¥2.4 billion, and ¥1.2 billion respectively from the previous fiscal year-end, primarily because of production adjustments and cost-cutting measures stemming from lower sales.

The first quarter under review is characterized as a decrease of ¥5.1 billion in the provision for allowances for bonuses and a decrease of ¥600 million in the provision for the loss on business liquidation (Photo Imaging Business), to ¥6.6 billion, reflecting progress in dealing with the loss.

Net assets at the end of the first quarter under review were down ¥3.6 billion (0.9%), to ¥410.6 billion (45.3% to total assets), from the previous consolidated fiscal year-end.

Retained earnings decreased ¥5.0 billion, to ¥180.4 billion, as a fall of ¥5.3 billion in dividend payments outweighed an increase of ¥200 million in net income posted for the first quarter under review.

In addition, the valuation difference on available-for-sale securities increased ¥2.0 billion from the previous consolidated fiscal year-end, due to a recovery in the stock price, whereas the foreign currency translation adjustment decreased ¥400 million.

As a result, net assets per share at the end of the first quarter under review were down ¥6.93, to ¥772.60. The equity ratio improved by 0.2 percentage point, to 45.2%, with the decline in total assets.

(2) Cash Flows

[Billions of yen]

	1Q Mar/2010	1Q Mar/2009	Increase (Decrease)
Cash flows from operating activities	14.2	22.2	(7.9)
Cash flows from investing activities	(9.1)	(31.5)	22.3
Total (Free cash flow)	5.1	(9.2)	14.4
Cash flows from financing activities	15.4	(21.2)	36.7

During the first quarter under review, net cash provided by operations was ¥14.2 billion, while net cash used for investing activities, mainly associated with capital investment, totaled ¥9.1 billion yen. As a result, free cash flow (the sum of operating and investing activities) was ¥5.1 billion. Net cash used for financing activities was ¥15.4 billion.

In addition, the effect of exchange rate changes reduced cash and cash equivalents by ¥300 million. As a result, cash and cash equivalents at the end of the first quarter under review stood at ¥153.9 billion, up ¥20.2 billion from the consolidated previous fiscal year-end.

Cash flows from operating activities
Net cash inflow from operations reached ¥14.2 billion (a decrease of ¥7.9 billion from the same period of the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥400 million, depreciation of ¥15.3 billion, and an improvement of ¥2.7 billion in working capital, they were offset by expenditures of ¥5.1 billion as a provision for a bonus allowance and ¥2.8 billion for accounts payable and accrued expenses, etc.

Cash flows from investing activities
Net cash used in investing activities amounted to an outflow of ¥9.1 billion (a decrease of ¥22.3 billion from the same period of the previous fiscal year). An outflow of ¥8.1 billion was used for investments in molding for new products in the Business Technologies Business and in the acquisition of tangible fixed assets relating to the reinforcement of production capacities in the Optics Business, our strategic business.

As a result, free cash flow (the sum of operating and investing cash flows) amounted to an inflow of ¥5.1 billion (an increase of ¥14.4 billion from the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities amounted to an inflow of ¥15.4 billion (an increase of ¥36.7 billion from the same period of the previous fiscal year), due primarily to dividend payments of ¥5.3 billion and borrowings to retain funds on hand.

(Note) Amounts mentioned above do not include consumption taxes.

3. Outlook for the Fiscal Year Ending March 31, 2010

Looking at the performance of the Konica Minolta Group for the first quarter under review, signs of a recovery were evident for the major products of the Optics Business. In contrast, the Business Technologies Business, the core of our business segments, faced a difficult market as corporate customers scaled back capital investment and stepped up cost-cutting measures. The market was further complicated by the lingering effects of tighter credit controls in place since the financial crisis, which resulted in weaker sales of MFPs for offices and high-speed MFPs for production printing.

We expect the markets for our products to remain challenges in the first half of the current fiscal year and onward. The business environment surrounding us will remain uncertain, encompassing final demand, price fluctuations, and trends in movements of the US dollar and euro.

Responding to this environment, the Konica Minolta Group is determined to make every possible effort to achieve the performance forecasts it announced on May 14 this year. It plans to increase revenue by emphasizing efforts to expand sales, centering on the Business Technologies Business, as well as by accelerating its structure reforms in line with the **Management Policy <09-10>.**

[Billions of yen]

	FY March 2010	
	Six months	Full year
Net sales	404.0	880.0
Operating income	16.0	45.0
Ordinary income	12.0	38.0
Net income	3.5	17.0

The presumed currency exchange rates for the second and subsequent quarters of the current fiscal year, are US$1 = ¥95 and €1 = ¥125.

Note: The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

▪ Figures in qualitative information sections given as billions of yen have been rounded off by discarding figures less than one billion yen.

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None

(2) Adoption of simplified accounting methods and/or special accounting treatment for the quarterly consolidated financial statements

I. Simplified accounting methods

Method for calculating the estimated reserve for general accounts receivable
In calculating the estimated reserve for general accounts receivable at the end of the first quarter, as noteworthy changes in the bad debt rate are not recognized, the rate at the end of the previous fiscal year is employed.

Method for assessing the value of inventories
In calculating the value of inventories at the end of the first quarter, on-site inventory takings are omitted and the reasonable calculation methods based on the results of on-site inventory takings conducted at the end of the previous fiscal year are used. In addition, only for those inventories that are clearly losing their capacity to contribute to profitability, the accounting method employed is to estimate their net sale value and reduce their book value to the net sale value level.

Method for calculating the deferred tax assets and liabilities
In judging the possibility of recovering deferred tax assets, as severe and major changes in the operating environment and major temporary differences following the close of the previous consolidated fiscal year are not recognized, the future business forecasts and tax planning documents that were used for making such judgments related to the previous fiscal year are used.

II. Special accounting treatment used in preparation of the quarterly consolidated financial statements

Calculation of Tax Expenses
The effective tax rate on income before income tax for the consolidated fiscal year after the application of tax effect accounting is rationally estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses. In addition, adjustments of income tax is included in income tax expenses.

(3) Changes to principles, procedures, and methods of presentation, etc., in the preparation of the quarterly consolidated financial statements: None