1. Consolidated Operating Results

(1) Overview of Performance

Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)

Six months (Apr–Sep) Year-on-Year [Billions of yen]

	Apr-Sep 2010	Apr-Sep 2009	Increase (Decrease)	
Net sales	391.8	393.3	(1.5)	-0.4%
Gross profit	180.9	168.8	12.0	7.1%
Operating income	22.6	9.1	13.4	146.8%
Ordinary income	17.9	8.7	9.1	105.1%
Income before income taxes and minority interests	11.6	6.9	4.6	67.8%
Net income	8.6	3.5	5.1	144.3%
Net income per share [yen]	16.29	6.67	9.62	144.2%
Capital expenditure	24.6	17.4	7.2	41.3%
Depreciation	27.4	30.8	(3.4)	-11.1%
R & D expenses	35.3	35.3	0	0.1%
Free cash flow	12.5	32.0	(19.5)	-60.8%
Number of employees [persons]	36,703	36,008	695	1.9%
Exchange rates [yen]				
US dollar	88.94	95.49	(6.55)	-6.9%
Euro	113.83	133.16	(19.33)	-14.5%

The net sales of the Konica Minolta Group for the consolidated first half of the fiscal year under review (April 1, 2010 to September 30, 2010) stood at ¥391.8 billion, almost unchanged from a year ago. These results reflected a negative impact of the foreign exchange of approximately ¥26.2 billion, attributable to the significant appreciation of the yen against both the U.S. dollar and euro during the first half under review, compared with the level a year ago. Excluding the above negative impact of the exchange, net sales climbed ¥24.7 billion, rising 6.3% year on year. In the Business Technologies Business, sales of new multi-functional peripherals (MFPs) for offices remained strong in Japan, Europe and the United States, as well as in emerging markets. Meanwhile, sales volumes of both the color and monochrome products in the first half under review climbed significantly from the same period of the previous fiscal year. In the Optics Business, sales of the Company's mainstay products, such as TAC films (protective films for polarizing plates), glass HD substrates, and optical pickup lenses for Blu-ray Discs remained stagnant, reflecting the effects of production adjustment by customers starting this summer.

Operating income for the first half of the fiscal year under review reached ¥22.6 billion, up 146.8% from the previous fiscal year. The principle factor contributing to the profit increase was a significant rise in gross profit, reflecting higher unit sales of new MFPs , for which the Company adopted cost cutting and achieved high profitability. This factor offset foreign exchange losses caused by the appreciation of the yen.

Ordinary income was ¥17.9 billion, rising 105.1% from a year ago, reflecting the posting of operating income as described above, which offset a cost overrun of ¥4.7 billion in non-operating expenses/income as a result of foreign exchange losses and other factors.

Income before income taxes and minority interests for the first half of the fiscal year under review was

¥11.6 billion, up 67.8% year on year, after posting extraordinary losses associated with business structure improvement expenses as a result of sale of Computer-to-Plate (CTP) business of Konica Minolta Graphic Imaging U.S.A., Inc.

Consequently, net income rose 144.3% from the previous fiscal year, to ¥8.6 billion.

In accordance with the Management Policy <09-10> formulated in April 2009, the Konica Minolta Group has been committed to achieving growth through the creation of new and stronger trends, taking advantage of the significant changes in the business environment and improving the Group's position in the market. The Management Policy <09-10> has recognized three important issues: 1) enhancing corporate capabilities, 2) achieving strong growth, and 3) reforming the corporate culture. The Policy runs for two years from the previous fiscal year ended March 2010 until the current fiscal year ending March 2011.

Now in the second year of its Management Policy <09-10>, which it views as a return to growth, the Group will steer through the fluid economic climate to bring an end to two consecutive years of revenue and profits declines and to pursue an aggressive management approach aimed at achieving robust growth. The Group's efforts are focused on expanding the sales and scope of existing businesses, and boosting sales in the growing Asian market. To establish a direct sales channel in the Indian market in line with this policy, the Business Technologies Business and the Healthcare Business set up sales companies. In addition, to accelerate the expansion of the production printing business, particularly in the digital commercial printing field, the Group has restructured its operations by amalgamating the graphic imaging division of the Medical & Graphic Imaging Business and the Business Technologies Business in October 2010. Sale of CTP business in the United States was also conducted as part of the above measures "selection and concentration" to concentrate on the Group's core competencies.

(2) Overview by Segment

Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)

	Six months (Apr – Sep)			
		Year-on-Year		[Billions of yen]
	Apr-Sep 2010	Apr-Sep 2009	Increase (Decrease)	
Business Technologies				
Net sales - external	266.0	259.9	6.1	2.4%
Operating income	19.5	7.8	11.7	148.4%
Optics				
Net sales - external	69.1	70.4	(1.3)	-1.9%
Operating income	7.9	6.1	1.8	30.6%
Medical & Graphic				
Net sales - external	44.9	52.9	(8.0)	-15.1%
Operating income	0.5	1.7	(1.2)	-67.6%

Business Technologies Business

Office MFPs field:

In A3 MFPs, sales volumes jumped year on year for the first half of the fiscal year under review, thanks to continued strong sales in Japan and major overseas markets of the color and monochrome products of the bizhub series, which focus on facilitating customers' effort to cut the total cost of ownership (TCO: total cost including installation, usage and maintenance of MFPs). In addition, bizhub 184 and 164, which were monochrome MFPs, and introduced as products specially designed for emerging markets, helped to expand the Company's market share, especially in the Chinese market. In A4 MFPs, which are expected to enjoy rising demand in the overseas market in the future, the Company has strengthened its product lineup of MFPs for offices by launching a new color product, bizhub C35.

Production printing field:

In addition to the existing bizhub PRO series, the Company commenced sales of bizhub PRESS C8000, the top-of-the-range model in this field, aiming to develop operations to the fullest possible extent in the digital commercial printing field.

Overall, our Business Technologies Business sought to boost sales of new products that offered improved market competitiveness for offices and production printing, in line with our "genre-top" strategy. In addition, taking advantage of strong relationships with customers that had been developed under the same strategy, the Company started to provide optimized print services (OPS: the services for managing customers' print and document environments to reduce costs and drive office efficiencies) on a global scale to offer new value and expand its business opportunities. As a result, sales of the Business Technologies Business to outside customers rose 2.4% from the previous fiscal year, to ¥266.0 billion. Excluding the negative impact of approximately ¥22.6 billion in exchange rate fluctuations, sales increased 11.1%. Operating income jumped 148.4%, to ¥19.5 billion, on the back of improved gross profit enabled by higher sales volumes.

Optics Business

Display materials field:

Sales volumes of VA-TAC films (viewing angle expansion films) declined on a year-on-year basis, given the effects of production adjustment carried out by manufacturers of liquid crystal panels since this summer. However, overall sales volumes were higher than the year-ago result, aided by strong sales of the extra-wide and thin TAC films in which the Company has strength.

Memory related product field:

Overall sales volumes of optical pickup lenses for both Blu-ray Discs and DVDs for personal computers, game machines, and audio-visual equipment, for the first half of the fiscal year under review fell short of achieving the growth anticipated, given the effects of production adjustment carried out by customers. Despite strong sales of glass HD substrates that accommodate high memory densities of 320GB, growth in overall sales volumes of glass HD substrates slowed with the production adjustment of notebook computers.

Image input/output component field:

Sales of optical components mainly for digital cameras, video cameras, and cell phones with cameras generally remained weak.

Overall, sales volumes of the Company's mainstay products, such as TAC films, optical pickup lenses, and glass HD substrates, remained sluggish, as a result of the production adjustment seen in the overall digital home electrical appliances industry in the second quarter of the fiscal year under review. As a consequence, net sales of the Optics Business to outside customers were down 1.9% from the previous year, to ¥69.1 billion, while operating income increased 30.6%, to ¥7.9 billion.

Medical and Graphic Imaging Business

Medical/healthcare field:

In the digital X-ray diagnostic imaging area, the Company took steps to boost sales of digital input equipment and systems, and the service solution business. As a result, unit sales of digital input equipment for the first half of the fiscal year under review exceeded the result for the same period in the previous year, both in Japan and overseas, reflecting strong sales of the REGIUS MODEL 110, a compact computed radiography device for small medical facilities. In contrast, unit sales of film products declined from a year ago, given a continued rise in the use of filmless equipment.

Graphic imaging field:

Faced with the severe market environment and sluggish capital spending amidst an economic slump in the aftermath of the financial crisis, the Company focused on bolstering sales of on-demand printing systems. As a result, unit sales in this field exceeded the result for the same period in the previous fiscal year.

The Medical & Graphic Imaging Business focused on strengthening sales of digital equipment and systems, and the service solution business. Given a continued decline in sales volumes of film products, however, in addition to the impact of the appreciation of the yen, net sales of the Medical and Graphic Imaging Business to outside customers were ¥44.9 billion, down 15.1% year on year. Operating income fell 67.6% from the previous year, to ¥0.5 billion, despite the Company's cost-cutting efforts to compensate for a decline in gross profit, which in turn reflected lower sales.

(3) Three months ended September 30, 2010 (From July 1, 2010 to September 30, 2010)

Year-on-Year [Billions of yen]

	2Q Mar/2011	2Q Mar/2010	Increase (Decrease)	
Net sales	197.1	203.9	(6.7)	-3.3%
Gross profit	92.4	89.2	3.2	3.7%
Operating income	12.7	9.7	3.0	30.9%
Ordinary income	11.4	8.1	3.3	41.3%
Income before income taxes and minority interests	9.4	6.5	2.8	44.5%
Net income	5.1	3.2	1.9	59.0%
Net income per share [yen]	9.70	6.10	3.60	59.0%
Capital expenditure	13.5	9.9	3.5	35.7%
Depreciation	13.5	15.5	(1.9)	-12.6%
R & D expenses	18.2	17.6	0.5	3.2%
Free cash flow	13.8	26.9	(13.0)	-48.5%
Exchange rates [yen]				
US dollar	85.87	93.65	(7.78)	-8.3%
Euro	110.66	133.74	(23.08)	-17.3%

Three months Business Performance by Segment

Year-on-Year [Billions of yen]

	2Q Mar/2011	2Q Mar/2010	Increase (Decrease)	
Business Technologies				
Net sales - external	133.2	132.7	0.5	0.4%
Operating income	11.9	7.6	4.3	56.3%
Optics				
Net sales - external	33.9	36.4	(2.5)	-6.9%
Operating income	2.8	4.4	(1.5)	-35.1%
Medical & Graphic				
Net sales - external	23.8	29.2	(5.3)	-18.2%
Operating income	0.6	0.9	(0.2)	-30.7%

2. Financial Position

(1) Analysis of Financial Position

		As of September 30, 2010	As of March 31, 2010	Increase (Decrease)
Total assets	[Billions of yen]	850.5	865.7	(15.2)
Total liabilities	[Billions of yen]	436.6	445.0	(8.3)
Net assets	[Billions of yen]	413.8	420.7	(6.9)
Net assets per share	[yen]	778.18	791.28	(13.10)
Equity ratio	[%]	48.5	48.5	0.1

Total assets at the end of the second quarter of the fiscal year under review were down ¥15.2 billion (1.8%) from the previous fiscal year end, to ¥850.5 billion. Current assets rose ¥2.7 billion (0.6%), to ¥492 billion (57.9% to total assets), while noncurrent assets fell ¥18.0 billion (4.8%), to ¥358.4 billion (42.1% to total assets).

With respect to current assets, cash and deposits increased ¥4.5 billion from the previous fiscal year end, to ¥90.1 billion. Cash and cash equivalents including investment securities rose ¥5.3 billion, to ¥169.4 billion. Also, notes and accounts receivable-trade declined ¥17.0 billion from the previous fiscal year end, to ¥160.7 billion, and inventories were up ¥7.5 billion from the previous fiscal year end, to ¥105.7 billion

With respect to noncurrent assets, tangible assets decreased ¥6.6 billion from the previous fiscal year end, to ¥198.4 billion, as the result of overall progress in depreciation, which offset an increase resulting from the acquisition of buildings, machinery, and equipment in the Optics Business. Also, intangible assets were down ¥8.1 billion from the previous fiscal year end, to ¥90.9 billion, primarily because of the amortization of goodwill and other intangible assets. Investments and other assets declined ¥3.3 billion from the previous fiscal year end, to ¥69.0 billion, mainly due to a decrease of ¥2.3 billion in the mark-to-market evaluation of investment securities as a result of stock price decline.

Liabilities at the end of the second quarter of the fiscal year under review decreased ¥8.3 billion (1.9%) from the previous fiscal year end, to ¥436.6 billion (51.3% to total assets).

Interest-bearing debt (the total of short, long-term loans and bonds) slipped ¥6.4 billion to ¥190.9 billion, mainly due to the repayment of short-term loans.

Accounts payable-other rose ¥4.1 billion from the previous fiscal year end, mainly reflecting the acquisition of noncurrent assets, and notes payable-facilities climbed ¥1.4 billion. Meanwhile, provision for retirement benefits decreased ¥ 5.5 billion from the previous fiscal year end, partly because of the exceptional contribution recorded in the first quarter of the fiscal year under review.

Net assets at the end of the second quarter of the fiscal year under review were down ¥6.9 billion (1.6%) from the previous fiscal year end, to ¥413.8 billion (48.7% to total assets).

Retained earnings increased ¥4.6 billion from the previous fiscal year end, to ¥198.4 billion, as net income of ¥8.6 billion posted for the first half of the fiscal year under review outweighed ¥3.9 billion for dividends. Valuation and translation adjustments declined ¥11.6 billion from the previous fiscal year end, attributable to a decrease in the foreign currency translation adjustment, reflecting a stronger yen mainly against the U.S. dollar and the euro.

As a result, net assets per share at the end of the second quarter of the fiscal year under review stood at ¥778.18. The equity ratio was unchanged from the previous fiscal year end at 48.5%, with declines in both total assets and equity capital.

(2) Cash Flows

[Billions of yen]

	2Q Mar/2011	2Q Mar/2010	Increase (Decrease)
Cash flows from operating activities	31.8	54.0	(22.2)
Cash flows from investing activities	(19.2)	(22.0)	2.7
Total (Free cash flow)	12.5	32.0	(19.5)
Cash flows from financing activities	(7.7)	7.3	(15.1)

During the first half of the fiscal year under review, net cash provided by operating activities was ¥31.8 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥19.2 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥12.5 billion.

Net cash used in financing activities was ¥7.7 billion

In addition, exchange rate changes had an effect of ¥0.5 billion on cash and cash equivalents. As a result, cash and cash equivalents at the end of the second quarter of the fiscal year under review stood at ¥169.4 billion, up ¥5.3 billion from the previous fiscal year end.

The details of cash flows associated with each activity during the first half of the fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities reached ¥31.8 billion (¥54.0 billion in the same period in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥11.6 billion, depreciation and amortization of ¥27.4 billion, and an increase in working capital of ¥1.7 billion, these amounts were partly offset by a decline of ¥5.9 billion in the provision for retirement benefits, reflecting the exceptional contribution recorded in the first quarter of the fiscal year under review, and the payment of ¥3.1 billion for income taxes.

Cash flows from investing activities

Net cash used in investing activities was ¥19.2 billion (¥22.0 billion in the same period in the previous consolidated fiscal year). Cash of ¥16.8 billion was used for investments in molding for new products in the Business Technologies Business and in the acquisition of tangible fixed assets relating to the reinforcement of production capacities in the Optics Business, our strategic business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥12.5 billion (an inflow of ¥ 32.0 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was ¥7.7 billion (an inflow of ¥7.3 billion in the same period of the previous fiscal year), mainly reflecting a payment of ¥3.9 billion in dividends, and repayments of ¥3.7 billion in short-term loans and lease obligations.

(Note) Amounts mentioned above do not include consumption taxes.

3. Outlook for the Fiscal Year Ending March 31, 2011

Taking into account operating results for the first half of the fiscal year under review, the outlook for both the domestic and overseas economy from the third quarter and beyond, the development in markets associated with the Company's operations, and trends in foreign exchange rates, among other factors, the Company has reviewed the full-year forecasts it announced on May 13, 2010. Consequently, it has decided to revise the forecasts as follows. With respect to the assumption of foreign exchange rates for the third quarter and beyond, on which the above revision is based, the Company has raised the assumption ¥5 against the U.S. dollar from previous assumption, to ¥85 against the U.S. dollar, and ¥110 against the euro. (The assumption of the exchange rate of the euro has been left unchanged, because it was revised to ¥110 from an initial assumption of ¥120 when the operating results for the first quarter were announced.)

Outline of the revisions

Net sales are expected to fall ¥30 billion from the previous forecast, mainly reflecting a decline in sales, as a result of the application of a stronger exchange rate for the yen, and concerns over the continuing production adjustment carried out by customers for the Company's key products in the Optics Business.

The Company has left operating income unchanged from the previous forecast. This is principally because of the expectation of higher income from the Business Technologies Business, in which sales of new and profitable MFPs will be strong, and from other businesses. It also reflects the effects of initiatives to bolster the Company's profitability by further cutting production costs and other expenses, which will offset reduced profits in the Optics Business from lower sales.

The Company expects that ordinary income will fall ¥3 billion from the previous forecasts, given the recording of foreign exchange losses as non-operating expenses in association with the appreciation of the yen.

The Company has kept forecast net income unchanged from the previous forecast, after reviewing extraordinary income (loss) and tax expenses.

Outlook for the Fiscal Year Ending March 31, 2011
(From April 1, 2010 to March 31, 2011)

[Billions of yen]

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous forecast (A)	830.0	50.0	46.0	20.0	37.72 yen
Revised forecast (B)	800.0	50.0	43.0	20.0	37.72 yen
Increase (Decrease) (B-A)	(30.0)	—	(3.0)	—	
Percent Change (%)	(3.6)	—	(6.5)	—	
(Ref.) Fiscal year ended March 31, 2010	804.4	43.9	40.8	16.9	31.93 yen

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 billion yen.

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None

(2) Adoption of simplified accounting methods and/or special accounting treatment for the quarterly consolidated financial statements

I. Simplified accounting methods

Method for calculating the estimated reserve for general accounts receivable

In calculating the estimated reserve for general accounts receivable at the end of the second quarter, as noteworthy changes in the bad debt rate are not recognized, the rate at the end of the previous fiscal year is employed.

Method for assessing the value of inventories

The accounting method is applied only to those inventories that are clearly losing their capacity to contribute to profitability, and is used to estimate their net sales value and reduce their book value to the level of the net sales value.

Method for calculating the deferred tax assets and liabilities

In judging the possibility of recovering deferred tax assets, as severe and major changes in the operating environment and major temporary differences following the close of the previous consolidated fiscal year are not recognized, the future business forecasts and tax planning documents that were used for making such judgments related to the previous fiscal year are used.

II. Special accounting treatment used in preparation of the quarterly consolidated 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 rationally estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses.

In addition, adjustments of income tax is included in income tax expenses.

(3) Changes to principles, procedures, and methods of presentation, etc., in the preparation of the quarterly consolidated financial statements:

<u>Changes to accounting principles</u>

Application of Accounting Standards for Asset Retirement Obligations

Starting from the first quarter of the fiscal year under review, the Company adopted Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

This had the effect of reducing income before income taxes and minority interests for the first half of the fiscal year under review by ¥983 million.

In addition, changes in asset retirement obligations resulting from the application of these accounting principles were ¥983 million.

<u>Changes to methods of presentation</u>

Quarterly Consolidated Statements of Income

As a result of application of the "Cabinet Office Ordinance for Amendments to the Regulations on the Terminology, Format, and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) as per Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), "Income before minority interests" is shown in the statement of income for the first quarter of the fiscal year under review.