

TO OUR SHAREHOLDERS



VISION

**SHIFTING TO AN  
AGGRESSIVE STRATEGY  
TO DRIVE TOWARDS  
FUTURE GROWTH**

The operating environment in FY March 2010, the fiscal year ended March 31, 2010, got off to a turbulent start. The global economy showed few signs of returning to the levels of strength seen prior to the financial crisis that struck in the fall of 2008, while weak consumer spending and a reluctance to invest continued.

We correctly recognized that these radical changes in our environment could not be addressed with the usual measures for a temporary economic slowdown. We saw these changes as the turning point of a massive and global transformation taking place. Seizing the moment as an opportunity to enhance our own value, we set out to achieve more vigorous growth with the start of MANAGEMENT POLICY <09-10>, a new two-year management plan spanning FY March 2010 to FY March 2011.

During the fiscal year under review, we concentrated on transitioning to a corporate structure capable of steadily generating free cash flow even in an adverse operating climate with little prospects for sales growth. As a result, free cash flow was ¥72.9 billion, a substantial improvement over the previous fiscal year.

In terms of earnings, although consolidated net sales declined 15.1% year on year to ¥804.4 billion, and operating income was down 21.8% to ¥43.9 billion, signs of recovery were nonetheless present in Group operating results. Performance in core businesses rebounded, led by Business Technologies from the second half of FY March 2010. This business in particular posted three consecutive quarters of earnings growth.

The economic climate anticipated for FY March 2011 is far from optimistic. Determined to break a run of lower sales and earnings that has continued for two consecutive terms, we have positioned FY March 2011 as a pivotal year for putting Konica Minolta on track for growth. Along the way, there are three aims we must achieve—promoting sales growth and expanding the scope of our existing businesses, full-scale advancement into Asian markets, and accelerating the development of new businesses. With these issues in mind, our task is to guide Konica Minolta in the direction of not only short-term growth, but to shift towards a more aggressive strategy that will enable sustainable growth for the next five to ten years.

I am confident that Konica Minolta can be a robust company capable of achieving strong, sustainable growth, and one vital to society. My management of the Company reflects this conviction.

Being a robust company means having a solid corporate structure founded on a sound financial position, as well as a structure that can reliably produce profits irrespective of a challenging operating environment. We must respond to the changing operating environment and accurately seize growth opportunities, translating these into strong, sustainable growth. At the same time, of course, we must create the conditions that make such growth possible by staying abreast of society's ever-changing needs, discerning where we ought to bolster our position, and providing customers exactly what they need.

Being vital to society naturally means offering new value through products and services that individual consumers and the public at large find useful. It also means ensuring that our corporate activities make a favorable impression and gain approval and support among various stakeholders including shareholders, as well as customers, suppliers and those who have little direct contact with our operations.

People are the common denominator that will drive this entire vision forward. In my message to Group employees, I urge them to be ambitious and to put the fear of failure aside to rise to the challenge of meeting our targets. I want them to aim for a positive corporate mindset where we learn from our failures and apply those lessons for future success. The first task is to be ambitious. Accomplish this, and rising to overcome obstacles will become second nature. In the process, individual employees effectively achieve their own future goals, which will in turn enhance the corporate value of the Konica Minolta Group.

To our shareholders and other investors, I ask for your continued understanding and support of Konica Minolta as we take our operations forward.

June 2010



**Masatoshi Matsuzaki**

President and CEO