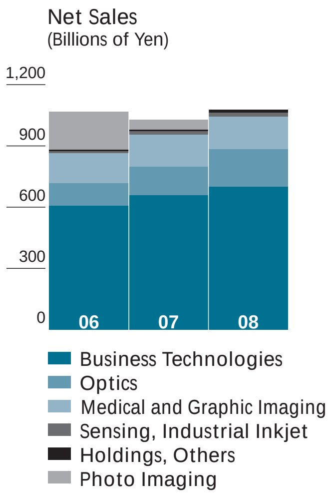
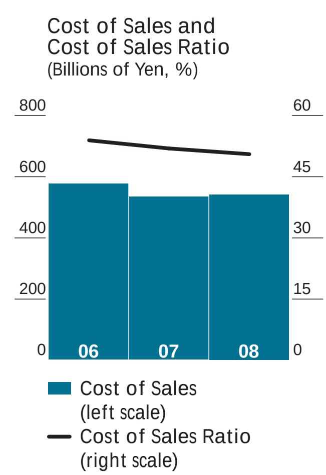
Consolidated Financial Review





Scope of Consolidation

The Konica Minolta Group comprises Konica Minolta Holdings, Inc., 108 subsidiaries, 23 non-consolidated subsidiaries and seven affiliates.

The Group maintains five segments that reflect the nature of its products, markets, businesses, and administration. These segments are Business Technologies, Optics, Medical and Graphic Imaging, Sensing, and Other Businesses. The Group exited its Photo Imaging business in the fiscal year ended March 31, 2008.

Performance

Net Sales

Net sales in the fiscal year ended March 31, 2008 rose ¥43.9 billion, to ¥1,071.6 billion. We achieved this year-on-year increase despite exiting the Photo Imaging business, which cut ¥47.8 billion from revenues, owing to substantial growth in the core Business Technologies and Optics segments. Sales growth was particularly pronounced in the mainstay Optics segment, which contributed significantly to overall revenues.

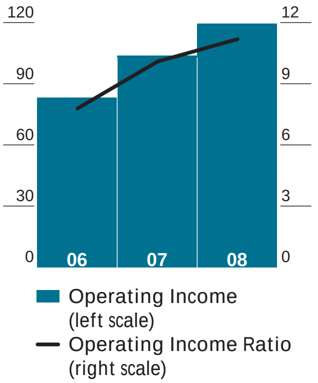
Business Technologies sales increased 6.4%, to ¥701.0 billion, on strong lineups of color and production printing MFPs and contributions from direct marketing operations and alliances with leading dealers. Optics sales rose 31.2%, to ¥182.3 billion, reflecting significant market share growth in high-performance TAC films and outstanding performances in such memory areas as optical pickup lenses, glass hard disk substrates, and image input and output components. Medical and Graphic Imaging sales were up 1.5%, to ¥161.1 billion, owing to concentrated marketing of digital systems for the medical and healthcare and printing fields. Sensing sales were almost unchanged, at ¥9.9 billion. Performance benefited from a focus on developing key next-generation products, which led to three new offerings that complemented efforts to boost competitiveness. Sales from the Industrial Inkjet business, which is included in Other business, increased 15.4%, to ¥6.9 billion, on higher domestic revenues and successful marketing to overseas manufacturers.

Cost of Sales and Selling, General and Administrative Expenses

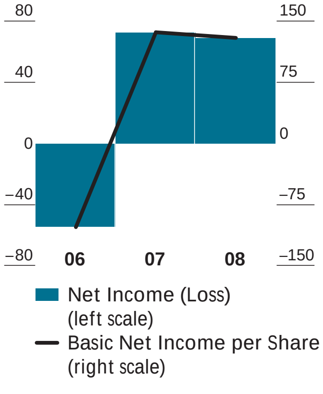
The cost of sales was ¥540.2 billion. The cost of sales ratio was 50.4%, down 1.4 percentage points from the preceding year, owing to higher sales and the implementation of cost-cutting programs.

Selling, general and administrative expenses increased ¥20.8 billion, to ¥411.7 billion, and represented 38.4% of net sales, up 0.3 percentage point. Main factors were higher R&D investments in the Business Technologies and Optics businesses and personnel expansion, which raised labor spending.

Operating Income and Operating Income Ratio
(Billions of Yen, %)



Net Income (Loss) and Basic Net Income per Share
(Billions of Yen, Yen)



Research and Development Costs

These expenditures rose ¥9.2 billion, to ¥81.4 billion. Business Technologies spending was ¥48.9 billion, and accounted for 60.1% of the total, largely for developing color MFPs and for R&D in solutions software and applications. Optics R&D costs increased, to ¥11.0 billion, or 13.5% of the total, primarily for work on display materials and memory devices. In Medical and Graphic Imaging, R&D spending advanced to ¥11.3 billion, or 13.9% of the total, mainly to develop digital equipment. We also invested in such areas as organic electroluminescent technologies to cultivate new businesses.

Segment Information

Business Technologies sales increased 6.4%, to ¥701.0 billion, with operating income rising 12.6%, to ¥90.1 billion. One driver was a stronger lineup across the performance range, reflecting the launches of two medium- and high-speed color MFPs in the first half and introductions of three low- and medium-speed color MFPs in the second half. New production printing models also contributed to results.

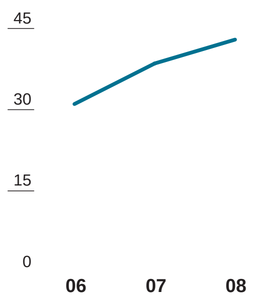
Optics sales rose 31.2%, to ¥182.3 billion. Operating income increased 48.8%, to ¥31.3 billion. Domestic and overseas market shares surged for display materials, especially high-performance TAC films used in large-screen LCD televisions. In November 2007, the Group boosted capacity by starting operations at its fifth TAC film plant, in Kobe, Japan, helping to significantly expand TAC film sales. In memory devices, sales were favorable for mainstay optical pickup lenses for the Blu-Ray Disk, as next-generation DVD formats moved into the mainstream. Demand recovered after summer 2007 for glass hard disk substrates, for solid second-half sales of these offerings. In image input and output components, sales rocketed for microcamera lenses used in camera-equipped mobile phones and for digital camera zoom lenses.

Medical and Graphic Imaging sales advanced 1.5%, to ¥161.1 billion. Operating income dropped 12.4%, to ¥7.8 billion. In Medical Imaging, as digitization and networking accelerated at medical facilities, the Group expanded sales by broadening its market focus, releasing new systems for clinics and other small facilities. In Graphic Imaging, the Group focused on strengthening sales of digital printing equipment. Operating income in this area declined, however, reflecting high costs for silver used in film and additional R&D costs.

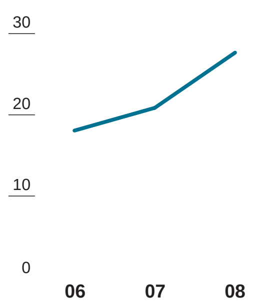
Sensing sales were almost unchanged, at ¥9.9 billion. Operating income declined 26.2%, to ¥1.2 billion, owing to higher selling costs that offset efforts to expand sales by developing core next-generation colorimetric, light source color, object color, and 3D measurement instruments, and the release of three new products.

Industrial Inkjet business sales increased 15.4%, to ¥6.9 billion, although operating income fell 31.8%, to ¥0.9 billion, owing to higher R&D spending. The Group cultivated sales of inks employing its proprietary inkjet, chemical, and ink technologies.

Equity Ratio
(%)



Interest Coverage Ratio
(Times)



Earnings Analysis

The operating income ratio increased 1.1 percentage points, to 11.2%. This gain stemmed from solid performances in core businesses, with higher-value-added and more price-competitive products enabling the Group to raise the gross margin.

Net other expenses were ¥20.6 billion, down ¥21.5 billion from a year earlier. This was attributable largely to the yen's swift appreciation in the second half, which resulted in ¥7.6 billion in net foreign exchange loss, compared to ¥3.4 billion gain a year earlier. Other factors included a ¥6.0 billion decline in the gain on sales of fixed assets, and a ¥2.8 billion reduction in the gain on sales of investment securities owing to our exit from the Photo Imaging business in the previous year. In addition, loss on impairment of fixed assets increased ¥5.1 billion because book values for recoverable values decreased, notably for production facilities and goodwill in the Medical and Graphic Imaging business and goodwill in the Business Technologies business. Partially offsetting these changes was ¥8.1 billion in patent-related income for the Photo Imaging business.

Income before income taxes and minority interests was thus ¥99.0 billion. Net income declined ¥3.7 billion to ¥68.8 billion. Basic net income per share of common stock was ¥129.71, and the return on equity was 17.5%.

Financial Position and Liquidity

Assets, Liabilities, and Net Assets

At the close of the term, total assets were ¥970.5 billion, up ¥19.5 billion from a year earlier.

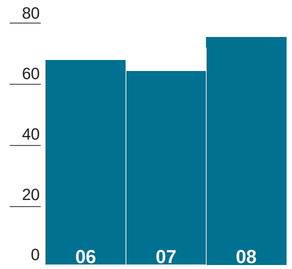
Trade notes and accounts receivable were down ¥22.5 billion despite an increase in net sales, as efforts to shorten collection periods in the Optics business bore fruit. Short-term investment securities surged to ¥33.0 billion because the Group restated negotiable deposits issued by domestic companies as part of short-term investment securities, instead of part of cash on hand and in banks, in keeping with revised consolidated financial reporting guidelines.

Net property, plant and equipment increased ¥15.9 billion, reflecting Optics business initiatives that included building a fifth plant, in Kobe, Japan, for TAC films and constructing a glass hard disk substrate facility in Malaysia.

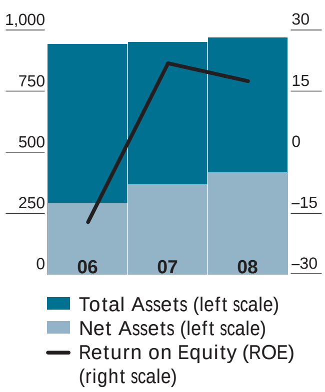
Total liabilities decreased ¥30.2 billion, to ¥552.2 billion.

Current portion of long-term loans was down ¥10.7 billion, although short-term debt rose ¥13.9 billion. Current portion of bonds increased ¥5.0 billion, although there were effectively no changes to total liabilities because this rise stemmed from a restatement of bonds previously included in long-term liabilities. Also contributing to a decrease in liabilities was a ¥16.4 billion drop in the reserve for discontinued operations in keeping with the exit from the Photo Imaging business.

Capital Expenditure
(Billions of Yen)



Total Assets, Net Assets and Return on Equity (ROE)
(Billions of Yen, %)



Retained earnings were ¥176.7 billion, up ¥61.0 billion, mainly because from the contribution of ¥68.8 billion in net income. The unrealized gains on securities, net of taxes, and the foreign currency translation adjustments were down ¥4.5 billion and ¥6.3 billion, respectively, owing to sluggish equity markets and a higher yen. Total net assets thus rose ¥49.7 billion. The equity ratio was 43.0%, up 4.4 percentage points.

Capital Expenditure and Depreciation and Amortization

Capital expenditure increased ¥11.3 billion, to ¥75.3 billion, mainly to expand production facilities. Spending for the core Business Technologies business declined ¥7.9 billion, to ¥16.6 billion, although Optics business allocations rose ¥17.5 billion, to ¥42.0 billion. Medical and Graphic Imaging business expenditures were ¥4.6 billion.

Noteworthy developments during the term included the construction of a fifth TAC film plant, in Kobe, Japan, and spending on a glass hard disk substrate facility in Malaysia.

Cash Flows

Net cash provided by operating activities was ¥123.0 billion, up ¥56.3 billion. This reflected lower outflows from a decrease in reserve for discontinued operations in line with the exit from the Photo Imaging business and higher inflows from a decrease in trade notes and accounts receivable.

Net cash used in investing activities was ¥76.8 billion, up ¥20.4 billion. This stemmed from a significant fall in inflows from proceeds from sales of property, plant and equipment, and outflows from payment for acquisition of newly consolidated subsidiaries.

Net cash used in financing activities was ¥10.5 billion, up ¥5.4 billion. Key factors included an increase in repayment of long-term loans payable and the restoration of interim cash dividend payments, which raised dividend outlays.

Cash and cash equivalents at the end of the year were thus ¥122.2 billion, up ¥35.6 billion from the start of the term.

Future Financial Strategies

The Group will accelerate sustainable growth to ensure superior global competitiveness, completing its steady progress toward targets it set in its *FORWARD 08* medium-term management strategy. Management seeks a net asset ratio exceeding 50% and a debt-to-equity ratio of less than 0.5 times.