1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Three months ended June 30, 2011 (From April 1, 2011 to June 30, 2011)

[Billions of yen]

	Apr-Jun 2011	Apr-Jun 2010	Increase (Decrease)	
Net sales	186.2	194.6	(8.4)	-4.3%
Gross profit	83.6	88.4	(4.8)	-5.5%
Operating income	3.2	9.8	(6.5)	-66.8%
Ordinary income	2.5	6.4	(3.8)	-60.2%
Income before income taxes and minority interests	0.3	2.1	(1.8)	-82.2%
Net income (loss)	(0.1)	3.4	(3.6)	-
Net income (loss) per share [yen]	(0.21)	6.58	(6.79)	-
Capital expenditure	4.8	11.1	(6.2)	-55.9%
Depreciation	11.6	13.8	(2.1)	-15.7%
R & D expenses	19.0	17.1	1.8	11.1%
Free cash flow	0.6	(1.2)	1.92	-
Number of employees [persons]	35,996	37,031	(1,035)	-2.8%
Exchange rates [yen]				
US dollar	81.74	92.01	(10.27)	-11.2%
Euro	117.40	116.99	0.41	0.4%

Looking at the main businesses of the Konica Minolta Group during the first quarter of the consolidated fiscal year under review (April 1, 2011 to June 30, 2011), in the Business Technologies Business, sales volumes of both color and monochrome A3 multi-functional peripherals (MFPs) for offices were almost in line with the results of the same period on the previous fiscal year. Meanwhile, sales volumes of production printing products for the first quarter under review rose, exceeding the year-ago levels on the strength of robust sales of new color products that were introduced to the market in the second half of the previous year. In the Optics business, sales of wide and thin plain TAC films for LCD polarizers(TAC films) remained strong. However, sales of glass substrates for HDDs, pickup lenses for optical disks, and other products were generally sluggish, given continued production adjustment seen in the overall digital home appliances industry that began last summer. In the Healthcare Business, sales volumes of the digital medical input equipment, driven by introduction of new products, rose from the previous year. Meanwhile, sales of film products continued to decline.

As a result, the Konica Minolta Group recorded net sales of ¥186.2 billion, a decrease of 4.3% year on year, on a consolidated basis for the first quarter of the fiscal year under review. It also posted foreign exchange losses of ¥7.1 billion, reflecting the significant appreciation of the yen against the US dollar, with the yen rising more than ¥10 against the US dollar compared with the exchange rates in the same period of the previous fiscal year.

Operating income was ¥3.2 billion, a decrease of 66.8% from the previous fiscal year. This decline was attributable to lower sales price and a fall in gross profit, reflecting the effects of the appreciation of the yen. It also resulted from other temporary factors, such as higher research and development expenses and an increase in fixed costs, amortization of goodwill and other related costs, as a result of recent corporate acquisitions made by the Group, which represented investments in growth. The disruption of the supply chain after the earthquake also resulted in increased costs as we placed priority on procuring electronic components facing tight supply. Ordinary income was ¥2.5 billion, a decrease of 60.2% year on year, mainly reflecting the recording of foreign exchange losses due to the appreciation of the yen. Income before income taxes and minority interests for the first quarter of the fiscal year under review was ¥0.3, a decrease of 82.2% from the previous fiscal year, chiefly reflecting the recording of loss on valuation of investment securities of ¥1.8 billion as a result of the weak stock market. As a result, the net loss was ¥0.1 yen.

In this April, the Group is focusing on sustainable growth and has adopted a medium-term management plan, GPLAN 2013, the keyword of which is “growth.” Under the plan, in three years from the fiscal year ending March 31, 2012 to the fiscal year ending March 31, 2014, the Group aims to achieve the following goals (the Group’s vision):

1) Make Group-wide efforts to expand its scale by achieving growth, taking advantage of business opportunities, and become a company that has persistence and presence even if market circumstances change rapidly;

2) Evolve from a company that merely manufactures and sells products in the global arena to a true global company that will create ideas and act from a global perspective; and

3) As a result, achieve for the Konica Minolta brand higher recognition and wide acclaim in the international community.

Facing an uncertain outlook in both Japan and overseas, the Konica Minolta Group is united in its commitment to proceeding steadily with a range of initiatives to achieve the goals set out in “ G PLAN 2013”.

2. Overview by Segment

[Billions of yen]

	Apr-Jun 2011	Apr-Jun 2010	Increase (Decrease)	
Business Technologies				
Net sales - external	134.0	132.7	1.2	1.0%
Operating income	3.6	7.6	(4.0)	-52.5%
Optics				
Net sales - external	31.1	35.1	(4.0)	-11.5%
Operating income	3.4	5.0	(1.6)	-33.2%
Healthcare				
Net sales - external	15.5	21.0	(5.5)	-26.2%
Operating loss	(0.5)	(0.0)	(0.4)	-%

Business Technologies Business

Office field:

Sales volumes of both A3 color MFPs and A3 monochrome MFPs of the bizhub series remained almost at the same level as the previous fiscal year. In this environment, the Company managed to produce a positive outcome from Optimized Print Services (OPS), in which it began taking initiatives to develop operating systems on a global scale. The Company concluded a multi-year global agreement with BMW AG (headquartered in Germany) to undertake the administrative tasks of its office machinery throughout Europe, and received many orders from other major global customers.

Production print field:

The Company began marketing three new color products, bizhub PRESS C8000/C7000/C6000 in autumn 2010. In doing so, it started to develop a digital commercial printing field in earnest, while also taking steps to bolster sales of in-house printing and print shops, its existing markets. These new products have earned a strong reputation, mainly in the key US and European markets. As a result, sales volumes of both color and monochrome machines for the first quarter of the fiscal year under review exceeded the level achieved in the previous fiscal year.

Overall, our Business Technologies Business sought to boost sales of digital equipment, particularly new products, and solution services in the office and the production printing fields, in line with our “genre-top” strategy. Moreover, to strengthen its IT services capability that will play a key role in developing global OPS, the Company acquired All Covered Inc. (headquartered in California) in December 2010. The Company also acquired Koneo AB (headquartered in Sweden) in Europe in April 2011, and the whole sales channel of Techcare, LLC (headquartered in Illinois) in the United States in May 2011. As a result, net sales of the Business Technologies Business to outside customers stood at ¥134.0 billion, on a par with the year-ago level. Meanwhile, the segment posted the negative impact of ¥5.3 billion in exchange rate fluctuations, reflecting the appreciation of the yen against the US dollar and other currencies. Operating income halved from the previous fiscal year, to ¥3.6 billion, given the increase of upfront expenses outlaid to achieve growth. These expenses included investments for development of new products, fixed costs and amortization of goodwill related to corporate acquisitions, and offset an increase in gross profit on higher sales as well as cost cutting efforts

Optics Business

Display materials field:

Sales volumes of VA-TAC films for increasing viewing angle (VA-TAC films), products in which the Company excels, increased significantly, given strong sales of new products that were fully marketed from the beginning of this year. Sales volumes of thin plain TAC films and new TAC films for IPS panels also remained steady. As a result, overall sales volumes of TAC films for the first quarter of the fiscal year under review rose from the previous fiscal year.

Memory devices field:

Sales volumes of pickup lenses for Blu-ray DiscsTM were on a par with the results of the previous fiscal year, but sales volumes for DVD declined year on year, attributable to the effects of prolonged production adjustments seen in the overall digital home appliances industry from the summer of 2010. Sales volumes of glass substrates for HDDs for the first quarter under review also fell year on year, while the market conditions started to improve from around the middle of the first quarter under review.

Image input/output components field:

Sales volumes of lens units for digital cameras and cell phones with cameras generally decreased noticeably from the level achieved in the previous fiscal year.

Overall, in our Optics Business, sales volumes of thin plain TAC films and VA-TAC films remained steady. However, this could not offset the decline in sales of other products. As a result, net sales of the Optics Business to outside customers stood at 31.1 billion, and operating income was ¥3.4 billion.

Healthcare Business

In the digital X-ray diagnostic imaging area of the Healthcare Business, the Company began to sell AeroDR, REGIUS Σ and other new Digital Radiography (DR) and Computed Radiography (CR) to medical facilities in Japan and abroad. Through these initiatives, by focusing on digital input equipment, the Company took steps to bolster sales of network devices and the service solution business. These new products of DR and CR have earned a strong reputation in the market, with strong demand from the start of sales. As a result, sales volumes of digital input equipment for the first quarter of the fiscal year under review exceeded the level achieved in the previous fiscal year. However, sales of film products continued to decline, given the continued rise in the use of filmless equipment. As a consequence, net external sales were ¥15.5 billion. The operating loss stood at ¥0.5 billion, mainly reflecting lower profits as a result of the decline in sales and the surge in prices of silver and other raw materials.

(2) Financial Position

1. Analysis of Financial Position

		As of June 30, 2011	As of March 31, 2011	Increase (Decrease)
Total assets	[Billions of yen]	833.1	845.4	(12.3)
Total liabilities	[Billions of yen]	410.0	416.4	(6.4)
Net assets	[Billions of yen]	423.1	428.9	(5.8)
Equity ratio	[%]	50.6	50.6	0.0

Total assets at the end of the first quarter of the consolidated fiscal year under review were down ¥12.3 billion (1.5%) from the previous fiscal year-end, to ¥833.1 billion. Current assets and noncurrent assets fell ¥6.8 billion (1.4%) to ¥495.0 billion (59.4% to total assets), and ¥5.4 billion (1.6%), to ¥338.1 billion (40.6% to total assets), respectively, from the previous fiscal year-end.

With respect to current assets, cash and deposits decreased ¥2.5 billion from the end of the previous fiscal year, to ¥85.2 billion, but securities increased ¥2.1 billion. As a result, cash and cash equivalents decreased ¥0.4 billion, to ¥174.6 billion. Given the decline in net sales, notes and accounts receivable-trade decreased ¥9.9 billion from the end of the previous fiscal year, to ¥153.3 billion. Inventories increased ¥0.4 billion, to ¥100.6 billion, while accounts receivable-other increased ¥1.4 billion.

With respect to noncurrent assets, property, plant and equipment decreased ¥6.9 billion from the previous fiscal year-end, to ¥183.7 billion, as the result of overall progress in depreciation. Meanwhile, intangible assets increased ¥1.0 from the end of the previous fiscal year, to ¥89.4 billion, given the rise in goodwill resulting from the acquisition of offices and IT and service-related companies during the first quarter of the consolidated fiscal year under review, offsetting progress in amortization. Investments and other assets increased ¥0.4 billion, to ¥64.9 billion, reflecting an increase of ¥2.3 billion in deferred tax assets and offsetting a decrease of ¥1.4 billion in the mark-to-market evaluation of investment securities as a result of stock price decline.

Liabilities decreased ¥6.4 billion (1.5%) from the previous fiscal year-end, to ¥410.0 billion (49.2% to total assets). Notes and accounts payable-trade, provision for bonuses and accrued expenses declined ¥2.7 billion, ¥5.4 billion and ¥3.5 billion, respectively, from the previous fiscal year-end. Interest-bearing debt (a sum of short-term loans payable, long-term loans payable and bonds payable) rose ¥2.2 billion from the previous fiscal year-end, to ¥194.8 billion.

Net assets were down ¥5.8 billion (1.4%) from the previous fiscal year-end, to ¥423.1 billion (50.8% to total assets). Retained earnings decreased ¥4.1 billion from the previous fiscal year-end, to ¥207.3 billion, given a decrease of ¥3.9 billion for dividends. In addition, total accumulated other comprehensive income decreased ¥1.8 billion from the end of the previous fiscal year, as a result of fluctuations in foreign currency translation adjustment linked to the appreciation of the yen, especially against the US dollar and euro

As a result, the shareholders' equity ratio stood at 50.6%, unchanged from the level of the end of the previous fiscal year.

2. Cash Flows

[Billions of yen]

	Apr-Jun 2011	Apr-Jun 2010	Increase (Decrease)
Cash flows from operating activities	11.9	7.4	4.5
Cash flows from investing activities	(11.3)	(8.7)	(2.6)
Total (Free cash flow)	0.6	(1.2)	1.9
Cash flows from financing activities	(1.4)	(2.8)	1.3

During the first quarter of the consolidated fiscal year under review, net cash provided by operating activities was ¥11.9 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥11.3 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥0.6 billion.

Net cash used in financing activities was ¥1.4 billion.

In addition, cash and cash equivalents at the end of the first quarter of the consolidated fiscal year under review stood at ¥174.6 billion, down ¥0.4 billion from the previous fiscal year-end, reflecting the effect of changes in exchange rates on cash and cash equivalents.

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

Cash flows from operating activities

Net cash provided by operating activities reached ¥11.9 billion (¥7.4 billion in the same period in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥0.3 billion, depreciation of ¥11.6 billion, an increase in working capital of ¥5.5 billion, and an increase in deposit of ¥2.6 billion, these amounts were partly offset by a decrease of ¥5.4 billion in the provision for bonuses and the payment of ¥3.3 billion for income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥11.3 billion (compared with ¥8.7 billion in the same period in the previous consolidated fiscal year). Cash of ¥6.3 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 ¥3.6 billion for the acquisition of the shares of subsidiaries for the acquisition of Koneo AB of Sweden to strengthen our IT services and direct sales in the Business Technologies Business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥0.6 billion (an outflow of ¥ 1.2 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was an outflow of ¥1.4 billion (an outflow of ¥2.8 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 ¥2.5 billion in short-term loans.

Note: Amounts mentioned above do not include consumption taxes.

(3) Outlook for the fiscal year ending March 31, 2012

Looking at the circumstances that surround the Konica Minolta Group in Japan and abroad, emerging economies, such as China and India, are likely to continue to grow. However, there are a number of risk factors that raise concerns for the future. They include a surge in prices of raw materials, typically steel, silver, and rare earth, trends in Western economies affected by credit uncertainties in certain countries in Europe, and the continuing appreciation of the yen that is a result of a reaction to these credit uncertainties. In Japan, supply chains that have been severely damaged by the Great East Japan Earthquake are expected to be restored at an early stage, but with increasing concerns nationwide over the securing of the power supply, the economic outlook is likely to remain uncertain, demanding considerable caution.

Demand in the markets in which the Group principally operates has not changed noticeably from the Group's anticipation at the beginning of the fiscal year under review. In the Business Technologies Business, demand for production printing products is expected to grow gradually both in Japan and overseas. Demand for MFPs is likely to continue to grow in emerging markets. In the Optics Business, although there are concerns about a short-term adjustment in the production of LCD TVs and other equipment, the impact of production adjustments since the summer of 2010 on the overall digital home appliances industry is believed to have been alleviated, and the industry has begun to pick up from the first quarter under review. In the Healthcare Business, demand for digital input equipment, such as DR, CR and other systems, is expected to increase, especially in the clinical market.

Given this situation, the Group changed the assumed exchange rates to 80 yen for the US dollar and 115 yen for the euro (US$: 85 yen, EUR: 115 yen at the time of the announcement on May 12) and is maintaining its forecast results for the consolidated fiscal year ending March 31, 2012, unchanged from its initial forecasts, as given below. To achieve these goals, the Group will further focus on expanding sales of profitable products and services in all business segments, particularly the Business Technologies Business and the Optics Business. It will also strengthen its initiatives mainly to further cut production costs and improve expenses management.

[Billions of yen]

	FY ending March 2012	
	Six months Announced on July 28	Full year Announced on May 12
Net sales	386.0	810.0
Operating income	12.0	42.0
Ordinary income	10.0	39.0
Net income	3.0	20.0

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.*