1. ANALYSIS of BUSINESS PERFORMANCE and FINANCIAL POSITION

(1) Business Performance Analysis

1. Overview of Performance

Fiscal year ended March 31 [Billions of yen]

	2013	2012	Increase (Decrease)	
Net sales	813.0	767.8	45.1	5.9%
Gross profit	375.5	355.3	20.2	5.7%
Operating income	40.6	40.3	0.3	0.8%
Ordinary income	38.9	34.7	4.1	11.9%
Income before income taxes and minority interests	33.8	32.8	1.0	3.1%
Net income	15.1	20.4	(5.2)	-25.9%
Net income per share [yen]	28.52	38.52	(10.00)	-26.0%
Capital expenditure	38.4	34.0	4.4	13.0%
Depreciation	45.9	49.2	(3.2)	-6.6%
R & D expenses	71.5	72.5	(0.9)	-1.4%
Free cash flow	3.0	29.6	(26.5)	-89.8%
Number of employees [persons]	41,844	38,206	3,638	9.5%
Exchange rates [yen]				
US dollar	83.10	79.07	4.03	5.1%
Euro	107.14	108.96	(1.82)	-1.7%

Looking back on the business environment in the consolidated fiscal year under review, the Euro zone economy saw negative growth due to the impact of the European debt crisis, and further to this, economies in emerging countries stagnated despite having led growth in the global economy. In the U.S. economy, improvement in the employment environment and an increase in asset value pushed up consumption, driving a recovery trend. In the Japanese economy, post-earthquake demand returned to normal in the first half of the fiscal year while a multitude of factors such as the yen's appreciation put downward pressure on business activity. Although difficult conditions persisted in the manufacturing industry, corrections continued to be made to the strong yen from the end of 2012 along with a change of government which is heightening expectations for the future business environment.

Looking at the main businesses in the consolidated fiscal year under review, in the Business Technologies Business, sales were strong for the new series of A3 color MFPs (Multi-functional peripherals) for the office under the "bizhub" brand, and sales volumes of color MFPs for the fiscal year increased compared with the previous fiscal year in all regions worldwide, including Japan, the U.S., and Europe, and Other regions. In the production print field, sales volumes exceeded the previous fiscal year due in part to an increase in sales of color units in the key areas of Japan, the U.S. and Europe, and to the introduction of new products in the monochrome range. In the Industrial Business, while sales were soft for glass substrates for HDDs and pickup lenses for optical disks due to deterioration in market conditions and the impact of inventory adjustments, sales of thin plain TAC films for LCD polarizers ("TAC films for LCD polarizers" hereinafter referred to as "TAC films") and VA-TAC films for increasing the viewing angles (hereinafter referred to as "VA-TAC films") were strong, and sales volumes were up year on year for replacement lenses for DSLR cameras and light meters. In the Healthcare Business, sales were strong for digital radiography systems such as the "AeroDR".

Also, we implemented a variety of initiatives in accord with the growth strategy of our Medium Term

Business Plan, "G PLAN 2013," which commenced in 2011 based on the keyword "Growth." In the Business Technologies Business, we pushed ahead vigorously with M&As in the production print field. In the office field, we promoted the acquisition of IT businesses in Europe and the U.S. with the aim of shifting to a business model that provides high value-added services such as improved business processes for customers through IT. In the Industrial Business, we conducted M&As in the sensing field aimed at decreasing dependency as a supplier of parts and components for digital consumer electronics and the shift to business units that can maintain stable, higher profitability in markets with future growth potential.

As a result, Konica Minolta's consolidated net sales for the fiscal year under review amounted to ¥813.0 billion, an increase of 5.9% year on year. In addition to the trend of corrections to the high yen since the end of last year, we successfully strengthened sales of main products in each business and proceeded with M&A, which culminated in an increase in sales compared with the previous fiscal year.

Operating income was ¥40.6 billion, an increase of 0.8% year on year. Profits were down in the Business Technologies Business due to a delay in achieving cost reduction plans for certain new products and the impact of deterioration in market conditions in Europe. On the other hand, in the Industrial Business and the Healthcare Business, profits increased year on year due to increased sales and initiatives to improve profitability.

Ordinary income was ¥38.9 billion, an increase of 11.9% year on year, as a result of factors including foreign currency transaction gain in line with corrections to the high yen. Income before income taxes and minority interests was ¥33.8 billion, up 3.1% year on year, primarily attributable to a loss on sales and retirement of noncurrent assets and impairment loss of ¥4.7 billion associated with a portion of production equipment. Net income amounted to ¥15.1 billion, a decrease of 25.9% year on year, due to an increase in total income tax compared with the previous fiscal year.

[Konica Minolta Awarded with Gold Class in CSR Rating from SRI Rating Agency RobecoSAM]

Konica Minolta was awarded with the Gold Class for the first time from RobecoSAM, one of the world's leading research and rating organizations in the field of socially responsible investing (SRI).

RobecoSAM evaluates over 3,000 of the world's largest companies on corporate sustainability in terms of economic, environmental and social issues, and awards the Gold Class to those companies demonstrating particularly exceptional performance. In 2013, 67 companies worldwide were awarded with Gold Class. Three Japanese companies were bestowed with this award, including Konica Minolta.

Konica Minolta regards corporate social responsibility (CSR) efforts as an integral part of the Group's management and, while globally driving strong growth, aims at pursuing and creating new "values" sought by society through integration of its business and CSR activities.

The Company's group-wide efforts, including mid- to long-term initiatives to reduce environmental impact, implementation of high-level compliance across the board and commitment to address social challenges based on its innovations, have received global recognition as a top-class company that contributes to sustainable earth and society.

Besides RobecoSAM Gold Class, Konica Minolta has been included in Dow Jones Sustainability World Index by Dow Jones and RobecoSAM, FTSE4Good Global Index of the UK-based FTSE International Limited, and Japan-based Morningstar Socially Responsible Investment Index.

2. Overview by Segment

Fiscal year ended March 31 [Billions of yen]

	2013	2012	Increase (Decrease)	
Business Technologies				
Net sales - external	581.6	547.5	34.0	6.2%
Operating income	31.6	39.4	(7.8)	-19.8%
Industrial Business				
Net sales - external	146.7	124.3	-	-
Operating income	23.6	14.0	-	-
Healthcare				
Net sales - external	72.7	73.0	(0.2)	-0.4%
Operating income	3.3	0.0	3.2	-

Note: Figures in Industrial Business for the fiscal year ended March 2012 are the figures of former Optics Business.

Business Technologies Business

Office field:

Sales volumes of A3 color MFPs for the fiscal year under review increased compared with the previous fiscal year due to the effects of new model introductions. Although sales volumes of A3 monochrome MFPs decreased in key markets such as Europe due to continued market maturation, sales volumes of A3 MFPs overall increased year on year.

Production print field:

Sales of color units increased in the United States and Japan amid a challenging market environment while performance was solid for monochrome units thanks to the successful introduction of new digital printing systems from the first half of the year, such as the "bizhub PRO 951," "bizhub PRESS 1250" and "bizhub PRESS 1052." As a result, sales volumes grew year on year for both color units and monochrome units.

We are pushing ahead strongly with M&As in the Business Technologies Business aimed at expanding sales of output equipment such as MFPs and solution services as well as transforming our business portfolio in the future.

In the office field, the Company acquired IT service providers Serians S.A.S. (headquartered in France) in June and Raber+Märcker GmbH (headquartered in Germany) in December of last year, to bolster IT services to serve as the focal point in improving business processes along with the development of OPS (Optimized Print Services). That enabled us to enhance the attractiveness of our proposals to small- and medium-size customers in terms of improving business processes. Furthermore, five companies were similarly acquired in the U.S. through M&As (coming into effect in the fiscal year under review). In sales to major clients on a global level, the number of customers was expanded from the previous fiscal year, including the conclusion of a global contract with a major European energy company.

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, in May of last year, and FedEx Kinko's Korea Ltd. in January of this year to enhance sales, service and solution proposal capabilities in the in-house printing market. In Europe, we acquired Charterhouse PM Limited (headquartered in the UK), a leading marketing service production company with proven performance in developing business in 18 countries throughout Europe, in December of last year. This company specializes in optimization of materials and costs related to the production of customers' printed documents as well as in marketing planning.

As a result, net sales of the Business Technologies Business to outside customers stood at ¥581.6 billion, up 6.2% year on year, and operating income was ¥31.6 billion, down 19.8% year on year. Net sales were up year on year due to an increase in sales volumes of new color MFPs as well as production print units and to the effects of M&As. Operating income fell year on year due to a delay in achieving cost reduction plans for new products and to the impact of deterioration in market conditions in Europe.

Industrial Business

Display materials field:

Sales of our core thin film products such as TAC film with a thickness of 40 μm and VA-TAC film for large TVs as well as TAC film with a thickness of 60 μm were strong, and sales volumes of these products exceeded those of the previous fiscal year. Furthermore, the Company made the industry-pioneering move of commencing mass production of ultra-thin TAC film with a thickness of 25 μm for the mobile market in November of last year, which further heightened the competitiveness of thin film products.

Optical products field:

While sales were soft for glass substrates for HDDs and pickup lenses for optical disks due to deterioration in market conditions, the application of the Company's projector lenses for digital cinemas, replacement lenses for DSLR cameras and zoom lens units for compact digital cameras has increased. Shipping of lens units for smartphones commenced from the beginning of last year and sales volumes were up year on year for each of these products.

Sensing field:

Large orders were acquired for light meters, including the "CL-200A Chroma Meter" and the "CA-310 Color Analyzer," which are used for quality control in the manufacturing process for displays, such as those for smartphones, and LED lighting, and as a result sales volumes were up year on year. With the aim of strengthening competitiveness in this light measurement segment, Instrument Systems GmbH (headquartered in Germany), which has a particularly high market share of top segment products, was acquired in November of last year.

As a result, net sales of the Industrial Business to outside customers and operating income stood at ¥146.7 billion and ¥23.6 billion, respectively. Both sales and profits grew year on year due to an increase in overall sales volumes for major products, excluding some products such as those in the field of optics.

Note that the reportable segments have changed as of the first quarter accounting period. For details, refer to "(5) Important Notes in the Basis of Presenting Consolidated Financial Statements, [Segment Information] a. Segment Information [1] Summary of Reportable Segments" in the section 4. CONSOLIDATED FINANCIAL STATEMENTS.

Healthcare Business

In the Healthcare Business, the Company focused on increasing sales of digital X-ray diagnostic imaging systems to medical facilities in Japan and overseas. Sales are expanding further for "AeroDR," a cassette-type digital radiography system, particularly in general X-ray systems and nursing carts. "AeroDR" is equipped with a high resolution scintillator developed and manufactured in-house and realizes low radiation emissions and high image quality despite being small and the world's lightest cassette-type digital radiography system. This offset the impact of a decline in sales of film products, particularly in developed countries.

As a result of these factors, net sales to outside customers stood at ¥72.7 billion, down 0.4% year on year. An increase in gross profit in line with growth in sales of digital radiography systems and the effect of initiatives to enhance profitability led to a significant increase in operating income from ¥90 million in the previous fiscal year to ¥3.3 billion.

<Reference>

Overview of Performance

Three Months ended March 31, 2013 (From January 1, 2013 to March 31, 2013)

Year-on-Year [Billions of yen]

	4Q /Mar 2013	4Q /Mar 2012	Increase (Decrease)	
Net sales	235.3	207.5	27.8	13.4%
Gross profit	105.8	95.2	10.5	11.1%
Operating income	13.5	17.0	(3.4)	-20.5%
Ordinary income	12.7	15.8	(3.0)	-19.4%
Income before income taxes and minority interests	10.9	18.7	(7.8)	-41.8%
Net income	4.8	15.0	(10.2)	-68.0%
Net income per share [yen]	9.07	28.33	(19.27)	-68.0%
Capital expenditure	13.5	11.6	1.8	16.1%
Depreciation	12.7	13.2	(0.4)	-3.7%
R & D expenses	18.1	17.0	1.1	6.5%
Free cash flow	16.7	11.8	4.8	41.2%
Exchange rates [yen]				
US dollar	92.42	79.28	13.14	16.6%
Euro	122.04	103.99	18.05	17.4%

Three Months Business Performance by Segment

Year-on-Year [Billions of yen]

	4Q /Mar 2013	4Q /Mar 2012	Increase (Decrease)	
Business Technologies				
Net sales - external	176.4	146.6	29.7	20.3%
Operating income	13.2	14.8	(1.5)	-10.7%
Industrial Business				
Net sales - external	32.3	33.2	-	-
Operating income	2.1	4.3	-	-
Healthcare				
Net sales - external	22.6	21.1	1.5	7.3%
Operating income	2.1	0.6	1.4	214.5%

Note: Figures in Industrial Business for 4Q/Mar 2012 are the figures of former Optics Business.

3. Outlook for the Fiscal Year Ending March 31, 2014

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 in the United States, economic recovery in personal consumption supported by an improvement in the employment situation and asset value will provide momentum to business. In emerging countries, although it is necessary to continue keeping a close watch on the Chinese economy, where there were signs of a decline in the second half of 2012, we expect ASEAN economies to maintain high economic growth. In Japan, personal consumption is expected to recover due to corrections to the high yen and in anticipation of a rise in commodity prices. As such, we forecast strong economic growth from the second half of the year.

As for the outlook for demand in the Group's related markets, in the Business Technologies Business, we expect that demand for color units will continue expanding in both the office field and the production print field in developed countries. Demand is also expected to increase in emerging countries in line with growth in GDP. In the Industrial Business, demand is expected to expand in line with growth in the small- and medium-size LCD market for such products as tablets while growth has stagnated in the TV market and negative growth is expected for PCs. Overall demand for TAC films is therefore forecast to grow moderately. In the Healthcare Business, we anticipate a continued high growth rate in demand for the cassette-type digital radiography system mainly in Japan, North, Central and South America, and Asia.

Considering the situation described above, we have made the following forecasts for the fiscal year ending March 31, 2014.

We assume exchange rates of 93 yen against the US dollar and 123 yen against the euro.

[Billions of yen]

	FY/Mar 2014 forecast	FY/Mar 2013	Increase
Net sales	900.0	813.0	86.9
Operating income	55.0	40.6	14.3
Ordinary income	53.0	38.9	14.0
Net income	26.0	15.1	10.8

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

		As of March 31, 2013	As of March 31, 2012	Increase
Total assets	[Billions of yen]	940.5	902.0	38.5
Net assets	[Billions of yen]	466.4	434.9	31.4
Net assets per share	[yen]	876.65	817.81	58.84
Equity ratio	[%]	49.4	48.1	1.4

At fiscal year-end, total assets were up ¥38.5 billion (4.3%) from the previous fiscal year-end to ¥940.5 billion. Current assets rose ¥13.6 billion (2.4%) to ¥579.5 billion (61.6% to total assets) and noncurrent assets rose ¥24.8 billion (7.4%) to ¥360.9 billion (38.4% to total assets).

With respect to current assets, cash and deposits increased ¥2.7 billion from the previous fiscal year-end to ¥93.4 billion but securities decreased ¥20.7 billion to ¥120.5 billion, cash and cash equivalents decreased ¥18.0 billion to ¥213.9 billion. Meanwhile, notes and accounts receivable-trade increased ¥19.8 billion to ¥194.0 billion and inventories increased ¥7.3 billion to ¥112.4 billion.

With respect to noncurrent assets, property, plant and equipment increased ¥0.9 billion from the previous fiscal year-end to ¥179.9 billion due primarily to capital investment in the Business Technologies Business despite progress in depreciation on the whole. Intangible assets increased ¥23.5 billion to ¥110.9 billion as a result of an increase in goodwill accompanying the M&As in the Business Technologies Business and the Industrial Business. Investments and other assets also increased by ¥0.3 billion to ¥70.1 billion.

With regard to liabilities, notes and accounts payable-trade declined ¥2.7 billion to ¥85.4 billion while interest-bearing debt (the sum of short-term loans payable, long-term loans payable and bonds payable) decreased ¥3.0 billion to ¥224.8 billion. Total liabilities stood at ¥474.1 billion due to an increase in accounts payable-other and accrued expenses, in particular.

Net assets increased ¥31.4 billion (7.2%) from the previous fiscal year-end to ¥466.4 billion. In accumulated other comprehensive income, valuation difference on available-for-sale securities increased ¥2.1 billion due to the impact of stock market prices. The foreign currency translation adjustment rose by ¥21.9 billion due to fluctuations in foreign currency translation adjustments brought about by corrections to the high yen, mainly against the US dollar and the euro.

As a result, net assets per share came to ¥876.65 and the shareholders' equity ratio increased 1.4 percentage points from the end of the previous fiscal year to 49.4%.

2. Cash Flows

Fiscal year ended March 31 [Billions of yen]

	2013	2012	(Decrease)
Cash flows from operating activities	66.4	72.3	(5.8)
Cash flows from investing activities	(63.4)	(42.7)	(20.6)
Total (Free cash flow)	3.0	29.6	(26.5)
Cash flows from financing activities	(24.5)	26.3	(50.9)

During the fiscal year under review, net cash provided by operating activities was ¥66.4 billion, while net cash used in investing activities, mainly associated with capital investment and M&As, totaled ¥63.4 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥3.0 billion.

Net cash provided by financing activities was ¥24.5 billion.

In addition, the effect of exchange rate changes increased cash and cash equivalents by ¥3.5 billion. As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥213.9 billion, declining ¥18.0 billion from the previous consolidated fiscal year-end.

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 stood at ¥66.4 billion (compared with net cash provided of ¥72.3 billion in the previous fiscal year). Although the Group reported a decrease in working capital of ¥11.1 billion and a payment of ¥13.5 billion for income taxes, these amounts were offset by income before income taxes and minority interests of ¥33.8 billion, depreciation of ¥45.9 billion and amortization of goodwill of ¥9.8 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥63.4 billion (compared with an outflow of ¥42.7 billion in the same period in the previous fiscal year). Cash of ¥31.0 billion was used for investments in molding in the Business Technologies Business and in the acquisition of property, plant and equipment relating to new businesses and the reinforcement of production capacities in the Industrial Business. Other cash outflow of ¥23.1 billion includes the acquisition of shares in subsidiaries for the acquisition of companies in Japan, Europe, the U.S. and Asia, as well as business transfer to strengthen the production print business and IT services capabilities in the Business Technologies Business and investments in subsidiaries in the Industrial Business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥3.0 billion (an inflow of ¥29.6 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was ¥24.5 billion (compared with ¥26.3 billion provided in the same period of the previous fiscal year), mainly reflecting an expenditure of ¥40.0 billion for the redemption of bonds, a payment of ¥7.9 billion in dividends, and a net increase of ¥25.0 billion in short and long-term loans.

[Cash flow indicators]

	Fiscal year ended March 31				
	2009	2010	2011	2012	2013
Shareholders' equity ratio [%]	45.0	48.5	50.6	48.1	49.4
Market price-based shareholders' equity ratio [%]	48.4	66.8	43.7	42.5	38.8
Debt redemption period [years]	2.1	1.7	2.8	3.1	3.4
Interest coverage ratio	23.4	29.3	21.9	30.0	25.6

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 bonds payable and loans payable. Interest payments are those stated in the consolidated statements of cash flows.

Cash flow outlook for the fiscal year ending March 31, 2014

The Konica Minolta Group expect that free cash flow (the sum of operating and investing activities) will be an inflow of ¥2.5 billion in the fiscal year ending March 31, 2014, 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

With respect to dividends from retained earnings for the fiscal year under review, the Group will distribute a year-end dividend of 7.5 yen per share, the same amount as the previous year-end. Combined with the dividend of 7.5 yen per share already paid at the end of the second quarter, the total annual dividend will be 15.0 yen per share.

With respect to ordinary dividends for the fiscal year ending March 31, 2014, the Group plans to distribute dividends of 7.5 yen per share at the end of the second quarter as well as at year-end, assuming we achieve the results forecasts outlined above.

In August of this year, the Group will mark 10 years since the management integration of Konica and Minolta in 2003. Accordingly, we will distribute a commemorative dividend of 2.5 yen per share as part of the dividend at the end of the second quarter for the fiscal year ending March 31, 2014 in gratitude for the support we have received from all our shareholders. Combined with the ordinary interim dividend of 7.5 yen per share, we plan to distribute a dividend of 10.0 yen per share for the interim period. As a result, we plan to distribute a total annual dividend of 17.5 yen per share.

** Units of less than 100 million yen in "1. ANALYSIS of BUSINESS PERFORMANCE and FINANCIAL POSITION" have been omitted.*