1. OPERATING RESULTS

(1) Business Performance Analysis

1. Overview of Performance

[Billions of yen]

	Fiscal year ended March 31		Increase (Decrease)	
	2011	2010		
Net sales	777.9	804.4	(26.5)	-3.3%
Gross profit	354.5	364.4	(9.9)	-2.7%
Operating income	40.0	43.9	(3.9)	-9.0%
Ordinary income	33.1	40.8	(7.6)	-18.8%
Income before income taxes and minority interests	28.1	36.0	(7.9)	-22.1%
Net income	25.8	16.9	8.9	53.0%
Net income per share [yen]	48.84	31.93	16.91	53.0%
Capital expenditure	42.9	36.9	6.0	16.4%
Depreciation	55.1	61.1	(6.0)	-9.9%
R & D expenses	72.6	68.4	4.1	6.0%
Free cash flow	23.2	72.9	(49.7)	-68.2%
Number of employees [persons]	35,204	36,048	(844)	-2.3%
Exchange rates [yen]				
US dollar	85.71	92.85	(7.14)	-7.7%
Euro	113.11	131.15	(18.04)	-13.8%

Looking at economic circumstances in Japan and overseas, economies in both the United States and Europe continued to recover moderately, despite uncertain factors, reflecting governments' successful pump-priming measures and monetary policies. Asian economies continued to expand steadily overall, led by China and India. The Japanese economy recovered moderately in the first half thanks to the effect of economic measures, but the pace of the recovery slowed in the second half as the effect of economic measures came to a halt, and exports weakened. The unprecedented earthquake that hit the Pacific coast of the Tohoku region and other regions in March 2011 wrought enormous economic damage, disrupting supply chains that depended on production bases in the devastated areas and prompting concerns over electric power shortages.

Seeing to use the major change in the business environment triggered by the global financial crisis in the autumn of 2008 was an opportunity to achieve stronger growth for the Konica Minolta Group, the Group adopted its Management Policy <09-10> in April 2009. The Group viewed this consolidated fiscal year, the second year of the Management Policy, as a return to growth and pursued an aggressive management approach that aims to achieve growth five to ten years from now.

Specifically, the Group set, and focused on meeting, important challenges: (1) enhancing and expanding current businesses, (2) strengthening operations in Asian markets, and (3) accelerating establishment of new businesses. To enhance and expand current businesses, the Company launched new products in the bizhub series of MFPs (multi-functional peripherals), and established a global system for OPS (Optimized Print Services) in the Business Technologies Business. In the production printing field, the Company launched a new brand, the bizhub PRESS series, to increase sales in the digital printing market. Meanwhile, the Company integrated the graphic imaging section associated with commercial and digital printing, which were included in Medical & Graphic Imaging Business, into the Business Technologies Business and took steps to strengthen its sales force in the businesses in Japan and overseas by concluding a cross distribution agreement with Eastman Kodak (based in the United States). In the Optics Business, the Company sought to expand TAC film for LCD polarizer and glass substrates for HDDs operations and increased production capabilities. In strengthening operations in Asian markets, the Company aimed to expand sales in the Chinese market, which continued to enjoy dynamic growth, launching new products and bolstering its sales force of dealers in the Business Technologies Business. In the Indian market, the companies set up sales subsidiaries in the Business Technologies Business and the Healthcare Business to expand sales of Konica Minolta products and services.

Looking at the results of major businesses, in the Business Technologies Business, sales volumes of MFPs exceeded the results of the previous consolidated fiscal year, led by sales of new color and monochrome MFPs, as demand recovered moderately. The Company sought to stimulate demand in the digital printing market, launching new production printing products. As a result of the expansion of the range of products and the establishment of the OPS system, business for major global accounts increased steadily. For example, the Company concluded a contract with Allianz (based in Germany), a major international financial group, to manage the operation of the group's office machinery worldwide. However, since overseas sales account for over 80% of total sales in the Business Technologies Business, the business was very susceptible to the strong yen throughout this consolidated fiscal year. In the Optics Business, sales of glass substrates for HDDs and pickup lenses for Blu-ray Discs™ were weak overall, influenced by prolonged production adjustments that began at customers in the summer of 2010. In contrast, sales of TAC films, which ended production adjustments early, were solid. In the Healthcare Business, sales of digital medical input equipment rose from a year ago, but fell short of offsetting a decline in sales of film products.

As a result, Konica Minolta's consolidated net sales for the fiscal year under review amounted to ¥777.9 billion, a decrease of 3.3% year on year. Although the Group cut costs and expenses, operating income declined 9.0%, to ¥40.0 billion, reflecting a decline in profits associated with the decrease in sales and the effect of exchange rates. The yen had been very strong against the US dollar and euro since the beginning of the fiscal year under review. The adverse effect of exchange rates on net sales was ¥53.1 billion, and without it net sales rose 3.3% year on year. The effect on operating income was ¥20.9 billion. Without it, operating income increased 38.6%.

Ordinary income slipped 18.8%, to ¥33.1 billion, reflecting a foreign exchange loss associated with the strong yen. After posting business structure improvement expenses and a loss on valuation of investment securities as extraordinary losses, income before income taxes and minority interests fell 22.1%, to ¥28.1 billion. With the application of tax effect accounting associated with the liquidation of a subsidiary of Photo Imaging Business, net income rose 53.0%, to ¥25.8 billion.

The amount of damage caused, primarily in the Business Technologies Business and the Healthcare Business, by the Tohoku-Pacific earthquake that struck eastern Japan on March 11, 2011 was about ¥0.4 billion, which was posted as an extraordinary loss.

2. Overview by Segment

[Billions of yen]

	Fiscal year ended March 31			
	2011	2010	Increase (Decrease)	
Business Technologies				
Net sales - external	539.6	540.8	(1.1)	-0.2%
Operating income	37.4	38.9	(1.5)	-3.9%
Optics				
Net sales - external	129.8	136.7	(6.9)	-5.1%
Operating income	12.8	14.3	(1.5)	-11.0%
Healthcare				
Net sales - external	84.9	104.3	(19.3)	-18.6%
Operating income	0.1	1.4	(1.2)	-88.3%

Business Technologies Business

Office field:

As demand for MFPs for offices gradually continued to recover in the Japanese market and major overseas markets, sales of the color MFPs and monochrome MFPs of the bizhub series, which focused on facilitating customers' efforts to reduce TCO (total cost of ownership; denoting total costs for implementation, use, and maintenance of MFPs), were solid in the US market and major markets in Europe. As a result, sales volumes for the consolidated fiscal year under review rose from the previous year. The bizhub 184/164 series, which was launched as monochrome MFPs for emerging countries only, contributed to the expansion of market share, especially in the Chinese market.

Production print field:

The Company began marketing three new color products, bizhub PRESS C8000/C7000/C6000, in addition to the existing bizhub PRO series and started to develop a digital commercial printing field in earnest. With many inquiries for those new products in the US and European markets, sales volumes of color and monochrome machines rose from a year ago.

Overall, our Business Technologies Business sought to boost sales of new products having enhanced market competitiveness in the office and the production printing fields in line with our "genre-top" strategy. It also started to provide Optimized Print Services (OPS), needs for which are rising in the market, on a global scale. To strengthen its IT services capability, the Company established an alliance with Getronics N.V. (headquartered in the Netherlands) in Europe in November 2010. It acquired All Covered Inc. of the United States in December 2010. As a result, net sales of the Business Technologies Business to outside customers stood at ¥539.6 billion, on a par with the year-ago level. Operating income came to ¥37.4 billion, down 3.9% year on year. Excluding the adverse effects of exchange rates of ¥45.9 billion on sales and ¥16.7 billion on income, net sales and operating income rose 8.3% and 39.0%, respectively.

Optics Business

Display materials field:

Liquid crystal panel production started to recover in October 2010 after production adjustments that began in the summer of 2010. With the development of new VA-TAC films for increasing viewing angle (VA-TAC films) and the start of shipments of TAC films for IPS panels in the second half of the fiscal year, sales of VA-TAC films and thin plain TAC films, which are strengths of the Company, were solid. Overall sales volumes of TAC films rose from a year ago.

Memory devices field:

Sales volumes of pickup lenses for optical disks increased year on year, led by pickup lenses for Blu-ray DiscsTM. Sales volumes of glass substrates for HDDs also rose, led by high-density recording products, including 320GB. However, the growth was not as strong as originally anticipated, given the effects of prolonged production adjustments seen in the personal computer and digital home appliances industries since last summer.

Image input/output components field:

Sales volumes of lens units for digital cameras and video cameras rose year on year, but volumes for cell phones with cameras fell sharply partly as a result of weak sales of models equipped with products of the Company.

Of our mainstay products, sales volumes of plain TAC films and VA-TAC films rose steadily as production adjustments at customers ended relatively early and as the Company took steps to expand sales. Sales volumes of glass substrates for HDDs were also solid. However, sales volumes of pickup lenses for optical disks were sluggish overall, reflecting prolonged production adjustments. Sales of lens units were also weak. As a result, net sales of the Optics Business to outside customers stood at ¥129.8 billion, down 5.1% year on year. Operating income was ¥12.8 billion, declining 11.0%.

Healthcare Business

In the Healthcare Business, the Company continued to take steps to boost sales of Computed Radiography and Digital Radiography, including REGIUS MODEL 110/210, diagnostic workstations, network devices, and the service solution business to medical facilities in Japan and abroad. As a result, unit sales of digital input equipment in the REGIUS series exceeded the results of the previous fiscal year both in Japan and overseas markets. In contrast, sales of film products continued to decline, given a continued rise in the use of filmless equipment. The fiscal year under review was between seasons for new products, and earnings were influenced by falling prices of existing products and amounts for preliminaries, including development costs, as well as the effects of the appreciation of the yen. As a consequence, net sales to outside customers declined 18.6% year on year, to ¥84.9 billion. Operating income stood at ¥0.1 billion, down 88.3% year on year.

[Reference]

Three months Business Performance (From January 1, 2011 to March 31, 2011)

		Year-on-Year	[Billions of yen]	
	4Q Mar/2011	4Q Mar/2010	Increase (Decrease)	
Net sales	202.6	215.7	(13.0)	-6.1%
Gross profit	90.0	105.8	(15.8)	-15.0%
Operating income	11.7	22.7	(11.0)	-48.3%
Ordinary income	10.8	21.6	(10.8)	-49.8%
Income before income taxes and minority interests	11.8	18.5	(6.6)	-36.0%
Net income	15.1	7.9	7.1	90.6%
Net income per share [yen]	28.49	14.94	13.55	90.7
Capital expenditure	9.8	12.5	(2.6)	-21.4%
Depreciation	13.9	15.1	(1.1)	-7.5%
R & D expenses	18.5	16.4	2.0	12.2%
Free cash flow	17.4	15.1	2.2.	15.0
Exchange rates [yen]				
US dollar	82.34	90.70	(8.36)	-9.2%
Euro	112.57	125.62	(13.05)	-10.4%

Three months Business Performance by Segment (From January 1, 2011 to March 31, 2011)

		Year-on-Year	[Billions of yen]	
	4Q Mar/2011	4Q Mar/2010	Increase (Decrease)	
Business Technologies				
Net sales - external	143.2	146.8	(3.5)	-2.4%
Operating income	11.4	20.8	(9.4)	-45.1%
Optics				
Net sales - external	30.4	34.1	(3.7)	-10.9%
Operating income	2.7	4.0	(1.3)	-32.4%
Healthcare				
Net sales - external	22.4	27.9	(5.4)	-19.5%
Operating loss	(0.4)	(0.0)	(0.3)	-

3. Outlook for the fiscal year ended March 31, 2012

Looking at economic circumstances in Japan and abroad, the global economy is expected to continue to recover moderately, led by emerging economies such as China and India. However, there are concerns about risks such as high crude-oil prices associated with political uncertainty in the Middle East and North Africa and credit insecurity in parts of Europe. We expect there will be strong concern about a downturn in the Japanese economy for some time to come because of the effect of the Tohoku-Pacific earthquake, which wrought enormous damage to supply chains and power supply.

In the Business Technologies Business, we expect that demand for production print products will expand moderately in both Japan and overseas markets and that in the office MFPs field, growth will be led by demand in emerging markets, although developed markets appear to be mature. In the Optics Business, there are concerns about the effect of production adjustments that could be prolonged in certain fields including personal computers, but demand for digital consumer electronics, including LCD TVs, is expected to grow overall. In the Healthcare Business, we expect demand for compact Computed Radiography will continue to expand, especially in the clinic market.

Given this situation, we expect results for the fiscal year ending March 31, 2012 to be as follows: Since the Group does not have any production sites in areas affected by the Tohoku-Pacific earthquake, there have been no casualties among employees, and its production facilities have not been damaged. The production activities of the Group therefore have not been directly disrupted by the earthquake. However, we have factored in ¥13.0 billion in net sales and ¥5.0 billion in operating income as risks associated with possible disruption in the supply chains and limits on power supplies caused by the earthquake that can be calculated at the time of publication of the financial results. We will continue to gather and analyze information on reconstruction and will take appropriate action to minimize the effects of the earthquake on the Group's business activities.

This forecast is an estimate on the assumption that the turmoil attributable to the earthquake will end in the middle of the year. However, the situation is changing daily and for this reason we are not announcing here a results forecast for the first half of the fiscal year.

We assume exchange rates of 85 yen against the US dollar and 115 yen against the euro.

[Billions of yen]

	March 2012 forecast	March 2011	Increase (Decrease)
Net sales	810.0	777.9	32.0
Operating income	42.0	40.0	1.9
Ordinary income	39.0	33.1	5.8
Net income	20.0	25.8	(5.8)

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.

(2) Financial Position

1. Analysis of Financial Position

		Fiscal year ended March 31		
		2011	2010	Increase (Decrease)
Total assets	[Billions of yen]	845.4	865.7	(20.3)
Net assets	[Billions of yen]	428.9	420.7	8.2
Net assets per share	[yen]	806.53	791.28	15.26
Equity ratio	[%]	50.6	48.5	2.1

At fiscal year end, total assets amounted to ¥845.4 billion, down ¥20.3 billion compared with the end of the previous fiscal year. Deferred tax assets rose, while notes and accounts receivable-trade declined. Property, plant and equipment and intangible assets fell, reflecting the curbing of capital expenditure and depreciation and amortization. Interest-bearing debt slipped ¥4.7 billion from the end of the previous fiscal year, to ¥192.5 billion with an increase in corporate bonds more than offset by repayments of loans payable.

Despite a decrease in foreign currency translation adjustments because of the appreciation of the yen, net assets increased ¥8.2 billion from the end of the previous fiscal year, to ¥428.9 billion, reflecting a rise in retained earnings primarily due to the posting of ¥25.8 billion in net income. Net assets per share came to ¥806.53, and the shareholders' equity ratio rose 2.1 percentage points from the end of the previous fiscal year to 50.6%.

2. Cash Flows

[Billions of yen]

	March 31		
	2011	2010	Increase (Decrease)
Cash flows from operating activities	67.9	113.3	(45.4)
Cash flows from investing activities	(44.7)	(40.4)	(4.2)
Total (Free cash flow)	23.2	72.9	(49.7)
Cash flows from financing activities	(12.9)	(43.8)	30.8

During the fiscal year under review, net cash provided by operating activities was ¥67.9 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥44.7 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥23.2 billion.

Net cash used in financing activities was ¥12.9 billion.

In addition, the effect of exchange rate changes increased cash and cash equivalents by ¥0.7 billion. As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥175.1 billion, rising ¥11.0 billion from the consolidated previous fiscal year-end.

Cash flows from operating activities

Net cash provided by operating activities reached ¥67.9 billion (¥113.3 billion in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥28.1 billion and depreciation of ¥55.1 billion, these amounts were partly offset by a decrease in reserve for retirement benefits and pension plans of ¥8.3 billion chiefly due to special contributions of premiums in the first quarter, a decline in working capital of ¥3.9 billion, income taxes paid of ¥9.4 billion, and other factors.

Cash flows from investing activities

Net cash used in investing activities was ¥44.7 billion (¥40.4 billion in the previous fiscal year). Cash of ¥37.0 billion was mainly 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 inflow of ¥23.2 billion (¥72.9 billion in the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was ¥12.9 billion (net cash provided of ¥43.8 billion in the previous fiscal year), mainly reflecting ¥30.0 billion for new issue of bonds, ¥35.9 billion for repayments of loans payable and lease obligations, and ¥7.9 billion in dividend payments,.

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

[Cash flow indicators]

	March 31				
	2007	2008	2009	2010	2011
Shareholders' equity ratio [%]	38.6	43.0	45.0	48.5	50.6
Market price-based shareholders' equity ratio [%]	86.4	74.0	48.4	66.8	43.7
Debt redemption period [years]	3.4	1.8	2.1	1.7	2.8
Interest coverage ratio	12.8	27.7	23.4	29.3	21.9

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets
Market price-based shareholders' equity ratio: Market capitalization / Total assets
Debt redemption period: Interest-bearing debt / Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities / Interest payments

Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock). Net cash flow from operating activities figures are those stated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows.

Cash flow outlook for the fiscal year ending March 31, 2012

Konica Minolta projects that free cash flow, the net value of cash flows from operating and investing activities, will amount to an inflow of ¥8.0 billion.

(3) Basic policy regarding profit distribution, dividends for the fiscal year under review, and projected dividends for the current fiscal year

1. Basic policy regarding profit distribution

The policy regarding the payment of dividends from retained earnings, etc. calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements to promote strategic investments in growth fields while seeking to sustain shareholder returns. As for a specific dividend target, the Group is aiming to sustain a dividend payout ratio of 25% or more over the medium to long term.

With respect to the acquisition of treasury stock, the Group intends to make appropriate decisions by viewing it as a means of profit distribution while giving due attention to such factors as the Group's financial situation and stock price trends.

2. Dividends for the fiscal year under review and the current fiscal year

In the consolidated fiscal year under review (fiscal year ended March 31, 2011), the Group continued to face a challenging situation across its businesses, affected by intensifying market competition, the appreciation of the yen, and production adjustments. However, after posting a tax effect associated with the liquidation of a photo imaging company which was terminating its business, net income achieved the initial forecast. Based on this situation, the Company will distribute a year-end dividend of 7.5 yen per share as planned, which combined with the interim dividend of 7.5 yen per share will bring the total annual dividend to 15.0 yen per share.

With respect to dividends for the fiscal year ending March 31, 2012, given that the business environment demands prudence, the Group has yet to determine whether it will distribute interim dividends, but it does plan to distribute an annual dividend of 15.0 yen per share based on the outlook for the current fiscal year described above.

**Figures given in the text as billions of yen have been rounded off to the nearest hundred million.*