1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

Three months (Apr–Jun)
Year-on-Year [Billions of yen]

	Apr-Jun / Mar 2013	Apr-Jun / Mar 2012	Increase (Decease)	
Net sales	189.3	186.2	3.1	1.7%
Gross profit	86.2	83.6	2.6	3.2%
Operating income	6.3	3.2	3.0	93.8%
Ordinary income	4.7	2.5	2.2	87.3%
Income before income taxes and minority interests	3.9	0.3	3.5	921.1%
Net income(loss)	0.1	(0.1)	0.2	-%
Net income(loss) per share [yen]	0.29	(0.21)	0.50	-%
Capital expenditure	7.7	4.8	2.8	58.4%
Depreciation	10.7	11.6	(0.9)	-8.3%
R & D expenses	17.6	19.0	(1.4)	-7.5%
Free cash flow	(16.2)	0.6	(16.9)	-%
Number of employees [persons]	40,174	35,996	4,178	11.6%
Exchange rates [yen]				
US dollar	80.20	81.74	(1.54)	-1.9%
Euro	102.91	117.40	(14.49)	-12.3%

Reviewing the main businesses of the Konica Minolta Group during the first quarter of the consolidated fiscal year under review (April 1, 2012 to June 30, 2012), in the Business Technologies Business, sales momentum in either the office or production print fields remained strong, and sales volumes rose from the same period of the previous fiscal year. In OPS (Optimized Print Services), which the Company continued to systematically strengthen as a new growth field, sales for global major accounts have been increasing steadily and consistently. In the Industrial Business, the sales of VA-TAC films for increasing the viewing angle (hereinafter referred to as "VA-TAC films") and thin plain TAC films for LCD polarizers remained strong, as in the previous fiscal year. Sales of glass substrates for HDDs and lens units for digital cameras and cell phones with cameras rose overall with the effects of the flooding in Thailand and production adjustment seen in the overall digital home appliances industry disappearing. Sales of high value-added products, including replacement lenses for digital single-lens reflex cameras, optical systems for digital cinema, and light meters, were strong. In the Healthcare Business, sales volumes of digital X-ray diagnostic imaging systems and film products increased from the previous year.

As a result, the Konica Minolta Group recorded net sales of ¥189.3 billion, an increase of 1.7% year on year, on a consolidated basis for the first quarter of the fiscal year under review. Income rose year on year, despite the posting of foreign exchange losses of ¥7.9 billion, reflecting the significant appreciation of the yen, especially against the euro, with the yen rising nearly ¥15 against the euro compared with the exchange rates in the same period of the previous fiscal year.

Operating income was ¥6.3 billion, an increase of 93.8% from the previous fiscal year, with the adverse effect of a stronger yen of ¥4.1 billion more than offset by an increase in gross profit associated with a rise in sales of major profitable products. Ordinary income was ¥4.7 billion, an increase of 87.3% 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 was ¥3.9 billion, primarily attributable to a loss on sales and retirement of noncurrent assets of ¥0.7 billion in extraordinary loss associated with obsolete equipment. Net income of ¥0.1 billion was recorded, from a net loss of ¥0.1 billion in the same period of the previous fiscal year. Income climbed from a year ago at all levels.

The fiscal year ending March 31, 2013 is the middle year of "G PLAN 2013," our medium-term business plan. The Group is seeking to enhance its growth potential in each business to move closer to the targets of the plan.

In the Business Technologies Business, to expand its business and to enhance its development in emerging countries, the Group established regional head offices in Singapore and in the United Arab Emirates as well as sales subsidiaries in Turkey and Vietnam and a sales office in Thailand. Meanwhile, the Group is seeking merger and acquisition (M&A) opportunities on a global basis to bolster its sales force.

In April this year the Group carried out organizational restructuring to develop new businesses and new products in the functional films field and to increase profitability in the optical products field. With the restructuring, the reportable segments are the Business Technologies Business, Industrial Business, and Healthcare Business from the first quarter under review, instead of the Business Technologies Business, Optics Business, and Healthcare Business, which were reportable segments until the previous fiscal year.

2. Overview by Segment

Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

[Billions of yen]

	Three months (Apr–Jun) Year-on-Year			
	Apr-Jun / Mar 2013	Apr-Jun / Mar 2012	Increase (Decrease)	
Business Technologies				
Net sales - external	130.3	134.0	(3.7)	-2.8%
Operating income	3.0	3.6	(0.5)	-16.3%
Industrial Business				
Net sales - external	40.5	31.1	-	-%
Operating income	8.1	3.4	-	-%
Healthcare				
Net sales - external	15.8	15.5	0.3	1.9%
Operating income(loss)	(0.1)	(0.5)	0.3	-%

Note: Figures in Industrial Business for Apr-Jun/Mar 2012 are the figures of former Optics Business.

Business Technologies Business

Office field:

Sales volumes of both color and monochrome MFPs rose from the same period of the previous fiscal year, driven by sales expansion in the United States and emerging markets, primarily in Asia. The Company has been producing a positive outcome from OPS (Optimized Print Services), in which it is developing operating systems on a global scale. The Company renewed an agreement with Erste Group Bank AG (headquartered in Austria), one of the largest financial groups in Central and East Europe, and concluded a new global OPS agreement stipulating that it acts as a single supplier in ten counties. From the end of June this year, the Company began selling three models of the bizhub, namely the C364/C284/C224, a new series of A3 color MFPs, catering to new customer working styles in the cloud mobile age.

Production print field:

Sales volumes of production printing products for the first quarter under review increased from the same quarter of the previous year, thanks to increases in sales of color systems in Europe and in sales of monochrome systems in emerging countries. In May, the Company launched the bizhub PRO 951, a new monochrome production printing system for divisions in charge of intensive printing at companies, public offices and schools. At the printing industry's biggest exhibition, drupa 2012, held in Germany in May, the Company exhibited new color and monochrome systems to be launched next term, in addition to the bizhub PRO 951, earning high marks from clients.

Overall, our Business Technologies Business focused on expanding sales of digital equipment and solution services in line with our "genre-top" strategy. Meanwhile, the Company has been actively promoting M&A to enhance its competitiveness in growth areas. In June, in the office field, the Company acquired Serians S.A.S. (headquartered in France), an IT service provider, to bolster its IT services, which is the key to the global development of OPS. In the production print field, the Company acquired FedEx Kinko's Japan Co., Ltd. (headquartered in Tokyo), one of Japan's largest on-demand printing providers operating urban stores, in May to enhance competitiveness in Japan's in-house printing market.

As a result, net sales of the Business Technologies Business to outside customers stood at ¥130.3 billion, down 2.8% year on year. The segment sustained a negative impact of ¥7.3 billion from exchange rate fluctuations, mainly reflecting the sharp appreciation of yen against the euro. Operating income was ¥3.0 billion, declining 16.3% year on year, primarily attributable to the negative effect of ¥3.8 billion from a stronger yen, and a limited contribution from new products since the term under review was a changeover period.

Industrial Business

Display materials field:

Sales volumes of both VA-TAC films and plain TAC films for LCD polarizers rose from the year-ago period as thin plain TAC films for LCD polarizers, which are strengths of the Company, were well received by major customers in South Korea and Taiwan.

Memory devices field:

Sales volumes of glass substrates for HDDs climbed from the previous fiscal year thanks to the elimination of the effect of the flooding in Thailand and the full-scale shipments of products for 500 GB HDDs. Sales volumes of pickup lenses for optical disks also increased from the year-ago period, driven by a recovery of the market for pickup lenses for DVDs, offsetting the weaker market for pickup lenses for Blu-ray Discs™.

Image input/output components field:

Sales volumes of lens units for digital cameras and cell phones with cameras generally rose from a year ago, primarily due to the end of production adjustments and the sales expansion of customers' products using our lens units. Sales volumes of high value-added products, including replacement lenses for digital single-lens reflex cameras and optical systems for digital cinema, expanded steadily.

Sensing field:

Sales volumes of light meters, including CL-200A Chroma Meter, which is used for quality control in production lines for LED lighting modules and display panels, were favorable.

As a result, net sales of the Industrial Business to outside customers and operating income stood at ¥40.5 billion and ¥8.1 billion, respectively.

In the first quarter of the consolidated fiscal year under review, the reportable segments were changed. For more detailed information, please see the "3. Matters associated with changes in reportable segments" in the section [2] Three months ended June 30, 2012 (from April 1, 2012 to June 30, 2012) in the "(6) Segment Information, 3. CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS."

Healthcare Business

In the Healthcare Business, the Company focused on expanding sales to medical facilities in Japan and abroad of digital X-ray diagnostic imaging systems, especially AeroDR, the cassette digital X-ray detector, Digital Radiography (DR) for visiting cars, and REGIUS Σ, the desktop Computed Radiography (CR). Sales volumes of both DR and CR rose from the same quarter of the previous fiscal year. Sales volumes of film products increased from the previous fiscal year, thanks to a rise in sales volumes overseas. Sales volumes in Japan, however, continued to decline.

As a result of the factors described above, net external sales of the Company stood at ¥15.8 billion, up 1.9% year on year. The operating loss was ¥0.1 billion, improving ¥0.3 billion from the previous fiscal year, reflecting higher income with increased sales volumes and thorough cost management.

(2) Financial Position

1. Analysis of Financial Position

		As of June 30, 2012	As of March 31, 2012	(Decrease)
Total assets	[Billions of yen]	876.5	902.0	(25.5)
Total liabilities	[Billions of yen]	455.5	467.0	(11.5)
Net assets	[yen]	420.9	434.9	(13.9)
Equity ratio	[%]	47.9	48.1	(0.2)

Total assets at the end of the first quarter of the consolidated fiscal year under review were down ¥25.5 billion (2.8%) from the previous fiscal year-end, to ¥876.5 billion. Current assets and noncurrent assets fell ¥19.7 billion (3.5%) to ¥546.1 billion (62.3% to total assets), and ¥5.7 billion (1.7%) to ¥330.3 billion (37.7% to total assets), respectively, from the previous fiscal year-end.

With respect to current assets, cash and deposits increased ¥0.9 billion from the end of the previous fiscal year, to ¥91.5 billion, but securities decreased ¥17.4 billion. As a result, cash and cash equivalents decreased ¥16.5 billion, to ¥215.3 billion. Notes and accounts receivable-trade decreased ¥9.3 billion from the end of the previous fiscal year, to ¥164.8 billion. Inventories increased ¥4.4 billion, to ¥109.4 billion. Deferred tax assets increased ¥1.2 billion.

With respect to noncurrent assets, property, plant and equipment decreased ¥5.0 billion from the previous fiscal year-end, to ¥173.9 billion, the result of progress in depreciation. Meanwhile, intangible assets increased ¥1.2 billion from the end of the previous fiscal year, to ¥88.6 billion, given the rise mainly in goodwill resulting from corporate acquisition in the Business Technologies Business during the first quarter of the consolidated fiscal year under review, offsetting overall progress in amortization. Investments and other assets decreased ¥1.9 billion, to ¥ 67.8 billion, reflecting a decrease of ¥2.5 billion in the evaluation of investment securities as a result of a decline in stock prices.

Total liabilities at the end of the first quarter of the consolidated fiscal year under review decreased ¥11.5 billion (2.5%) from the previous fiscal year-end, to ¥455.5 billion (52.0% to total assets). Notes and accounts payable-trade declined ¥2.3 billion, to ¥85.8 billion. Provision for bonuses, accounts payable-other, and accrued expenses fell ¥5.3 billion, ¥3.3 billion, and ¥2.6 billion, respectively. Interest-bearing debt (a sum of short-term loans payable, long-term loans payable and bonds payable) rose ¥1.6 billion from the previous fiscal year-end, to ¥229.5 billion.

Net assets at the end of the first quarter of the consolidated fiscal year under review were down ¥13.9 billion (3.2%) from the previous fiscal year-end, to ¥420.9 billion (48.0% to total assets). Retained earnings decreased ¥3.8 billion from the previous fiscal year-end, to ¥219.0 billion, given net income of ¥0.1 billion and dividends paid of ¥3.9 billion. In accumulated other comprehensive income, foreign currency translation adjustment and valuation difference on available-for-sale securities declined ¥8.7 billion and ¥1.8 billion, respectively.

As a result, the shareholders' equity ratio slipped 0.2 percentage points, to 47.9%.

2. Cash Flows

[Billions of yen]

	Apr-Jun / Mar 2013	Apr-Jun / Mar 2012	Increase (Decrease)
Cash flows from operating activities	(0.8)	11.9	(12.8)
Cash flows from investing activities	(15.4)	(11.3)	(4.0)
Total (Free cash flow)	(16.2)	0.6	(16.9)
Cash flows from financing activities	(0.4)	(1.4)	0.9

During the first quarter of the fiscal year under review, net cash used in operating activities was ¥0.8 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥15.4 billion. As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥16.2 billion.

Net cash used in financing activities was ¥0.4 billion.

In addition, cash and cash equivalents at the end of the first quarter of the consolidated fiscal year under review stood at ¥215.3 billion, down ¥16.5 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 quarters of the consolidated fiscal year under review are as follows.

Cash flows from operating activities

Net cash used in operating activities stood at ¥0.8 billion (net cash provided of ¥11.9 billion in the same period of the previous fiscal year). Although the Group reported income before income taxes and minority interests of ¥3.9 billion, and depreciation and amortization of ¥10.7 billion, these amounts were more than offset by a decrease in working capital of ¥3.1 billion, a decrease in the provision for bonuses of ¥5.2 billion, a decrease in accounts payable-other and accrued expenses of ¥3.3 billion, the payment of ¥4.1 billion for income taxes, and other cash outflows.

Cash flows from investing activities

Net cash used in investing activities was ¥15.4 billion (compared with ¥11.3 billion in the same period in the previous consolidated fiscal year). Cash of ¥7.2 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 Industrial Business. Other cash outflow included ¥5.5 billion for the acquisition of shares in subsidiaries for the acquisition of companies in Japan and Europe to strengthen its production print business and IT services capabilities in the Business Technologies Business.

As a result, free cash flow (the sum of operating and investing activities) was an outflow of ¥16.2 billion (an inflow of ¥0.6 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was ¥0.4 billion (¥1.4 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 ¥3.6 billion in interest-bearing debt.

Note: Amounts mentioned above do not include consumption taxes.

(3) Outlook for the fiscal year ending March 31, 2013

Looking at the global economic conditions surrounding the Konica Minolta Group from the second quarter, the European economy, which faces financial problems, will remain uncertain. The U.S. economy, which was expected to grow moderately, is likely to remain fragile for some time to come. There is concern that emerging economies, especially in Asia, including China and India, will slow. However, these economies are still expected to outpace developed economies. We expect that the Japanese economy will pick up moderately, backed by reconstruction demand after the earthquake. In addition to the anticipated business conditions in Japan and abroad, there are concerns about a possible further appreciation of the yen, and the effect of euro-yen exchange rates on the results of the Group.

Demand in the markets in which the Group 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 systems, especially products for digital commercial printing, is expected to grow gradually both in Japan and overseas. Demand for office MFPs is likely to rise, continually driven by demand in emerging markets. We anticipate that sales will grow in the IT service solutions where the Company is strengthening the system by acquiring the IT service providers and demand for office MFPs from global major accounts in developed countries will also expand with our OPS approach. In the Industrial Business, demand for digital consumer electronics, including LCD TVs, is expected to recover generally as inventory adjustments in supply chains are almost complete although the Company needs to pay attention to trends in final demand in the second half of the year. In the Healthcare Business, demand for digital X-ray diagnostic imaging systems, including cassette DR and compact CR, is set to expand.

Given this situation, the Group changed the assumed exchange rates to 80 yen for the US dollar and 100 yen (appreciating 5 yen) for the euro (US$: 80 yen, EUR: 105 yen at the time of the announcement on May 10), but it is maintaining its forecast results for the consolidated fiscal year ending March 31, 2013, unchanged from its initial forecasts, as shown below. To achieve these goals, the Group will focus on expanding sales of profitable products and services, especially in the Business Technologies Business and the Industrial Business. It will also step up initiatives, mainly to achieve additional cuts in manufacturing costs and improve expenses management.

[Billions of yen]

	FY ending March 2013 Full year - Announced on May 10, 2012 -
Net sales	800.0
Operating income	48.0
Ordinary income	44.0
Net income	22.0

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 hundred million yen.*