1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

Nine months (Apr-Dec)
Year-on-Year [Billions of yen]

	Apr-Dec / Mar 2014	Apr-Dec / Mar 2013	Increase (Decrease)	
Net sales	682.8	577.7	105.1	18.2%
Gross profit	327.7	269.7	57.9	21.5%
Operating income	38.9	27.0	11.8	43.6%
Ordinary income	36.7	26.1	10.6	40.7%
Income before income taxes and minority interests	13.9	22.9	(8.9)	-39.3%
Net income	10.8	10.3	0.4	4.8%
Net income per share [yen]	20.39	19.46	0.93	4.8%
Capital expenditure	31.3	24.9	6.4	25.8%
Depreciation	35.1	33.2	1.8	5.6%
R & D expenses	52.5	53.3	(0.8)	-1.7%
Free cash flow	23.7	(13.7)	37.5	-%
Number of employees [persons]	41,042	41,476	(434)	-1.0%
Exchange rates [yen]				
US dollar	99.39	80.00	19.39	24.2%
Euro	132.23	102.17	30.06	29.4%

Reviewing the main business of the Konica Minolta Group during the first three quarters of the consolidated fiscal year under review (April 1, 2013 to December 31, 2013), in the Business Technologies Business, solid sales of core A3 color MFPs (Multi-functional peripherals) were maintained in the office field while the effect of new product sales for monochrome units also helped put the brakes on a downward trend in sales volumes. In addition, hybrid-type sales models that combine various business solution services with MFPs continued to penetrate the market and also contributed to sales growth of MFPs. In the production print field, sales volumes of color units and monochrome units exceeded the same period of the previous fiscal year.

In the Industrial Business, sales volumes of TAC films for LCD polarizers and VA-TAC films for increasing the viewing angle were down on the same period of the previous fiscal year in the display materials field due to deterioration in market conditions for notebook PCs and the impact of inventory adjustments and diversification in components and materials used for TVs. Net sales and profit surpassed the same period of the previous fiscal year in the sensing field due to the effects of M&As. In the optical products field, sales of high-market-share pickup lenses for Blu-ray Discs™ were strong.

In the Healthcare Business, sales of digital products increased, particularly digital X-ray diagnostic imaging systems such as cassette-type Digital Radiography (DR) systems.

As a result, the Konica Minolta Group recorded consolidated net sales of ¥682.8 billion, an increase of 18.2% year on year, for the first three quarters of the fiscal year under review. In addition to the positive effect of foreign exchange rates due to continued yen depreciation, sales growth of core products in the Business Technologies Business, a favorable turn in product composition and the effect of M&As drove higher sales.

Operating income amounted to ¥38.9 billion, an increase of 43.6% year on year, despite a decline in profit in the Industrial Business, due to a significant increase in earning capacity in the Business Technologies Business since the previous fiscal year. Ordinary income was ¥36.7 billion, up 40.7% year on year. Income before income taxes and minority interests was ¥13.9 billion, down 39.3% year on year, due primarily to the recording of loss on business withdrawal from the glass substrates for HDDs business and the recording of impairment loss for certain production facilities associated with lens units for mobile phones. Net income totaled ¥10.8 billion, up 4.8% year on year, after factoring in tax effects related to a review of deferred tax assets in line with the Group reorganization implemented in April 2013.

Note: Blu-ray Disc™ is a trademark of Blu-ray Disc Association

2. Overview by Segment

Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

Nine months (Apr-Dec)
Year-on-Year [Billions of yen]

	Apr-Dec / Mar 2014	Apr-Dec / Mar 2013	Increase (Decrease)	
Business Technologies				
Net sales - external	526.2	405.1	121.0	29.9%
Operating income	43.5	18.4	25.1	136.5%
Industrial Business				
Net sales - external	90.3	114.4	(24.0)	-21.0%
Operating income	12.3	21.5	(9.1)	-42.5%
Healthcare				
Net sales - external	55.1	50.0	5.1	10.2%
Operating income	2.3	1.1	1.1	98.7%

Business Technologies Business

Office Field:

Sales of A3 color MFPs remained strong and sales volumes increased significantly in all regions, including Japan, the United States and Europe, while the composition ratio of high-segment models increased, thereby contributing to sales expansion. A new series of A3 monochrome units with the same user interface as color units was well received by the market and sales volumes turned around from a persistent downward trend to a year-on-year increase. Also, we expanded business foundations for OPS (Optimized Print Services), where we are strengthening systems on a global scale and pursuing differentiation in the business solution services, by securing large orders, particularly in Europe and the Asia-Pacific region.

Production Print Field:

Sales volumes of color units and monochrome units exceeded the same period of the previous fiscal year. In addition, we expanded business for on-demand print services for a wide variety of small-volume documents as well as production and print services for sales promotion materials by utilizing Kinko's Japan and Charterhouse PM Limited, which we acquired in the previous fiscal year.

As a result, net sales of the Business Technologies Business to external customers stood at ¥526.2 billion, up 29.9% year on year. This was due to sales growth of core products, particularly color units, and a positive turnaround in product composition in addition to M&As and the effect of continued yen depreciation on foreign exchange rates. Operating income amounted to ¥43.5 billion, up 136.5% year on year. Contributing factors to this significant year-on-year gain were an increase in gross profit due to an increase in sales composition of high-value-added products and the effect of foreign exchange rates in line with continued yen depreciation coupled with the positive effect of measures to reduce costs in the production division.

Industrial Business

Display Materials Field:

Sales volumes of TAC films for LCD polarizers and VA-TAC films for increasing the viewing angle both decreased compared with the same period of the previous fiscal year due to deterioration in the market for notebook PCs as well as diversification and prolonged inventory adjustments in components and materials used for TVs.

Sensing Field:

Sales at Instrument Systems GmbH, which was acquired in the previous fiscal year, were solid and contributed to net sales and profit growth.

Optical Products Field:

Although sales of pickup lenses for Blu-ray Discs and lenses for large projectors were strong, lenses for cameras weakened on account of a decline in demand. We terminated production and sales of glass substrates for HDDs in December 2013 in line with our plans for business withdrawal.

As a result, net sales of the Industrial Business to external customers and operating income stood at ¥90.3 billion, down 21.0% year on year and ¥12.3 billion, down 42.5% year on year, respectively.

Healthcare Business

In the Healthcare Business, sales of the cassette-type Digital Radiography system “AeroDR” remained strong and sales volumes expanded in Japan and the United States, while we are steadily increasing introductions of this product at large-scale medical institutions. In Europe and the United States, we strengthened the sales channels by collaborating with leading sales partners. In film products, we improved profitability by switching to consignment production and expanded sales volumes to emerging countries, driving sales gains over the same period of the previous fiscal year.

In addition, we established an integrated system from development to production and sales for ultrasound diagnostic imaging equipment, which is positioned as a new growth driver, following the transfer of the business from Panasonic Healthcare Co., Ltd. (effective January 1, 2014).

As a result, net sales of the Healthcare Business to external customers and operating income stood at ¥55.1 billion, up 10.2% year on year and ¥2.3 billion, up 98.7% year on year, respectively.

<Reference>

Overview of Performance

Three months ended December 31, 2013 (From October 1, 2013 to December 31, 2013)

Year-on-Year [Billions of yen]

	Oct-Dec / Mar 2014	Oct-Dec / Mar 2013	Increase (Decrease)	
Net sales	232.4	193.9	38.5	19.9%
Gross profit	113.7	89.7	23.9	26.7%
Operating income	14.7	6.8	7.9	116.2%
Ordinary income	15.2	7.8	7.3	93.7%
Income before income taxes and minority interests	13.8	7.8	6.0	77.3%
Net income	5.2	2.7	2.5	94.0%
Net income per share [yen]	9.91	5.11	4.79	94.0%
Capital expenditure	11.8	7.7	4.0	52.6%
Depreciation	11.5	11.5	0.0	0.3%
R & D expenses	17.9	18.7	(0.8)	-4.4%
Free cash flow	(2.5)	(4.1)	1.6	-%
Exchange rates [yen]				
US dollar	100.46	81.17	19.29	23.8%
Euro	136.69	105.25	31.44	29.9%

Three Months Business Performance by Segment

Year-on-Year [Billions of yen]

	Oct-Dec / Mar 2014	Oct-Dec / Mar 2013	Increase (Decrease)	
Business Technologies				
Net sales - external	181.3	140.2	41.1	29.4%
Operating income	17.4	5.3	12.1	226.1%
Industrial Business				
Net sales - external	27.8	35.0	(7.1)	-20.4%
Operating income	3.4	5.9	(2.5)	-42.4%
Healthcare				
Net sales - external	19.1	16.1	3.0	18.6%
Operating income	0.4	0.0	0.4	-%

(2) Financial Position

1. Analysis of Financial Position

		As of December 31, 2013	As of March 31, 2013	Increase (Decrease)
Total assets	[Billions of yen]	997.6	940.5	57.1
Total liabilities	[Billions of yen]	499.0	474.1	24.9
Net assets	[Billions of yen]	498.6	466.4	32.2
Equity ratio	[%]	49.8	49.4	0.4

Total assets at the end of the third quarter of the consolidated fiscal year under review were up ¥57.1 billion (6.1%) from the previous fiscal year-end, to ¥997.6 billion. Current assets were up ¥40.5 billion (7.0%) to ¥620.1 billion (62.2% to total assets) and noncurrent assets were up ¥16.5 billion (4.6%) to ¥377.4 billion (37.8% to total assets).

With respect to current assets, cash and deposits decreased ¥0.5 billion from the previous fiscal year-end. Meanwhile, securities increased ¥8.0 billion, and as a result, cash and cash equivalents increased ¥7.4 billion to ¥221.3 billion. Notes and accounts receivable-trade increased ¥7.8 billion to ¥201.8 billion. Lease receivables and investment assets increased ¥4.6 billion to ¥20.6 billion. Inventories increased ¥17.4 billion to ¥129.9 billion.

With respect to noncurrent assets, property, plant and equipment increased due primarily to capital expenditure in the Business Technologies Business and Industrial Business as well as construction of a new R&D building. Meanwhile, depreciation continued to advance on the whole and we recorded impairment loss following such factors as a decision to withdraw from the glass substrates for HDDs business. As a result, property, plant and equipment decreased ¥4.7 billion to ¥175.1 billion. Intangible assets increased ¥2.1 billion to ¥113.0 billion.

In investments and other assets, investment securities increased ¥4.3 billion from the previous fiscal year-end to ¥27.6 billion. Deferred tax assets increased ¥13.5 billion to ¥46.5 billion due primarily to a review of recoverability in light of the reorganization of the group management system in April 2013.

Total liabilities increased ¥24.9 billion (5.3%) from the previous fiscal year-end to ¥499.0 billion. Notes and accounts payable-trade increased ¥6.1 billion to ¥91.5 billion. Accounts payable-other, accrued expenses and income taxes payable increased by ¥3.4 billion, ¥5.1 billion and ¥5.8 billion, respectively. Interest-bearing debt (the sum of short-term loans payable, long-term loans payable and bonds payable) decreased ¥1.9 billion to ¥222.9 billion.

Net assets were up ¥32.2 billion (6.9%) from the previous fiscal year-end to ¥498.6 billion. Retained earnings increased ¥1.6 billion to ¥231.4 billion, given net income of ¥10.8 billion and dividends from surplus paid of ¥9.2 billion. In accumulated other comprehensive income, foreign currency translation adjustment increased ¥28.1 billion in line with continued yen depreciation, mainly against the U.S. dollar and euro, and valuation difference on available-for-sale securities rose by ¥2.2 billion in line with a buoyant share market.

As a result, the shareholders' equity ratio at the end of the third quarter increased 0.4 percentage points to 49.8%.

2. Cash Flows

[Billions of yen]

	Apr-Dec / Mar 2014	Apr-Dec / Mar 2013	Increase (Decrease)
Cash flows from operating activities	61.8	35.5	26.3
Cash flows from investing activities	(38.1)	(49.3)	11.2
Total (Free cash flow)	23.7	(13.7)	37.5
Cash flows from financing activities	(19.0)	(27.8)	8.7

During the third quarter of the consolidated fiscal year under review, net cash provided by operating activities was ¥61.8 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥38.1 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥23.7 billion.

Net cash used in financing activities was ¥19.0 billion.

In addition, cash and cash equivalents at the end of the third quarter of the consolidated fiscal year under review stood at ¥221.3 billion, up ¥7.4 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 amounted to ¥61.8 billion (compared with net cash provided of ¥35.5 billion in the same period of the previous fiscal year). The Group reported income before income taxes and minority interests of ¥13.9 billion, depreciation and amortization of ¥35.1 billion, impairment loss on the decision to withdraw from the glass substrates for HDDs business, etc. of ¥12.9 billion, amortization of goodwill of ¥7.1 billion, and an increase of ¥3.4 billion in working capital, which were partially offset by the payment of ¥10.2 billion for income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥38.1 billion (compared with net cash use of ¥49.3 billion in the same period of the previous fiscal year). Cash of ¥26.1 billion was used for purchase of property, plant and equipment 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 ¥5.8 billion for the purchase of intangible assets and ¥2.8 billion for the purchase of investment securities.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥23.7 billion (an outflow of ¥13.7 billion in the same period of the previous fiscal year).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥19.0 billion (compared with net cash use of ¥27.8 billion in the same period of the previous fiscal year), mainly reflecting a payment of ¥9.1 billion in dividends and a net decrease of ¥8.2 billion in interest-bearing debt.

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

In light of progress in performance in the first three quarters of the fiscal year under review, we have left financial forecasts for the year ending March 31, 2014 unchanged following revisions in the second quarter. Assumed exchange rates for the fourth quarter have also been left unchanged at 98 yen to the US dollar and 128 yen to the euro.

[Billions of yen]

	FY Mar/2014 - Announced October 31, 2013 -
Net Sales	930.0
Operating Income	58.0
Ordinary Income	54.0
Net Income	18.0

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 to the nearest hundred million.*

2. SUMMARY INFORMATION（NOTES）

(1) Changes in Status of Material Subsidiaries during the Quarter under Review

Konica Minolta Inc. (Konica Minolta Holdings, Inc.) absorbed seven Group companies and became the surviving company on April 1, 2013. As a result, the specified subsidiaries Konica Minolta Business Technologies, Inc., Konica Minolta Advanced Layers, Inc. and Konica Minolta Technology Center, Inc. were terminated and have been removed from the scope of consolidation.

(2) Adoption of Special Accounting Treatment Used in Preparation of the Consolidated Quarterly Financial Statements

Calculation of Tax Expenses

The effective tax rate on income before income tax for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses.