



KONICA MINOLTA

Konica Minolta Holdings, Inc.
Annual Report 2011 English Version PDF

KONICA MINOLTA HOLDINGS, INC.

Annual Report 2011

Disclaimer Regarding Forward-looking Statements

The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.



Konica Minolta Group Medium Term Business Plan **GPLAN 2013** Performance Targets (FY March 2014)

Net sales
¥1 trillion
or more

Operating
income ratio
8%
or more

ROE
10%
or more

To Our Shareholders

In terms of the economic climate during the past year, although lingering uncertainty remained in certain sectors, the success of economic stimulus measures and monetary policies enacted by governments helped the European and U.S. economies achieve a moderate recovery. Asian economies, meanwhile, saw consistent moves toward economic expansion, with growth led by China and India.

In this market environment, we embarked on the second year of the Management Policy <09-10>, our two-year plan for achieving strong growth. To this end, we positioned the year as a pivotal one for putting Konica Minolta on track for growth. We launched new products and developed sales organizations in major business fields, expanded our production capacity, and took other assertive steps as we adopted a more aggressive strategy.

In the Business Technologies Business, we launched a new brand, the bizhub PRESS series, in the growth field of production print, marking our full-scale entry into the commercial printing market. Furthermore, we took steps to enhance our sales capabilities, which included consolidating Group divisions involved in commercial and digital printing, and signing a cross-distribution agreement with Kodak, based in the United States. Similarly, in the office field, we vigorously advanced measures designed to gain orders from major global accounts and to promote service business expansion on a global basis. In the Optics Business, area outside of strong-growing TAC films were impacted by customer production adjustments. With that said, we used this adverse climate as an opportunity to enact initiatives for improving profitability. Actions taken included improving production efficiency and shifting production sites overseas. Where fostering new businesses is concerned, in the fall of 2010, we built a pilot plant based on a roll-to-roll coating production method in Organic Light Emitting Diode (OLED) lighting, an area we expect to become a pillar of future earnings. Elsewhere, we entrusted major lighting manufacturer Philips Technologie GmbH, based in Germany with production via the evaporation method of OLED panels designed to use blue phosphorescent materials developed independently by Konica Minolta. Sales of the panels are scheduled to begin in the fall of 2011. In this way, we are moving preparations forward for achieving growth over the long term.

In terms of consolidated operating results for FY March 2011, performance was notably impacted by a strong yen, as well as protracted supply-chain adjustments. Consequently, consolidated net sales declined 3.3% year on year to ¥777.9 billion. Operating income, meanwhile, was down 9.0% to ¥40.0 billion, falling despite efforts to reduce costs, improve productivity, and curb operating expenses. The lower sales and earnings notwithstanding, we implemented a range of measures to promote future Group growth, and there are strong indications that these measures are effective.

In April 2011, the Konica Minolta Group launched “G PLAN 2013,” a medium-term business plan in which the keyword is “growth,” and that emphasizes sustained growth into the future. The basic policy, 3 Challenges, of the plan, set to run from FY March 2012 to FY March 2014, are “Expanding the scale by achieving growth,” “Changing into a “Global Company,”” and “Increasing the recognition of the Konica Minolta brand.” Moreover, in conjunction with “G Plan 2013,” we have developed a new communication message: “Giving Shape to Ideas.” The message clearly expresses our strong determination as a company to know what people are thinking, see business needs from the customer’s point of view and to execute on these wishes and turn them into reality. Under this message, all employees including myself will work to connect responsible action on an individual basis to achieve growth as outlined in “G PLAN 2013.” In doing so, we aim to build a company valued by people around the world for its strong, sustainable growth.

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

September 2011
President and CEO
Masatoshi Matsuzaki





In a changing market environment, the Konica Minolta Group is striving to establish sustainability and presence, raise its value in the eyes of society, and pursue global thinking and action.

Performance Targets FY2013



5 Key Themes

Strategies and initiatives for achieving targets are encapsulated in five key themes. The Group will achieve firm growth through measures taken in line with each theme.



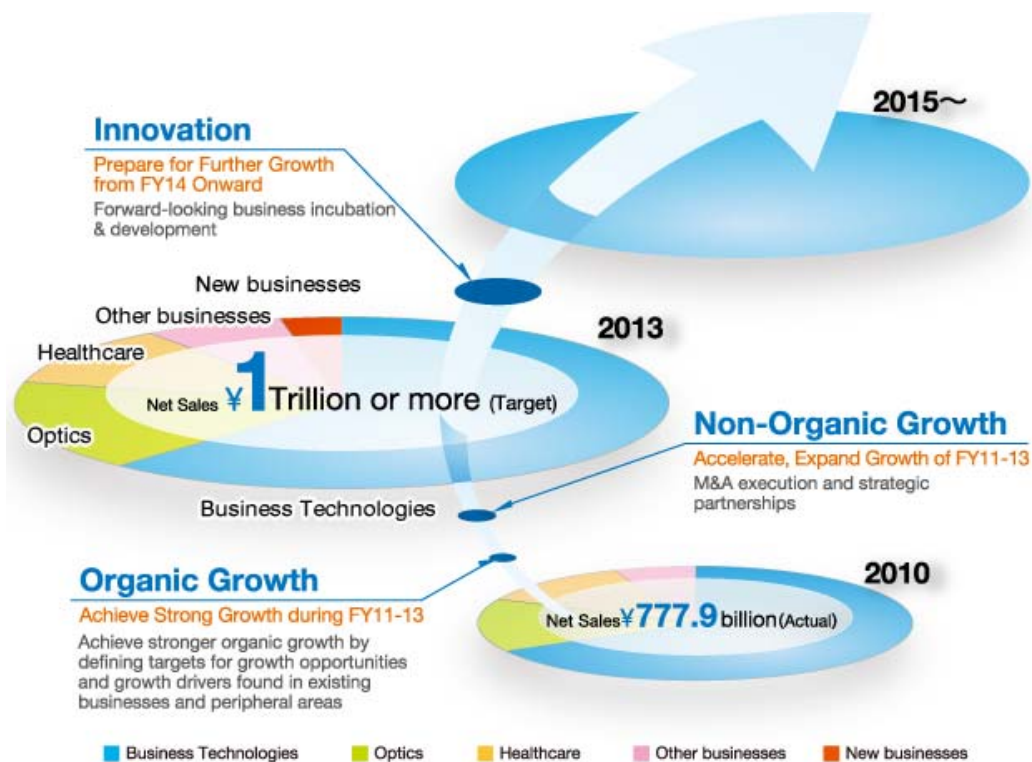
Growth Strategy Q&A

Key market forecasts and the Company's market position, mainly with regard to our mainstay Business Technologies Business, that are vital to achieving the "G PLAN 2013" medium-term business plan have been compiled in a question format below, including quantitative data.

- [Special Feature Top](#) **Growth Strategy** ▸ [Enhancing Profitability](#)
- [Increasing Deployment Capability](#) ▸ [Group Interconnecting Strategy](#)
- [Becoming a "Global Company"](#) ▸ [Growth Strategy Q&A](#)

Growth Strategy

We are moving to expand business scale, with expansion driven by "Organic Growth," "Non-Organic Growth" and "Innovation."



Growth Strategy by Business

▸ [Business Technologies](#)

Advance a Genre-top strategy to achieve sales expansion in growth fields.

▸ [Optics](#)

Supplement the TAC films earnings base by establishing second and third earnings drivers in growth fields.

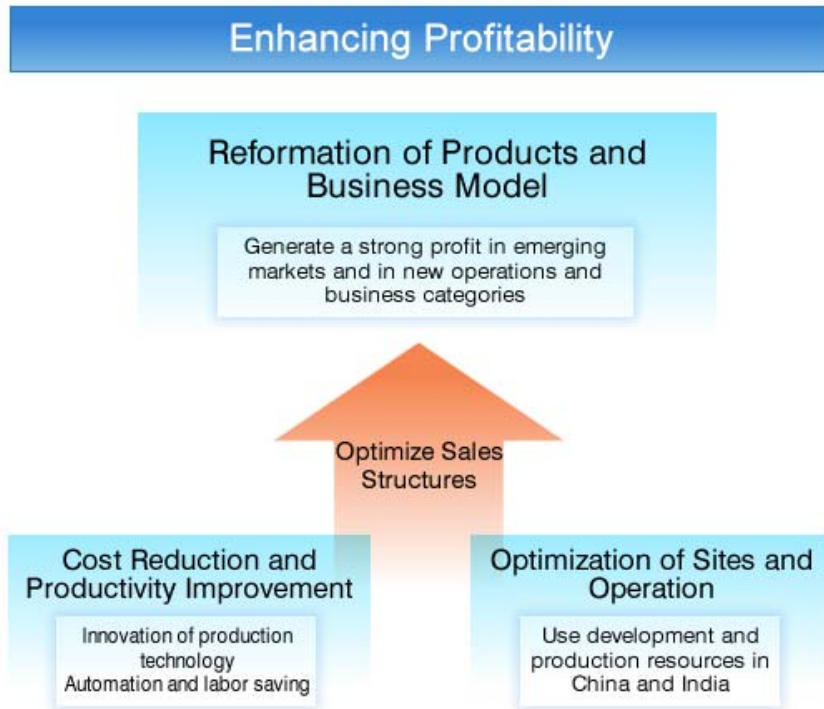
▸ [Healthcare](#)

Take steps to transition to a structure capable of achieving earnings growth in digital equipment and IT services.

- ▶ [Special Feature Top](#) ▶ [Growth Strategy](#) **Enhancing Profitability**
- ▶ [Increasing Deployment Capability](#) ▶ [Group Interconnecting Strategy](#)
- ▶ [Becoming a “Global Company”](#) ▶ [Growth Strategy Q&A](#)

Enhancing Profitability

Pursuing management that will generate profit in a changing environment.



Reformation of Product and Business Models

The Group is pursuing reform of its product development and business models to generate robust earnings in rapidly growing emerging markets and growth fields. Consequently, we seek to optimize development, production and services to match the features of target regions and products. Operational processes, including the flow of goods and information, will also be improved in a bid to enhance profitability.

Cost Reduction and Productivity Improvement

Price competition is intensifying as companies in emerging markets continue to achieve substantial cost reductions on products. To win out in these circumstances, the Group is strengthening its cost competitiveness by moving to improve productivity through greater automation and labor-saving techniques, along with production technology innovation, in the production process. Lead times will also be shortened through continuous development process improvements.

Optimization of Sites and Operation

The Group is seeking to optimize manufacturing hubs and operation by utilizing development and production resources in China and India.

[▶ Special Feature Top](#) [▶ Growth Strategy](#) [▶ Enhancing Profitability](#)

Increasing Deployment Capability [▶ Group Interconnecting Strategy](#)

[▶ Becoming a “Global Company”](#) [▶ Growth Strategy Q&A](#)

Increasing Deployment Capability

Increasing the sensitivity to growth fields for quick responsiveness and steady growth.

Speed

The Group will work to enhance its sensitivity to a range of risks and possibilities in order to move with speed to capture business opportunities. The same holds for the speed with which we take action. Rather than spending lots of time on establishing businesses, the critical point here is the extent to which we can move with speed to reflect flexible management decision-making in business development.

Accelerating business development and bolstering development strength will be essential to this end. Sharp management decision-making will be applied to M&A and alliance opportunities as well.

Real Time Management

The ability to properly assess present conditions, coupled with decision-making skills based on a firm grasp of information, are integral to ensuring responsive management decision-making.

For this reason, the Konica Minolta Group is aiming for extensive data management that will take its corporate management to the next level. Specific efforts will entail improving supply chain management (SCM) optimization, extensive customer relationship management (CRM), and more robust pipeline management.

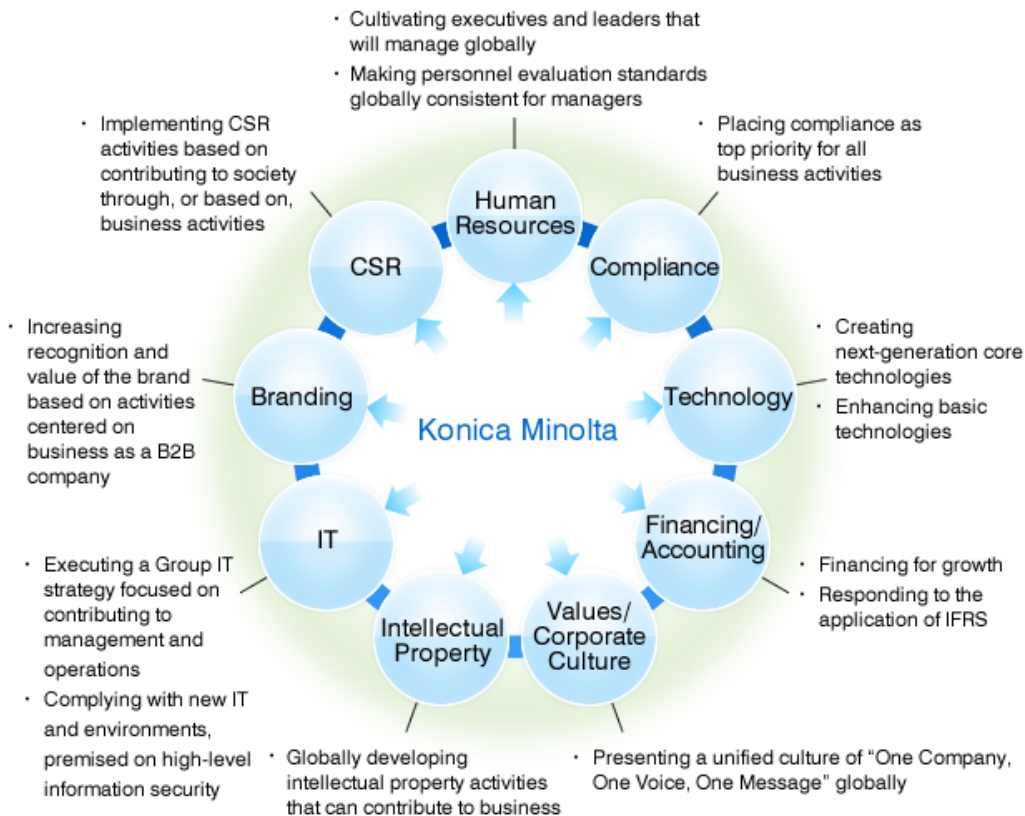
▸ [Special Feature Top](#) ▸ [Growth Strategy](#) ▸ [Enhancing Profitability](#)

▸ [Increasing Deployment Capability](#) **Group Interconnecting Strategy**

▸ [Becoming a "Global Company"](#) ▸ [Growth Strategy Q&A](#)

Group Interconnecting Strategy

Aiming to bolster our global operating base.



Our intent over the next three years is to enhance each of the functions of Konica Minolta Holdings in its capacity as the company presiding over the Konica Minolta Group. "Global perspective" will be a particularly key point going forward.

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- ▶ **Becoming a “Global Company”** ▶ [Growth Strategy Q&A](#)

Becoming a “Global Company”

One Group, One Company:

Pursue total optimization, in which each business unit and site worldwide acts as one company.



- ▶ [Special Feature Top](#) ▶ [Growth Strategy](#) ▶ [Enhancing Profitability](#)
- ▶ [Increasing Deployment Capability](#) ▶ [Group Interconnecting Strategy](#)
- ▶ [Becoming a “Global Company”](#) **Growth Strategy Q&A**

Growth Strategy Q&A

Q1 One of the challenges in “G PLAN 2013” is “expanding the scale by achieving growth.” Could you please explain in more detail what you mean by expanding scale?

A1 By “expanding scale” we are referring to the scale of our profits. One important step for achieving this is to increase the scale of our sales. Another is to lift our profitability. We set specific numerical targets for these after 3 years under “G PLAN 2013”—net sales of ¥1 trillion or more, and an operating income ratio of 8% or more. Achieving these targets will bring our operating income to at least ¥80.0 billion, double our present level. There are two main reasons for seeking to increase the scale of our profits. The first is that earning higher profits will enable us to take on greater risks. We will be able to make investments for growth on a bigger scale, including stepping up capital expenditure and M&A activity. These investments in growth can create a positive cycle by expanding the scale of sales and scale of profits in turn. The other reason is that increasing the scale of profits will strengthen the Group, making it more resistant to sudden changes in the business environment, such as a Lehman Shock-like downturn. Our corporate activities are always affected by changes in various external factors, but having a larger scale of profits will allow us to use such dramatic changes in the business environment as opportunities for growth. I am committed to transforming Konica Minolta into a strong corporate group, one that is dedicated to expanding the scale of its profits, by executing G PLAN 2013.

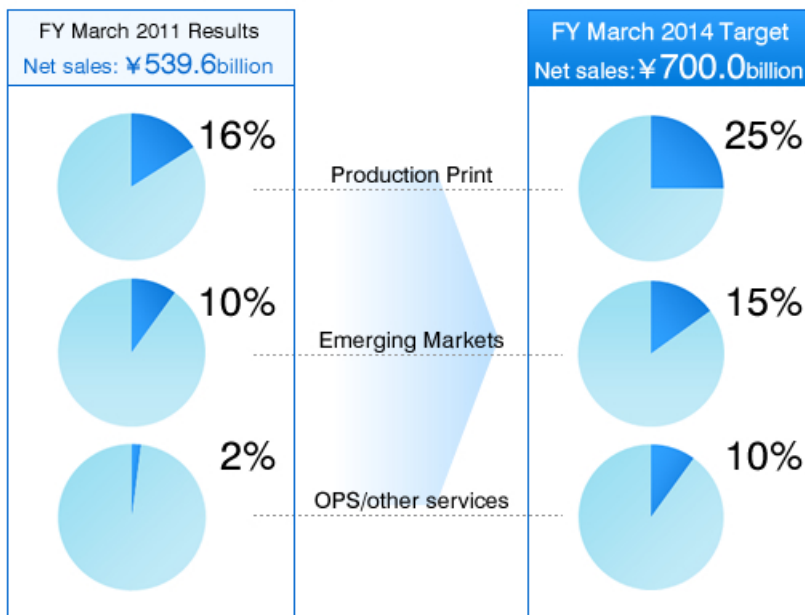
Naturally, expanding the scale of our profits will also lead to growth in shareholder returns in the form of dividends. I am fully aware that my mission as president is to transform Konica Minolta into an attractive corporate group from the perspective of our shareholders and investors.



Q2 What are the current growth drivers in the Business Technologies Business and what business scale is anticipated for the plan's final year?

A2 First, we will remain dedicated to developing new products to bolster our product lineup in production print. Another aim is to double our business scale by achieving sales expansion by tailoring our approach to customers' specific sectors and business categories. Secondly, in emerging markets, where future growth is expected, we will accelerate sales expansion, particularly in China and the rest of Asia, by extending and enhancing our A4 MFPs (multi-function peripherals) lineup in addition to specialized A3 MFP models for these markets. Finally, to further strengthen our response capability in OPS (Optimized Print Services), we will reinforce our capacity to respond to customers by ramping up our current push to acquire IT vendors, and thereby expand the percentage of sales from OPS and other services. We will also expand sales from GMA (Global Major Accounts), which underpin Konica Minolta's outstanding customer responsiveness.

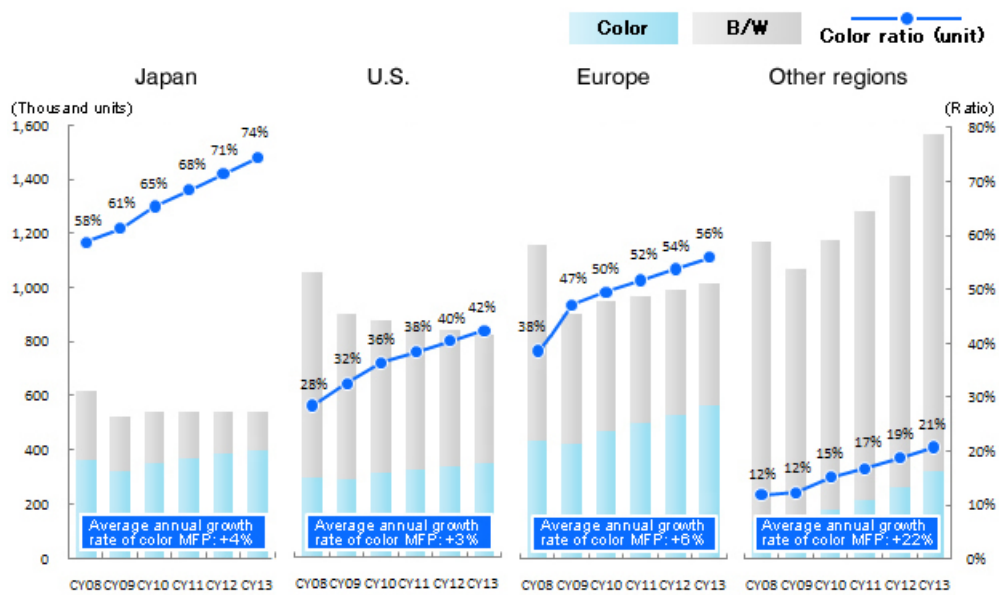
Business Technologies Business
Expanding Operations of Growth Drivers



Q3 Some consider office MFPs to be a mature market. Do you expect to see future growth in this market?

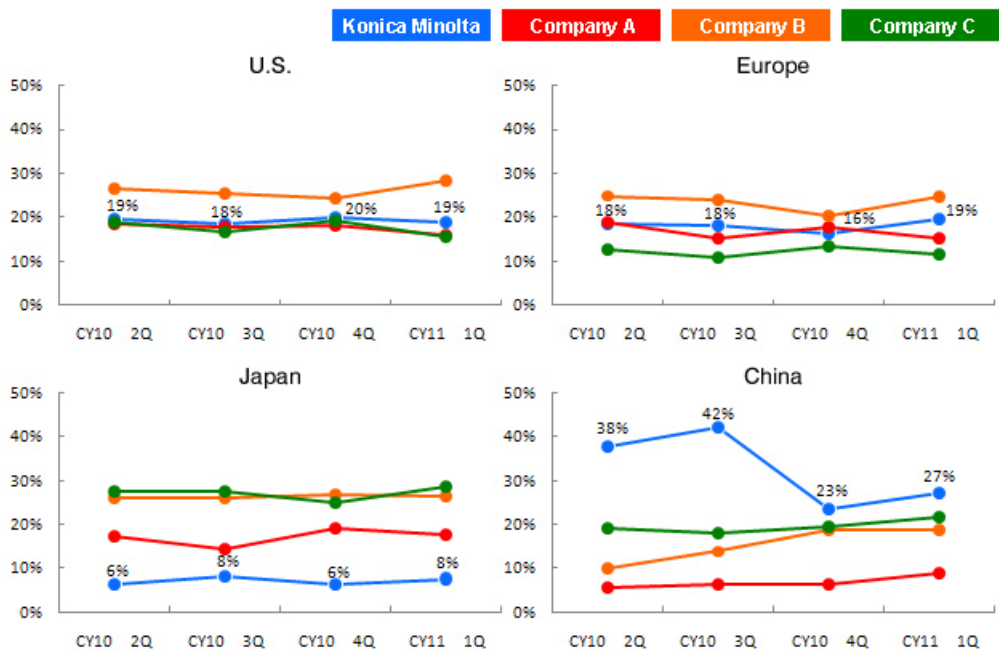
A3 Certainly no significant growth is expected in the total number of MFPs in developed markets like Japan, North America and Europe. However, Konica Minolta since the merger has promoted a "Genre-top strategy" where our focus has been on the sale of high-value-added color MFPs. The shift to color products is set to gain momentum particularly in the U.S. and European markets, where Konica Minolta has a robust sales foundation. As for emerging markets where sustained growth is anticipated, our focus is on the release of MFPs developed especially for these markets and strengthening our sales capabilities. Konica Minolta firmly holds the top market position in color and monochrome products in China. Going forward, we will use this solid market position as a springboard for sales expansion centered on color MFPs, as we aim for business growth in step with expansion in earnings from non-hardware categories.

A3 MFP Market Sales Volumes by Region and Outlook



*Estimated by the Konica Minolta based on external data (calendar years)

Konica Minolta's Share of the Color A3 MFP Market by Region

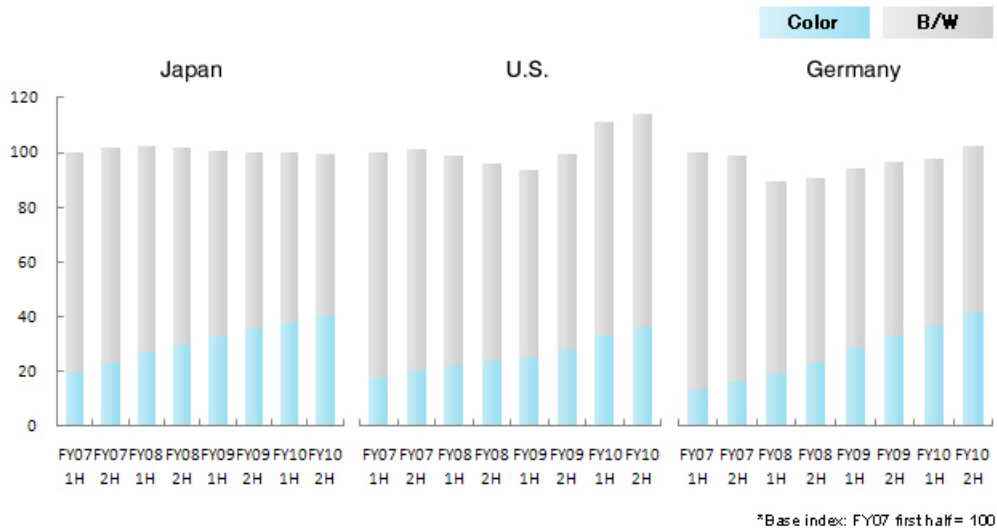


*Estimated by the Konica Minolta based on external data (calendar years)

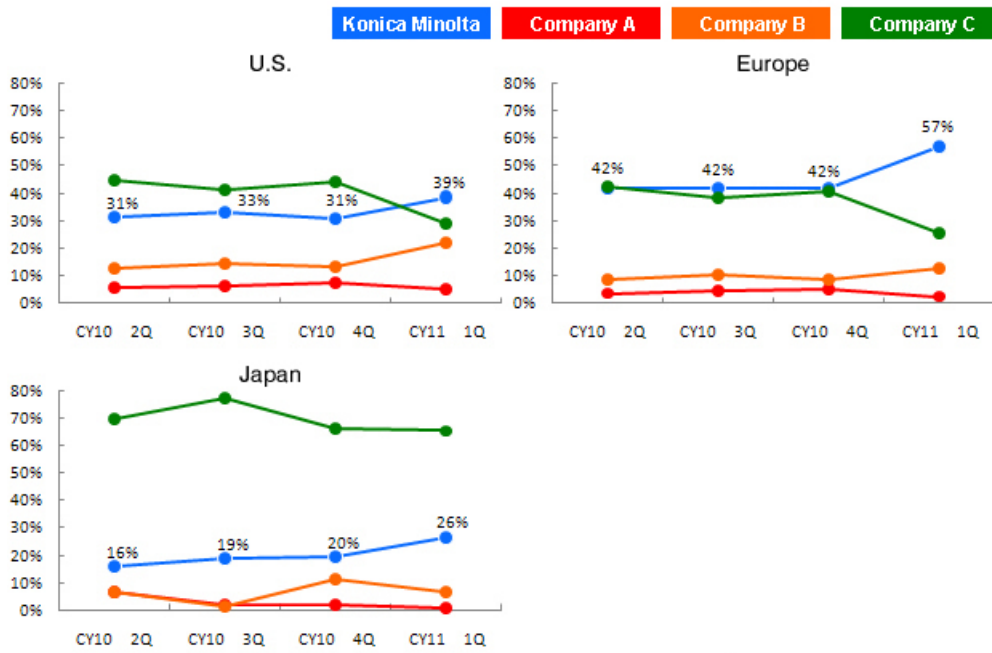
Q4 Are there concerns that the emergence of tablet PCs and similar devices will trigger a drop in demand for printouts?

A4 In promoting our "Genre-top strategy" in color products, we have focused on sales to office customers that require color printouts. The result has been a steady cumulative increase in the number of units installed in our core U.S. and European color MFP markets. In line with this, the number of color printout pages is also on the rise, with non-hard sales from services and supplies also holding to a growth trend. Similarly in production print, we have seen growth in sales volumes for both color and monochrome products, as well as a marked and continued increase in printing output.

Konica Minolta's Copy and Print Volumes in the Office Field

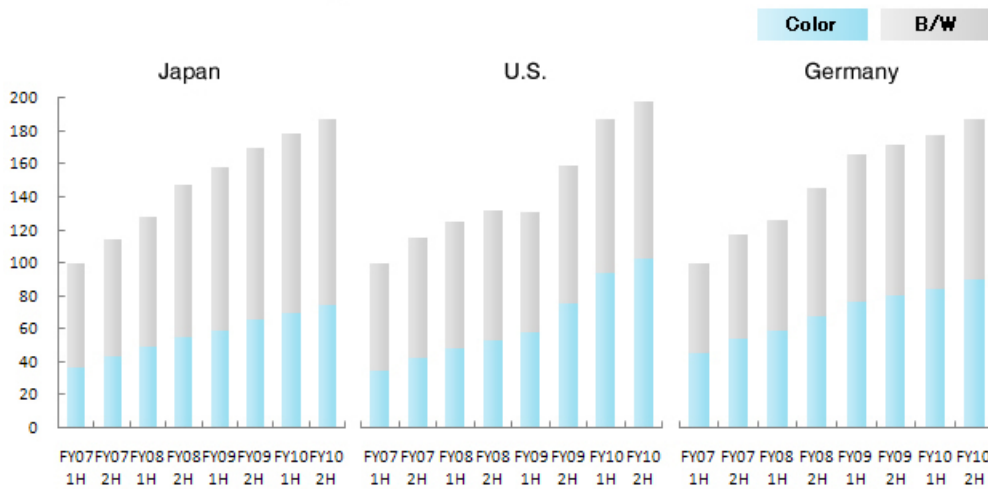


Konica Minolta's Share of Production Print Market by Region



*Estimated by the Konica Minolta based on external data (calendar years)

Konica Minolta's Copy and Print Volumes in the Production Print Field

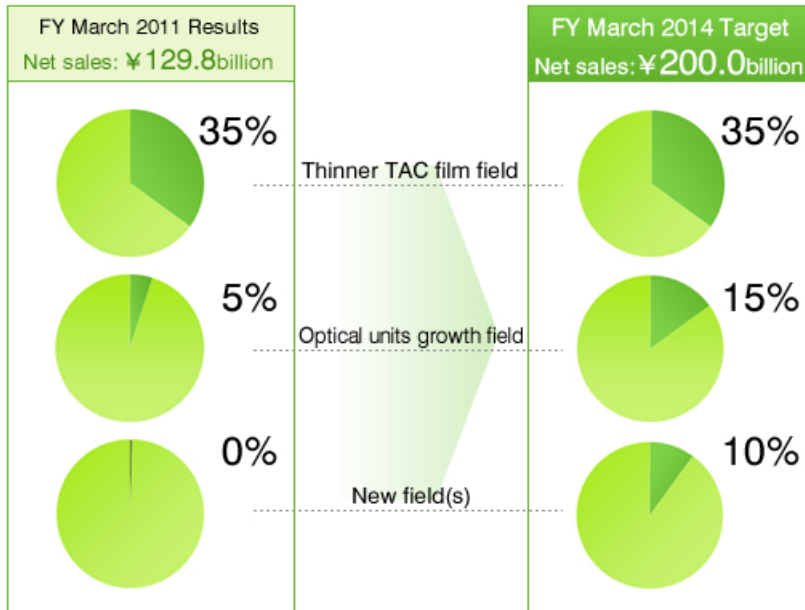


*Base index: FY07 first half = 100

Q5 What future growth do you envisage for growth drivers outside of Business Technologies Business?

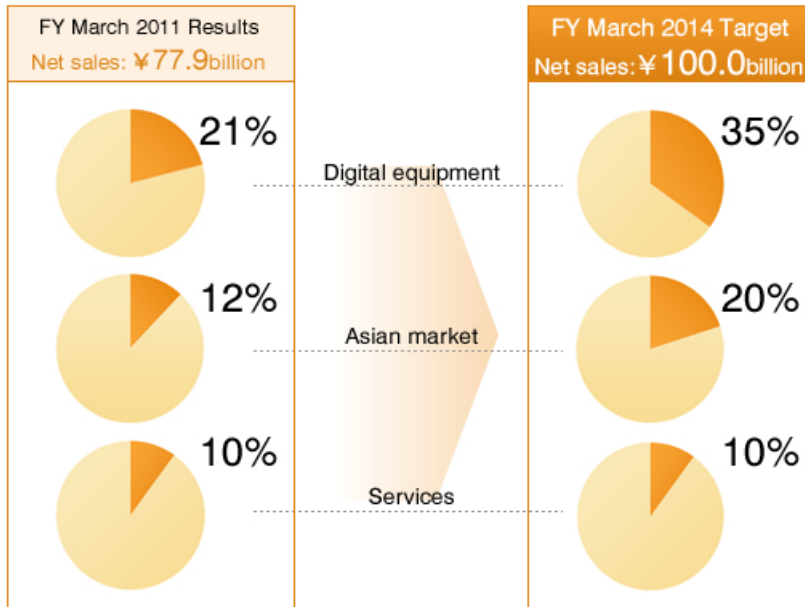
A5 In the Optics Business, Konica Minolta has two areas where it excels in the field of TAC films, thinner TAC and extra-wide technologies. Armed with these advantages, we will further fortify our position in VA-TAC films for increasing viewing angles used in large-screen LCD TVs. Films for IPS panels used in smartphones and tablet PCs are another area we are targeting for business expansion. In the field of optical units, our goal is to expand sales of products for mirrorless interchangeable-lens cameras and smartphones, since future growth is expected for both products. In terms of new fields, LED lighting is a next-generation lighting market that continues to expand at a rapid pace. We plan to release a host of products for this market, accelerating our development of a viable business that leverages Konica Minolta's strength in optical technologies.

Optics Business Expanding Operations of Growth Drivers



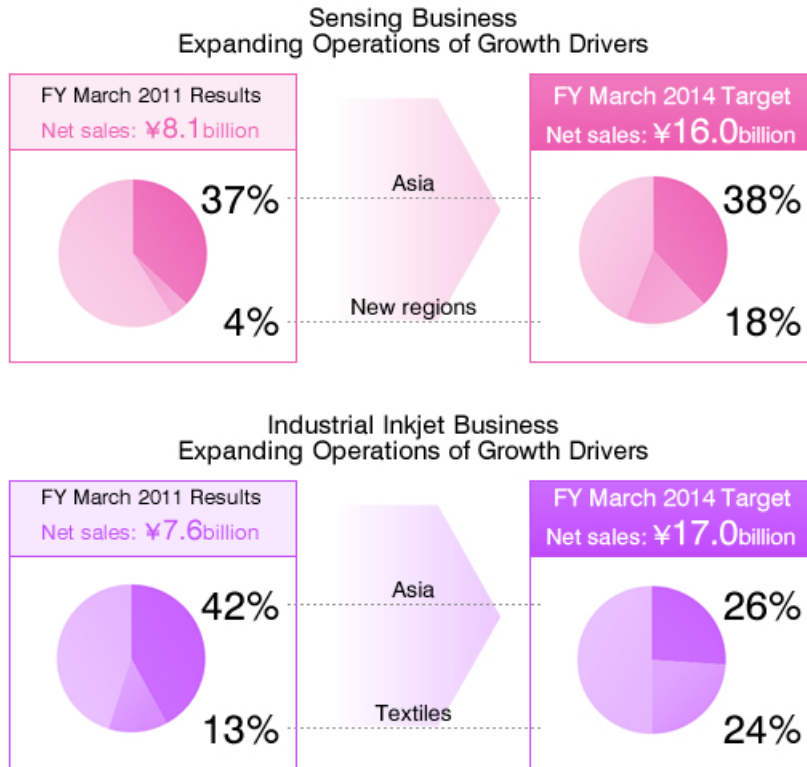
Turning to Healthcare Business, we will expand sales of digital equipment by enhancing our lineup in Digital Radiography (DR), as well as small and medium-sized Computed Radiography (CR), developed by Konica Minolta. For small CR, we will bolster cost competitiveness to enhance sales to Asian markets centered on the growth markets of China and India. We will use the wider customer base gained from broader sales of this digital equipment to boost sales from services, namely repair and maintenance work. At the same time, we aim to grow the business by developing new value-added services utilizing the Internet and other channels.

Healthcare Business Expanding Operations of Growth Drivers



Q6 What can you tell us about other growth strategies and progress on new businesses?

A6 In the Sensing Business, in addition to business expansion centered on Asian markets, where production facilities continue to grow, we are eyeing business expansion in new fields such as solar cell measurement. As for Industrial Inkjet Business, we will expand our business scale overseas, most notably in Europe and Asia. Specifically, in the field of components, such as inkjet printheads, we are focusing on Asian markets with their growing demand for outdoor advertising and other applications, as well as extending and enhancing our product lineup in the textile field.



Turning to progress on new businesses, first, as an initial step in LED lighting operations promoted under the Optics Business, we have received orders for a light guiding module for display shelves and will begin shipping in FY March 2012. Looking ahead, our sights are on establishing innovative phosphor coating technology derived from our glass material and thin-film technologies, with full-scale commercialization scheduled for FY March 2013. In Organic Light Emitting Diode (OLED) lighting operations, we are watching to discern the timing for the full-fledged emergence of this market. In the meantime, we will develop products using both evaporation and roll-to-roll coating methods. For the evaporation method, we expect to ship products developed by Konica Minolta in the fall of FY March 2012 by contracting their manufacture to Philips Technologie GmbH (Germany), while we continue developing the technology for roll-to-roll coating methods products. In organic thin-film photovoltaics, the direction of future efforts will be decided after technology results from joint development with Konarka Technologies, Inc. are evaluated in FY March 2013.



LED lighting



OLED lighting

A7 We are projecting R&D costs of approximately ¥250.0 billion cumulative for the three years of the medium-term business plan, along with capital expenditure and loans of ¥220.0 billion over the same period. We intend to invest vigorously in an assertive push to achieve growth. We are also ensuring sufficient funds for investment to carry out M&A and build strategic alliances in growth fields.

Q8 What is Konica Minolta's approach to shareholder returns?

A8 With respect to dividends, our policy is to maintain a consolidated dividend payout ratio of 25% or more. In keeping with this target payout ratio we also hope to raise the dividend to reflect earnings growth, while giving due consideration to promoting strategic investment. As for other measures, we will also conduct buybacks of treasury stock as a way of returning profits to shareholders by improving capital efficiency, after taking into account stock price trends and other factors to determine the appropriate timing.



Based on an underlying management philosophy "The Creation of New Value," the Konica Minolta Group aims to further increase corporate value through sustainable business activities to remain an essential participant in world society and worthy of its support. By strengthening corporate governance and CSR activities to this end, we are building a sound, transparent management structure and seeking a harmonious balance with our many stakeholders. We are also reinforcing our businesses by promoting patent filings and the acquisition of rights around intellectual property emerging from business activities.

The following is a summary of approaches, initiatives and successes pertaining to these elements of the Group's management base.



Corporate Governance

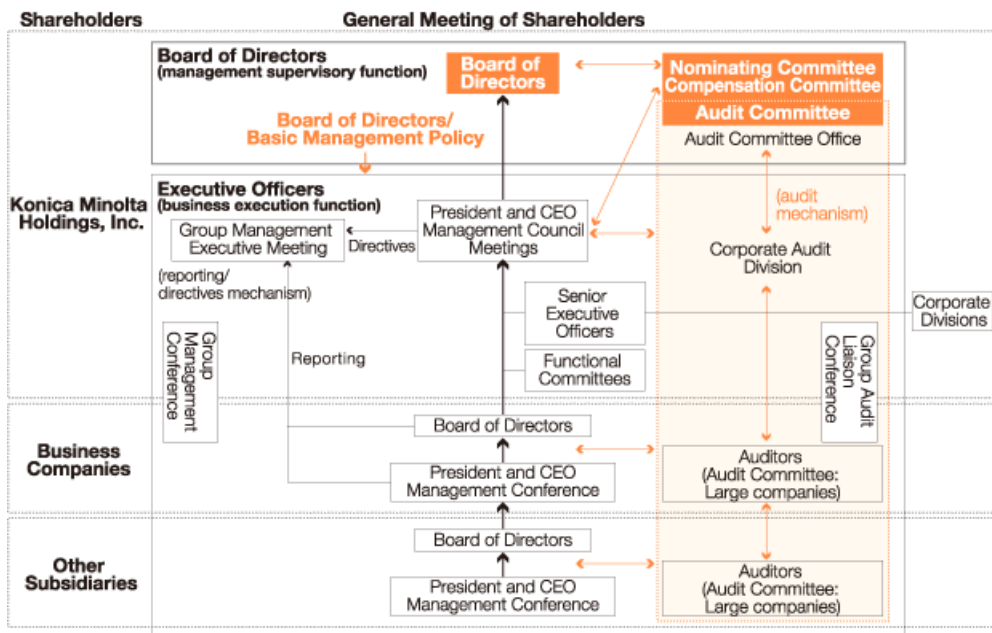
Approach to Corporate Governance

The Konica Minolta Group is continually working to strengthen its business and respond to the diverse expectations of society with the aim of increasing corporate value. The Group believes that the essence of good corporate governance lies in being accountable for its actions to all shareholders, investors, and other stakeholders. With that understanding, the Group has established a management structure that responds flexibly to changes in the market environment to allow more timely, appropriate decision-making on important matters. The Group also continues to improve its corporate governance functions to ensure greater management transparency and soundness.

Management and Governance Structure

To strengthen its management supervisory function, and expedite decision-making by transferring significant authority to the executive officers, the Konica Minolta Group has adopted a company-with-committees system. The Board of Directors includes four outside directors, who are highly independent and have no significant business relationships with the Group. The majority of directors do not serve concurrently as executive officers. Moreover, to further ensure the supervisory function of the Board of Directors, a director who is not serving concurrently as president or other executive officer is elected as Chairman of the Board of Directors. In addition, the company-with-committees system has three committees within the Board of Directors—the Nominating, Audit, and Compensation committees—each of which comprises five directors (three of whom are outside directors). In order to ensure better management transparency, none of the directors comprising the committees serve concurrently as executive officers, and outside directors are chosen to chair each committee.

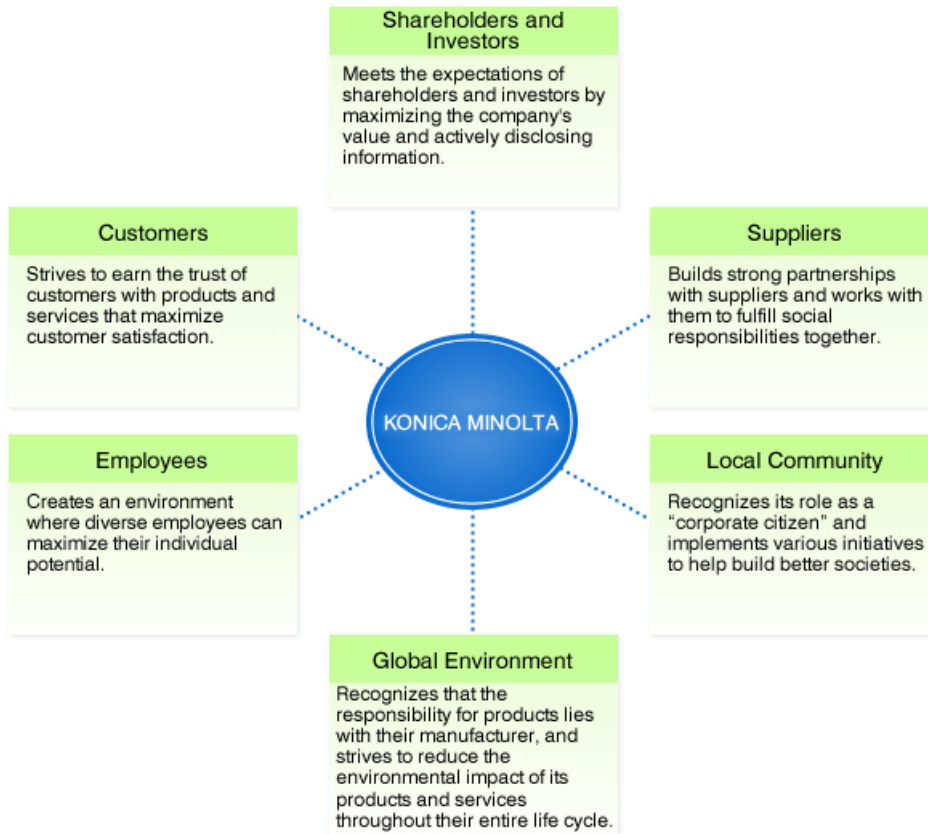
<Corporate Governance System and Management Structure>



CSR Initiatives

Approach to CSR

At the Konica Minolta Group, we view CSR initiatives as synonymous with good management, and work as a Group to promote programs for realizing sustainable growth for society. It is critical that we demonstrate a commitment to doing what we must to remain an essential participant in world society and worthy of its support. From this standpoint, we are determined to fulfill our corporate social responsibility with respect to our various stakeholders, whether customers, business partners, shareholders and investors or others. Global environmental problems, meanwhile, are the most pressing concern that the Konica Minolta Group must address today. As a company in the manufacturing sector, devising ways to leverage our own diverse technologies to contribute to the environment is an important challenge. Furthermore, we recognize that our clearest social responsibility is to help realize a sustainable world and society through technological innovation. To this end, we strive to create products and services that assist in global environmental preservation.



Intellectual Property

Basic Approach

At the Konica Minolta Group, we aggressively pursue patent filings and other steps to convert research and development results into viable property rights. In this way, we maintain our competitive edge in terms of patents, thereby enhancing corporate value.

Contribution of Intellectual Properties to Business Activities

The Konica Minolta Group possesses a host of outstanding core technologies in the materials, optical nano-fabrication, and imaging fields honed through years of business that began with optical technologies. The further refinement and amalgamation of these core technologies, meanwhile, is enabling the Group to create new value.

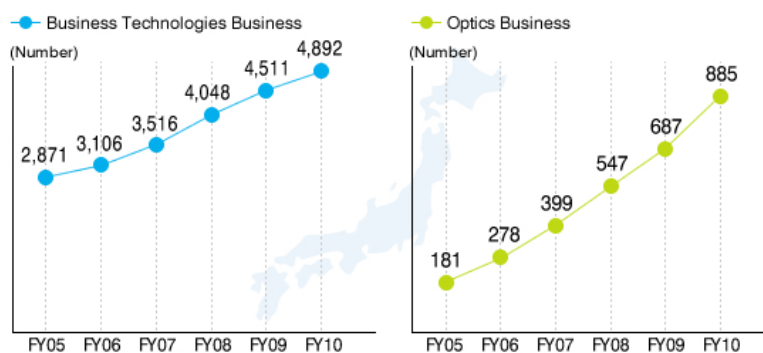
A great example of this is roll-to-roll coating-based Organic Light Emitting Diode (OLED) lighting. Konica Minolta was the first in the world to successfully develop this lighting solution, which emerged by combining functional organic material synthetic technology cultivated in photographic materials, optical design technology derived from work in lenses, and film-making and coating technology refined in film manufacturing.

In this way, we are pushing vigorously ahead with fostering OLED lighting and other new businesses in environment and energy, which we have positioned as a future growth field. At the same time, the Group is concentrating intensely on building a portfolio of related patents to maintain its dominant market presence.

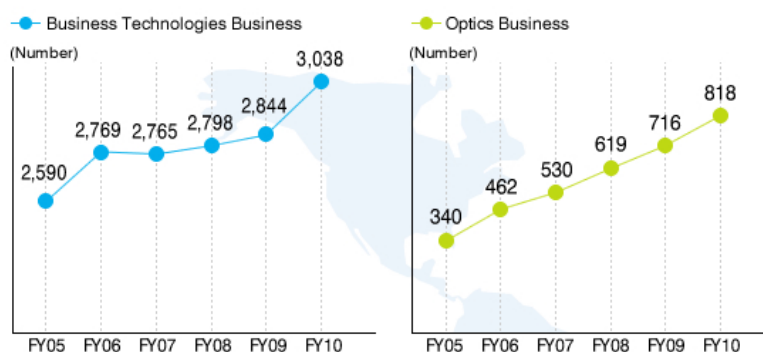
In existing business domains, the Konica Minolta Group has identified priority technological fields where it is eyeing business expansion and a Genre-top presence. In those fields, we will focus closely and systematically on invention and discovery, appropriately selecting the countries in which to file patents and executing measures for swift conversion to patent rights.

The Group's superiority in terms of patents is enhanced not only from the acquisition of high-quality patents, but by possessing a large portfolio of such patents. We are particularly dedicated to building up high-quality patents in Business Technologies Business and Optics Business, our core business segments. As a result, we have steadily increased the number of Konica Minolta Group patents since FY March 2006. As of March 31, 2011, the Group possessed rights to 7,839 patents in Japan and 5,498 patents in the United States. Patents in core business fields (Business Technologies and Optics) accounted for 74% of the Group's patents in Japan, and 71% of its U.S. patents.

Japanese Patents in Key Business Fields

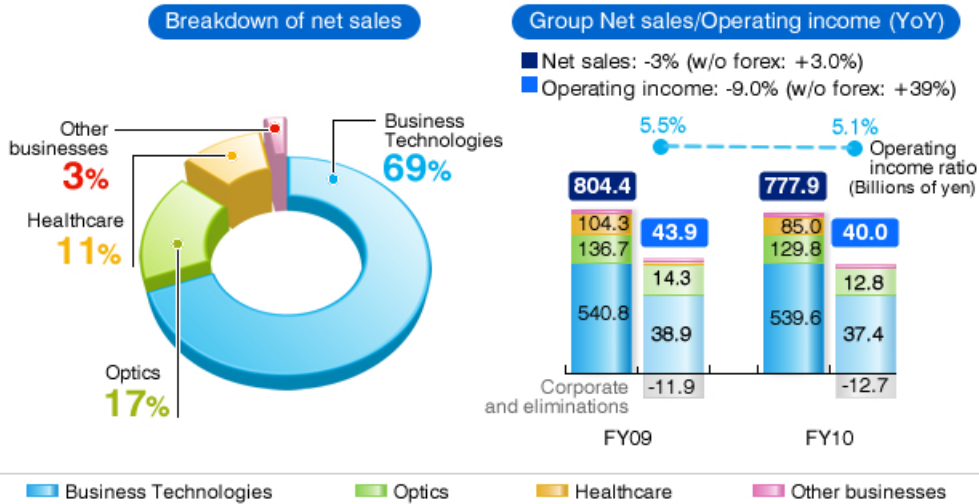


U. S. Patents in Key Business Fields



Business Overview

Group Performance in FY March 2011



Business Technologies



Review of Operations

This business company consists of the mainstay office field and the growth field of production print.

Office field: KONICA MINOLTA BUSINESS TECHNOLOGIES, INC is engaged in the worldwide manufacture and sale of office equipment centered on A3 MFPs (multi-functional peripherals) and A4 MFPs based on laser printers, as well as equipment maintenance services.

Production print field: In addition to the existing "business convenience store" business field, offering services related to intensive in-house printing, copying and data printouts, the Company is involved in manufacture and sales of equipment for production print systems and graphic arts, and solution services in the field of digital commercial printing. Substantial market growth is projected in commercial printing going forward, driven by small lot printing of multiple items.

■ Sales Breakdown by Geographical Region and Percentage of Sales from Non-hardware

	Japan	Asia	North America	Europe
Net sales by geographical region	17%	18%	28%	36%
Approx. 20% share of A3 color MFPs in North America and Europe, ranking 2nd in industry				
Sales from Hardware and Non-hardware	Hardware 48%		Non-hardware 52%	
Growth rate year on year in sales of non-hardware category (excl. currency exchange rate effects) Office: +4% / Production Print: +9%				

*Based on FY March 2011 results

Optics



Review of Operations

This business company consists of businesses in the fields of display materials, memory devices and image input/output components.

Display materials field: The KONICA MINOLTA OPTO. INC. develops TAC film for LCD polarizers and VA-TAC film for increasing viewing angle, which are widely used as monitors for the televisions, PCs and mobile phones.

Memory devices field: The Company has businesses in pickup lenses for optical disks, particularly objective lenses used in DVD and Blu-ray Disc™ drives for AV equipment and PCs, in addition to glass substrates for HDDs used mainly in 2.5-inch hard disks for notebook PCs.

Image input/output components field: Operations involve the development of lens units for digital cameras, digital video cameras, and mobile phones with inbuilt cameras.

■ Market Position of Major Products

Display materials field	VA-TAC films Top share	Plain TAC films for LCD polarizers Ranked 2nd in industry
Pickup lenses for optical disks	Near complete dominance in BD / recordable DVD market	
Glass substrates for HDDs	Ranked 2nd in industry	

*Estimated by Konica minolta

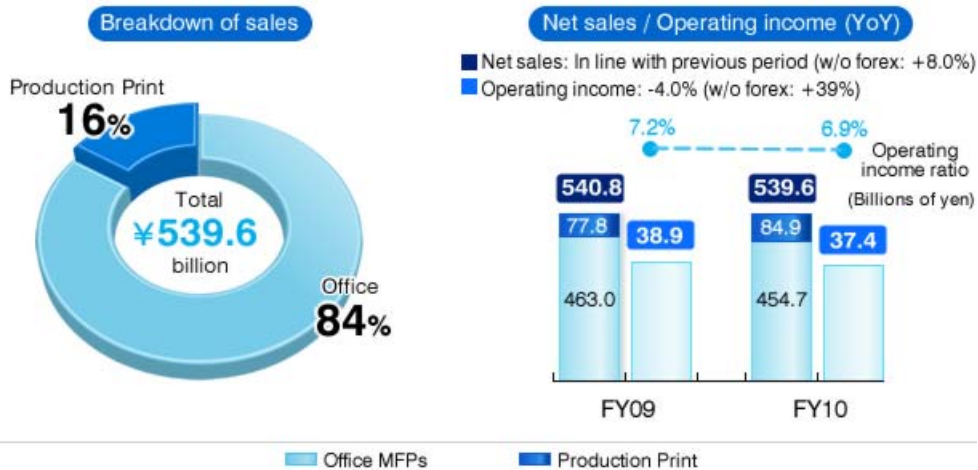
Healthcare



Review of Operations

In the healthcare field, where digitization is gaining momentum, Konica Minolta MEDICAL & GRAPHIC, INC. is promoting manufacture, sales, maintenance and service businesses for diagnostic imaging systems, centered on high-resolution digital X-ray diagnostic image readers that take advantage of cutting-edge image processing technology.

Business Technologies Business



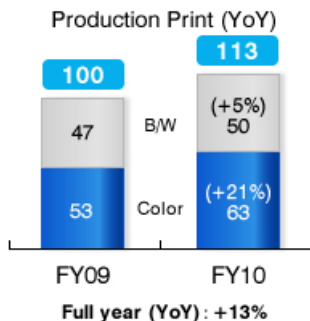
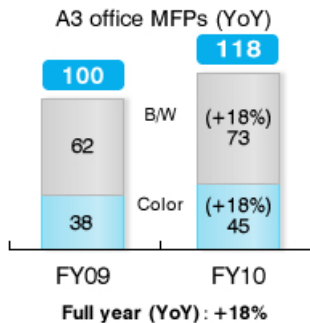
Overview of Results for FY March 2011

In the office field, demand for MFPs for offices gradually continued to recover in the Japanese market and major overseas markets. Sales of the color MFPs and monochrome MFPs of the bizhub series, which focused on facilitating customers' efforts to reduce TCO (total cost of ownership; denoting total costs for implementation, use, and maintenance of MFPs), were solid in the US market and major markets in Europe. As a result, sales volumes for the fiscal year under review rose from the previous year. The bizhub 184/164 series, which was launched as monochrome MFPs for emerging markets only, contributed to the expansion of market share, especially in the Chinese market.

In the production print field, we launched three new color products, bizhub PRESS C8000/C7000/C6000, in addition to the existing bizhub PRO series, and started to develop the digital commercial printing field in earnest. With many inquiries for those new products in the US and European markets, sales volumes of color and monochrome products rose from a year ago. Overall, in our Business Technologies Business we sought to boost sales of new products having enhanced market competitiveness in the office and production print fields in line with our "Genre-top" strategy. We also started to provide OPS (Optimized Print Services) on a global scale, in response to increasing market needs. At the same time, to strengthen our IT services capability, we established an alliance with Getronics N.V. (Netherlands) in Europe in November 2010, and we acquired All Covered Inc. of the United States in December 2010. As a result, sales in the Business Technologies Business were ¥539.6 billion, on par with the previous fiscal year. Operating income came to ¥37.4 billion, down 3.9% year on year. Excluding the adverse effects of exchange rates of ¥45.9 billion on sales and ¥16.7 billion on income, net sales and operating income rose 8.3% and 39.0%, respectively.

Sales volumes of main products

Base index: FY09 = 100



Strategy Going Forward Under "G PLAN 2013"

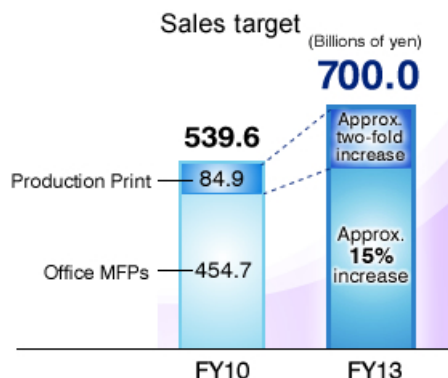
Under G PLAN 2013, we are targeting sales for the Business Technologies Business of ¥700.0 billion for FY March 2014, the final year of the plan. To reach this target we will continue to launch strong products in the office and production print fields over the next three years, with the goal of further increasing our competitive strength. Our focus for driving growth in this business will be on the three fields of production print, emerging markets, and services centered on OPS.

In production print we will continue to expand our business domain from our area of strength in light production to cover medium and heavy commercial printing also. We will actively seek to form strategic alliances to achieve this. Moreover, we will concentrate on our customer-oriented approach of acquiring a solid understanding of our customers' needs by industry type and business categories. In this way, we plan to achieve the top position in the market for color print volume.

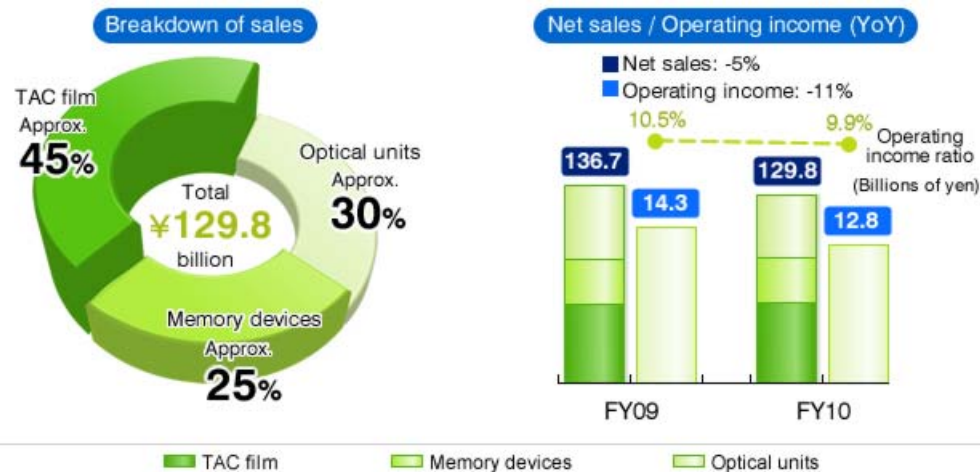
In emerging markets, we will continue to strengthen our position in the Chinese market for office MFPs, where we have built a strong business foundation. At the same time, we will expand our sales in other regions of Asia, including India, Indonesia, and Thailand. To achieve this we plan to accelerate our efforts to establish subsidiaries and to develop a sales network based on them.

In the OPS business, we will strengthen our service capabilities and enhance our global lineup of service offerings. To achieve this, we will actively seek to promote M&A activities targeting IT services companies. We also have concluded multi-year global agreements with several global major accounts and received GMA projects. We will continue to add more as a means of reinforcing our ability to provide services.

By following through on these key policies, we aim to achieve average annual sales growth for this business of 9% in real terms over the three years covered by G PLAN 2013. Our A3 color MFPs, which underpin our growth, seem well placed to maintain average annual growth in unit sales of 15%, and provide stable revenue. We also plan on our growth driver, color production print products, achieving average annual growth of 25% over the three-year period.



Optics Business



Overview of Results for FY March 2011

In the display materials field, we saw liquid crystal display panel production start to recover in October 2010 after production adjustments by manufacturers that began in the summer of 2010. With the development of new VA-TAC films for increasing viewing angle and the start of shipments of TAC films for IPS panels in the second half of the fiscal year, we saw solid sales of products that represent the Company's strengths. Overall sales volumes of TAC films rose from a year ago.

In the memory devices field, sales volumes of pickup lenses for optical disks increased year on year, led by pickup lenses for Blu-ray Discs™. Sales volumes of glass substrates for HDDs also rose, led by high-density recording products, including 320GB. However, the growth was not as strong as originally anticipated, given the effects of prolonged production adjustments in the personal computer and digital home appliances industries since last summer.

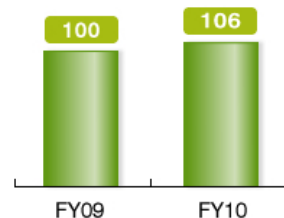
In the image input/output components field, sales volumes of lens units for digital cameras and video cameras rose year on year, but volumes for mobile phones with cameras fell sharply, partly as a result of weak sales of models equipped with the Company's products.

Of our mainstay products in this Business, sales volumes of plain TAC films and VA-TAC films rose steadily as production adjustments by customers ended relatively early and we worked to expand sales. Sales volumes of glass substrates for HDDs were also solid. However, sales volumes of pickup lenses for optical disks were sluggish overall, reflecting prolonged production adjustments by customers. Sales of lens units and related items were also weak. As a result, sales of the Optics Business stood at ¥129.8 billion, down 5.1% year on year, and operating income was ¥12.8 billion, declining 11.0%.

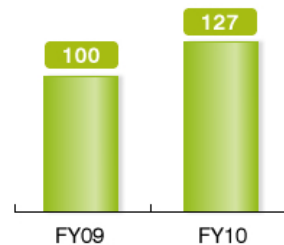
Sales volumes of main products

Base index: FY09 = 100

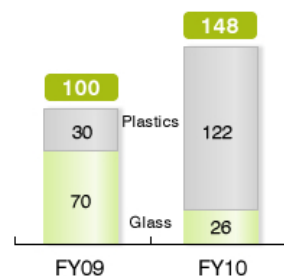
TAC films (YoY)



Glass substrates for HDDs (YoY)



Pickup lenses for optical disks (YoY)



Strategy Going Forward Under “G PLAN 2013”

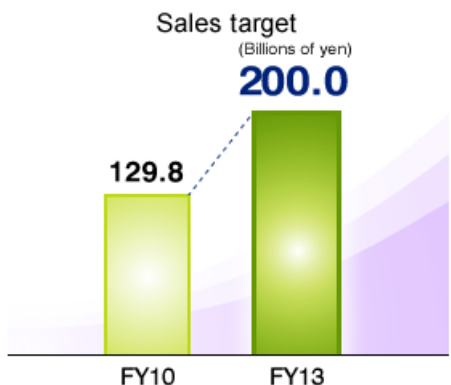
In the Optics Business we have continued to position the TAC film business as our main revenue base for the next three years. For other business units we will firmly grasp growth opportunities, with a view to establishing secondary and tertiary pillars of revenue. Our quantitative targets for this Business are for sales of ¥200 billion by FY March 2014.

In terms of growth drivers, we will focus on thinner TAC films, growth areas in optical units, and new fields.

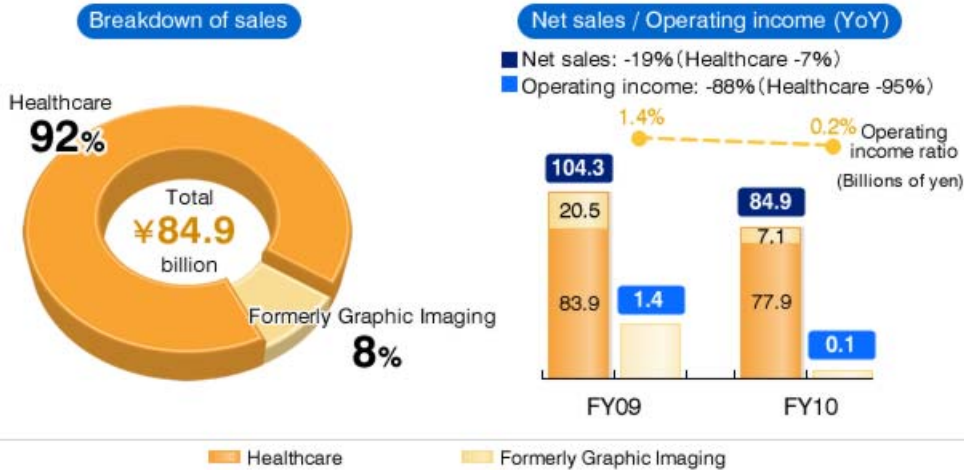
In TAC films, we will launch new VA-TAC products that adapt to new technologies such as LED backlights, 3D, and other advances in large-screen LCD televisions, taking advantage of our strength in thin and extra-wide films. We also intend to develop new customers by launching products for IPS panels, and to expand our customer base by meeting prices in the Chinese market.

In the optical unit field, over the next three years we plan to expand our business scale in growth areas, namely lens units for smartphones and digital cinemas, and interchangeable lenses for digital single-lens reflex cameras.

In new fields, we will accelerate the commercialization of LED lighting components so that these can contribute to earnings. In three years time, we aim to raise their share of sales to around 10% of the total for the Optics Business.



Healthcare Business

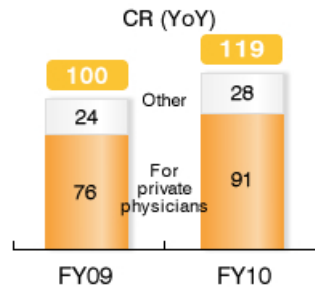


Overview of Results for FY March 2011

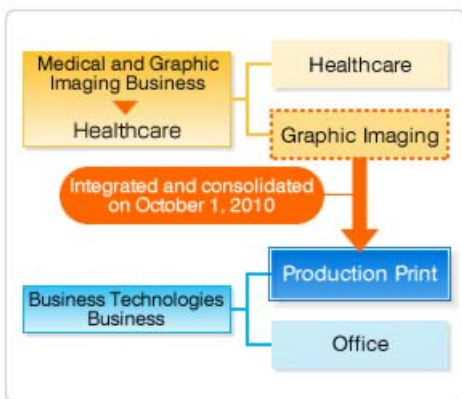
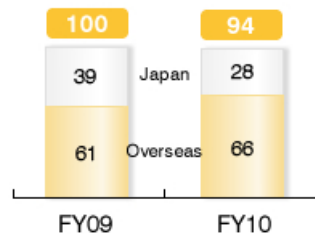
In the Healthcare Business, we continued our efforts to boost sales of Computed Radiography (CR) and Digital Radiography (DR), including REGIUS MODEL 110/210, diagnostic workstations, and network devices. We also worked to boost sales in our service solution business. As a result, unit sales of digital input equipment in the REGIUS series increased from the previous fiscal year in both Japan and overseas markets. On the other hand, sales of film products continued to decline due to a continued increase in use of filmless equipment. FY March 2011 was between seasons for new products, and earnings were influenced by falling prices of existing products and amounts for upfront costs, including development costs, as well as the effects of the appreciation of the yen. As a consequence, net sales in the Healthcare Business declined 18.6% year on year, to ¥84.9 billion, and operating income stood at ¥0.1 billion, down 88.3% year on year.

Sales volumes of main products

Index takes FY09 sales as 100



Dry Film (YoY)



Strategy Going Forward Under “G PLAN 2013”

For the past several years, we have not launched any new digital X-ray diagnostic imaging systems, and with sales of X-ray film declining, mainly in Japan, the Company has been struggling somewhat. Growth in this Business is another aim during the three years of G PLAN 2013. Our main growth drivers for this Business include launching new digital equipment, developing new markets in Asia, and expanding service revenues, mainly through maintenance services.

In digital equipment we will target the needs of the clinic market in Japan and emerging markets for small CR. In flat panel X-ray DR we will target the market for small and medium-sized hospitals, expanding our product lineup to meet the needs of these customers. With this digital equipment and a firmly customer-centered approach, we believe we can redirect this business to a growth trajectory.

We will drive this growth through services, maintenance, and added-value IT services targeting our customer base in new digital equipment products. In the Asian markets, we expect to see steady sales growth, driven by expansion in demand not only for new CR, but also for X-ray film.

