Overview of Performance

Nine Months Summary (From April 1, 2007 to December 31, 2007)

[Millions of yen]

	Nine months ended Dec.31, 2007	Nine months ended Dec.31, 2006	Increase		Three months ended Dec.31, 2007	Three months ended Dec.31, 2006	Increase (Decease)	
				(%)				(%)
Net sales	794,964	744,596	50,367	6.8	270,006	250,646	19,360	7.7
Gross profit on sales	398,862	358,580	40,282	11.2	139,180	120,760	18,419	15.3
Operating income	89,577	70,345	19,231	27.3	32,518	24,085	8,432	35.0
Recurring profit	86, 430	69,804	16,625	23.8	31,759	24,950	6,809	27.3
Net income before income taxes and minority interests	85,249	78,320	6,928	8.8	31,395	30,440	955	3.1
Net income	55,712	40,123	15,589	38.9	18,067	17,614	453	2.6
				(%)				(%)
Net income per share [yen]	104.98	75.59	29.39	38.9	34.05	33.19	0.86	2.6
				(%)				(%)
Capital investment	52,229	51,613	615	1.2	18,594	17,851	742	4.2
Depreciation	44,542	37,513	7,029	18.7	15,991	12,894	3,097	24.0
R&D expenses	59,061	53,001	6,059	11.4	20,654	18,175	2,479	13.6
Exchange rates [yen]								
US$	117.28	116.19	1.09		113.19	117.82	(4.63)	
Euro	162.82	147.96	14.86		163.87	151.94	11.93	

During the period under review (the first nine months of the current fiscal year), net sales rose 6.8%, or ¥50.3 billion year on year, to ¥794.9 billion. The expansion of Group's net sales was strongly promoted by the strong performance of Business Technologies business, reflecting robust sales of color MFP (multifunctional peripheral) products in principal markets in Japan and overseas, and of Optics business, which has such growth products as TAC film (protective film for polarizing plates) and optical pickup lenses for next-generation DVD products. While the discontinuation of Photo Imaging business had the effect of reducing sales during the period under review by ¥40.9 billion, a comparison of sales after excluding sales of the Photo Imaging business shows relatively high growth of 13.0%, or ¥91.3 billion, year on year.

Gross profit for the period rose 11.2%, or ¥40.2 billion year on year, to ¥398.8 billion. We were able to absorb the effects of declines in product prices and the rise in raw material prices by implementing Groupwide cost-cutting programs, expanding our sales volume primarily with respect to new products, working to improve our product mix, and taking other initiatives. Our efforts were also assisted by the positive impact of the decline in the value of the yen vis a vis the euro. As a result of these various factors, the gross profit ratio rose from 48.2% to 50.2%.

Selling, general and administrative (SG&A) expenses rose ¥21.0 billion year on year, reflecting such factors as a ¥6.0 billion rise in R&D investments centered on growth business fields, but the ratio of SG&A expenses to net sales was 38.9%, approximately the same as during the same period of the previous fiscal year. As a consequence, operating income rose 27.3%, or ¥19.2 billion year on year, to ¥89.5 billion, and the ratio of operating income to net sales increased from 9.4% to 11.3%.

Among non-operating income and expenses items, non-operating expenses declined ¥2.3 billion year on year, owing to lower interest paid and other factors, while non-operating income declined ¥4.9 billion because of a drop in foreign exchange gains and other factors. As a result, net non-operating income was down ¥2.6 billion. Consequently, recurring profit expanded 23.8%, or ¥16.6 billion, to ¥86.4 billion.

Among extraordinary income and expenses items, extraordinary profit was ¥8.6 billion lower year on year, owing to decreases in gains on sales of fixed assets and investment securities, while extraordinary losses grew ¥1.0 billion. These factors led to an overall deterioration in net extraordinary profit of ¥9.6 billion. Consequently, income before income taxes and minority interests rose 8.8%, or ¥6.9 billion year on year, to ¥85.2 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 period under review was 34.5%. One of the principal factors accounting for this was the confirmation that a portion of losses on the 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 surged 38.9%, or ¥15.5 billion, to ¥55.7 billion.

Please note that third-quarter operating income and recurring profit results (nine-month periods) have been at record high levels for three consecutive fiscal years, while net income results (nine-month periods) have been at record high levels for two consecutive fiscal years.

Capital expenditures during the nine-month period under review amounted to ¥52.2 billion, up ¥0.6 billion from the corresponding 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 color MFP products in the Business Technologies business and construction of a new plant for TAC film and glass hard disks and R&D facilities in the Optics business. Depreciation for the period under review rose ¥7.0 billion from the corresponding period of the previous fiscal year, to ¥44.5 billion, reflecting a rise in the depreciation burden associated with previous measures to strengthen manufacturing capacity. Please note that ¥2.4 billion of the total increase in depreciation was due to changes in the accounting methods for depreciation following the revision of tax regulations.

[Reference]

Three Months Summary (From October 1, 2007 to December 31, 2007)

Consolidated net sales for the quarterly period under review rose 7.7%, or ¥19.3 billion year on year, to ¥270.0 billion. While the Photo Imaging business has been discontinued, this business accounted for ¥11.0 billion in sales during the same period of the previous fiscal year—consolidated net sales from continuing operations, excluding the Photo Imaging business, were up approximately 12.7%, or ¥30.4 billion, from the same period of the previous fiscal year. Principal factors supporting this rise included the Business Technologies business's robust sales of color MFP products centered on European markets, owing to the launch of new products and the Optics business's strong sales of viewing angle expansion films for large LCD televisions and optical pickup lenses for use with next-generation DVDs (Blueray Disks and HD-DVDs). As a result of the strong sales performance of the Group's principal products and the positive impact of the decline in the value of the yen vis a vis the Euro, operating income rose 35.0%, or ¥8.4 billion year on year, to ¥32.5 billion, and recurring profit increased 27.3%, or ¥6.8 billion year on year, to ¥31.7 billion. For the three-month quarterly period under review, the values of operating income, recurring profit, and net income were at record high levels.

Reflecting a year-on-year drop in net extraordinary profit owing to factors including a decrease in gains on the sales of fixed assets, income before income taxes and minority interests rose 3.1%, or ¥0.9 billion year on year, to ¥31.3 billion, and net income advanced 2.6%, or ¥0.4 billion, to ¥18.0 billion.

Overview by Segment

(From April 1, 2007 to December 31, 2007)

1. Business Technologies Business

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

[Millions of yen]

	Nine months ended Dec.31, 2007	Nine months ended Dec.31, 2006	Increase	Three months ended Dec.31, 2007	Three months ended Dec.31, 2006	Increase
Net sales to outside customers	522,087	473,969	48,118	175,186	164,429	10,756
Intersegment net sales	4,275	2,763	1,512	1,391	995	396
Total net sales	526,363	476,732	49,630	176,578	165,424	11,153
Operating expenses	459,296	422,173	37,122	154,227	144,963	9,264
Operating income	67,066	54,558	12,507	22,350	20,461	1,888

In the MFP field, we are implementing a "genre-top strategy" for tightly –focused, initiatives in growth. We are emphasizing measures to expand sales of general office-use color MFP products and high-speed

MFP products for production print applications. Demand for these kinds of products is continuing to grow in Japan and overseas markets.

We further strengthened our lineup of general office-use color MFP products during the period under review. During the first half of the period, we undertook the concentrated launch of high-speed products with color printing output capabilities ranging from 45 ppm to 50 ppm (monochrome printing output capabilities ranging from 45 ppm to 65 ppm), including the “bizhub C451”, the “bizhub C550”, and the “bizhub C650”. In the latter half of the period, we undertook the concentrated launch of medium- and low-speed products with color printing output capabilities ranging from 20 ppm to 35 ppm, including the “bizhub C203”, the “bizhub C253”, and the “bizhub C353”. 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 image quality and high productivity through the incorporation of tandem engines, along with the latest network functions and leading-edge security capabilities. During the period under review, sales of color MFPs for general office-use, especially the newly introduced models, were favorable in Japan and overseas markets.

In the production printing field, which is focused on such customers as the internal printing departments of large corporations and large franchise print shops, our sales of the “bizhub PRO C6500” have been strong since that product’s launch, and we began sales of our new “bizhub PRO C5500” high-speed color MFPs in September 2007. In October 2007, we opened the Konica Minolta Digital Imaging Square presentation facility in Tokyo’s Shinagawa district to reinforce our systems for disseminating diverse production shop-related information with additional capabilities for providing information concerning solutions to issues faced by customers as well as new services and business models.

With respect to the LBP field, we are emphasizing efforts to strengthen our lineup of medium- to high-speed tandem color LBPs with color printing output capabilities ranging from 25 ppm to 31 ppm for the general-office market, where large printing volume is forecast. These products include the “magicolor 4650”, “magicolor 5570/5550”, and the “magicolor 7450”. We also proactively worked to create marketing systems with greater marketing power in the general office sector, taking such initiatives as the summer 2007 reorganization and consolidation within MFP marketing companies of printer marketing companies in European and North American markets.

As a result of these various activities, sales of this business to outside customers during the period under review expanded 10.2%, to ¥522.0 billion, and operating income rose 22.9%, to ¥67.0 billion.

2. Optics Business

[Optical devices, electronic materials, etc.]

[Millions of yen]

	Nine months ended Dec.31, 2007	Nine months ended Dec.31, 2006	Increase (Decrease)	Three months ended Dec.31, 2007	Three months ended Dec.31, 2006	Increase (Decrease)
Net sales to outside customers	134,030	101,213	32,817	50,715	33,538	17,177
Intersegment net sales	782	1,092	(310)	252	322	(69)
Total net sales	134,813	102,305	32,507	59,968	33,861	17,107
Operating expenses	110,614	87,385	23,229	39,830	29,605	10,224
Operating income	24,198	14,920	9,277	11,138	4,255	6,883

Regarding display materials, a sharp recovery in demand from customers beginning from summer 2007 supported strong sales of TAC film centered on high-function products. The large LCD television market is continuing to expand, and we have given particular emphasis to viewing angle expansion film products for use with such televisions. New viewing angle expansion film products launched beginning from 2007 have been highly evaluated by customers, and the number of Japan- and overseas-based manufacturers adopting it is continuing to increase. We are also proactively augmenting our production capacity through such measures as those to complete our No. 5 manufacturing line in November 2007 and prepare for the completion of our No. 6 manufacturing line in summer 2008.

Turning to memory-related products, regarding our mainstay optical pickup lenses, unit sales of CD-use products and collimator lenses declined, but strong sales were recorded of DVD-related products, including high-end products associated with next-generation DVDs (Blueray Disks and HD-DVDs). Sales of DVD-related products contributed to expansion in Optics business sales during the period. In the glass hard disk substrate field, performance was affected by a period of adjustment during the first half of the period, but demand from customers has been recovering since fall 2007. The benefits of this and the trend toward the use of vertical magnetic recording formats kept performance firm. As a result, glass hard disk operations are proceeding smoothly.

In the image input/output component field, we greatly increased our sales of microcamera modules and lens units for camera-equipped mobile phones as well as zoom lens units for digital cameras.

As a consequence of these developments, sales of this business to outside customers rose 32.4%, to ¥134.0 billion, and operating income surged 62.2%, to ¥24.1 billion.

3. Medical and Graphic Imaging Business

[Medical and graphic products, etc.]

[Millions of yen]

	Nine months ended Dec.31, 2007	Nine months ended Dec.31, 2006	Increase (Decrease)	Three months ended Dec.31, 2007	Three months ended Dec.31, 2006	Increase (Decrease)
Net sales to outside customers	117,649	112,067	5,582	37,033	36,020	1,012
Intersegment net sales	2,796	11,029	(8,233)	1,056	2,587	(1,531)
Total net sales	120,445	123,096	(2,650)	38,089	38,608	(519)
Operating expenses	114,556	115,966	(1,409)	36,206	36,649	(442)
Operating income	5,888	7,129	(1,241)	1,882	1,959	(76)

In the medical/healthcare field, we are focusing 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 period under review, we proactively worked to expand our business in Japan and overseas by targeting sales to smaller medical establishments, such as general clinics. Since June 2007, we have emphasized the marketing of the REGIUS MODEL 110, a new product developed based on the design concept of “offering a compact and simple operating environment.”

In the graphic (printing) segment, we are responding to the shift to digital printing processes by strengthening our capabilities for marketing digital printing equipment. During the period, strong sales were recorded in Japan and overseas of the “Pagemaster Pro 6500” on-demand printing system.

As a result, sales of this business to outside customers during the period expanded 5.0%, to ¥117.6 billion. On the other hand, operating income declined 17.4%, to ¥5.8 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; and other factors.

4. Other Businesses

■ **Sensing Business [Colorimeters, 3-D digitizers and other measurement devices]**

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 3-D shapes. During the period under review, the Company recorded robust sales of color measurement instruments centered on spectrophotometric colorimeters and other products for measuring object colors. We have worked to strengthen our product competitiveness through the development of such products as the Spectroradiometer CS-2000 for the high-precision measurement of contrast functions of such displays as full-specification Hi-Vision LCDs and plasma displays, which were launched in November 2007, and the CM-700d/600d spectrophotometers for improving color management in diverse industries, which was launched in December 2007.

As a result of these measures, sales of this business to outside customers during the period rose 5.2%, to ¥7.2 billion, although operating income declined 9.0%, to ¥0. 9 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 and inks to major printer manufacturers and large inkjet printers for textile use. During the period, the steady rise in the accumulated number of printer heads delivered to domestic customers was accompanied by strong sales of ink products. We also worked to develop business with new customers overseas, particularly in the rapidly growing Chinese market as well as Europe and the United States, and orders were obtained from several major printer manufacturers.

As a result of these measures, sales to outside customers during the period grew 15.7%, to ¥5.0 billion. On the other hand, operating income decreased 28.5%, to ¥0.6 billion, owing in part to higher expenditures on R&D.

Financial Position

Total assets at the end of the quarterly period under review were ¥985.1 billion, or ¥34.1 billion higher than at the end of the previous fiscal year. Factors contributing to the increase centered on rises in inventory assets and tangible fixed assets that accompanied an expansion in business scale. Inventories increased ¥23.8 billion from the end of the previous fiscal year, to ¥157.3 billion. In addition, as a result of the Company's continued efforts to reduce interest-bearing debt, the level of such debt decreased ¥1.6 billion from the end of the previous fiscal year, to ¥227.7 billion.

Regarding net assets, the recording of ¥55.7 billion in net income for the period under review and other factors contributing to a rise in retained earnings caused net assets to increase ¥47.6 billion from the end of the previous fiscal year, to ¥416.2 billion. Net assets per share amounted to ¥781.60 (up ¥89.21 from the end of the previous fiscal year), and the shareholders' equity ratio rose 3.5 percentage points from the end of the previous fiscal year, to 42.1%.

Cash flows from operating activities

Net cash flow provided by operating activities during the nine-month period under review amounted to ¥73.8 billion, up ¥30.3 billion from the same period of the previous fiscal year. Inflows were increased by such factors as the recording of ¥85.2 billion in income before income taxes and minority interests and ¥44.5 billion in depreciation as well as a ¥22.8 billion decrease in notes and accounts receivable. These inflows were partially 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 during the nine-month period under review amounted to an outflow of ¥55.4 billion (representing an increase in cash outflow of ¥17.2 billion from the same period of the previous fiscal year). This was mainly due to expenditures of ¥44.9 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 ¥13.0 billion from the same period of the previous fiscal year, to ¥18.4 billion.

Cash flows from financing activities

Net cash used in financing activities amounted to a net outflow of ¥13.1 billion (representing an increase in cash outflow of ¥10.7 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 ¥1.6 million, cash and cash equivalents rose ¥6.9 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 ¥93.6 billion.

Outlook for the Fiscal Year Ending March 31, 2008

During the first nine months of the fiscal year ending March 31, 2008, units centered on the Business Technologies business and the Optics business have powerfully propelled growth in Group performance, and we have achieved steady increases in performance indicators. Looking at prospective developments in the Group's domestic and overseas operating environment, however, there is concern that the protraction and exacerbation of subprime loan problems in the United States may be accompanied by a worldwide economic deceleration, and there is a perception that it is increasingly difficult to project future trends regarding such issues as the persistent surge of crude oil prices and similar rises in other raw materials prices as well as the progressive appreciation of the yen with respect to the U.S. dollar and the Euro. While continuing to give careful attention to these circumstances, the Group is doing its utmost to attain the performance targets for the fiscal year as a whole that were included in the upward-revised forecast announced along with interim performance results in November 2007. The Group is emphasizing the steady implementation of various measures based on its "FORWARD 08" medium-term business plan, and it is not currently revising its previous performance projections for the fiscal year as a whole or the associated assumptions regarding currency exchange rates.

[Reference]

Consolidated Performance Forecast for the Full Fiscal Year
(April 1, 2007, through March 31, 2008)

(Announced November 1, 2007)

[Billions of yen]

	Fiscal Year Ending March 31, 2008
Net sales	1,085.0
Operating income	116.0
Recurring profit	107.0
Net income	66.0

Please note that the following foreign currency exchange rates have been assumed in this outlook:
US$: ¥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.*

Other

(1) Changes to principal subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): None

(2) Use of simplified accounting methods:
[Corporate income tax calculation standard]
Regarding corporate income tax calculation standards, the Company uses a simplified accounting method using a projected annual tax rate based on the statutory rate, etc.

(3) Accounting policy changes since the previous fiscal year

[Method of depreciation for tangible fixed assets]

Accompanying revisions in Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, March 30, 2007, Law No. 6, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, March 30, 2007, Ordinance No. 83), beginning with the fiscal year under review, the method of depreciation for tangible fixed assets purchased on or after April 1, 2007, has been changed to the method prescribed by the revised Income Tax Law. As a result of this change, compared with the previous method employed for the previous fiscal year, operating income and recurring profit were each ¥1,591 million lower than under the previous method of calculating depreciation, and income before income taxes and minority interests was ¥1,589 million lower than they would have been under the previous method.

In addition, accompanying the change in Japan's Corporate Tax Law, the Company and its consolidated subsidiaries have adopted the following method of depreciation for assets acquired on or before March 31, 2007. For those assets that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition cost. As a result of this change in accounting method, for the nine month period under review, operating income was ¥891 million lower, recurring profit was ¥892 million lower, and income before income taxes and minority interests was ¥881 million lower than these indicators would have been under the previous method.

**Figures given in the text as billions of yen have been rounded down to the nearest hundred million yen by discarding figures less than one hundred million yen.*