1. CONSOLIDATED OPERATING RESULTS

(1) Qualitative Information of Consolidated Performance

1. Overview of Performance

Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)

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

		1H Mar 2012	1H Mar 2011	Increase (Decrease)	
Net sales		378.3	391.8	(13.5)	-3.4%
Gross profit		173.6	180.9	(7.2)	-4.0%
Operating income		15.6	22.6	(7.0)	-31.0%
Ordinary income		11.6	17.9	(6.3)	-35.2%
Income before income taxes and minority interests		8.4	11.6	(3.1)	-27.3%
Net income		3.7	8.6	(4.8)	-56.6%
Net income per share	[yen]	7.08	16.29	(9.21)	-56.5%
Capital expenditure		13.7	24.6	(10.8)	-44.2%
Depreciation		23.6	27.4	(3.8)	-14.0%
R & D expenses		36.7	35.3	1.4	4.1%
Free cash flow		15.9	12.5	3.3	27.0%
Number of employees	[persons]	37,007	36,703	304	0.8%
Exchange rates	[yen]				
US dollar		79.80	88.94	(9.14)	-10.3%
Euro		113.78	113.83	(0.05)	-0.0%

Looking at the main businesses of the Konica Minolta Group during the first half of the consolidated fiscal year under review (April 1, 2011 to September 30, 2011), in the Business Technologies Business, sales volumes in both the office field and the production print field for the first half of the fiscal year under review rose from the levels of the previous year, thanks to strong sales of color products in major markets both in Japan and overseas. Meanwhile, difficulties in procuring materials in the wake of the Great East Japan Earthquake had almost been resolved by the middle of the term under review. As a result, procurement and production activities recovered to normal levels. Coupled with these factors, the Company's color products, which have a high level of competitiveness in the office field, and its strong sales bases, especially in Europe and the United States, drove a strong rebound in earnings for this business for the first half of the fiscal year under review. The production print segment maintained robust sales momentum through the term under review, driven by color MFPs, even with the difficulties in procuring materials. In the Optics Business, sales of wide and thin plain TAC films for LCD polarizers (TAC films) remained strong through the term under review. Orders for glass substrates for HDDs, which had been in an adjustment phase, also recovered from the middle of the term. Meanwhile, sales of pickup lenses for optical disks and lens units for cell phones were sluggish. In the Healthcare Business, sales volumes of the digital medical input equipment, driven by the introduction of new products, rose from the year-ago level. Meanwhile, sales volumes of film products continued to struggle, reflecting a sharper fall in demand than expected in advanced countries, especially in Japan.

As a result, the Konica Minolta Group recorded net sales of ¥378.3 billion, a decrease of 3.4% year on year, on a consolidated basis for the first half of the fiscal year under review. It also posted foreign exchange losses of ¥14.0 billion, reflecting the significant appreciation of the yen against the US dollar, with the yen rising approximately ¥9 against the US dollar compared with the exchange rates in the same period of the previous fiscal year.

Operating income was ¥15.6 billion, a decrease of 31.0% from the previous fiscal year. The Group achieved income for the second quarter of the fiscal year under review that was almost on a par with that for the previous year, exceeding the previous forecasts it announced on July 28, 2011, reflecting strong sales of its main products, as described above, in the Business Technologies Business and the Optics business. However, this strong performance still failed to offset a decline in income for the first quarter of the fiscal year under review, which mainly resulted from missing sales opportunities due to the earthquake and the recording of upfront expenses for investments in growth. Ordinary income was ¥11.6 billion, a decrease of 35.2% year on year, due to the recording of net non-operating expenses of ¥4.0 billion. This principally reflected the posting of foreign exchange losses of ¥3.4 billion, given the sharp appreciation of the yen against the euro towards the end of the term under review, in addition to that against the US dollar. Income before income taxes and minority interests for the first half of the fiscal year under review was ¥8.4 billion, a decrease of 27.3% from the previous fiscal year, chiefly reflecting the recording of a loss on valuation of investment securities of ¥2.3 billion, as a result of the weak stock market, and other factors. As a result, net income was ¥3.7 billion, a fall of 56.6% year on year

In this April, the Group established G PLAN 2013, a medium-term management plan for three years from the fiscal year ending March 31, 2012 to the fiscal year ending March 31, 2014. With the keyword “Growth,” the plan has adopted three basic policies, 1) Expanding scale by achieving growth, 2) Changing into a “Global Company,” and 3) Increasing the recognition of the Konica Minolta brand. Facing an uncertain outlook in both Japan and overseas, the Konica Minolta Group is united in its commitment to proceeding steadily with a range of initiatives to achieve the goals set out in “G PLAN 2013”.

2. Overview by Segment

Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)

	Six months (Apr – Sep) Year-on-Year		[Billions of yen]	
	1H Mar 2012	1H Mar 2011	Increase (Decrease)	
Business Technologies				
Net sales - external	268.9	266.0	2.9	1.1%
Operating income	15.2	19.5	(4.3)	-22.0%
Optics				
Net sales - external	63.3	69.1	(5.7)	-8.4%
Operating income	7.2	7.9	(0.7)	-9.9%
Healthcare				
Net sales - external	34.6	44.9	(10.2)	-22.9%
Operating income(loss)	(0.3)	0.5	(0.9)	-%

Business Technologies Business

Office field:

Overall sales volumes of the A3 MFPs of the bizhub series rose year on year, reflecting strong sales of color MFPs in each of the markets of Japan, the United States, and Europe, even though sales of monochrome MFPs remained almost at the same level as those for the previous fiscal year. Meanwhile, in OPS (Optimized Print Services), viewed as a growth area in the office field, the Company achieved steady sales from major global customers, including BMW AG and NASA (the National Aeronautics and Space Administration), who entered multi-year agreements for the Company to undertake the administrative tasks of their office machinery.

Production print field:

The Company started to develop a digital commercial printing field in earnest as it began marketing three new color digital printing systems, the bizhub PRESS C8000/C7000/C6000, in autumn of 2010. Sales volumes of the bizhub PRESS C7000 and C6000, the mid-range machines, in particular, rose significantly in the main markets of the United States and Europe, reflecting strong reputation from customers. Sales volumes in this field for the term under review rose on a year-on-year basis in all markets in Japan, the United States, and Europe, reflecting strong sales of color machines as described above, despite the fact that sales of monochrome machines remained almost on a par with those of the previous fiscal year.

Overall, in line with the Group's "Genre-top" strategy, the Business Technologies Business sought to boost sales of solution services by focusing on competitive color products in the office and the production print fields. Moreover, to strengthen its IT services capability, which will play a key role in developing global OPS, the Company acquired following companies in the United States: Techcare, LLC (headquartered in Illinois) in May 2011, LAN Associates (headquartered in New York) in August 2011, and three companies including PMV Technologies (headquartered in Michigan) in September through All Covered Inc. (headquartered in California) which the Company had acquired in December 2010. The Company also acquired Koneo AB (headquartered in Sweden) in Europe in April 2011.

As a result, net sales of the Business Technologies Business to outside customers stood at ¥268.9 billion, on a par with the level achieved in the previous fiscal year. Meanwhile, the segment posted the negative impact of ¥10.5 billion in exchange rate fluctuations, reflecting the appreciation of the yen against the US dollar and other currencies. Operating income reached ¥15.2 billion. This reflected the fact that the Company achieved an income level for the second quarter of the fiscal year under review almost on a par with that for the previous year, which exceeded its initial forecasts, reflecting strong sales of its mainstay products. However, this strong performance still failed to offset a decline in income for the first quarter of the fiscal year under review, which resulted mainly from missing sales opportunities due to the earthquake and the recording of upfront expenses for investments in growth.

Optics Business

Display materials field:

Sales volumes of VA-TAC films for increasing viewing angle (VA-TAC films) for customers in South Korea and Taiwan increased significantly. Sales volumes of thin plain TAC films also remained steady. Although sales were affected by market's production adjustments since this summer, they generally remained steady through this term under review. As a result, overall sales volumes of TAC films for the first half of the fiscal year under review rose from the previous fiscal year.

Memory devices field:

Sales volumes of pickup lenses for optical disks for both Blu-ray Discs™ and DVD for the term under review declined from the results of the previous fiscal year, attributable to the weak market. Meanwhile, sales volumes of glass substrates for HDDs reached almost on a par with those for the same period of the previous fiscal year, given a recovery in orders from the first half of the fiscal year under review.

Image input/output components field:

Sales volumes of lens units for digital cameras rose from the year-ago level, but sales volumes for cell phones with cameras dropped year on year.

As a result, net sales of the Optics Business to outside customers stood at ¥63.3 billion. Operating income reached ¥7.2 billion, reflecting the effects of the Company's initiatives to bolster income, mainly by improving productivity and cutting expenses, in a bid to offset the negative impact of a decline in revenue, due to lower sales, and a decline in prices.

Healthcare Business

The Company began to sell two new digital medical input equipments, AeroDR, the cassette digital X-ray detector, and REGIUS Σ, the desktop CR (Computed Radiography), in Japan and abroad. With this introduction of new products in addition to its existing offerings, the Company has been able to respond to a wide range of needs at medical organizations. Consequently, sales volumes of digital input equipment for this term under review rose year on year. Meanwhile, sales of film products remained sluggish, reflecting a decline in demand in advanced countries, especially Japan, amid the continued rise in the use of filmless equipment, although the Company sought to expand sales in emerging countries, particularly in China.

As a consequence, net external sales of this Company were ¥34.6 billion. The operating loss stood at ¥0.3 billion, mainly reflecting the surge in prices of silver and other raw materials, in addition to lower profits, as a result of the decline in sales, which could not be offset by cost cutting and other initiatives.

<Reference>

Overview of Performance

Three months ended September 30, 2011 (From July 1, 2011 to September 30, 2011)

	Year-on-Year		[Billions of yen]	
	2Q Mar 2012	2Q Mar 2011	Increase (Decrease)	
Net sales	192.1	197.1	(5.0)	-2.6%
Gross profit	90.0	92.4	(2.4)	-2.6%
Operating income	12.3	12.7	(0.4)	-3.4%
Ordinary income	9.0	11.4	(2.4)	-21.0%
Income before income taxes and minority interests	8.0	9.4	(1.3)	-14.5%
Net income	3.8	5.1	(1.2)	-24.9%
Net income per share [yen]	7.28	9.70	(2.42)	-24.9%
Capital expenditure	8.8	13.5	(4.6)	-34.5%
Depreciation	11.9	13.5	(1.6)	-12.2%
R & D expenses	17.7	18.2	(0.4)	-2.5%
Free cash flow	15.3	13.8	1.4	10.7%
Exchange rates [yen]				
US dollar	77.86	85.87	(8.01)	-9.3%
Euro	110.15	110.66	(0.51)	-0.5%

Three months Business Performance by Segment

	Year-on-Year		[Billions of yen]	
	2Q Mar 2012	2Q Mar 2011	Increase (Decrease)	
Business Technologies				
Net sales - external	134.9	133.2	1.6	1.2%
Operating income	11.6	11.9	(0.2)	-2.4%
Optics				
Net sales - external	32.2	33.9	(1.7)	-5.2%
Operating income	3.7	2.8	0.9	31.2%
Healthcare				
Net sales - external	19.1	23.8	(4.7)	-19.9%
Operating loss	0.1	0.6	(0.5)	-80.3%

(2) Financial Position

1. Analysis of Financial Position

		As of September 30, 2011	As of March 31, 2011	Increase (Decrease)
Total assets	[Billions of yen]	821.3	845.4	(24.1)
Total liabilities	[Billions of yen]	405.1	416.4	(11.3)
Net assets	[Billions of yen]	416.1	428.9	(12.8)
Equity ratio	[%]	50.5	50.6	(0.1)

Total assets at the end of the second quarter of the consolidated fiscal year under review were down ¥24.1 billion (2.9%) from the previous fiscal year-end, to ¥821.3 billion. Current assets and noncurrent assets fell ¥10.5 billion (2.1%) to ¥491.3 billion (59.8% to total assets), and ¥13.5 billion (4.0%), to ¥329.9 billion (40.2% to total assets), respectively, from the previous fiscal year-end.

With respect to current assets, cash and deposits decreased ¥2.2 billion from the end of the previous fiscal year, to ¥85.6 billion, but securities increased ¥10.3 billion. As a result, cash and cash equivalents increased ¥8.0 billion, to ¥183.2 billion. Meanwhile, notes and accounts receivable-trade declined ¥11.3 billion from the previous fiscal year end, to ¥152.0 billion, and inventories were down ¥2.4 billion from the previous fiscal year end, to ¥97.7 billion. Deferred tax assets also decreased ¥4.9 billion.

With respect to noncurrent assets, property, plant and equipment decreased ¥12.4 billion from the previous fiscal year-end, to ¥178.2 billion, as a result of overall progress in depreciation. Intangible assets also decreased ¥0.7 from the end of the previous fiscal year, to ¥87.6 billion, primarily because of the amortization of goodwill and other intangible assets. Investments and other assets declined ¥0.3 billion, to ¥64.1 billion, mainly reflecting the decline of ¥3.3 billion in the mark-to-market evaluation of investment securities, as a result of a decline in the stock price and other factors, offsetting an increase of ¥3.9 billion in deferred tax assets.

Liabilities decreased ¥11.3 billion (2.7%) from the previous fiscal year-end, to ¥405.1 billion (49.3% to total assets). Accounts payable-other declined ¥3.6 billion, while interest-bearing debt (the sum of short-term loans payable, long-term loans payable, and bonds payable) fell ¥7.3 billion from the previous fiscal year-end, to ¥185.1 billion, mainly reflecting repayments of short-term loans payable.

Net assets were down ¥12.8 billion (3.0%) from the previous fiscal year-end, to ¥416.1 billion (50.7% to total assets). Total accumulated other comprehensive income decreased ¥12.6 billion from the end of the previous fiscal year, as a result of fluctuations in foreign currency translation adjustment, linked to the appreciation of the yen, especially against the US dollar and euro, and other factors.

As a result, the shareholders’ equity ratio stood at 50.5%, down 0.1 points from the previous fiscal year-end.

2. Cash Flows

[Billions of yen]

	1H Mar 2012	1H Mar 2011	Increase (Decrease)
Cash flows from operating activities	38.1	31.8	6.3
Cash flows from investing activities	(22.1)	(19.2)	(2.9)
Total (Free cash flow)	15.9	12.5	3.3
Cash flows from financing activities	(8.3)	(7.7)	(0.5)

During the first half of the consolidated fiscal year under review, net cash provided by operating activities was ¥38.1 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥22.1 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥15.9 billion.

Net cash used in financing activities was an outflow of ¥8.3 billion.

In addition, cash and cash equivalents at the end of the second quarter of the consolidated fiscal year under review stood at ¥183.2 billion, up ¥8.0 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 half of the consolidated fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities reached ¥38.1 billion (¥31.8 billion for the first half of the previous consolidated fiscal year), mainly reflecting the recording of income before income taxes and minority interests of ¥8.4 billion, depreciation of ¥23.6 billion, and an increase in working capital of ¥4.8 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥22.1 billion (compared with outflows of ¥19.2 billion for the first half of the previous consolidated fiscal year). Cash of ¥12.9 billion was used for investments in molding in the Business Technologies Business and in the acquisition of property, plant and equipment and other capital investments in the Optics Business, the Group's strategic business. Other cash outflow includes ¥5.2 billion for the acquisition of shares in subsidiaries for the acquisition of companies in Europe and the United States to strengthen the Company's IT services capabilities in the Business Technologies Business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥15.9 billion (an inflow of ¥12.5 billion in the same period of the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities was an outflow of ¥8.3 billion (an outflow of ¥7.7 billion in the same period of the previous fiscal year), mainly reflecting a payment of ¥3.9 billion in dividends, and repayments of ¥4.7 billion in short-term loans.

Note: Amounts mentioned above do not include consumption taxes.

(3) Outlook for the fiscal year ending March 31, 2012

The consolidated earnings of the Konica Minolta Group for the first half of the fiscal year under review exceeded the forecasts that the Group had previously announced, thanks to strong sales both in Japan and overseas of color products in both the office field and the production print field in the Business Technologies Business. Meanwhile, taking into account the economic outlook both in Japan and overseas, changes in conditions in the markets in which the Group operates, and trends in exchange rates, among other influential factors in the third quarter of the fiscal year under review and beyond, the Group has revised the full-year operating performance forecasts it announced on May 12, 2011 as follows. With respect to the assumption of foreign exchange rates for the third quarter of the fiscal year under review and beyond, on which the above revision is based, the Group has raised the assumption ¥2 against the U.S. dollar and ¥10 against euro from the previous assumption, to ¥78 against the U.S. dollar, and ¥105 against the euro.

<Outline of revised forecasts>

The Group reduced forecast net sales by ¥30.0 billion from the previous forecast. This principally reflected a decline in sales after conversion into yen, as the Group revised the assumption of internal exchange rates to reflect the further appreciation of the yen, and other risks, including a decrease in sales volumes associated with a decline in demand in all business segments, due to concerns about a slowing economy and deterioration in the market situation. The Group reduced forecast operating income by ¥2.0 billion, taking into account lower sales, reflecting the effects of the appreciation of the yen and external factors described above. It lowered forecast ordinary income by ¥4.0 billion, reflecting foreign exchange losses incurred in this term under review. The Group also cut forecast net income by ¥1.0 billion, as a result of a review that focused mostly on extraordinary items and tax expenses.

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous forecast (A)	810.0	42.0	39.0	20.0	37.72 yen
Revised forecast (B)	780.0	40.0	35.0	19.0	35.83 yen
Increase (Decrease) (B-A)	(30.0)	(2.0)	(4.0)	(1.0)	
Percent Change (%)	-3.7	-4.8	-10.3	-5.0	
(Ref.) Fiscal year ended March 31, 2011	777.9	40.0	33.1	25.8	48.84 yen

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 by discarding figures less than one billion yen.*