1. Consolidated Operating Results

(1) Overview of Performance

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

[Billions of yen]

	1Q Mar/2011	1Q Mar/2010	Increase (Decrease)	
Net sales	194.6	189.4	5.2	2.8%
Gross profit	88.4	79.6	8.7	11.0%
Operating income (loss)	9.8	(0.5)	10.4	-
Ordinary income	6.4	0.6	5.8	966.2%
Income before income taxes and minority interests	2.1	0.4	1.7	444.2%
Net income	3.4	0.2	3.1	-
Net income per share [yen]	6.58	0.56	6.02	-
Capital expenditure	11.1	7.4	3.6	48.7%
Depreciation	13.8	15.3	(1.4)	-9.7%
R & D expenses	17.1	17.6	(0.5)	-3.0%
Free cash flow	(1.2)	5.1	(6.4)	-
Number of employees [persons]	37,031	36,264	767	2.1%
Exchange rates [yen]				
US dollar	92.01	97.32	(5.31)	-5.5%
Euro	116.99	132.57	(15.58)	-11.8%

The net sales of the Konica Minolta Group for the consolidated first quarter of the fiscal year under review (April 1, 2010 to June 30, 2010) stood at ¥194.6 billion, up 2.8% from a year ago. In the Business Technologies Business, sales of multi-functional peripherals (MFPs) for offices continued to recover in the Europe and the US markets, as well as in China and other emerging markets, and sales volumes in the first quarter rose significantly over the year-ago result, aided by strong sales of both the new color and monochrome products. In the Optics Business, sales of TAC films (protective films for polarizing plates), especially extra-wide and thin film products, glass HD substrates that accommodate high memory density and optical pickup lenses for Blu-ray Discs also grew faster than a year ago. Excluding foreign exchange losses of approximately ¥9.9 billion, reflecting the comparative strength of the yen compared to the year-ago quarter against both the US dollar and the euro, actual sales increased 8.0% year on year.

Operating income for the first quarter of the fiscal year under review reached ¥9.8 billion, a significant improvement from a loss of ¥500 million a year ago. The principal factors contributing to the profit increase were the increased sales volumes of core products as mentioned above and benefits from efforts to contain production costs, which offset the foreign exchange losses resulting from the higher yen and boosted gross profit.

Ordinary income was ¥6.4 billion, up 966.2% from a year ago, owing to an improved operating income, despite a cost overrun of ¥3.4 billion in non-operating expense as a result of foreign exchange losses, etc.

Income before income taxes and minority interests for the first quarter of the fiscal year under review was ¥2.1 billion, up 444.2% year on year, after posting extraordinary losses of ¥2.3 billion associated with business structure improvement expenses and ¥0.9 billion resulting from the application of accounting standards for asset retirement obligations. Consequently, net income increased to ¥3.4 billion (compared to ¥200 million in the first quarter of the previous fiscal year), partly because income taxes were negative ¥1.2 billion as a result of tax effect accounting.

In accordance with the Management Policy <09-10> formulated in April 2009, the Konica Minolta Group has been committed to achieving growth through creation of new and stronger trends by taking advantage of the drastic changes in the current business environment and enhancing the Group's position in the market. The Management Policy <09-10> has established three important issues: 1) enhancing corporate capabilities, 2) achieving strong growth, and 3) reforming the corporate culture. It runs for two years from the previous fiscal year ended March 2010 until the current fiscal year ending March 2011.

Now in the second year of our Management Policy <09-10>, which we view as a return to growth, we will steer through the fluid economic climate to bring an end to two consecutive years of revenue and earnings declines and to pursue an aggressive management approach aimed at achieving robust growth. Our efforts are focused on expanding the sales and scope of existing business lines, and boosting sales in the growing Asian market. Some solid outcomes started to appear in the first quarter under review, such as robust sales of principal products in each business segment as a result of the execution of the Management Policy <09-10>.

(2) Overview by Segment

[Billions of yen]

	1Q Mar/2011	1Q Mar/2010	Increase (Decrease)	
Business Technologies				
Net sales - external	132.7	127.2	5.5	4.4%
Operating income	7.6	0.2	7.4	-
Optics				
Net sales - external	35.1	33.9	1.1	3.5%
Operating income	5.0	1.6	3.4	206.8%
Medical & Graphic				
Net sales - external	21.0	23.7	(2.7)	-11.4%
Operating income (loss)	(0.0)	0.8	(0.9)	-

Business Technologies Business

Office MFPs field:

The six new models of color MFPs launched in the previous fiscal year for the purpose of comprehensively bolstering our competitive position performed well, mainly in overseas markets, and sales volumes in the first quarter under review expanded significantly compared to the same period in the previous fiscal year. In particular, the concept of the new models of medium-to-low speed products, namely the bizhub C360 and its sister models, which are designed to contribute to customers' total cost of ownership through use of industry-leading power saving systems and more durable components earned widespread acceptance in the market and served as a driving factor in the growth in sales volume. Meanwhile, sales volumes of monochrome MFPs for offices increased, especially in the Chinese market, owing to the launch of the new bizhub 184 and 164 specifically developed for Konica Minolta's advances into emerging markets. Four new models, the bizhub 423, 363, 283, and 223, were proposed to developed markets, such as Europe and the United States. These new products were developed based on the same design concept as the bizhub color products, to completely refresh the medium-to-low speed product lineup. They were also designed to be compatible with the color products and comprehensively strengthen our product competitiveness.

Production printing field:

Signs of a full-scale recovery in demand had yet to appear given the impact of the global economic downturn, but sales volumes of both the monochrome and color products were higher on a year-on-year basis in the quarter under review, reflecting in particular sales growth in new monochrome products, the bizhub PRO 1200 and 1051.

Overall, our Business Technologies Business sought to boost sales of MFPs for offices and production printing, focusing mainly on new products, in line with our “genre-top strategy.” Sales of the Business Technologies Business to outside customers rose 4.4% from the previous fiscal year, to ¥132.7 billion, despite declines in sales in yen terms associated with the higher yen. Excluding the negative impact of approximately ¥8.5 billion in exchange rate fluctuations, actual sales increased 11.1%. Operating income showed a significant advance, from ¥200 million a year ago to ¥7.6 billion on the back of higher gross profit driven by increasing sales volumes.

Optics Business

Display materials field:

Given the positive impact of government stimulus packages, the ongoing recovery in demand for large LCD televisions provided an impetus for an increase in sales volumes of extra-wide and thin TAC films in which the Company specializes.

Memory related product field:

The Group emphasized plastic optical pickup lenses for Blu-ray Discs, which boosted sales to consumer electric appliance makers for use in game machines and audio-visual equipment. Sales volumes of glass HD substrates also exceeded the year-ago level by a significant degree, backed by robust demand, especially for substrates that accommodate high memory density of 320GB.

Image input/output component field:

Sales volumes of lens units for cell phones with cameras and zoom lenses for digital cameras were down from the previous year, reflecting the Company’s particular focus on improving profitability.

Overall, sales volumes of the Company’s mainstay products such as TAC films and glass HD substrates grew at a healthy pace. As a result, net sales of the Optics Business to outside customers rose 3.5% from the previous year to ¥35.1 billion, and operating income rose 206.8% from a year ago to ¥5.0 billion.

Medical and Graphic Imaging Business

Medical/healthcare field:

In the digital X-ray diagnostic imaging area, its mainstay business sector, Konica Minolta sought to bolster sales of digital input equipment and systems and solution business. As a result, unit sales of its digital input equipment, mainly REGIUS MODEL 110, a compact computed radiography device for small medical facilities, and REGIUS MODEL 210 for hospitals, exceeded the year-ago level. In contrast, unit sales of film products declined from a year ago due to a setback in demand both in Japan and overseas.

Graphic imaging field:

Despite efforts to expand sales of Pagemaster PRO 6500 on-demand digital printing equipment, an area of focus for the Company, sales of digital equipment continued to struggle both in Japan and overseas amidst a deepening recession in the aftermath of the financial crisis, which constrained the market recovery in the printing business.

As noted, our Medical & Graphic Imaging Business focused on strengthening sales of digital equipment and solution business. Given a continued decline in sales volumes of film products, however, in addition to the impact of the exchange rate changes, net sales of the Medical and Graphic Imaging Business to outside customers were ¥21.0 billion, declined from ¥23.7 billion a year ago. Operating loss was ¥86.0 million, declined from operating income of ¥0.8 billion in the same quarter of the previous year, despite our cost-cutting efforts to compensate for a feeble growth in sales.

(3) Change of Business Segments

Starting in the fiscal year ending March 2011, the Sensing Business was included in “Other Business,” and the “Business Technologies Business,” the “Optics Business” and the “Medical & Graphic Business” will be the three business segments with sales and operating income disclosed by business segments.

<Reasons>
The Sensing Business has consistently been treated as an independent business segment since before the merger of the former Konica and the former Minolta in 2003. In view of the subsequent change of the business scale, however, and especially given that it accounts for only about 1% of the operating revenues and assets of the entire Group, the importance of the business in the disclosure of the Group’s consolidated business results was deemed to be low.

Business segment up until March 31, 2010

Business Segment	Principal Products
Business Technologies	MFPs, printers, etc.
Optics	Optical devices, electronics materials, etc.
Medical and Graphic Imaging	Medical products, graphic imaging products, etc.
Sensing	Industrial-use and medical-use measuring instruments, etc
Other businesses	Products other than the above

Business segment starting on April 1, 2010

Business Segment	Principal Products
Business Technologies	MFPs, printers, production printing products, etc.
Optics	Optical devices, electronics materials, etc.
Medical and Graphic Imaging	Medical products, graphic imaging products, etc.
Other businesses	Sensing products, industrial inkjet, etc.

2. Financial Position

(1) Analysis of Financial Position

		As of June 30, 2010	As of March 31, 2010	Increase (Decrease)
Total assets	[Billions of yen]	841.9	865.7	(23.8)
Total liabilities	[Billions of yen]	432.3	445.0	(12.6)
Net assets	[Billions of yen]	409.6	420.7	(11.1)
Net assets per share	[yen]	770.03	791.28	(21.25)
Equity ratio	[%]	48.5	48.5	-

Total assets at the end of the first quarter of the fiscal year under review were down ¥23.8 billion (2.7%) from the previous fiscal year-end, to ¥841.9 billion. Current assets fell ¥12.1 billion (2.5%) to ¥477.0 billion (56.7% to total assets), while noncurrent assets dropped ¥11.6 billion (3.1%), to ¥364.9 billion (43.3% to total assets).

With respect to current assets, cash and deposits increased ¥0.9 billion from the previous fiscal year-end, to ¥86.5 billion, but investment securities decreased ¥5.0 billion, to ¥74.0 billion, and cash and cash equivalents sank ¥4.0 billion, to ¥160.1 billion. Also, notes and accounts receivable-trade declined ¥13.9 billion from the previous fiscal year-end, to ¥163.7 billion, and inventories were down ¥1.3 billion from the previous fiscal year-end, to ¥96.9 billion.

With respect to noncurrent assets, tangible assets decreased ¥4.2 billion from the previous fiscal year-end, to ¥200.8 billion, due to overall progress in amortization which offset an increase resulting from the acquisition of buildings, machinery and equipment in the Optics Business. Also, intangible assets were down ¥5.0 billion from the previous fiscal year-end, to ¥94.0 billion, primarily due to the amortization of goodwill and other intangible assets. Investments and other assets declined ¥2.3 billion from the previous fiscal year-end, to ¥70.0 billion, mainly due to a decrease of ¥1.3 billion in the mark-to-market evaluation of investment securities as a result of stock price decline.

Liabilities at the end of the first quarter of the fiscal year under review decreased ¥12.6 billion (2.8%) from the previous fiscal year-end, to ¥432.3 billion (51.4% to total assets). Current liabilities dropped ¥5.3 billion (2.0%), to ¥262.0 billion (31.1% to total assets), and noncurrent liabilities sank ¥7.3 billion (4.1%) to ¥170.3 billion (20.3% to total assets).

Interest-bearing debt (the total of short, long-term loans and bonds) slipped ¥2.4 billion to ¥194.9 billion, mainly due to the repayment of short-term loans. For current liabilities, notes and accounts payable-trade, accounts payable-other, and accrued expenses climbed ¥2.2 billion from the previous fiscal year-end due to increased production resulting from the upward trend in sales, and one feature of the first quarter was that the provision for bonuses shrank ¥5.7 billion from the previous fiscal year-end. For noncurrent liabilities, retirement benefits decreased by ¥ 6.8 billion from the previous fiscal year-end because of the exceptional contribution. Also, as a result of the application of accounting standards for asset retirement obligations, for the first time asset retirement obligations of ¥0.9 billion were recorded.

Net assets at the end of the first quarter of the fiscal year under review were down ¥11.1 billion (2.7%) from the previous fiscal year-end, to ¥409.6 billion (48.6% to total assets).

Retained earnings decreased ¥0.5 billion from the previous fiscal year-end, to ¥193.2 billion, as ¥3.9 billion for dividends outweighed net income of ¥3.4 billion posted for the first quarter.

Valuation and translation adjustments declined ¥10.7 billion from the previous fiscal year-end, attributable to a ¥10.6 billion decrease in the foreign currency translation adjustment, reflecting a stronger yen against the U.S. dollar and the euro.

As a result, net assets per share at the end of the first quarter of the fiscal year under review stood at ¥770.03. The equity ratio was unchanged from the previous fiscal year-end at 48.5% with the declines in total assets and equity capital.

(2) Cash Flows

[Billions of yen]

	1Q Mar/2011	1Q Mar/2010	Increase (Decrease)
Cash flows from operating activities	7.4	14.2	(6.8)
Cash flows from investing activities	(8.7)	(9.1)	0.3
Total (Free cash flow)	(1.2)	5.1	(6.4)
Cash flows from financing activities	(2.8)	15.4	(18.2)

During the first quarter of the fiscal year under review net cash provided by operating activities was ¥7.4 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥8.7 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥1.2 billion.

Net cash used in financing activities was ¥2.8 billion.

In addition, there was the effect of exchange rate changes on cash and cash equivalents. As a result, cash and cash equivalents at the end of the first quarter of the fiscal year under review stood at ¥160.1 billion, down ¥4.0 billion from the previous consolidated fiscal year-end.

The details of individual cash flows during the first quarter under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities reached ¥7.4 billion (¥14.2 billion in the same period in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥2.1 billion, depreciation of ¥13.8 billion, and an increase in working capital of ¥7.6 billion, these amounts were partly offset by a decline of ¥7.2 billion in the provision for retirement benefits associated with ¥8.5 billion in exceptional contribution for pension assets , a decrease of ¥5.6 billion in the provision for bonuses and the payment of ¥1.4 billion for income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥8.7 billion (¥9.1 billion in the same period in the previous consolidated fiscal year). Cash of ¥7.8 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 activities) was an outflow of ¥1.2 billion (an inflow of ¥ 5.1 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was ¥2.8 billion (an inflow of ¥15.4 billion in the same period of the previous fiscal year), mainly reflecting a payment of ¥3.8 billion in dividends and a net increase of ¥1.4 billion in short-term loans.

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

3. Outlook for the Fiscal Year Ending March 31, 2011

Given a recovery in the market conditions, the Konica Minolta Group has kept its operating performance forecasts for the second quarter of the fiscal year ending September 30, 2010 and subsequent period unchanged, although a negative impact may be anticipated from the change of the presumed exchange rate for the euro, from ¥120 to the euro to ¥110 to the euro. The Group expects to achieve these forecasts by continuing its focus on expanding sales of highly profitable products and services in each business area, mainly in the Business Technologies Business and the Optics Business, while stepping up its efforts to reduce production cost and management expenses.

[Billions of yen]

	FY March 2011	
	Six months	Full year
Net sales	400.0	830.0
Operating income	21.0	50.0
Ordinary income	19.0	46.0
Net income	8.0	20.0

The presumed currency exchange rates for the forecast from the second quarter of the current fiscal year are US$1 = ¥90 and €1 = ¥110.

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:

Changes to accounting principles

Application of Accounting Standards for Asset Retirement Obligations

Starting from the first quarter of the fiscal year under review, the Company adopted Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).
This had the effect of reducing income before income taxes and minority interests by ¥983 million.

Changes to methods of presentation

Quarterly Consolidated Statements of Income

As a result of application of the “Cabinet Office Ordinance for Amendments to the Regulations on the Terminology, Format, and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) as per Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), “Income before minority interests” is shown in the statement of income for the first quarter of the fiscal year under review.