1. OPERATING RESULTS

(1) Summary of the interim period

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Increase (Decrease)	Change [%]
Sales	524,958	493,950	31,007	6.3
Gross profit	259,682	237,819	21,862	9.2
Operating Income	57,059	46,260	10,799	23.3
Recurring profit	54,670	44,854	9,816	21.9
Net income before income taxes and minority interests	53,853	47,880	5,972	12.5
Net income	37,664	22,508	15,136	67.2
Net income per share [yen]	70.93	42.40	28.53	67.3
Capital expenditure	33,634	33,761	(127)	-0.4
Depreciation	28,550	24,618	3,931	16.0
R&D expenses	38,406	34,826	3,931	10.3
Exchange rates [yen]				
US dollar	119.33	115.38	3.95	3.4
Euro	162.30	145.97	16.33	11.2

During the interim term under review, trends in the world economy were as follows. In the U.S. economy, which had been on an expansionary trend, growth began to decelerate due to a number of factors, including especially the decline in growth of private residential investment as a result of the effects of the credit crunch set off by the subprime loan issue (which arose because of defaults on mortgage loans to lower-income households), In the European economies, uncertainty regarding credit risk mounted as a result of the sparks set off by the subprime loan issue in the United States, but, overall, the gradual expansionary trend continued supported by firmness in corporate exports and capital investment. In Asia also, economic conditions remained firm as the Chinese economy continued to experience high rates of growth. In the Japanese economy, although there were some concerns regarding the effects of a possible loss of momentum in the U.S. economy and the run-up in prices of crude oil and other raw materials, corporate performance improved substantially owing particularly to the positive effects of the rise in the value of the euro and weakening of the yen on the export manufacturing sector. As a result, economic conditions in Japan remained generally firm.

Amid this operating environment, under our FORWARD 08 Medium-Term Business Plan, which we issued in May 2006, we continued to place priority on our Business Technologies and Optics businesses and effectively implemented our “genre-top strategy,” which calls for concentrating management resources in specified business fields and markets to establish the top position in those fields and markets. The objective of these initiatives is to maximize the growth and corporate value of the Group.

Net sales for the interim period under review rose 6.3%, or ¥31.0 billion year on year, to ¥524.9 billion. Since the management integration, we have placed priority on expanding sales and income in our Business Technologies and Optics businesses. On the other hand, the Group as a whole has experienced a shrinkage in sales because of the sharp drop in sales of the Photo Imaging Business as a result of the process of shrinking and exiting this business. During the interim period, we reported a decline in sales of ¥29.9 billion accompanying the full termination of this business; however, sales expansion in growth businesses, including especially new MFP (multifunctional peripheral) products, and continued growth in demand for TAC film (protective film for polarizing plates) resulted in the first rise in overall Group sales in three interim periods. Note that a comparison of sales after excluding sales of the Photo Imaging Business shows relatively high growth of 13.1%, or ¥60.9 billion, year on year.

Gross profit for the interim term rose 9.2%, or ¥21.8 billion year on year, to ¥259.6 billion. We were able to absorb the effects of declines in product prices owing to more intense competition and the rise in raw material prices through implementing Groupwide activities to cut costs, expanding the sales volume of new, high-value-added products, and other initiatives. Our efforts were also assisted by the positive impact of the decline in the value of the yen, and, as a result of these various factors, the gross profit ratio rose 1.4 percentage points, from 48.1% to 49.5%.

Selling, general and administrative (SG&A) expenses rose 5.8%, or ¥11.0 billion year on year, in part because we continued to make proactive investments in R&D (amounting to ¥3.5 billion) in areas of focus, with the aim of accelerating growth of the Group. However, since we worked to increase operating efficiency and exercise selectivity and concentration in the management of corporate resources, the ratio of SG&A expenses to net sales was 38.6% for the interim term, approximately the same as during the same period of the previous fiscal year. As a consequence, operating income rose 23.3%, or ¥10.7 billion year on year, to ¥57.0 billion, and the ratio of operating income to net sales increased 1.5 percentage points, from 9.4% to 10.9%.

Among non-operating income and expenses, non-operating expenses declined ¥1.9 billion year on year owing to lower interest paid and other factors. Non-operating income declined ¥2.9 billion because of a drop in foreign exchange gains and other factors. As a result, net non-operating income was down ¥0.9 billion. Recurring profit expanded 21.9%, or ¥9.8 billion, to ¥54.6 billion

Income before income taxes and minority interests rose 12.5%, or ¥5.9 billion year on year, to ¥53.8 billion. As a result of the absence of a gain on the sale of investment securities that was reported for the interim period of the previous fiscal year, extraordinary profit was ¥2.8 billion lower year on year. However, extraordinary losses rose ¥0.9 billion, thus resulting in an overall deterioration in net extraordinary profit of ¥3.8 billion.

Regarding corporate income taxes, a number of special factors reduced tax payments to a lower level than usual, and the effective income tax rate for the interim period under review was 29.9%. One of the principal factors accounting for this was the confirmation that a portion of losses on exit from the Photo Imaging business, which were entered in the accounts for the year ended March 31, 2006, would be recognized for tax purposes as the Company approached the completion of its exit from this business. As a result of this and other factors, net income jumped a sharp 67.2%, or ¥15.1 billion, to ¥37.6 billion.

Please note that operating income and recurring profit have been at record high levels for the three consecutive interim periods since the management integration and that interim net income has been at record high level for two consecutive periods.

Capital expenditures during the interim period amounted to ¥33.6 billion, approximately the same as for the interim period of the previous fiscal year, as the Company continued to make active investment in growth areas. These included increased expenditures for metal molds in connection with the introduction of new products in the Business Technologies Business and construction of a new plant and an R&D facility for TAC film and glass hard disks in the Optics business. Also, depreciation for the interim period under review rose ¥3.9 billion, to ¥28.5 billion, reflecting in part the higher depreciation burden owing to investments made thus far in the expansion of capacity. Please note that ¥1.3 billion of the total increase in depreciation was due to changes in the accounting methods for depreciation following the revision of tax regulations.

(2) Segment Information

1. Business Technologies Business [Multifunctional peripherals (MFPs), laser printers (LBPs), etc.]

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Increase (Decrease)	Change
(1) External sales	346,901	309,539	37,361	12.1 %
(2) Intersegment sales	2,883	1,767	1,115	63.1 %
Total sales	349,785	311,307	38,477	12.4 %
Operating expenses	305,069	277,210	27,858	10.0 %
Operating income	44,716	34,097	10,618	31.1 %

In the Business Technologies business, we are focusing sharply on implementing our “genre-top strategy” and are concentrating on expanding the Group’s business base in the color MFP field, which is a growth area in Japan and overseas markets, and in the production printer field.

In the MFP field, we renewed our lineup of products through the introduction of five new models for the business market, all during the interim period. These were the “bizhub C451” (introduced in May 2007), the “bizhub C650” (introduced in July), and the “bizhub C203/253/353” (introduced in September). These product introductions have substantially strengthened the competitiveness of our product lineup, which now includes units with output capabilities for color printing ranging from 20 ppm to 50 ppm. All of these units are highly competitive productwise and feature high image quality achieved through the use of our newly developed polymerized toner and imaging technology as well as high productivity and high reliability through the incorporation of tandem engines, along with the latest network functions and leading-edge security capabilities. During the interim period under review, sales of color MFPs, especially the newly introduced models, were favorable in Japan and overseas markets. In addition, for the internal printing departments of large corporations, large franchise print shops, and production printing establishments that have commercial printing and other companies as customers, we began sales of our new “bizhub PRO C5500” high-speed color MFPs in September this year. Also, we have a wide lineup of products for professionals, including the three “bizhub PRO C6500/5500/500” color models and the two “bizhub PRO 1050e/920” monochrome models featuring high image quality that approaches the quality of offset printing through the use of our competitive polymerized toner, highly accurate image alignment, a wide range of binding options, and other advantages. As a consequence of our accurate response to the needs of professionals in Japan and overseas, sales of these units expanded substantially during the interim period under review. Also, in addition to these initiatives in our priority product fields, we sustained the expansion in the number of monochrome MFP units sold, principally through sales in Asia and elsewhere.

In the LBP field, we are continuing to work to strengthen sales of medium- to high-speed tandem color LBPs with emphasis on sales of our “magicolor 5700” series, “magicolor 7400” series, and other models for the general-office market where large printing volume can be forecast.

As a result of these various activities, sales of this business to outside customers expanded 12.1%, to ¥346.9 billion, and operating income rose 31.1%, to ¥44.7 billion.

2. Optics Business
[Optical devices, electronic materials, etc.]

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Increase (Decrease)	Change
(1) External sales	83,315	67,675	15,640	23.1 %
(2) Intersegment sales	529	769	(240)	-31.2 %
Total sales	83,844	68,444	15,399	22.5 %
Operating expenses	70,784	57,779	13,004	22.5 %
Operating income	13,059	10,664	2,394	22.5 %

In the Optics Business, to take the initiative in expanding its operations, the Group works to offer products that anticipate market trends, customer needs, and technological trends by drawing on its technological strength in coating, materials, nano fabrication, and other areas.

Regarding display materials, although growth in demand slowed somewhat because of the effect of adjustments among customers during the first half of the interim period, it recovered at a fast pace in the second half. Sales of regular TAC film and viewing angle expansion film, principally for use in large LCD televisions, held strong. Especially for viewing angle expansion film, which we switched over to a new product in January 2007, customers have acclaimed its cost/performance characteristics, and the number of manufacturers adopting it is expanding.

Turning to memory-related products, unit sales of optical pickup lenses continued on a downward trend because of the decline in demand for their use in CD players. However, there is a trend toward an increase in anticipation of expansion during the year-end selling season in the next-generation DVD market, including Blueray Disks (BD) and HD-DVDs. Sales for next-generation DVD usage held firm and contributed to expansion in Optics Business sales during the interim period. On the other hand, although there is a steady trend toward use of vertical magnetic recording formats in the glass hard disk substrate field, unit sales volume during the interim period remained at approximately the same level as in the previous year as a result of inventory adjustments among customers.

In the image input/output component field, we reported a marked increase in unit sales, principally of micro camera modules for camera-equipped mobile phones, during the interim period as a result of our response to a wide range of demand requirements, extending from VGA-class to 3.2 megabit units. In addition, we also reported a marked increase in unit sales of high-magnification zoom lens units for digital cameras, which incorporate the Group’s strengths in optical technology.

As a consequence of these developments, sales of this business to outside customers rose 23.1%, to ¥83.3 billion, and operating income increased 22.5%, to ¥13.0 billion.

3. Medical and Graphic Imaging Business [Medical and graphic products, etc.]

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Increase (Decrease)	Change
(1) External sales	80,616	76,046	4,569	6.0 %
(2) Intersegment sales	1,739	8,441	(6,701)	-79.4 %
Total sales	82,355	84,487	(2,131)	-2.5 %
Operating expenses	78,349	79,317	(967)	-1.2 %
Operating income	4,005	5,170	(1,164)	-22.5 %

In the medical segment, we focused on expanding sales of digital input/output equipment, including the REGIUS series of digital radiography image inputting systems and the DRYPRO series of imaging output equipment, in response to trends toward digitalization and network connectivity in medical facilities in Japan and overseas. During the interim period under review, we targeted sales to smaller medical establishments, such as general clinics, and began to give priority from June 2007 onward to REGIUS 110, a newly introduced product that was developed based on the design concept of “offering a compact and simple operating environment.” In part as a result of the trend away from the use of X-ray film in Japan and overseas, sales of this product were lackluster, but sales of digital input/output equipment, particularly newly introduced products, held firm.

Turning to the graphic (printing) segment, the trend toward filmless imaging, in step with the shift to digital printing processes, is accelerating, but during the interim period sales of film in overseas markets were strong, enabling us to report unit sales at about the same level as in the previous fiscal year. In addition, sales of digital equipment in Japan and overseas held strong supported by sales of “Pagemaster Pro,” an on-demand printing system incorporating our exclusive RIP technology.

As a result, external sales of this business to outside customers expanded 6.0%, to ¥80.6 billion. On the other hand, operating income declined 22.5%, to ¥4.0 billion, as a consequence of the effect of increases in the price of silver, which is a raw material for film; higher R&D expenditures for stepping up development of digital equipment; and other factors.

4. Others Business

■ ***Sensing Business [Colorimeters, 3-D digitizers, etc.]***

This segment draws on Konica Minolta’s exclusive light-measurement technologies to provide domestic and overseas customers with a diversity of unique measurement instruments, including those for measuring colorimetric levels, gloss levels, illumination levels, blood oxygen levels, jaundice levels, and three-dimensional shapes. During the interim period, as a result of strong sales of colorimetric equipment, including“ CM Series,” colorimeters in Europe and China, sales of this business to outside customers rose 9.0%, to ¥4.9 billion, and operating income expanded 12.3%, to ¥0.79 billion.

■ ***Industrial Inkjet Printer Business [Industrial inkjet printer heads, textile printers, etc.]***

Utilizing Konica Minolta’s proprietary inkjet technologies and unique chemical and ink technologies, this segment markets high-definition printer heads to major printer manufacturers and large inkjet printers for textile use. During the interim period, sales to outside customers grew 15.4%, to ¥3.3 billion, as a result of our aggressive development of new customers in China, South Korea, and other countries in Asia. On the other hand, operating income decreased 20.3%, to ¥0.51 billion, owing in part to higher expenditures on R&D.

Outlook for the fiscal year ending March 31, 2008

Concern regarding a downturn in the U.S. economy, which has been a driving force in the world economy, arising as a result of the subprime loan issue, has not been dispelled, and this has caused uncertainty regarding the outlook for economic trends in Japan and the rest of the world economy, which has been on a gradual expansionary trend. Because of these conditions and such circumstances as significantly more intense price competition in digital products, increases in the price of crude oil and other raw materials, trends in the value of the U.S. dollar, euro, and Chinese yuan, we believe conditions in the business environment will continue to require careful monitoring.

Our views of operating conditions in principal markets are as follows. In the Business Technologies Business, we believe demand will continue to be strong for high-function, high-performance color MFPs and color LBPs that respond to the needs of office environments characterized by accelerating trends toward the use of color copying/printing and requirements for network connectivity. Turning to the Optics Business, we anticipate that the expansion in demand for LCD materials, including TAC film, will continue and that the market environment for optical devices and components finding application in digital appliances will remain generally favorable along with growth in the market for next-generation DVD products and the increasingly widespread usage of high-resolution type camera phones in overseas markets. However, in addition to the recent severe conditions created by the weakening of final product prices and pressures on manufacturers of components for price cuts, pressures to further reduce prices may emerge if manufacturers move toward inventory adjustments made necessary by the results of the year-end selling season.

As mentioned previously, our performance has been favorable as sales of principal, high-value-added products, including high-speed color MFPs in the Business Technologies Business as well as viewing angle expansion film for LCD panels and optical pickup lenses for next-generation DVD units in the Optics Business have expanded according to plan. In addition to these favorable circumstances, the yen has weakened more than we assumed initially, and, as a result, net sales, operating income, recurring income, and net income for the interim period under review have exceeded our targets. In view of these developments, we have reviewed the outlook for each of our businesses and made revisions as noted below.

<Consolidated basis> [Billions of yen]

	Current Performance Forecast	Previous Performance Forecast Announced May 10, 2007	Increase (Decrease)
Net sales	1,085.0	1,045.0	40.0
Operating income	116.0	105.0	11.0
Recurring profit	107.0	93.0	14.0
Net income	66.0	47.5	18.5

<Non-consolidated basis> [Billions of yen]

	Current Performance Forecast	Previous Performance Forecast Announced May 10, 2007	Increase (Decrease)
Net sales	65.0	55.5	9.5
Operating income	33.5	24.0	9.5
Recurring profit	35.0	26.0	9.0
Net income	40.0	28.5	11.5

Please note that the following foreign currency exchange rates have been assumed in this outlook:

US dollar: ¥115 (Previous performance forecast ¥115)
Euro: ¥150 (Previous performance forecast ¥150)

**The above performance projections were made based on assumptions, forecasts, and plans that were current at the time of the business report and are subject to change due to various potential risks and uncertainties. Depending on economic conditions, market trends, exchange rate trends, and diverse other factors, actual performance may be considerably different from projected performance.*

(2) Financial Position

I. Interim Period ended September 30, 2007

Overview

[Millions of yen]

		As of September 30, 2007	As of March 31,2007	Increase (Decrease)
Total assets	[millions of yen]	962,151	951,052	11,099
Net assets	[millions of yen]	402,891	368,624	34,267
Net assets per share	[yen]	756.20	692.39	63.81
Equity ratio	[%]	41.7	38.6	3.1

Total assets rose ¥11.0 billion in comparison with the end of the previous fiscal year, to ¥962.1 billion. Accompanying the expansion in scale of the Company's business activities, increases were recorded principally in inventories and tangible fixed assets. Inventories rose ¥12.7 billion from the end of the previous fiscal year, to ¥146.3 billion. Also, as a consequence of measures to reduce interest-bearing debt, such debt declined ¥10.2 billion, to ¥219.1 billion.

Net assets rose to ¥402.8 billion as a result of an increase in earned surplus owing to the reporting of ¥37.6 billion in net income for the interim period. Net assets per share amounted to ¥756.20 (¥63.81 higher than at the end of the previous fiscal year), and the equity ratio rose 3.1 percentage points, to 41.7%.

Cash Flows

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Increase (Decrease)
Cash flows from operating activities	50,264	26,898	23,366
Cash flows from investing activities	(31,565)	(26,745)	(4,819)
Total (Free cash flow)	18,699	152	18,547
Cash flows from financing activities	(16,564)	(9,268)	(7,295)

Cash flows from operating activities

Net cash flow from operations amounted to ¥50.2 billion (representing an increase of ¥23.3 billion from the same period of the previous fiscal year). Although the Company reported income before income taxes and minority interests of ¥53.8 billion, depreciation of ¥28.5 billion, and a decline of ¥20.0 billion in accounts receivable, these inflows were offset by an increase in inventories, a decline in obligations for items procurement, a reversal of the reserve for losses in connection with exiting the Photo Imaging business, income taxes paid, and other factors.

Cash flows from investing activities

Net cash flow used in investing activities amounted to an outflow of ¥31.5 billion (representing an increase in cash outflow of ¥4.8 billion from the same period of the previous fiscal year). This was mainly due to expenditures of ¥28.8 billion for the acquisition of tangible fixed assets, which included principally investments in metal molds for new products and expenditures for the construction of new plants to increase production capacity for TAC film and glass hard disk substrates and expenditures on the construction of new R&D facilities.

As a result, free cash flow (the sum of operating and investing cash flows) rose ¥18.5 billion from the same period of the previous fiscal year, to ¥18.6 billion.

Cash flows from financing activities

Net cash used in financing activities amounted to a net outflow of ¥16.5 billion (representing an increase in cash outflow of ¥7.2 billion from the same period of the previous fiscal year). This was due mainly to the use of cash to reduce interest-bearing debt and to pay dividends.

As a result of the previously mentioned factors and after taking into account the effect of exchange rate changes on cash and cash equivalents of ¥0.7 million, cash and cash equivalents rose ¥2.8 billion. Also, after taking account of an increase of ¥0.1 billion due to the consolidation of an additional subsidiary, the balance of total cash and cash equivalents amounted to ¥89.5 billion.

Cash Flow Indicators

[Millions of yen]

	FY ended March 31, 2004	FY ended March 31, 2005	FY ended March 31, 2006	FY ended March 31, 2007	Six months ended September 30, 2007
Equity ratio (%)	34.6	35.6	31.1	38.6	41.7
Market price-based equity ratio (%)	81.5	60.2	84.5	86.4	107.4
Debt redemption period (years)	3.1	4.4	3.0	3.4	2.2
Interest coverage ratio	11.1	10.1	14.4	12.8	21.9

Notes:

Equity ratio:	(Net assets – subscription warrants – minority interest) / Total assets
Market price-base equity ratio:	Market capitalization divided by total assets
Years of debt redemption:	Interest-bearing debt divided by cash flow from operating activities
Interest coverage ratio:	Cash flow from operating activities divided by interest payments

1. Each of these indicators is calculated based on consolidated financial data.
2. Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
3. Net cash flows from operating activities are those stated in the consolidated statements of cash flows for the interim period. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets for the interim period that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows for the interim period. Please note that the interim cash flow from operating activities has been defined for computational purposes as the interim cash flow times two.

II. Cash Flow Outlook for the Fiscal Year Ending March 31, 2008

The company projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥20 billion.

*Figures given in the text as billions of yen have been rounded off to the nearest hundred million.

(3) Basic Policy Regarding Profit Distribution and Dividends for the Fiscal Year under Review

[1] Basic policy regarding profit distribution

Regarding the retained earnings distribution policies determined by the Company’s board of directors, in accordance with the FORWARD 08 medium-term management plan objectives of increasing the new added value by the Group’s operations and pursuing the Group’s growth as well as maximizing the Group’s corporate value, during the period of the plan, priority will be given to accumulating internal reserves, proactively working to promote strategic investments in growth fields, and proactively strengthening the Company’s financial position while also striving to distribute profit to shareholders.

With respect to its basic policy of paying stable dividends from retained earnings, the Company has chosen ¥10 per share as a benchmark dividend level. Moreover, in view of its goal of increasing dividends, the Company has set the objective of maintaining a dividend payout ratio of 15% or more on a consolidated basis and aims to the extent possible increase dividends in line with changes in Group performance.

Regarding retained earnings, the Company intends to employ retained earnings to fund such projects as R&D and capital investments in current and future growth fields while also appropriately taking such measures as those to distribute retained earnings.

With respect to the acquisition of treasury stock, the Company does not currently intend to acquire treasury stock but intends to make appropriate decisions regarding treasury stock acquisition as a means of profit distribution while giving due attention to such factors as the Company’s financial condition and stock price trends.

[2] Dividends for the fiscal year under review

In setting dividends for the fiscal year ending March 31, 2008, we have followed the basic policy outlined above and have placed priority on maintaining stable dividends. Our original plan was to pay a cash dividend of ¥5 per common share as the interim and the year-end payments, to an annual payment of ¥10. However, performance during the interim period was more favorable than initially anticipated, and we have revised our outlook for the full fiscal year upward. In view of these developments, we have decided to increase the interim dividend payment by ¥2.5 per common share, to ¥7.5 per share. In addition, at this time, we are scheduling the payment of a cash dividend of an equal amount per share for the year-end payment. As a result, the annual dividend payment is scheduled to rise to ¥15 per share, which will represent an increase of ¥5 from the previous fiscal year, and will reflect our desire to respond proactively to the ongoing support of our shareholders.

2. GROUP OVERVIEW

The Group comprises the parent company, 111 consolidated subsidiaries, 24 non-consolidated subsidiaries, and 7 affiliates.
A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Business: 79
(Consolidated Subsidiaries: 58, Unconsolidated Subsidiaries: 17, Affiliates: 4

Production: 9
Konica Minolta Supplies Manufacturing Co., Ltd.
Toyohashi Precision Products Co., Ltd.
Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
Konica Minolta Business Technologies (WUXI) Co., Ltd. (China)

Other Companies: 5

↓
Konica Minolta Business Technologies, Inc.
↓

Sales: 69
Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Business Solutions U.S.A., Inc. (U.S.A)
Konica Minolta Business Solutions Europe GmbH (Germany)
Konica Minolta Business Solutions Deutschland GmbH (Germany)
Konica Minolta Business Solutions (UK) Ltd. (U. K.)
Konica Minolta Business Solutions France S.A.S. (France)
Konica Minolta Business Solutions Australia Pty. Ltd. (Australia)
Other Companies: 62

Sensing Business: 4
(Consolidated Subsidiaries: 4)

Konica Minolta Sensing, Inc.
Sales: 3
Konica Minolta Sensing Europe B.V. (Netherlands)
Konica Minolta Sensing Americas, Inc. (U.S.A)
Konica Minolta Sensing Singapore, Pte.Ltd. (Singapore)

Optics Business: 9
(Consolidated Subsidiaries: 9)

Production: 7
Konica Minolta Opto Products Co., Ltd.
Konica Minolta Opto (DALIAN) Co., Ltd. (China)
Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China)
Konica Minolta Glass Tech Malaysia Sdn. Bhd. (Malaysia)
Other Companies: 3

↓
Konica Minolta Opto, Inc.
↓

Sales: 1
Konica Minolta Opto (SHANGHAI) Co., Ltd. (China)

Medical and Graphic Imaging Business: 18
(Consolidated Subsidiaries: 13, Unconsolidated Subsidiaries: 3, Affiliates: 2)

Production: 3
Konica Minolta Technoproducts Co., Ltd.
Konica Minolta Repro Co., Ltd.

Other Companies: 1

↓
Konica Minolta Medical & Graphic , Inc.
↓

Sales: 14
Konica Minolta Health Care Co., Ltd.
Konica Minolta ID System Co., Ltd.
Konica Minolta Medical Imaging U.S.A., Inc. (U.S.A.)
Konica Minolta Graphic Imaging Japan Co., Ltd.
Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.A.)

Other Companies: 9

Other Businesses: 15
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 4, Affiliates: 1)

Konica Minolta Photo Imaging, Inc.
Konica Minolta IJ Technologies, Inc.
Konica Minolta Business Expert, Inc.
Konica Minolta Technology Center, Inc.
Konica Minolta Logistics Co., Ltd.
Konica Minolta Sogo Service Co., Ltd.
Konica Minolta Engineering Co., Ltd.
Konica Minolta Information System Co., Ltd.
Konica Minolta Technosearch Co., Ltd.
Konica Minolta Planetarium Co., Ltd.

Other Companies: 22

Notes:
*1: Organization chart is as September 30, 2007. Only major consolidated subsidiaries are shown.
*2: As previously announced on January 19, 2006, as a result of the Company's decision to exit the Photo Imaging business, which was formerly reported as a separate business segment, the importance of this business for the Company's operations has declined, and, beginning with the interim period under review, it has been omitted from the business segment classification.
*3 On April 1, 2007, Konica Minolta Medical Co., Ltd., and Konica Minolta MG Techno Support Co., Ltd., merged, and the medical product sales functions of Konica Minolta Medical & Graphic, Inc., were integrated into the newly merged company, which was then renamed Konica Heal Care Co., Ltd.

3. MANAGEMENT POLICY

(1) Basic Management Policy

With its sights set on becoming an innovative corporate group that creates inspiring products and services in the field of imaging input/output, the Konica Minolta Group is developing its business globally under the business philosophy “The creation of new value.”

Management philosophy:	“The creation of new value”
Management visions:	“An Innovative corporation that continues to create inspiring products and services in the field of imaging”
	“A global corporation that leads the market by advanced technologies and reliability.”
Corporate message:	“The essentials of imaging”

(2) Medium-to Long-Term Management Strategies and Pending Issues

Medium-Term Business Plan “FORWARD 08”

In line with its “Creation of new value” management philosophy, the Konica Minolta Group is leveraging its advanced technologies and reputation for reliability to expand its global business while aiming to be an innovative corporate group that creates inspiring products and services in the imaging field. Based on consideration of strategies for Group development after exciting the Photo Imaging Business, in May 2006, the Konica Minolta Group drafted “FORWARD 08,” a new medium-term business plan that covers the three-year period from April 2006 through March 2009. This plan outlines the growth strategies the Group is implementing to further increase the added value of its operations and maximize the Group’s growth and corporate value.

Basic Strategies and Numerical Targets of the Medium-Term Business Plan “FORWARD 08”

- Basic Strategies
  1. Promote growth by leveraging collective Group resources
  2. Build a new corporate image
  3. Promote world-class corporate social responsibility (CSR) management
- Numerical targets (for Fiscal year ending March 31, 2009)
  1. Consolidated net sales: ¥1,100 billion
  2. Consolidated operating income: ¥110 billion
     (consolidated operating profit margin: 10%)
  3. Consolidated net income: ¥57 billion

To improve our growth potential, we consider it crucial to pursue inter-business synergies beyond the Group’s current framework and increase the added value of our businesses. We will accelerate Group growth in the equipment and services business group, which includes MFPs, LBPs and digital printing, and medical imaging businesses as well as in the component business group, which focuses on business related to optical components and display materials.

We are intent on attaining a sophisticated integration of the Group’s core technologies—namely, optical, image processing, materials, and nano fabrication technologies—and providing innovative high-quality products and professional services that anticipate customers’ needs. To demonstrate that the Group is a business partner that “leads its customers to success in their business activities” and is worthy of absolute confidence, we are working to further strengthen our capabilities for employing technologies and drafting proposals in line with customers’ perspectives.

Strong corporate social responsibility (CSR) performance is an increasingly important requirement for realizing sustained corporate growth. To accelerate the implementation of CSR management activities in line with global standards, Konica Minolta is dynamically implementing programs aimed at ensuring that it is consistently in the top class of companies regarding such fundamental manufacturing-related issues as environmental preservation and quality assurance matters. At the same time, the Group is progressively implementing a broad range of other CSR initiatives, including those aimed at augmenting its communications with all kinds of stakeholders—including shareholders as well as customers, transactional partners, residents of local communities, and employees—and stepping up its contribution to society at large as well as increasing the rigor of its internal control systems.

Progress of "FORWARD 08" Medium-Term Business Plan

As we reported in the section of this report on consolidated operating results for the interim period of fiscal year ending March 2008, which is the second year under our FORWARD 08 Medium-Term Business Plan, both sales and profits for the interim period were well above the levels for the interim period of the previous fiscal year. In addition, in view of our results for the interim period, we have revised our outlook for the full fiscal year upward. As these results suggest, we anticipate being able to meet the numerical goals in profits set under our Medium-Term Business Plan FORWARD 08 for the fiscal year ending March 2009 one year ahead of schedule. However, we do not intend to allow ourselves to be satisfied with these results and will continue to steadily implement the various measures and address the various issues outlined in the plan, with the objective of taking up the challenge of achieving further growth in our business activities.

The results of the various priority initiatives to strengthen our business position that we have implemented under our business plan, including establishing our "genre-top" position in the color MFP field in Europe and the United States and the launch of our next-generation DVD pickup ahead of other companies in the field, are contributing to raising the Group's corporate value, as is evident from our performance. However, to accelerate our progress under the plan this fiscal year and look toward continuing growth of the Group, we have made overall refinements to brush up the plan. In each of our business domains, we have focused on priority items and have already moved to implement action plans within a well-defined time frame. The following points summarize our progress to date.

1) Strengthen and Promote Core Businesses

To make sure we attain growth in fiscal years ending March 2008 and 2009, we believe it will be important to strengthen and promote existing core businesses. Accordingly, in our Business Technologies Business, we are taking initiatives to further consolidate our genre-top position in color MFPs, and, in our Optics Business, we are working to expand our business position in the LCD market based on our high-performance films.

- <u>One example of progress during the interim period:</u>

  In our Business Technologies business, we introduced five new color MFPs for general office use and renewed our lineup of products from low- and medium-speed units through high-speed units. In addition, in the production printing field we worked to strengthen the competitiveness of our product lineup, including the introduction of high-speed color MFPs that can output 55 pages a minute. In the Optics business, we are moving forward with the construction of a new plant to increase capacity for TAC film and glass hard disk substrate production.

2) Expand the Scope of Core Businesses into Peripheral Domains

We think the next necessary step toward further growth will be to draw on the business base and technological resources of our core businesses to expand the scope of operations into peripheral domains. We are therefore making preparations to start up activities in the Business Technologies Business that will make further advances beyond solutions for equipment sales and, in the medical field, to enter the image diagnostic support business using computer analysis.

- <u>One example of progress during the interim period:</u>

  In our Business Technologies business, as the production printing market expands, we want to work with our customers to help them address the issues they confront. To this end, we opened the KONICA MINOLTA Digital Imaging Square, a presentation show space targeted at the production print market, on October 1, 2007, which will provide a base for proposing new business models to our customers. Through this base, we will be offering high-value-added solutions, information, and services broadly to our customers in Japan and overseas.

3) Nurture the Businesses of the Future

Looking to continuing growth of the Group from a medium- to long-term perspective, we are also taking initiatives to develop the businesses of the future.

- <u>One example of progress during the interim period:</u>

  As we have already announced, is entry into the lighting business based on our original organic electroluminescence (EL) technology. We are looking to a start-up date of 2010 for this business, and we are working in partnership with General Electric Company, of the United States.

4) Strengthen Corporate Capabilities to Support Our Growth Strategy

To implement these plans, strengthening the corporate capabilities of the Group will be essential. We plan to focus on enhancing these capabilities from the following three perspectives.

1. Strengthen our business base through enhancement of development and production capabilities

- One example of progress during the interim period:

In June this year, we established a company to evaluate the quality of software installed on MFPs and printers in Dalian, China. In addition, in July, as a means for securing stable software development resources for these products, we concluded a partnership contract with HCL Technologies Ltd., a leading IT service provider in India (headquartered in Noida, India). We have begun initiatives to established an offshore development center and take other steps toward the development of a global software development system.

2. Rebuild our corporate culture, strengthen human resources, and business base to support growth

- One example of progress during the interim period:

We realigned and integrated our printer sales companies into MFP sales companies in the United States in July and then took similar measures in Europe in August. By conducting sales development activities aimed at the general-office market for MFPs and printers through a fully coordinated sales organization, we aim to realize substantially greater synergies in these activities. In addition, in September, we acquired a leading MFP dealer in Germany, which is the largest market in Europe, with the objective of further consolidating our position as a genre-top company in the German market.

3. Establish a strong financial position

- One example of progress during the interim period:

To win out in the increasingly competitive corporate environment, we believe it is essential for us to establish a stronger financial position and are therefore working to reduce interest-bearing debt and increase our shareholders' equity. As mentioned, during the interim period under review, we cut interest-bearing debt by ¥10.2 billion, to ¥219.1 billion. Moreover, we increased shareholders' equity by ¥33.8 billion, to ¥401.2 billion. As a result, the Group's equity ratio at the end of the interim period rose to 41.7%, compared with 38.6% at the end of the previous fiscal year on March 31, 2007, and the debt/equity ratio improved to 0.55 compared with 0.62 as of March 31, 2007.