1. Consolidated Operating Results

(1) Overview of Performance

1st quarter results for the fiscal year ending March 31, 2009 (From April 1, 2008 to June 30, 2008)

[Millions of yen]

	Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)	Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)	Increase (Decrease)	
Net sales	255,139	252,407	2,732	1.1%
Gross profit	119,931	126,026	(6,095)	-4.8%
Operating income	24,478	24,735	(257)	-1.0%
Recurring profit	27,938	27,706	231	0.8%
Net income before income taxes and minority interests	30,756	27,490	3,265	11.9%
Net income	17,628	16,135	1,493	9.3%
Net income per share [yen]	33.22	30.40	2.82	9.3%
Capital expenditure	13,696	22,791	(9,094)	-39.9%
Depreciation	16,168	13,947	2,221	15.9%
R & D expenses	20,870	18,703	2,166	11.6%
Exchange rates [yen]				
US dollar	104.55	120.78	(16.23)	-13.4%
Euro	163.43	162.72	0.71	0.4%

Regarding the net sales of the Konica Minolta Group’s principal business segments during the quarterly fiscal period under review, the core Business Technologies Business continued to record robust sales of color MFP (multifunctional peripheral) products in Europe, where it has a strong marketing base. Overall net sales in that segment were somewhat below the level in the same period of the previous fiscal year, however, owing to sluggish sales in the United States from summer 2007 that reflected the protraction of economic deceleration following the emergence of the subprime loan crisis as well as owing to the considerable appreciation of the yen against the U.S. dollar. In the strategic business field of the Optics Business, Konica Minolta maintained the sales growth momentum achieved in the previous fiscal year with respect to such strategic products as VA-TAC films (viewing angle expansion films) for large LCD televisions, DVD pickup lenses for next-generation Blu-ray Discs, and glass substrates that are essential components in hard disk drives (HDDs) used with personal computers and other equipment. In the Medical and Graphic Imaging Business, film product sales were sluggish in the medical and printing fields, where digitization is proceeding rapidly. As a result of these trends, consolidated net sales for the quarterly fiscal period amounted to ¥255,139 million, an increase of 1.1%, or ¥2,732 million from the same period of the previous fiscal year. We estimate that the impact of the appreciation of the yen against the U.S. dollar currency and other exchange rate changes had the effect of reducing net sales by approximately ¥11.9 billion.

Gross profit for the period declined ¥6,095 million year on year, to ¥119,931 million. This reflected such factors as the accounting shift of service expenses from selling, general and administrative (SG&A) expenses to cost of sales by a portion of the Business Technologies Business product marketing companies as a part of measures to unify the accounting methods of subsidiaries, the accounting shift of losses on the disposal of inventory assets from nonoperating expenses to cost of sales due to the application of new inventory asset evaluation accounting standards, and a rise in depreciation expenses owing to tax system reforms. As a result of these various factors, the gross profit ratio was 47.0%, down 2.9 percentage points from 49.9% in the same period of the previous fiscal year. Excluding the ¥10.0 billion estimated effect of these accounting changes, gross profit for the quarter would have amounted to ¥129.9 billion, up 3.1% from the same period of the previous fiscal year, and the gross profit ratio would have been 50.9%, up 1.0 percentage point from the same period of the previous fiscal year. This underlying performance improvement is the result of Groupwide cost reduction efforts designed to improve profitability and to offset the decline in selling prices amid intensifying competition and the surge in raw materials prices.

Despite a ¥2,166 million rise in R&D expenses that reflected the Business Technologies Business' emphasis on color products and production printing business, SG&A expenses decreased ¥5,838 million year on year, to ¥95,453 million, reflecting the abovementioned accounting shift of service expenses to cost of sales and other factors. As a consequence, the Company was able to record ¥24,478 million in operating income and a 9.6% ratio of operating income to net sales—both these figures are approximately the same level as in the same period of the previous fiscal year. Excluding the ¥2.2 billion estimated effect of the previously mentioned accounting changes, operating income for the quarter would have increased 7.9% year on year, to ¥26.6 billion, and the operating income ratio would have improved 0.7 percentage point, to 10.5%.

Reflecting such factors as a ¥1,593 million decrease in foreign exchange gains and the accounting shift of losses on disposal of inventory assets from nonoperating expenses to cost of sales due to the application of new inventory asset evaluation accounting standards, net non-operating income improved ¥489 million. Consequently, recurring profit for the quarter increased 0.8%, or ¥231 million, year on year, to ¥27,938 million.

Net extraordinary profit improved ¥3,033 million, reflecting such factors as gains on the sale of an affiliate and gains on the transfer of business associated with the transfer of a subsidiary in the Medical and Graphic Imaging Business segment—Konica Minolta ID System Co., Ltd.—and related business assets. Consequently, income before income taxes and minority interests grew 11.9%, or ¥3,265 million year on year, to ¥30,756 million. After deducting income taxes and minority interests, net income amounted to ¥17,628 million, up 9.3%, or ¥1,493 million year on year. Net income per share was ¥33.22, up 9.3%, or ¥2.82.

Konica Minolta has continued implementing measures based on its three-year medium-term business plan, FORWARD 08, which was begun in May 2006. These measures were designed to promote the Group's growth and maximize the Group's corporate value by effectively implementing the "genre-top strategy," which calls for concentrating management resources in specified business fields and markets to establish the top brand in those fields and markets.

In line with this strategy, Konica Minolta continued augmenting its capabilities for manufacturing TAC film (protective film for polarizing plates), an essential component of LCDs. The Company completed the construction of its No. 6 TAC film production line (Kobe, Japan), in June 2008, and has begun constructing its No. 7 TAC film production line (Kobe, Japan), which is scheduled to begin operating in fall 2009. As a result of these and other proactive investments to expand production capacity in strategic growth fields, the Company's capital investments in the quarterly fiscal period under review amounted to ¥13,696 million.

Owing to the completion of the No. 6 TAC film production line and a rise in depreciation expenses owing to tax system reforms, depreciation expenses for the quarterly period under review totaled ¥16,168 million, up ¥2,221 million year on year.

Regarding exchange rate trends during the quarterly period under review, the trend of yen appreciation has rapidly proceeded. Average exchange rates for the period were ¥104.55=US$1, corresponding to yen appreciation of ¥16.23 (13.4%) from the previous fiscal year, and this was a noteworthy factor in placing downward pressure on consolidated net sales. The exchange rate against the euro was ¥163.43=€1, roughly unchanged from the same period of the previous fiscal year.

(2) Overview by Segment

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

[Millions of yen]

	Three months ended June 30, 2008 (April 1, 2008– June 30, 2008)	Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	166,714	172,805	(6,091)	-3.5%
(2) Intersegment net sales	1,063	1,147	(84)	-7.4%
Total net sales	167,777	173,953	(6,175)	-3.6%
Operating income	17,146	21,423	(4,276)	-20.0%

In the MFP field, we are implementing a "genre-top strategy" that emphasizes measures to expand sales of general office-use color MFP products. Demand for these products is continuing to grow in Japan and overseas markets as users move to replace their monochrome products.

Having strengthened its general office-use "bizhub" color MFP product lineup in all market segments from low-speed segments to high-speed segments with the launch of five new products during the previous fiscal year, Konica Minolta recorded strong "bizhub" sales during the quarterly period under review, particularly in Europe. Amid protracted economic deceleration in the United States, however, credit restrictions regarding new lease contracts and other factors slowed growth in sales of color products. This and slow down in demand for monochrome products for new installations and replacement kept overall sales in the United States sluggish.

In the production printing field—which is focused on such customers as large corporations' internal printing departments, franchised print shops, and commercial digital printing companies—we maintained robust sales centered on "bizhub PRO C6500/C5500" high-speed color MFPs.

With respect to the LBP field, we are emphasizing efforts to strengthen our marketing of products to ordinary offices that anticipate considerable printing volumes, offering products through MFP channels under the "bizhub" brand and through IT-related channels under the long-standing "magicolor" brand. In accordance with this strategy, we worked to promote greater sales of both brands, with emphasis on medium- to high-speed tandem color LBPs and all-in-one models with printing, copying, and scanning functions.

Reflecting these efforts as well as the impact of the large appreciation of the yen against the dollar, sales to external customers declined 3.5% year on year, to ¥166,714 million. The sales reduction due to foreign exchange rate impact is estimated to be approximately ¥9.4 billion, which is greater than the impact of foreign exchange rate impact on the Company's other business segments. A rise in SG&A expenses centered on R&D expenses caused operating income to decrease 20.0%, to ¥17,146 million.

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

[Millions of yen]

	Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)	Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	51,056	37,490	13,565	36.2%
(2) Intersegment net sales	245	231	14	6.1%
Total net sales	51,302	37,722	13,580	36.0%
Operating income	8,848	4,733	4,114	86.9%

Regarding display materials, Konica Minolta has been greatly increasing its TAC film production capacity through such moves as the start of full-scale operations at its No. 5 TAC film production line, which was completed in November 2007, as well as the June 2008 completion of the No. 6 TAC film production line. In particular, new versions of VA-TAC viewing angle expansion film launched in 2007 and 2008 have been highly evaluated by customers. The Company greatly increased the volume of its sales of these products for applications centered on large LCD televisions, for which demand is continuing to increase.

In the field of memory-related products, regarding mainstay optical pickup lens products, Konica Minolta's sales of products for CD-related applications decreased, but demand for DVD optical pickup lenses centered on high-end recording lenses began recovering. Moving in advance of other companies, the Company has established an overwhelmingly strong position with respect to optical pickup lenses for Blueray Disks, and sales of these lenses were robust. In glass hard disk substrates, we recorded strong sales volumes of products centered on those for vertical magnetic recording format HDDs.

In the image input/output component field, sales of zoom lenses for digital cameras were slack in Europe and the United States due to the impact of inventory adjustments, but microcamera modules for camera-equipped mobile phones were strong, particularly large-pixel-count modules.

As a result, sales to outside customers in this segment advanced 36.2% year on year, to ¥51,056 million. Despite higher depreciation expenses owing to tax reforms affecting LCD-related materials manufacturing facilities, operating income surged 86.9%, to ¥8,848 million.

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

[Millions of yen]

	Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)	Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	31,288	35,760	(4,472)	-12.5%
(2) Intersegment net sales	502	1,032	(530)	-51.3%
Total net sales	31,790	36,793	(5,002)	-13.6%
Operating income	1,418	1,296	122	9.4%

In the medical/healthcare field, we are focusing on expanding sales of such digital input/output equipment as the "REGIUS" series of digital radiography image inputting systems. During the period under review, we worked to expand sales of the "REGIUS MODEL 110" and the associated "REGIUS Unitea" peripheral terminal system, which were launched in June 2007 as products that facilitate the use of sophisticated IT by relatively small hospitals and clinics. Designed to offer a compact and simple operating environment, these new products' design concepts have been highly evaluated by various customers directly involved with image-based diagnostic work. As a result, growth was achieved in the domestic and overseas sales volumes of digital medical equipment products centered on those products.

In the graphic (printing) segment, the move to filmless imaging progressed further in step with the shift to digital printing processes, causing considerable drops in the Company's domestic and overseas sales of printing-use films during the quarter. Regarding digital equipment, the Company proactively strove to expand sales of the "Pagemaster Pro 6500" on-demand printing system, and sales volume increased were achieved overseas, although a drop in the capital investment proclivity of Japanese companies kept domestic sales volume slack.

Reflecting the decline in sales of film products mainly for overseas, sales to outside customers in this segment decreased 12.5%, or ¥4,472 million, from the same period of the previous fiscal year, to ¥31,288 million. However, operating income rose 9.4%, to ¥1,418 million, reflecting such factors as selling price adjustments implemented in view of the soaring price of silver used for manufacturing film products.

Sensing Business
[Colorimeters, 3D digitizers, etc.]

This segment draws on Konica Minolta's exclusive light-measurement technologies to provide diverse domestic and overseas customers with diverse unique measurement instruments, including those for measuring colorimetric levels, gloss levels, illumination levels, blood oxygen levels, jaundice levels, and three-dimensional shapes.

During the period under review, the Company recorded robust sales in European markets centered on the "CM-700" spectrophotometer and other products used to meet color measurement needs associated with manufacturing and quality control processes for automobiles, electronics, foodstuffs, and other products. In the three-dimensional measurement field, Konica Minolta added the "RANGE7" noncontact digitizer to its lineup of three-dimensional digitizers for commercial and academic applications and recorded strong sales of those products in Japan and overseas. Sales to outside customers in this segment advanced 4.8% from the same period of the previous fiscal year, to ¥2,360 million, although operating income decreased 28.1%, to ¥197 million.

Other Businesses

- **Industrial Inkjet 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 quarterly period, sales of printer heads and ink products to major customers in Japan fell considerably, but a smooth increase was seen in orders for large-format printer heads from customers in Asia, Europe, and North America.

Sales to outside customers in this segment increased 6.0% from the same period of the previous fiscal year, to ¥1, 614 million, and operating income decreased 22.9%, to ¥124 million.

2. Financial Position

(1) Analysis of Financial Position

[Millions of yen]

		As of June 30, 2008	As of March 31,2008	Increase (Decrease)
Total assets	[Millions of yen]	987,631	970,538	17,093
Total liabilities	[Millions of yen]	541,772	552,227	(10,455)
Net assets	[Millions of yen]	445,859	418,310	27,548
Net assets per share	[Yen]	838.54	786.20	52.34
Equity ratio	[%]	45.0	43.0	2.0

At the end of the quarterly period under review, total assets amounted to ¥987,631 million, up 1.8%, or ¥17,093 million, from the previous fiscal year-end. Current assets declined 0.9%, or ¥5,015 million, to ¥552,095 million, and accounted for 55.9% of total assets, while non-current assets grew 5.3%, or ¥22,108 million, to ¥435,536 million, and accounted for 44.1% of total assets.

Regarding current assets, a rise in capital investments, greater demand for funds for such applications as the Business Technologies Business's acquisition of a major U.S.-based dealer (Danka Office Imaging Company (DOIC)), and the repayment of interest-bearing debt caused a decrease of ¥4,993 million, to ¥84,224 million, in cash and deposits and a drop of ¥23,000 million, to ¥10,000 million, in marketable securities. Trade notes and accounts receivable, which ordinarily rise at fiscal year-end, decreased ¥4,705 million, and other accounts receivable were down ¥4,944 million.

Inventories centered on those of the Business Technologies Business increased ¥16,531 million, to ¥149,468 million. Accompanying measures to unify accounting methods of overseas subsidiaries and to change accounting standards for domestic lease transactions, a net increase of ¥16,485 million was recorded in lease receivables.

Regarding non-current assets, tangible fixed assets decreased ¥3,441 million, to ¥242,548 million, as a ¥3,091 million increase in buildings and structures that was mainly attributable to the Optics Business was offset by a ¥6,122 million decrease in assets for rent. The recording of ¥23,189 million of goodwill in connection with the acquisition of DOIC led to a ¥23,149 million rise in intangible fixed assets, to ¥116,998 million. In addition, investments and other assets rose ¥2,400 million, to ¥75,990 million, owing mainly to a rise in the market value of investment securities.

Total liabilities at the end of the quarterly period under review amounted to ¥541,772 million, down 1.9%, or ¥10,455 million, from the previous fiscal year-end, and corresponded to 54.9% of total assets. Current liabilities decreased ¥9,500 million, or 2.6%, to ¥356,070 million, and corresponded to 36.1% of total assets, while non-current liabilities declined ¥954 million, or 0.5%, to ¥185,702 million, and corresponded to 18.8% of total assets. Additional progress made in repaying interest-bearing debt (the sum of long-term loans and bonds) led to a ¥12,394 million decrease in interest-bearing debt, to ¥213,630 million. Accrued income taxes and allowance for bonus decreased ¥5,370 million and ¥7,556 million, respectively, in line with trends typically seen during the first quarters of fiscal years, while a drop of ¥1,289 million, to ¥10,437 million, was seen in provision for loss on business liquidation, which is associated with the discontinuation of the Photo Imaging Business.

Net assets rose 6.6%, or ¥27,548 million, to ¥445,859 million, and corresponded to 45.1% of total assets.

Retained earnings grew ¥18,949 million, to ¥195,633 million, mainly reflecting the recording of ¥17,628 million in net income for the quarter, a ¥5,210 million rise at the start of the quarter due to (preliminary/an initial round of) measures to unify overseas subsidiaries' accounting methods, and a decrease of ¥3,979 million due to dividend payments.

Foreign currency translation adjustment increased ¥6,657 million owing to the depreciation of the yen since the end of the previous fiscal year, and the recovery in stock prices supported a ¥2,146 million rise in valuation difference on available-for- sales securities.

Consequently, net assets per share came to ¥838.54, and the equity ratio rose 2.0 percentage points from the end of the previous fiscal year, to 45.0%.

(2) Cash Flows

[Millions of yen]

	Three months ended June 30, 2008	Three months ended June 30, 2007	Increase (Decrease)
Cash flows from operating activities	22,225	21,811	4,492
Cash flows from investing activities	(31,512)	(20,123)	(15,467)
Total (Free cash flow)	(9,286)	1,687	(10,974)
Cash flows from financing activities	(21,297)	(4,916)	(16,381)

Net cash inflow from operations amounted to ¥22,225 million, while net cash outflow from investing activities, mainly associated with capital investments and the acquisition of dealers, totaled ¥31,512 million. As a result, free cash flow (the sum of operating and investing cash flows) amounted to negative ¥9,286 million. Net cash outflow from financing activities, mainly associated with the repayment of interest-bearing debt and the disbursement of dividends, was ¥21,297 million. The effect of exchange rate changes on cash and cash equivalents was ¥2,074 million, and the increase in cash and cash equivalents due to newly consolidated subsidiaries and other was ¥498 million. As a result cash and cash equivalents at the end of the quarter totaled ¥94,175 million, down ¥28,510 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash flow from operations amounted to ¥22,225 million. The Company reported income before income taxes and minority interests of ¥30,756 million, and depreciation of ¥16,168 million, and these inflows were partially offset by a reversal of the provision for loss on business liquidation 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 ¥31,512 million. This was mainly due to expenditures of ¥23,954 million for the Business Technologies Business's acquisition of newly consolidated subsidiaries in the US (DOIC). It also reflected expenditures of ¥13,366 million for the acquisition of tangible fixed assets, which included principally investments in the strategic business field of the Optics Business for the construction of new plants to increase production capacity for TAC film and glass hard disk substrates.

As a result, free cash flow (the sum of operating and investing cash flows) amounted to an outflow of ¥9,286 million.

Cash flows from financing activities

Net cash used in financing activities amounted to a net outflow of ¥21,297 million. This was due mainly to the use of ¥16,240 million of cash to reduce interest-bearing debt and the use of ¥3,859 million of cash to pay dividends.

Note: The above figures do not include consumption tax.

3. Outlook for the Fiscal Year Ending March 31, 2009

Regarding the Group's performance during the first quarter of the current fiscal year, net sales decreased owing to various factors—such as slack MFP sales in the U.S. market, which reflected the general trend of economic deceleration in the United States, as well as a drop in sales associated with the appreciation of the yen against the dollar and other exchange rate fluctuations—and profitability was impacted by changes to accounting methods, but the Group as a whole is generally making progress in line with the Company's plans. In view of this, the Company has not adjusted its outlook projections for the first half of the current fiscal year or for the year as a whole.

Economic conditions and competition are projected to become increasingly harsh during the second and subsequent quarters of the current fiscal year in light of such factors as concern regarding the possibility of worldwide financial contraction in the wake of the U.S. subprime loan crisis, surging prices of crude oil and other raw materials and natural resources, and the potential that the first two factors may cool down personal consumption and thereby lead to reductions in manufacturing output.

Amid these conditions, as the current fiscal year is the final year of the time period covered by the "FORWARD 08" medium-term business plan, the Group is emphasizing concerted Groupwide measures to ensure the steady execution of all growth strategies and action plans within the plan. At the same time, the Group will do its utmost to further increase the thoroughness of its cost management.

Performance Outlook for the Fiscal Year Ending March 31, 2009 (from April 1, 2008 to March 31, 2009)

[Millions of yen]

	Projection (Announced May 9, 2008)	
	Interim Period	Full Year
Net sales	535,000	1,110,000
Operating income	56,500	120,000
Recurring profit	55,000	115,000
Net income	34,000	70,000

The presumed currency exchange rates for the second and subsequent quarters of the current fiscal year, are US$1 = ¥100 and €1 = ¥155.

Note: The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

▪ Figures in qualitative information sections given as millions of yen have been rounded off by discarding figures less than one million yen.

4. Others

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

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

I. Simplified accounting methods

Method for calculating the estimated loan loss value for general loans receivable
In calculating the estimated loan loss value for general loans receivable at the end of the first quarter, as noteworthy changes in the loan loss rate are not recognized, the loan loss rate at the end of the previous fiscal year is employed.

Method for assessing the value of inventories
In calculating the value of inventories at the end of the first quarter, on-site inventory takings are omitted and the reasonable calculation methods based on the results of on-site inventory takings conducted at the end of the previous fiscal year are used. In addition, only for those inventories that are clearly losing their capacity to contribute to profitability, the accounting method employed is to estimate their net sale value and reduce their book value to the net sale value level.

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

II. Special accounting treatment used in preparation of the quarterly consolidated financial statements

Calculation of Tax Expenses
The effective tax rate on income before income tax for the consolidated fiscal year after the application of tax effect accounting is rationally estimated, and that estimated rate is applied to net income for the quarterly period to calculate estimated tax expenses. In addition, adjustments of income tax is included in income tax expenses.

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

Changes to Items Related to Accounting Treatment Standards

I. Application of Accounting Standards for Quarterly Financial Statements

Beginning with the current fiscal year, the "Accounting Standards for Quarterly Financial Reporting" (ASBJ, ASBJ Statement No. 12) and the "Implementation Guidance for the Accounting Standards for Quarterly Financial Statements" (ASBJ, ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements are prepared following the "Rules for Quarterly Consolidated Financial Statements."

II. Application of Accounting Standards for Measurement of Inventories

Beginning with the first quarter of the current fiscal year, "Accounting Standards for Measurement of Inventories" (No. 9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) has been applied, and the method of measurement of inventories was changed from the lower of cost or market method to the cost method (method of reducing book value when the contribution of inventories to profitability declines) in domestic subsidiaries. As a result, compared with the previous method, the introduction of the new method had the effect of decreasing both gross profit and operating income by ¥552 million and of decreasing both recurring profit and net income before income taxes and minority interests by ¥29 million.

III. Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Beginning with the first quarter of the current fiscal year, the Company has applied "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18, issued by The Accounting Standards Board of Japan (ASBJ) on May 17, 2006), and the necessary revisions have been made in the consolidated financial statements. As a result, the effect on profit and loss was not material. The main impact of the change on the Company's consolidated balance sheets for the quarterly period under review was to increase lease receivables and investment assets by ¥16,485 million.

IV. Application of Accounting Standards for Lease Transactions

(When the Company is the lessee)
Beginning with the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries have undertaken the early application of the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, originally issued by The Accounting Standards Board of Japan (ASBJ) on June 17, 1993, and final revision issued on March 30, 2007) and "Implementation Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16, originally issued by The Accounting Standards Board of Japan (ASBJ) on January 18, 1994, and final revision issued on March 30, 2007). Under these standards, the accounting treatment for finance leases for which ownership is not transferred to the lessee has been changed from methods applicable to ordinary rental transactions to methods applicable to ordinary buying and selling transactions.

When the Company is the lessee in the lease transactions, the assets are entered on the Company's balance sheets, and the depreciation for such assets is calculated by depreciating the purchase value of such assets to zero over the applicable useful lifetimes of such assets.

Please note that for finance leases for which ownership was not transferred to the lessee (the Company) and the lease transaction was begun prior to the first year of the application of the Accounting Standards for Lease Transactions, the account treatment follows the method applicable to ordinary rental transactions. This change did not have a material effect on Consolidated Balance Sheets items for the first quarter of the current fiscal year and had no effect on Consolidated Statements of Income items for the first quarter of the current fiscal year.

Regarding Consolidated Statement of Cash Flows items for the first quarter of the current fiscal year, of lease payments previously accounted for in the "Cash flows from operating activities" section, the portion corresponding to repayments of lease liabilities is now accounted for in the "Cash flows from financing activities" section. This change did not have a material effect on Consolidated Statement of Cash Flows items.

V. Unification of Shift of Service Expenses from SG&A Expenses to Cost of Sales

Previously, some of the consolidated subsidiaries accounted for MFP product-related and other service expenses within SG&A expenses but, owing to the consolidation of a Groupwide accounting policy on the occasion of the introduction of a new internal control reporting system from the current fiscal year, the shift of service expenses from SG&A expenses to cost of sales has been uniformly implemented by consolidated subsidiaries beginning with the first quarter of the current fiscal year. This change had the effect of decreasing first quarter gross profit by ¥7,899 million.

VI. Accounting Treatment of Losses on the Disposal of Inventory Assets

Previously, a portion of overseas consolidated subsidiaries accounted for losses on the disposal of inventory assets within non-operating expenses. However, on the occasion of the application of "Accounting Standards for Measurement of Inventories" (No. 9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) from the current fiscal year and the associated reevaluation of the Group's accounting policies, these losses are uniformly accounted for within cost of sales beginning with the first quarter of the current fiscal year.
As a result, compared with the previous method, the introduction of the new method had the effect of decreasing gross income and operating income by ¥230 million.

Additional Information

Amortization Method for Important Depreciable Assets

- Tangible Fixed Assets

The Company and its domestic consolidated subsidiaries, in response to fiscal 2008 corporate income tax system reforms, with respect to machinery assets, have shifted to the use of the post-reform method of amortizing assets over the applicable useful lifetimes of those assets beginning with the first quarter of the current fiscal year. As a result, compared with the method used in the previous fiscal year, the introduction of the new method had the effect of decreasing operating income, recurring profit, and net income before income taxes and minority interests by ¥1,404 million each during the first quarter of the current fiscal year.