1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)

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

	Apr-Jun / Mar 2014	Apr-Jun / Mar 2013	Increase (Decrease)	
Net sales	218.5	189.3	29.1	15.4%
Gross profit	102.3	86.2	16.0	18.6%
Operating income	7.8	6.3	1.4	23.3%
Ordinary income	7.0	4.7	2.2	47.3%
Income before income taxes and minority interests	6.0	3.9	2.0	51.6%
Net income	9.7	0.1	9.6	-%
Net income per share [yen]	18.43	0.29	18.14	-%
Capital expenditure	11.5	7.7	3.7	48.8%
Depreciation	11.6	10.7	0.8	8.4%
R & D expenses	17.2	17.6	(0.3)	-2.0%
Free cash flow	3.3	(16.2)	19.6	-%
Number of employees [persons]	41,819	40,174	1,645	4.1%
Exchange rates [yen]				
US dollar	98.76	80.20	18.56	23.1%
Euro	128.95	102.91	26.04	25.3%

Reviewing the main businesses of Konica Minolta Group during the first quarter of the consolidated fiscal year under review (April 1, 2013 to June 30, 2013), in the Business Technologies Business, sales remained strong for new A3 color MFPs (Multi-functional peripherals) in the office field, and sales volumes of A3 color MFPs rose significantly from the same period of the previous fiscal year. In Europe and the United States, the number of contracts in sales that combine IT service and consulting service together with MFPs increased steadily on the back of tie-ups with IT service providers acquired in the past few years. Konica Minolta is gradually shifting to a new business model in this way and is steadily delivering results with expansion of MFP sales. In the production print field, growth in print volume continued due to contribution from M&As conducted in the previous year aimed at meeting high-volume printing needs in the corporate sector, and to a continued increase in sales volumes of color digital printing systems.

In the Industrial Business, sales volumes of 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 angle (hereinafter referred to as "VA-TAC films") were weak on account of deterioration in market conditions for notebook PCs and diversification in components and materials used for TVs. Tough conditions persisted for orders of glass substrates for HDDs. In contrast, sales expanded in the sensing field due to contribution from M&As conducted in the previous year.

In the Healthcare Business, sales were strong for digital X-ray diagnostic imaging systems and business steadily expanded. Strategic tie-ups with partner companies aimed at expanding business overseas also produced results.

As a result, the Konica Minolta Group recorded consolidated net sales of ¥218.5 billion, an increase of 15.4% year on year for the first quarter of the fiscal year under review. In addition to increased earnings due to corrections to the high yen in foreign exchange rates, the significant increase in earnings in the Business Technologies Business owing to the effects of M&As had a positive impact on the segment overall.

Operating income was ¥7.8 billion overall, an increase of 23.3% year on year, despite a decrease in profit in the Industrial Business, due to a considerable increase in profit in the Business Technologies Business on the back of sales growth and steady progress in cost reduction plans.

Ordinary income was ¥7.0 billion, an increase of 47.3% year on year. Income before income taxes and minority interests was ¥6.0 billion due primarily to the recording of the cost associated with the termination of production of films in the Healthcare Business as extraordinary loss. Net income amounted to ¥9.7 billion after factoring in tax effects related to a review of deferred tax assets in line with the Group reorganization. This marks a significant increase from the ¥0.1 billion posted in the same period of the previous fiscal year.

Konica Minolta Holdings, Inc. changed its trade name to Konica Minolta, Inc. in April this year in line with the reorganization of the Group management system to reflect the shift from a pure holding company to an operating company. In the current fiscal year, we are aiming to achieve steady increases in sales and profit while transforming our business portfolio, led by the Business Technologies Business, and we made a solid start in the first quarter in this regard.

2. Overview by Segment

Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)

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

	Apr-Jun / Mar 2014	Apr-Jun / Mar 2013	Increase (Decrease)	
Business Technologies				
Net sales - external	167.5	130.3	37.2	28.6%
Operating income	9.6	3.0	6.6	217.9%
Industrial Business				
Net sales - external	31.0	40.5	(9.5)	-23.6%
Operating income	4.2	8.1	(3.8)	-47.7%
Healthcare				
Net sales - external	16.2	15.8	0.4	2.9%
Operating income (loss)	0.0	(0.1)	0.2	-%

Business Technologies Business

Office Field:

Sales volumes of color MFPs increased significantly in the key areas of Japan, the United States and Europe, driven by new color A3 MFPs. Sales volumes of A3 MFPs overall remained on par with the same period of the previous fiscal year due to a decline in sales in the monochrome units. Sales of high segment color models in the product mix increased markedly year on year, which contributed to an increase in sales. We expanded the number of customers and sales during the period through OPS (Optimized Print Services), where we are strengthening systems on a global scale and pursuing differentiation on a service front. In Europe and the United States, we pushed ahead with collaborations with IT service providers that we acquired and with existing sales subsidiaries, conducted cross-selling to mutual customers and increased contracts by offering mixed proposals that combine document solutions in MFPs and IT services. By sharing this know-how across the board, we are promoting the shift to a new business model and to higher added value.

Production Print Field:

Sales volumes of the monochrome units decreased slightly from the same period of the previous fiscal year amid continuation of a cautious stance toward capital expenditure among Commercial Printer customers. Despite this, sales volumes of the color units expanded. In addition, there were signs of recovery in printing demand and sales of non-hardware increased year on year. In Japan, we steadily increased orders for the Centralized Reprographic Department market through Kinko's Japan Co., Ltd. (headquartered in Tokyo), which we acquired in the previous year. This acquisition also enabled us to share customer base as a Group, including large corporations and foreign-affiliated companies held by this company, and provide products and services in the office field. In Europe, we ventured into consulting services related to optimization of printing costs as well as marketing activity support (marketing management services) developed by Charterhouse PM Limited (headquartered in the UK), which we acquired in the previous year. We are pushing ahead with transforming our business portfolio worldwide.

As a result of these factors, net sales of the Business Technologies Business to outside customers stood at ¥167.5 billion, up 28.6% year on year. This was due to sales growth of main products and the effects of M&As conducted in the previous year coupled with the impact of foreign exchange rates and corrections to the high yen.

Operating income amounted to ¥9.6 billion, up 217.9% year on year. This marked a significant year-on year gain due to an increase in gross profit in line with sales expansion and the effect of foreign exchange rates combined with steady progress in cost reduction plans through a policy based primarily on reducing fixed costs in the production division, continuing the shift to centralized purchasing of components and promoting a change to unitization from the previous year.

Industrial Business

Display Materials Field:

Orders of plain TAC films and VA-TAC films decreased due to deterioration in the market for notebook PCs and the impact of diversification in components and materials used for TVs, and as a result, overall sales volumes of TAC films were down year on year.

Optical Products Field:

Orders of glass substrates for HDDs have not recovered yet owing to deterioration in the notebook PC market caused by the advent of tablet PCs, and the difficult conditions persisted. Although sales volumes of lens-related products such as pickup lenses for optical discs, replacement lenses for DSLR cameras and camera units for mobile phones fell short of levels posted in the same period of the previous year when sales were strong, performance was in line with plans on the whole.

Sensing Field:

Sales at Instrument Systems GmbH (headquartered in Germany), which was acquired in the previous year, were solid and contributed to business expansion as planned.

As a result of these factors, net sales of the Industrial Business to outside customers were ¥31.0 billion, down 23.6% year on year, and operating income was ¥4.2 billion, down 47.7% year on year.

Healthcare Business

In the Healthcare Business, we focused on expanding sales of digital X-ray diagnostic imaging systems, whose market continues to expand worldwide, including the cassette-type digital radiography system "AeroDR" and the desktop CR (computed radiography) system "REGIUS Σ." As a result, we posted excellent results in North America, including securing orders from major negotiations, and sales volumes of digital products increased considerably year on year. In addition, we pushed ahead with strategic alliances with companies that are developing business globally in order to expand the sales channel for digital products and accelerate expansion of business scale. In June, we concluded a sales agreement for "AeroDR" in the global market excluding Japan with GE Healthcare.

As a result of these factors, net sales to outside customers stood at ¥16.2 billion, up 2.9% year on year. Operating income turned around from a loss in the same period of the previous fiscal year to a gain of ¥65 million.

(2) Financial Position

1. Analysis of Financial Position

		As of June 30, 2013	As of March 31, 2013	Increase (Decrease)
Total assets	[Billions of yen]	952.7	940.5	12.1
Total liabilities	[Billions of yen]	470.6	474.1	(3.5)
Net assets	[Billions of yen]	482.0	466.4	15.6
Equity ratio	[%]	50.4	49.4	1.0

Total assets at the end of the first quarter of the consolidated fiscal year under review were up ¥12.1 billion (1.3%) from the previous fiscal year-end, to ¥952.7 billion. Current assets fell ¥0.5 billion (0.1%) to ¥579.0 (60.8% to total assets) and noncurrent assets rose ¥12.6 billion (3.5%) to ¥373.6 billion (39.2% to total assets).

With respect to current assets, cash and deposits decreased ¥7.8 billion from the previous fiscal year-end to ¥85.5 billion, while securities increased ¥9.5 billion, and as a result, cash and cash equivalents increased ¥1.6 billion to ¥215.5 billion. Notes and accounts receivable-trade decreased ¥5.1 billion to ¥188.8 billion. Inventories remained roughly unchanged at ¥112.7 billion, while lease receivables and investment assets as well as deferred tax assets increased by ¥1.3 billion and ¥0.8 billion, respectively.

With respect to noncurrent assets, property, plant and equipment increased ¥5.4 billion from the previous fiscal year-end to ¥185.3 billion due primarily to capital investment in the Business Technologies Business and Industrial Business as well as construction of a new R&D building despite advancing depreciation on the whole. Intangible assets decreased ¥0.6 billion compared with the previous fiscal year-end to ¥110.2 billion due to advancing amortization on the whole.

Investments and other assets increased ¥7.9 billion to ¥78.0 billion.

Deferred tax assets increased by ¥0.8 billion in current assets and ¥8.3 billion in investments and other assets as a result of a review of recoverability in light of the reorganization of the group management system.

Total liabilities at the end of the first quarter of the consolidated fiscal year under review decreased ¥3.5 billion (0.7%) from the previous fiscal year-end to ¥470.6 billion (49.4% to total assets). Notes and accounts payable-trade declined ¥3.3 billion to ¥82.0 billion. Provision for bonuses decreased ¥4.7 billion while accounts payable-other increased ¥1.1 billion. Interest-bearing debt (the sum of short-term loans payable, long-term loans payable and bonds payable) rose ¥3.0 billion to ¥227.9 billion.

Net assets at the end of the first quarter of the consolidated fiscal year under review increased ¥15.6 billion (3.4%) from the previous fiscal year-end to ¥482.0 billion (50.6% to total assets). Retained earnings increased ¥5.9 billion from the previous fiscal year-end to ¥235.6 billion, given net income of ¥9.7 billion and dividends paid of ¥3.9 billion. In accumulated other comprehensive income, foreign currency translation adjustment increased ¥9.7 billion in line with corrections to the high yen, mainly against the U.S. dollar and euro.

As a result, the shareholders' equity ratio increased 1.0 percentage points from the end of the previous fiscal year to 50.4%.

2. Cash Flows

[Billions of yen]

	Apr-Jun / Mar 2014	Apr-Jun / Mar 2013	Increase (Decrease)
Cash flows from operating activities	14.9	(0.8)	15.7
Cash flows from investing activities	(11.5)	(15.4)	3.8
Total (Free cash flow)	3.3	(16.2)	19.6
Cash flows from financing activities	(3.4)	(0.4)	(2.9)

During the first quarter of the fiscal year under review, net cash provided by operating activities was ¥14.9 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥11.5 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥3.3 billion.

Net cash used in financing activities was ¥3.4 billion.

In addition, cash and cash equivalents at the end of the first quarter of the consolidated fiscal year under review increased ¥1.6 billion compared with the previous fiscal year-end to ¥215.5 billion, reflecting the effect of changes in exchange rates on cash and cash equivalents.

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 amounted to ¥14.9 billion (net cash used of ¥0.8 billion in the same period of the previous fiscal year). Although the Group reported income before income taxes and minority interests of ¥6.0 billion and depreciation and amortization of ¥11.6 billion, these amounts were offset by an increase in working capital of ¥9.6 billion, a decrease in the provision for bonuses of ¥4.8 billion, a decrease in accounts payable-other and accrued expenses of ¥2.6 billion, the payment of ¥5.5 billion for income taxes and other outflows.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥11.5 billion (compared with ¥15.4 billion in the same period of the previous fiscal year). Cash of ¥7.5 billion was used for capital investment in the Business Technologies Business and investment for new business in the Industrial Business as well as construction of a new R&D building. Other cash outflows included ¥1.9 billion for the purchase of intangible assets.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥3.3 billion (an outflow of ¥16.2 billion in the same period of the previous fiscal year).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥3.4 billion (¥0.4 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 ¥0.9 billion in interest-bearing debt.

(3) Outlook for the Fiscal Year Ending March 31, 2014

Financial forecasts for the year ending March 31, 2014 are unchanged from those announced on May 10 in light of steady progress in performance in the first quarter despite continued uncertainty in the outlook for both the domestic and international management environment surrounding Konica Minolta.

In order to achieve the results stated here, we will focus on expanding sales of high value-added products and services and further strengthen initiatives to enhance profitability primarily by reducing manufacturing costs even more and bolstering expense management.

Assumed exchange rates for the second quarter and beyond are unchanged from the start of the period at 93 yen against the US dollar and 123 yen against the euro.

[Billions of yen]

	FY ending March 2014 Full year - Announced on May 10, 2013 -
Net sales	900.0
Operating income	55.0
Ordinary income	53.0
Net income	26.0

Note: The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

**Figures in qualitative information sections given as billions of yen have been rounded off by discarding figures less than one hundred million yen.*