1. Consolidated Operating Results

(1) Overview of Performance

Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)

		Nine months (Apr–Dec) Year-on-Year		[Billions of yen]
	Apr-Dec 2010	Apr-Dec 2009	Increase (Decrease)	
Net sales	575.2	588.7	(13.4)	-2.3%
Gross profit	264.5	258.6	5.9	2.3%
Operating income	28.2	21.2	7.0	33.2%
Ordinary income	22.2	19.1	3.1	16.4%
Income before income taxes and minority interests	16.2	17.5	(1.2)	-7.4%
Net income	10.7	9.0	1.7	19.8%
Net income per share [yen]	20.35	16.99	3.36	19.8%
Capital expenditure	33.1	24.4	8.7	35.8%
Depreciation	41.1	46.0	(4.9)	-10.7%
R & D expenses	54.1	51.9	2.1	4.1%
Free cash flow	5.7	57.7	(51.9)	-90.0%
Number of employees [persons]	35,714	36,509	(795)	-2.2%
Exchange rates [yen]				
US dollar	86.84	93.56	(6.72)	-7.2%
Euro	113.30	133.00	(19.70)	-14.8%

The net sales of the Konica Minolta Group for the consolidated first three quarters of the fiscal year under review (April 1, 2010 to December 31, 2010) stood at ¥575.2 billion, down slightly from a year ago. This fall reflected the negative foreign exchange impact of ¥40.3 billion, attributable to the significant appreciation of the yen against both the U.S. dollar and euro, continuing form the beginning of the year. Excluding this negative impact of the exchange rate, net sales climbed 4.6% year on year. The Business Technologies Business, in which overseas sales account for more than 80% of total sales, despite its performance being most seriously affected by the appreciation of the yen throughout the period under review, recorded sales on a par with the results of the same period in the previous year, reflecting a gradual recovery in demand for multi-functional peripherals (MFPs) for offices, and higher sales volumes, exceeded those of the previous year, aided by strong sales of both the new color and monochrome products. In the Optics Business, net sales fell slightly year on year, given the sluggish sales of the Company's mainstay products, such as TAC films (protective films for polarizing plates), glass HD substrates, and optical pickup lenses for Blu-ray Discs, reflecting the effects of continued production adjustments, which started last summer, by customers. In the Healthcare Business, net sales fell, given a decline in sales of film products and the impact of the appreciation of the yen.

Operating income for the first three quarters of the fiscal year under review reached ¥28.2 billion, up 33.2% from the previous fiscal year. In the Business Technologies Business, income grew year on year, reflecting a recovery in demand for MFPs from the beginning of the period under review. In the Optics Business, income remained almost unchanged from the previous year, given sluggish sales volumes, impacted by production adjustment and other factors that affected demand. In the Healthcare Business, income fell on lower sales of film products. Meanwhile, the impact of fluctuations in foreign exchange rates stood at a loss of ¥16.8 billion year on year.

Ordinary income was ¥22.2 billion, rising 16.4% from a year ago, reflecting a cost overrun of ¥5.9 billion in non-operating expenses, mainly reflecting foreign exchange losses as a result of the appreciation of the yen.

Income before income taxes and minority interests for the first three quarters of the fiscal year under review was ¥16.2 billion, down 7.4% year on year, reflecting the posting of extraordinary losses of ¥6.0 billion mainly associated with business structure improvement expenses as a result of the sale of the Computer-to-Plate (CTP) business of Konica Minolta Graphic Imaging U.S.A. Inc., and a loss on the valuation of securities.

Consequently, net income rose 19.8% from the previous fiscal year, to ¥10.7 billion.

(2) Overview by Segment

Nine months ended December 31, 2010 (From April 1, 2010 to December 31, 2010)

	Nine months (Apr – Dec)		Year-on-Year	[Billions of yen]
	Apr-Dec 2010	Apr-Dec 2009	Increase (Decrease)	
Business Technologies				
Net sales - external	396.3	393.9	2.4	0.6%
Operating income	25.9	18.0	7.9	43.8%
Optics				
Net sales - external	99.4	102.6	(3.1)	-3.1%
Operating income	10.0	10.2	(0.2)	-2.4%
Healthcare				
Net sales - external	62.5	76.4	(13.9)	-18.2%
Operating income	0.5	1.5	(0.9)	-61.6%

Business Technologies Business

Office MFPs field:

As demand for MFPs for offices continued to gradually recover, sales of the color MFPs of the bizhub series, which focused on facilitating customers' efforts to cut the total cost of ownership (TCO), remained strong in Japan and major overseas markets. As a result, sales volumes for the period under review rose significantly from the previous year. In particular, sales volumes of monochrome MFPs increased in emerging markets, benefiting from the introduction of products specially designed for those markets.

Production printing field:

By launching a lineup of three new color product series of bizhub PRESS C8000/C7000/C6000, the Company started to develop a digital commercial printing field in earnest.

Overall, our Business Technologies Business sought to boost sales of new products, in line with our "genre-top" strategy. It also started to provide optimized print services (OPS) on a global scale. In addition, to strengthen its IT services capability, the Company has established an alliance with Getronics N.V. (headquartered in the Netherlands) in Europe in November 2010. It also acquired All Covered Inc. of the United States in December 2010. As a result, net sales of the Business Technologies Business to outside customers reached ¥396.3 billion, almost matching the level of the previous year. Excluding the negative impact of ¥35.0 billion on sales from fluctuations in exchange rates, net sales in fact rose 9.5% year on year. Operating income jumped 43.8%, to ¥25.9 billion.

Optics Business

Display materials field:

Sales volumes of VA-TAC films (viewing angle expansion films) declined year on year, given the effects of continued production adjustments carried out by customers since last summer, while those of the extra-wide and thin plain TAC films rose from the previous year. As a result, overall sales volumes were almost level with the results of the previous year.

Memory related product field:

Although sales volumes of optical pickup lenses and glass HD substrates increased year on year, their growth was not as strong as was originally anticipated, given the effects of production adjustments seen in the overall digital home appliances industry since last summer. As a result, the impact of higher sales volumes on earnings was limited.

Image input/output component field:

Sales volumes of lens units for digital cameras and video cameras rose year on year, but those for cell phones with cameras fell significantly.

Overall, sales volumes of TAC films, optical pickup lenses and glass HD substrates generally remained sluggish, as a result of the production adjustment seen in the overall digital home appliances industry since last summer. As a consequence, net sales of the Optics Business to outside customers and its operating income remained on a par with those for the previous year, with net sales of ¥99.4 billion and operating income of ¥10.0 billion.

Healthcare Business

The Konica Minolta Group has restructured its operations by integrating the businesses associated with commercial printing and digital printing, included in Medical & Graphic Imaging Business, into the Business Technologies Business in the third quarter of the consolidated fiscal year under review. Consequently, the title of the reportable segment has changed from the Medical & Graphic Imaging Business to the Healthcare Business.

In the digital X-ray diagnostic imaging area, the mainstay business area of the Healthcare Business, the Company continued to take steps to boost sales of digital input equipment and systems, such as the REGIUS MODEL 110, a compact computed radiography device, and the service solution business. As a result, unit sales of digital input equipment for the period under review exceeded the results for the year-ago period, both in Japan and overseas markets. In contrast, sales of film products declined from a year ago, given a continued rise in the use of filmless equipment, as well as the effects of the appreciation of the yen. As a consequence, net sales of the Healthcare Business to outside customers were ¥62.5 billion, and operating income stood at ¥0.5 billion. Net sales and the operating loss of the graphic imaging section for the third quarter of the previous fiscal year, ¥4.3 billion and ¥0.5 billion respectively, were included into the Company’s results for that period.

(3) Three months ended December 31, 2010

(From October 1, 2010 to December 31, 2010)

Year-on-Year [Billions of yen]

	3Q Mar/2011	3Q Mar/2010	Increase (Decrease)	
Net sales	183.4	195.3	(11.9)	-6.1%
Gross profit	83.6	89.7	(6.0)	-6.8%
Operating income	5.6	12.0	(6.3)	-53.1%
Ordinary income	4.3	10.4	(6.0)	-58.0%
Income before income taxes and minority interests	4.6	10.6	(5.9)	-56.2%
Net income	2.1	5.4	(3.3)	-60.6%
Net income per share [yen]	4.06	10.32	-6.26	-60.7
Capital expenditure	8.5	6.9	1.5	21.9%
Depreciation	13.6	15.1	(1.4)	9.7%
R & D expenses	18.7	16.6	2.0	12.6%
Free cash flow	-6.8	25.6	(32.4)	-
Exchange rates [yen]				
US dollar	82.64	89.72	(7.08)	-7.9%
Euro	112.23	132.68	(20.45)	-15.4%

Three months Business Performance by Segment

Year-on-Year [Billions of yen]

	3Q Mar/2011	3Q Mar/2010	Increase (Decrease)	
Business Technologies				
Net sales - external	130.2	133.9	(3.6)	-2.8%
Operating income	6.3	10.1	(3.7)	-37.2%
Optics				
Net sales - external	30.2	32.1	(1.8)	-5.8%
Operating income	2.0	4.1	(2.1)	-50.9%
Healthcare				
Net sales - external	17.5	23.4	(5.9)	-25.1%
Operating income	0.0	(0.2)	0.2	-

With respect to the operating results of the Konica Minolta Group for the consolidated third quarter of the fiscal year under review (October 1, 2010 to December 31, 2010), net sales declined 6.1% year on year, to ¥183.4 billion, while operating income decreased 53.1% year on year, to ¥5.6 billion. These results reflected negative factors such as sluggish growth in sales volume associated with fluctuations in demand, changes in the sales mix, and fluctuations in sales prices, as well as the strong adverse impact of the appreciation of the yen. This negative impact on net sales and operating income from exchange rates was ¥14.1 billion and ¥5.3 billion, respectively.

Reflecting the lower operating income, the Group recorded reduced income in other income levels, with ordinary income standing at ¥4.3 billion, income before income taxes and minority interests amounting to

¥4.6 billion, and net income reaching ¥2.1 billion.

In the Business Technologies Business, sales volumes of both color and monochrome MFPs for offices exceeded the results for the same period of the previous fiscal year. In the production printing field, sales volumes of color products increased year on year, while sales of monochrome products were weaker. Consequently, overall sales volumes were almost unchanged from the previous year. As new, high-margin products had only a limited effect on sales in both the offices and production printing fields, the adverse effect of fluctuations of foreign exchange rates and prices could not be offset. As a result, net sales of this business segment declined slightly from a year ago, to ¥130.2 billion, while operating income was ¥6.3 billion, a fall of 37.2% year on year. The negative impact on net sales and operating income from the fluctuations of foreign exchange rates was ¥12.3 billion and ¥4.2 billion, respectively.

In the Optics Business, although sales volume of plain TAC films did not reach the year-ago level, influenced by the production adjustments carried out by customers, overall sales achieved higher volumes than the previous quarter and maintained upward momentum with October as its bottom, backed by the start of shipments of new VA-TAC films in the third quarter under review. Meanwhile, sales volumes of glass HD substrates were up year on year, but failed to show expected growth because of the prolonged production adjustment phase seen in the overall digital home appliances industry. Sales volumes of optical pickup lenses and lens units for mobile phones with cameras remained generally sluggish. As a result, net sales of this business segment for the third quarter under review declined 5.8% year on year, to ¥30.2 billion, and operating income fell 50.9% from a year ago, to ¥2.0 billion.

In the Healthcare Business, sales volumes of film products declined year on year, reflecting continued setback in demand, but sales of digital input equipment increased. Meanwhile, the graphic imaging section was integrated into the Business Technologies Business in the third quarter under review, associated with the organizational restructuring in the Konica Minolta Group. As a result, net sales of this business segment for the third quarter under review were ¥17.5 billion, down 25.1% year on year, while operating income was ¥0.0 billion, returning to profitability from an operating loss in the same period of the previous fiscal year.

2. Financial Position

(1) Analysis of Financial Position

		As of December 31, 2010	As of March 31, 2010	Increase (Decrease)
Total assets	[Billions of yen]	857.9	865.7	(7.8)
Total liabilities	[Billions of yen]	449.7	445.0	4.7
Net assets	[Billions of yen]	408.1	420.7	(12.5)
Net assets per share	[yen]	767.43	791.28	(23.85)
Equity ratio	[%]	47.4	48.5	(1.0)

Total assets at the end of the third quarter of the consolidated fiscal year under review were down ¥7.8 billion (0.9%) from the previous fiscal year-end, to ¥857.9 billion. Current assets rose ¥16.2 billion (3.3%) to ¥505.5 billion (58.9% to total assets), while noncurrent assets fell ¥24.1 billion (6.4%), to ¥352.4 billion (41.1% to total assets).

With respect to current assets, cash and deposits increased ¥3.3 billion from the previous fiscal year-end, to ¥88.9 billion. Cash and cash equivalents including investment securities rose ¥28.3 billion, to ¥192.4 billion. Inventories were up ¥7.0 billion from the previous fiscal year-end, to ¥105.3 billion, and deferred tax assets and accounts receivable-other also rose ¥3.1 billion and ¥1.1 billion, respectively. Meanwhile, notes and accounts receivable-trade declined ¥24.6 billion from the previous fiscal year-end, to ¥153.1 billion.

With respect to noncurrent assets, property, plant and equipment decreased ¥11.7 billion from the previous fiscal year-end, to ¥193.3 billion, as the result of overall progress in depreciation, which offset an increase resulting from the acquisition of buildings, machinery, and equipment in the Optics Business. Also, intangible assets were down ¥8.9 billion from the previous fiscal year-end, to ¥90.1 billion, primarily because of the amortization of goodwill and other intangible assets. Investments and other assets declined ¥3.4 billion from the previous fiscal year-end, to ¥68.9 billion, mainly because of a decrease of ¥1.0 billion in the mark-to-market evaluation of investment securities as a result of stock price decline, in addition to a decline of ¥2.2 billion in deferred tax assets.

Liabilities at the end of the third quarter of the consolidated fiscal year under review increased ¥4.7 billion (1.1%) from the previous fiscal year-end, to ¥449.7 billion (52.4% to total assets). Notes and accounts payable-trade, provision for bonuses and accrued expenses declined ¥7.4 billion, ¥5.4 billion and ¥2.0 billion, respectively, from the previous fiscal year-end. Provision for retirement benefits also fell ¥4.4 billion from the previous fiscal year-end, partly because of the exceptional contribution recorded in the first quarter of the fiscal year under review. Interest-bearing debt (a sum of short-term loans payable, long-term loans payable and bonds payable) rose ¥26.4 billion to ¥223.8 billion, reflecting the issuance of bonds in the third quarter of the consolidated fiscal year under review.

Net assets at the end of the third quarter of the consolidated fiscal year under review were down ¥12.5 billion (3.0%) from the previous fiscal year-end, to ¥408.1 billion (47.6% to total assets). Retained earnings increased ¥2.7 billion from the previous fiscal year-end, to ¥196.5 billion, as net income of ¥10.7 billion posted for the first three quarters of the fiscal year under review outweighed ¥7.9 billion for dividends. Valuation and translation adjustments declined ¥15.4 billion from the previous fiscal year-end, attributable to a decrease in the foreign currency translation adjustment, reflecting a stronger yen, mainly against the U.S. dollar and the euro.

As a result, net assets per share at the end of the third quarter of the consolidated fiscal year under review stood at ¥767.43. The equity ratio fell 1.0 points from the previous fiscal year-end, to 47.4%.

(2) Cash Flows

[Billions of yen]

	3Q Mar/2011	3Q Mar/2010	Increase (Decrease)
Cash flows from operating activities	39.4	88.5	(49.0)
Cash flows from investing activities	(33.7)	(30.7)	(2.9)
Total (Free cash flow)	5.7	57.7	(51.9)
Cash flows from financing activities	22.0	(37.1)	59.1

During the first three quarters of the consolidated fiscal year under review, net cash provided by operating activities was ¥39.4 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥33.7 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥5.7 billion.

Net cash provided by financing activities was ¥22.0 billion.

In addition, exchange rate changes had an effect of ¥0.5 billion on cash and cash equivalents. As a result, cash and cash equivalents at the end of the third quarter of the consolidated fiscal year under review stood at ¥192.4 billion, up ¥28.3 billion from the previous fiscal year-end.

The details of cash flows associated with each activity during the consolidated first three quarters of the fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities reached ¥39.4 billion (compared with ¥88.5 billion in the same period in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥16.2 billion, and depreciation and amortization of ¥41.1 billion, these amounts were partly offset by a fall of ¥5.3 billion in the provision for bonuses, a decline of ¥4.5 billion in the provision for retirement benefits, reflecting the exceptional contribution recorded in the first quarter of the fiscal year under review, a decrease of ¥3.4 billion in working capital, and the payment of ¥6.3 billion in income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥33.7 billion (compared with ¥30.7 billion in the same period in the previous consolidated fiscal year). Cash of ¥28.0 billion was used for investments in molding for new products in the Business Technologies Business and in the acquisition of property, plant and equipment relating to the reinforcement of production capacities in the Optics Business, our strategic business. Other cash outflow includes ¥2.1 billion for the acquisition of the shares of subsidiaries for the acquisition of All Covered Inc. in the Business Technologies Business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥5.7 billion (an inflow of ¥ 57.7 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥22.0 billion (compared with an outflow of ¥37.1 billion in the same period of the previous fiscal year), mainly reflecting an inflow of ¥30.0 billion as a result of the issuance of bonds, offsetting ¥7.8 billion for dividends.

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

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

Taking into account operating results for the first three quarters of the consolidated fiscal year under review, the sales trend, impact of the fluctuations of prices in the recent months in the Business Technologies Business, the effects of customers' production adjustments in the Optics Business, and other changes in the business environment from the time the previous forecasts were made, the Company has reviewed the full-year forecasts it announced on October 28, 2010. Consequently, it has decided to revise the forecasts as follows.

With respect to the assumption of foreign exchange rates for the fourth quarter of the consolidated fiscal year under review, on which the above revision is based, the Company has assumed ¥85 against the U.S. dollar, and ¥110 against the euro.

Outlook for the Fiscal Year Ending March 31, 2011
(From April 1, 2010 to March 31, 2011)

[Billions of yen]

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous forecast (A)	800.0	50.0	43.0	20.0	37.72 yen
Revised forecast (B)	780.0	45.0	38.0	20.0	37.72 yen
Increase (Decrease) (B-A)	(20.0)	(5.0)	(5.0)	-	
Percent Change (%)	-2.5	-10.0	-11.6	-	
(Ref.) Fiscal year ended March 31, 2010	804.4	43.9	40.8	16.9	31.93 yen

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 third 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 third quarter of the fiscal year under review, onsite stocktaking is omitted. Reasonable calculation methods based on the results of onsite stocktaking conducted at the end of the second quarter of the fiscal year under review are used. 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 are included in "income taxes".

(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 for the consolidated first three quarters of the fiscal year under review by ¥983 million.

In addition, changes in asset retirement obligations resulting from the application of these accounting principles were ¥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 consolidated first three quarters of the fiscal year under review.