1. OPERATING RESULTS

(1) Business Performance Analysis

1. Overview of Performance

	Fiscal year ended March 31		[Billions of yen]	
	2012	2011	Increase (Decrease)	
Net sales	767.8	777.9	(10.0)	-1.3%
Gross profit	355.3	354.5	0.7	0.2%
Operating income	40.3	40.0	0.3	0.8%
Ordinary income	34.7	33.1	1.6	4.8%
Income before income taxes and minority interests	32.8	28.1	4.7	16.7%
Net income	20.4	25.8	(5.4)	-21.1%
Net income per share [yen]	38.52	48.84	(10.32)	-21.1%
Capital expenditure	34.0	42.9	(8.9)	-20.8%
Depreciation	49.2	55.1	(5.8)	-10.7%
R & D expenses	72.5	72.6	(0.0)	-0.1%
Free cash flow	29.6	23.2	6.3	27.5%
Number of employees [persons]	38,206	35,204	3,002	8.5%
Exchange rates [yen]				
US dollar	79.07	85.71	(6.64)	-7.7%
Euro	108.96	113.11	(4.15)	-3.7%

Looking back on the business environment in this consolidated fiscal year, the Konica Minolta Group's procurement and production operations were directly and indirectly affected by disruptions in supply chains in the related industries as a result of unprecedented natural disasters: the Great East Japan Earthquake in March last year and the widespread flooding that occurred in Thailand during the summer and autumn. Looking at macroeconomic circumstances in Japan and overseas, there was concern over the impact of the European economy, which became more and more uncertain in association with the sovereign debt crisis, on the global economy. Amid the concern, however, the US economy was relatively solid, and emerging economies, including China, maintained high growth rates overall. The Japanese economy, especially export-oriented manufacturers, continued to face a challenging environment because of the rapid strengthening of the yen in addition to the effect caused by the earthquake and Thai flooding.

The Group started to implement "G PLAN 2013", a medium-term business plan for three years from the fiscal year ended March 31, 2012 to the fiscal year ending March 31, 2014. The keyword of the business plan is "growth," and the Group is focusing on sustainable growth. The plan is created in accordance with the basic "Three Challenges" policy of: (1) Achieving strong growth, expanding business scale, (2) Changing into a "Global Company," and (3) Increasing the recognition of the Konica Minolta brand. In this fiscal year, the first year of the plan, to achieve the goals of the plan despite the uncertain outlook for economic circumstances in Japan and abroad, the Group was united in executing a range of initiatives.

To achieve strong growth, expand business scale, the Group sought to bolster its business in the production print field, which the Group positions as a growth driver in the Business Technologies Business. As a result of the expansion of the range of products and the reinforcement of the sales structure, net sales for the fiscal year under review increased to the ¥100.0 billion scale. Sales of color products, in particular, remained strong, and the Group competed for the top position in the US and European markets. The rate of sales growth in emerging countries, including China and India, remained higher than that in developed countries.

In relation to changing into a "Global Company," the Group believes that to provide the best value to its customers worldwide, it is necessary to optimize its human resources from a global perspective. To that end, the Group created a global human resources database and took steps for its utilization. It endeavored to cultivate future executives from a global point of view, for example by regularly conducting Group-wide training programs to develop future executives for select members. The Group will build and develop a Group-wide personnel assessment system to assign personnel beyond organizational lines and borders.

To increase the recognition of the Konica Minolta brand, the Group adopted a communication message, "Giving Shape to Ideas," and transmitted the message to the world. The message expresses our commitment to fulfilling our customers' needs through creative technological innovation. Based on this message, the Group is endeavoring to solve customers' problems and provide value exceeding their expectations in day-to-day operations in all its businesses, using the reliable technologies and problem solving ability that it has developed.

Looking at the results of the main businesses in the fiscal year under review, in the Business Technologies Business, sales volumes of MFPs (Multi-functional peripherals) exceeded the results of the previous fiscal year as demand for MFPs for office recovered moderately and sales of color MFPs were solid both in Japan and overseas. Sales volumes of production printing products far exceeded the year-ago level, reflecting the launch of new color products and sales expansion, primarily in the digital printing market. In OPS (Optimized Print Services), which the Company continued to systematically enhance as a new growth field, business performance for global major accounts increased steadily, especially in Europe and the United States. Since overseas sales account for more than 80% of total sales, the Business Technologies Business was strongly influenced by the strong yen, but both net sales and operating income rose from a year ago. In the Optics Business, sales of glass substrates for HDDs and pickup lenses for optical disks were weak overall, given the impact of customers' production adjustments and the flooding in Thailand. In contrast, sales of TAC films for LCD polarizers (hereinafter referred to as "TAC films"), benefiting from the launch of new products, remained robust throughout the fiscal year, and sales of optical units for cell phones with cameras recovered in the latter part of the second half of the fiscal year. As a consequence, net sales declined, but operating income rose in the Optics Business. In the Healthcare Business, sales of digital medical input equipment increased year on year, driven by the introduction of new products, but fell short of offsetting a decline in sales of film products. Both net sales and operating income decreased in the business.

As a result, Konica Minolta's consolidated net sales for the fiscal year under review amounted to ¥767.8 billion, a decrease of 1.3% year on year. Despite a rise in procurement costs and sluggish orders received due to the effect of the earthquake and the flooding in Thailand, operating income stood at ¥40.3 billion, up 0.8%, reflecting an increase in sales of the main products and comprehensive expense cutting. The yen was stronger against the US dollar and euro than it was in the previous fiscal year. The adverse effects of exchange rates on net sales and operating income were ¥29.7 billion and ¥7.4 billion, respectively. Without the adverse effects, net sales and operating income rose 2.5% and 19.3%, respectively.

Ordinary income rose 4.8%, to ¥34.7 billion despite a foreign exchange loss associated with the strong yen. After posting extraordinary losses, including a loss on valuation of investment securities and business structure improvement expenses, income before income taxes and minority interests climbed 16.7%, to ¥32.8 billion. Net income stood at ¥20.4 billion, a fall of 21.1% year on year, including the effect of a change in the corporate tax rate of ¥3.3 billion.

2. Overview by Segment

	Fiscal year ended March 31		[Billions of yen]	
	2012	2011	Increase (Decrease)	
Business Technologies				
Net sales - external	547.5	539.6	7.9	1.5%
Operating income	39.4	37.4	2.0	5.4%
Optics				
Net sales - external	124.3	129.8	(5.5)	-4.3%
Operating income	14.0	12.8	1.2	9.6%
Healthcare				
Net sales - external	73.0	84.9	(11.9)	-14.1%
Operating income (loss)	0.0	0.1	(0.0)	-46.9%

Business Technologies Business

Office field:

Overall sales volumes of the A3 MFPs of the bizhub series for the fiscal year under review rose year on year, reflecting stronger sales of color MFPs in all regions—Japan, the United States, Europe, and Other regions including Asia—with sales volumes of monochrome MFPs remaining level. The Company bolstered its global sales system based on the concept of OPS (Optimized Print Services), which aims at providing optimal printing environments to customers, under the Company's growth strategy in the field. As a consequence, sales to global major accounts increased steadily. For example, the Company successfully concluded multi-year global contracts with BMW AG (headquartered in Germany), the major auto manufacturer of Europe, and NASA (the National Aeronautics and Space Administration) for the management and the maintenance of office equipment at their offices. To strengthen its IT service capability, which is to play a key role in expanding future service businesses and sustainable growth, the Company acquired IT service providers. Specifically, the Company acquired Koneo AB (headquartered in Sweden) in Europe in April 2011 and nine companies including Techcare LLC (headquartered in Illinois)—the effective date for two companies was April 1, 2012—in the United States through All Covered Inc. (headquartered in California), which became a member of the Konica Minolta Group in December 2010. With these initiatives, the Company sought to expand its IT service network in North America and European markets. The Company launched two new color MFPs, bizhub C754/C654, as the highest-end products in the bizhub series in January this year to enhance its product competitiveness in the field.

Production print field:

Sales volumes of color equipment for production printing systems for the fiscal year under review rose significantly from the year-ago level in all regions: Japan, the United States, Europe, and Other regions including Asia. This performance reflected strong sales of three new color digital printing systems, the bizhub PRESS C8000/C7000/C6000, which were launched in the autumn of 2010 and are used in in-house printing and digital commercial printing. Sales volumes of monochrome MFPs also rose from the previous fiscal year especially in the overseas market. Consequently overall sales volumes in this field remained robust throughout the fiscal year under review.

As a result, net sales of the Business Technologies Business to outside customers stood at ¥547.5 billion, up 1.5% year on year. Excluding the negative effects of ¥24.4 billion on sales attributable to exchange rate fluctuations, reflecting the appreciation of the yen, net sales rose about 6.0% year on year. Operating income was ¥39.4 billion, increasing 5.4% year on year. During the fiscal year under review, the Company faced difficulties in procuring certain materials and components, affected by large-scale natural disasters such as the Great East Japan Earthquake and flooding in Thailand. In response, it took steps to minimize the effect on sales by strengthening cooperation among its development, procurement, and production divisions. As a result, both net sales and operating income rose from the previous fiscal year despite a strong yen.

Optics Business

Display materials field:

Sales volumes of VA-TAC films for increasing viewing angle (hereinafter referred to as "VA-TAC films"), which introduced new products from early in this year, remained favorable in South Korea and Taiwan during the fiscal year under review despite widespread production adjustments in the LCD industry from last summer. Adoption of thin plain TAC films, which are strengths of the Company, increased steadily. As a result, overall sales volumes of TAC films including these products for the fiscal year under review moved higher from the year-ago period.

Memory devices field:

Sales volumes of glass substrates for HDDs remained level from the previous fiscal year, reflecting production adjustments adopted by PC manufacturers in the first half of the fiscal year and the effects of damages certain HDD set manufacturers suffered due to the flooding in Thailand in the second half. Sales volumes of pickup lenses for optical disks for the fiscal year 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 were picking up, rose only slightly from the previous fiscal year, given stagnant orders from certain customers that were affected by the flooding in Thailand. Meanwhile, sales volumes of optical units for cell phones with cameras were weak in the first half of the fiscal year, but increased year on year in the full year as the Company's optical units were used in more models in the second half.

As a result, net sales of the Optics Business to outside customers stood at ¥124.3 billion, down 4.3% year on year. Operating income rose 9.6%, to ¥14.0 billion with negative effects on income from lower sales of certain products and a decline in market prices offset by an increase in sales of the main products and the Company's initiatives including activities to lower costs and expenses.

Healthcare Business

In the Healthcare Business, the Company continued to expand the product lineup and sales areas for medical facilities in Japan and abroad, launching two models of new digital medical input equipment, AeroDR, the cassette digital X-ray detector, and REGIUS Σ, the desktop Computed Radiography (CR), in the first half and Digital Radiography (DR) for visiting cars, in the second half. 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, the Company sought to expand sales in emerging economies, particularly China. However, the rising use of filmless equipment in Japan and other developed countries could not be halted, and sales volumes of film products for 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 ¥73.0 billion, down 14.1% year on year. Operating income came to ¥90 million, declining 46.9%, mainly reflecting the negative effects on income from lower sales and the surge in the price of silver, which were partly offset by cutting cost and reducing expenses.

<Reference>

Overview of Performance

Three months ended March 31, 2012 (From January 1, 2012 to March 31, 2012)

	Year-on-Year			[Billions of yen]
	4Q /Mar 2012	4Q /Mar 2011	Increase (Decrease)	
Net sales	207.5	202.6	4.8	2.4%
Gross profit	95.2	90.0	5.2	5.8%
Operating income	17.0	11.7	5.2	44.9%
Ordinary income	15.8	10.8	4.9	45.7%
Income before income taxes and minority interests	18.7	11.8	6.9	58.3%
Net income	15.0	15.1	(0.0)	-0.5%
Net income per share [yen]	28.33	28.49	(0.16)	-0.5%
Capital expenditure	11.6	9.8	1.8	18.6%
Depreciation	13.2	13.9	(0.7)	-5.6%
R & D expenses	17.0	18.5	(1.4)	-8.0%
Free cash flow	11.8	17.4	(5.5)	-32.1%
Exchange rates [yen]				
US dollar	79.28	82.34	(3.06)	-3.7%
Euro	103.99	112.57	(8.58)	-7.6%

Three months Business Performance by Segment

	Year-on-Year 4Q /Mar 2012	4Q /Mar 2011	[Billions of yen] Increase (Decrease)	
Business Technologies				
Net sales - external	146.6	143.2	3.3	2.4%
Operating income	14.8	11.4	3.3	29.4%
Optics				
Net sales - external	33.2	30.4	2.7	9.1%
Operating income	4.3	2.7	1.5	56.7%
Healthcare				
Net sales - external	21.1	22.4	(1.3)	-5.9%
Operating income	0.6	(0.4)	1.1	-%

3. Outlook for the fiscal year ended March 31, 2013

Looking at the global economic conditions surrounding the Group, the outlook for the European economy remains uncertain due to its fiscal problems. We expect that the United States will grow moderately overall but will rise and fall for some time to come. Growth in emerging economies, especially China, India, and other Asian economies, is expected to slow, but we expect these economies will maintain higher economic growth rates than those of developed economies. The Japanese economy is expected to recover, backed by demand associated with post-earthquake reconstruction.

As for the outlook for demand in the Group's related market, in the Business Technologies Business, we expect that demand for production printing products will continue to expand both in Japan and in overseas markets. Demand for office MFPs, we expect, will be driven by growth in demand in emerging markets. In developed countries, we expect to boost demand from global major accounts, leveraging the development of OPS. In the Optics Business, prolonged inventory adjustments of digital consumer electronics, including LCD TVs, are expected to come to an end, bringing an overall recovery in demand. In the Healthcare Business, we anticipate demand for cassette DR and compact CR will continue to expand, especially in the hospital market and the clinic market.

Considering the situation described above, we have made the following forecasts for the fiscal year ending March 31, 2013.

We assume exchange rates of 80 yen against the US dollar and 105 yen against the euro.

[Billions of yen]

	FY/Mar 2013 forecast	FY/Mar 2012	Increase
Net sales	800.0	767.8	32.1
Operating income	48.0	40.3	7.6
Ordinary income	44.0	34.7	9.2
Net income	22.0	20.4	1.5

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

		As of March 31, 2012	As of March 31, 2011	Increase (Decrease)
Total assets	[Billions of yen]	902.0	845.4	56.5
Total liabilities	[Billions of yen]	434.9	428.9	5.9
Net assets per share	[yen]	817.81	806.53	11.27
Equity ratio	[%]	48.1	50.6	(2.5)

At fiscal year end, total assets were up ¥56.5 billion from the previous fiscal year-end, to ¥902.0 billion. Short-term investment securities and notes and accounts receivable-trade rose. Meanwhile, property, plant, and equipment, and intangible assets declined, reflecting overall depreciation and amortization. Interest-bearing debt increased ¥35.3 billion from the end of the previous consolidated fiscal year, to ¥227.9 billion, mainly attributable to the issuance of bonds.

Despite dividends paid and a decrease in foreign currency translation adjustment because of the appreciation of the yen, net assets increased ¥5.9 billion from the end of the previous consolidated fiscal year, to ¥434.9 billion, primarily due to the posting of net income.

As a result, net assets per share came to ¥817.81 and the shareholders' equity ratio fall 2.5 percentage points from the end of the previous fiscal year to 48.1%.

2. Cash Flows

	Fiscal year ended March 31		[Billions of yen]
	2012	2011	Increase
Cash flows from operating activities	72.3	67.9	4.4
Cash flows from investing activities	(42.7)	(44.7)	1.9
Total (Free cash flow)	29.6	23.2	6.3
Cash flows from financing activities	26.3	(12.9)	39.3

During the fiscal year under review, net cash provided by operating activities was ¥72.3 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥42.7 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥29.6 billion.

Net cash provided by financing activities was ¥26.3 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 ¥231.9 billion, rising ¥56.7 billion from the consolidated previous fiscal year-end. The amount was ¥4.0 billion more than the interest-bearing debt of ¥227.9 billion

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

Cash flows from operating activities

Net cash provided by operating activities reached ¥72.3 billion (¥67.9 billion in the previous fiscal year), mainly reflecting inflows of cash from the recording of income before income taxes and minority interests of ¥32.8 billion, depreciation and amortization of ¥49.2 billion, and amortization of goodwill of ¥8.8 billion, as well as outflows of cash from an increase in working capital of ¥4.9 billion and the payment of ¥6.1 billion for income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥42.7 billion (¥44.7 billion in the previous consolidated fiscal year). Cash of ¥29.1 billion was used for the purchase of property, plant, and equipment, especially investments in molding for new products in the Business Technologies Business and capital investments in the Optics Business, the Group's strategic business. Other cash outflow included ¥5.5 billion for the purchase of shares in subsidiaries and ¥2.3 billion for payments for the transfer of business, with both outgoings used to acquire companies in Europe and the United States with the aim of strengthening 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 ¥29.6 billion (an inflow of ¥23.2 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was ¥26.3 billion (net cash used of ¥12.9 billion in the previous consolidated fiscal year), mainly reflecting proceeds from the issuance of bonds of ¥40.0 billion, a net increase in long-term loans payable of ¥12.4 billion, a decrease in short-term loans payable of ¥16.4 billion, and cash dividends paid of ¥7.9 billion.

Note: Amounts mentioned above do not include consumption taxes.

[Cash flow indicators]

	Fiscal year ended March 31				
	2008	2009	2010	2011	2012
Shareholders' equity ratio [%]	43.0	45.0	48.5	50.6	48.1
Market price-based shareholders' equity ratio [%]	74.0	48.4	66.8	43.7	42.5
Debt redemption period [years]	1.8	2.1	1.7	2.8	3.1
Interest coverage ratio	27.7	23.4	29.3	21.9	30.0

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, 2013

The Konica Minolta Group expect that free cash flow (the sum of operating and investing activities) will be an outflow of ¥10.0 billion in the fiscal year ending March 31, 2013, primarily reflecting aggressive investment activities.

(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 fiscal year under review (fiscal year ended March 31, 2012), the Group continued to face a challenging situation in terms of sales, affected by intensifying market competition, the appreciation of the yen, customers' production adjustments, and disruptions in supply chains due to the two major natural disasters. However, as a result of an increase in sales of profitable mainstay products and comprehensive expense control, the Group came close to achieving its latest forecasts of income items from operating income to net income. Given this situation, the Group will distribute a year-end dividend of 7.5 yen per share as planned, which combined with the interim dividend paid 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, 2013, although the business environment remains uncertain, the Group plans to distribute an annual dividend of 15.0 yen per share based on the outlook for the fiscal year ending March 31, 2013. (An interim dividend of 7.5 yen per share is planned.)

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