1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 2011)

Nine months (Apr–Dec)

		Year-on-Year		[Billions of yen]	
		Apr-Dec /Mar 2012	Apr-Dec /Mar 2011	Increase (Decrease)	
Net sales		560.3	575.2	(14.9)	-2.6%
Gross profit		260.0	264.5	(4.5)	-1.7%
Operating income		23.2	28.2	(4.9)	-17.6%
Ordinary income		18.8	22.2	(3.3)	-15.2%
Income before income taxes and minority interests		14.0	16.2	(2.2)	-13.6%
Net income		5.3	10.7	(5.3)	-50.0%
Net income per share	[yen]	10.18	20.35	(10.17)	-50.0%
Capital expenditure		22.3	33.1	(10.7)	-32.5%
Depreciation		36.0	41.1	(5.1)	-12.4%
R & D expenses		55.4	54.1	1.3	2.6%
Free cash flow		17.7	5.7	11.9	208.3%
Number of employees	[persons]	37,531	35,714	1,817	5.1%
Exchange rates	[yen]				
US dollar		78.99	86.84	(7.85)	-9.0%
Euro		110.61	113.30	(2.69)	-2.4%

Looking at the main businesses of the Konica Minolta Group during the first three quarters of the consolidated fiscal year under review (April 1, 2011 to December 31, 2011), in the Business Technologies Business, sales volumes of A3 MFPs (Multi-functional peripherals) for office and digital printing systems for production print rose from the levels of the previous year. In particular, sales volumes of color products, in which the Company has a competitive edge, in both fields grew in Japan, the United States, Europe, and Other regions. During the period under review, the Company faced a severe business environment, with difficulties in procuring certain materials and components in the wake of the Great East Japan earthquake and large-scale flooding in Thailand, sluggish demand in some markets reflecting the effects of the debt crisis in Europe, and the persistent strength of the yen, among other challenging developments. Despite these adverse conditions, the Business Technologies Business achieved a strong performance, as described above, as all divisions of development, procurement, production, and sales were united in their focus on priority initiatives to continue production and bolster sales. In the Optics Business, overall sales volumes including those of thin and extra-wide plain TAC films for LCD polarizers rose from the same period of the previous fiscal year, reflecting strong sales throughout the period of VA-TAC films for increasing viewing angle, which introduced new products. Meanwhile, sales of glass substrates for HDDs, pickup lenses for optical disks, and lens units for digital cameras were generally sluggish, given the impact of customers' production adjustments that started during the summer of 2011 and flooding in Thailand. In the Healthcare Business, sales volumes of the digital medical input equipment rose year on year, driven by the introduction of new products. Meanwhile, sales volumes of film products declined from the same period of the previous fiscal year, particularly reflecting a fall in demand in Japan.

As a result, the Konica Minolta Group recorded net sales of ¥560.3 billion on a consolidated basis, a small year-on-year decline, for the first three quarters of the fiscal year under review. It included the negative impact of foreign exchange of ¥22.4 billion, reflecting the fact that the yen appreciated against both the US dollar and the euro from the same period of the previous fiscal year. Excluding the impact of the strong yen, net sales rose 1.3% year on year.

Operating income was ¥23.2 billion, a decrease of 17.6% from the same period of the previous fiscal year. The Group continued to maintain the strong earnings momentum that started in the second quarter of the fiscal year under review, reflecting strong sales of its mainstay products, as described above, in the Business Technologies Business and the Optics business. Moreover, the Group recorded higher operating income for the third quarter of the fiscal year under review, compared with the figure for the previous year, despite the adverse effects of flooding in Thailand. However, this strong performance was unable to offset a decline in income for the first quarter of the fiscal year under review, which mainly reflected the effects of missed sales opportunities and a hike in costs in the wake of the earthquake. Ordinary income was ¥18.8 billion, a decrease of 15.2% year on year, due to the recording of net non-operating expenses of ¥4.3 billion. This principally reflected the posting of foreign exchange losses, given the sharp appreciation of the yen. Income before income taxes and minority interests for the first three quarters of the fiscal year under review was ¥14.0 billion, a decrease of 13.6% from the previous fiscal year. This mainly reflected the recording of a loss on the valuation of investment securities and expenses related to the structural reforms of the domestic sales division of the Business Technologies Business and the domestic production division of the Optics Business.

Net income stood at ¥5.3 billion, a fall of 50.0% year on year, including the effect of the reduction of the corporate tax rate of ¥1.5 billion.

2. Overview by Segment

Nine months ended December 31, 2011 (From April 1, 2011 to December 31, 2011)

	Nine months (Apr – Dec) Year-on-Year		[Billions of yen]	
	Apr-Dec /Mar 2012	Apr-Dec /Mar 2011	Increase (Decrease)	
Business Technologies				
Net sales - external	400.8	396.3	4.5	1.1%
Operating income	24.6	25.9	(1.3)	-5.2%
Optics				
Net sales - external	91.1	99.4	(8.2)	-8.3%
Operating income	9.6	10.0	(0.3)	-3.5%
Healthcare				
Net sales - external	51.9	62.5	(10.6)	-17.0%
Operating income(loss)	(0.5)	0.5	(1.1)	-%

Business Technologies Business

Office field:

Overall sales volumes of the A3 MFPs of the bizhub series for the period under review rose year on year, reflecting strong sales of color MFPs in Japan, the United States, Europe, and Other regions, despite a small year-on-year decline in sales of monochrome MFPs. Meanwhile, in OPS (Optimized Print Services), where it is seeking to strengthen its sales capabilities, the Company steadily executed initiatives during the third quarter under review to attract major customers operating global businesses. For example, the Company successfully concluded multi-year global contracts with Moet Hennessy Louis Vuitton (LVMH), a luxury brand retailer, and other companies for the management and the maintenance of office equipment at their offices. Moreover, to strengthen its IT service capability, which is to play a key role in a global OPS structure, the Company is working to acquire IT service providers in Europe and the United States. During the third quarter under review, the Company also acquired U.S. firm ColdCypress, LLC (headquartered in Pennsylvania). With these initiatives, the Company, through All Covered Inc., which became a member of the Konica Minolta Group in December 2010, sought to expand the IT service network in North America.

Production print field:

Sales volumes of color equipment for production printing systems for the period under review rose significantly from the year-ago period in Japan, the United States, Europe, and Other regions. This performance reflected strong sales of three new color digital printing systems, the bizhub PRESS C8000/C7000/C6000, which are used in in-house printing and commercial printing. Sales volumes of monochrome equipment also rose from the previous fiscal year in the overseas market. As a result, overall sales volumes in this field remained robust throughout the period under review.

During the first three quarters of the fiscal year under review, in the wake of large-scale natural disasters such as the Great East Japan Earthquake and the flooding in Thailand, the Company faced difficulties in procuring certain materials and components. In response, it took steps to minimize the effect on sales by strengthening cooperation among its development, procurement, and production divisions. As a result, net sales of the Business Technologies Business to outside customers rose from the level of the same period in the previous fiscal year, to ¥400.8 billion. Excluding the negative effects of ¥17.8 billion on sales attributable to exchange rate fluctuations, reflecting the appreciation of the yen, net sales rose 5.6% year on year. Operating income fell slightly from the previous fiscal year, to ¥24.6 billion. The Company performed somewhat sluggishly in the first quarter of the fiscal year under review, mainly reflecting missing sales opportunities due to the earthquake and expenses incurred in dealing with the aftermath of the disaster. However, it sustained a recovery in earnings momentum in this business segment in the second quarter and third quarters, thanks to strong sales of mainstay products.

Optics Business

Display materials field:

Sales volumes of VA-TAC films, which introduced new products, remained steady in South Korea and Taiwan during the period under review, although sales were affected by customers' production adjustments from last summer. Sales volumes of thin plain TAC films and extra-wide plain TAC films also remained robust. As a result, overall sales volumes of TAC films including these products for the first three quarters of the fiscal year under review moved higher from the year-ago period.

Memory devices field:

Sales volumes of glass substrates for HDDs, which benefited from an improvement in market conditions in the middle of the period under review, failed to reach the level achieved in the year-ago period, reflecting production adjustments adopted by PC manufacturers, in addition to the effects of damages HDD set manufacturers suffered due to the flooding in Thailand. Sales volumes of pickup lenses for optical disks for the period under review declined from the level of the previous fiscal year, as the markets for both Blu-ray Discs™ and DVDs failed to recover.

Image input/output components field:

Sales volumes of lens units for digital and video cameras, which started to pick up from the summer of 2011, were on a par with the level of the previous fiscal year, given stagnant orders from certain customers that were affected by flooding in Thailand. Meanwhile, sales volumes for optical units for cell phones with cameras fell significantly year on year, as demand for conventional cell phones failed to increase, given the effects of the rising popularity of smartphones.

As a result, net sales of the Optics Business to outside customers stood at ¥91.1 billion. Operating income was ¥9.6 billion, almost on a par with the results of the same period of the previous fiscal year, as the Company carried out initiatives including activities to lower costs and expenses, to offset negative effects on income from lower sales and a decline in market prices.

Healthcare Business

In the Healthcare Business, the Company continued to expand sales areas by launching two models of new digital medical input equipment, AeroDR, the cassette digital X-ray detector, and REGIUS Σ, the desktop CR (Computed Radiography). These new products have been steadily receiving good responses and evaluation from medical organizations both in Japan and overseas. The Company sought to bolster sales, especially of AeroDR in the hospital market and REGIUS Σ in the clinic market. As a result, sales volumes of digital equipment rose year on year.

In film products, which have been dealing with a sustained decline in demand in Japan and other developed countries, the Company sought to expand sales in emerging economies, particularly China. However, as the rising use of filmless equipment could not be halted, sales volumes of film products for the first three quarters of the fiscal year under review declined year on year.

As a result of the factors as described above, as well as the effects of the strong yen and lower market prices, net external sales of this Company stood at ¥51.9 billion. The operating loss stood at ¥0.5 billion, mainly reflecting the negative effects on income from lower sales and the surge in prices of silver and other raw materials, which could not be offset by cutting cost and reducing expenses.

<Reference>

Overview of Performance

Three months ended December 31, 2011 (From October 1, 2011 to December 31, 2011)

Year-on-Year [Billions of yen]

	3Q /Mar 2012	3Q /Mar 2011	Increase (Decrease)	
Net sales	182.0	183.4	(1.4)	-0.8%
Gross profit	86.3	83.6	2.7	3.3%
Operating income	7.6	5.6	2.0	36.0%
Ordinary income	7.3	4.3	2.9	67.0%
Income before income taxes and minority interests	5.6	4.6	0.9	20.7%
Net income	1.6	2.1	(0.5)	-23.5%
Net income per share [yen]	3.11	4.06	(0.96)	-23.5%
Capital expenditure	8.6	8.5	0.1	1.2%
Depreciation	12.4	13.6	(1.2)	-9.2%
R & D expenses	18.7	18.7	(0.0)	-0.3%
Free cash flow	1.7	(6.8)	8.5	-%
Exchange rates [yen]				
US dollar	77.38	82.64	(5.26)	-6.4%
Euro	104.29	112.23	(7.94)	-7.1%

Three months Business Performance by Segment

Year-on-Year [Billions of yen]

	3Q /Mar 2012	3Q /Mar 2011	Increase (Decrease)	
Business Technologies				
Net sales - external	131.9	130.2	1.6	1.2%
Operating income	9.3	6.3	2.9	46.3%
Optics				
Net sales - external	27.7	30.2	(2.5)	-8.3%
Operating income	2.4	2.0	0.4	21.6%
Healthcare				
Net sales - external	17.2	17.5	(0.3)	-1.9%
Operating loss	(0.2)	0.0	(0.2)	-%

(2) Financial Position

1. Analysis of Financial Position

		As of December 31, 2011	As of March 31, 2011	Increase (Decrease)
Total assets	[Billions of yen]	854.2	845.4	8.7
Total liabilities	[Billions of yen]	440.7	416.4	24.2
Net assets	[Billions of yen]	413.4	428.9	(15.4)
Equity ratio	[%]	48.3	50.6	(2.3)

Total assets at the end of the third quarter of the consolidated fiscal year under review were up ¥8.7 billion (1.0%) from the previous fiscal year-end, to ¥854.2 billion. Current assets rose ¥25.7 billion (5.1%), to ¥527.6 billion (61.8% to total assets), while noncurrent assets fell ¥16.9 billion (4.9%) to ¥326.5 billion (38.2% to total assets) from the previous fiscal year-end.

With respect to current assets, cash and deposits increased ¥0.5 billion from the end of the previous fiscal year, to ¥88.4 billion, and short-term investment securities increased ¥40.2 billion. As a result, cash and cash equivalents increased ¥40.7 billion, to ¥215.8 billion. Also, inventories were up ¥3.7 billion from the previous fiscal year-end, to ¥104.0 billion. Meanwhile, notes and accounts receivable-trade declined ¥12.0 billion from the previous fiscal year-end, to ¥151.3 billion. Deferred tax assets also decreased ¥7.0 billion.

With respect to noncurrent assets, property, plant and equipment decreased ¥14.7 billion from the previous fiscal year-end, to ¥175.9 billion, as a result of overall progress in depreciation. Intangible assets also decreased ¥1.7 billion from the end of the previous fiscal year, to ¥86.6 billion, primarily because of the amortization of goodwill and other intangible assets. Investments and other assets declined ¥0.5 billion, to ¥63.9 billion, mainly reflecting the decline of ¥3.3 billion in the mark-to-market evaluation of investment securities, as a result of a decline in the stock price and other factors, offsetting an increase of ¥3.6 billion in deferred tax assets.

Liabilities increased ¥24.2 billion (5.8%) from the previous fiscal year-end, to ¥440.7 billion (51.6% to total assets). Interest-bearing debt (the sum of short-term loans payable, long-term loans payable, and bonds payable) rose ¥28.5 billion from the previous fiscal year-end, to ¥221.1 billion, mainly reflecting the issuing of corporate bonds.

Net assets were down ¥15.4 billion (3.6%) from the previous fiscal year-end, to ¥413.4 billion (48.4% to total assets). Total accumulated other comprehensive income decreased ¥12.9 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, and other factors.

As a result, the shareholders' equity ratio stood at 48.3%, down 2.3 points from the previous fiscal year-end.

2. Cash Flows

[Billions of yen]

	Apr-Dec /Mar 2012	Apr-Dec /Mar 2011	Increase (Decrease)
Cash flows from operating activities	49.0	39.4	9.5
Cash flows from investing activities	(31.2)	(33.7)	2.4
Total (Free cash flow)	17.7	5.7	11.9
Cash flows from financing activities	22.5	22.0	0.5

During the first three quarters of the consolidated fiscal year under review, net cash provided by operating activities was ¥49.0 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥31.2 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥17.7 billion.

Net cash provided by financing activities was ¥22.5 billion.

In addition, cash and cash equivalents at the end of the third quarter of the consolidated fiscal year under review stood at ¥215.8 billion, up ¥40.7 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 first three quarters of the consolidated fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities reached ¥49.0 billion (¥39.4 billion for the same period of the previous consolidated fiscal year), mainly reflecting inflows of cash from the recording of income before income taxes and minority interests of ¥14.0 billion, depreciation of ¥36.0 billion, and amortization of goodwill of ¥6.5 billion, offsetting outflows of cash mainly from a decline in the provision for bonuses of ¥5.2 billion and the payment of ¥4.2 billion for income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥31.2 billion (¥33.7 billion for the same period of the previous consolidated fiscal year). Cash of ¥19.8 billion was used for investments in molding in the Business Technologies Business and in the acquisition of property, plant and equipment and other capital investments in the Optics Business, the Group's strategic business. Other cash outflow included ¥5.5 billion for the acquisition of shares in subsidiaries for the acquisition of companies in Europe and the United States to strengthen the Company's 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 ¥17.7 billion (an inflow of ¥5.7 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥22.5 billion (¥22.0 billion for the same period of the previous consolidated fiscal year), mainly reflecting proceeds of ¥40.0 billion from the issuing of corporate bonds, cash dividends paid of ¥7.8 billion, and a fall of ¥7.3 billion in short-term loans.

Note: Amounts mentioned above do not include consumption taxes.

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

The Konica Minolta Group understands that the outlook of the business environment that surrounds the Group is becoming increasingly uncertain, in the face of the sovereign debt crisis in Europe, concerns over a downturn in the global economy, induced by the crises, and the persistent appreciation of the yen against the US dollar and the euro, among other adverse factors. Nevertheless, the Group generally recorded steady results for the first three quarters of the consolidated fiscal year under review, offsetting the negative impact of the Great East Japan Earthquake and the widespread flooding in Thailand. In light of this development, the Group has decided to retain the full-year operating performance forecasts it announced on October 28, 2011.

With respect to the assumption of foreign exchange rates for the forth quarter of the fiscal year under review, the Group has raised the assumption ¥5 against the euro from the previous assumption, to ¥78 against the US dollar, and ¥100 against the euro.

Note: The above operating performance forecasts are based on future-related assumptions, 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.*