

# Konica Minolta Group

## 1H/March 2009 Consolidated Financial Results

### Six months: April 1, 2008 – September 30, 2008

October 30, 2008  
Yoshikatsu Ota  
President & CEO  
Konica Minolta Holdings, Inc.

*Cautionary Statement:*

*The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.*

*Remarks: Yen amounts are rounded to the nearest 100 million.*

# Agenda



- **Overview of 1H/Mar09 Financial Results**
- **Revised Forecast for FY/Mar09**
- **Major Issues and Actions for 2H/Mar09**

## Overview of 1H/Mar09 financial results

- Net sales            533.0 billion yen    YoY: +8.0 billion yen [+1.5%]
- Operating profit    48.7 billion yen    YoY: - 8.4 billion yen [-14.7%]
- Net income            29.3 billion yen    YoY: - 8.4 billion yen [-22.2%]

- Sudden drop in Business Technologies segment's profit-generation capacity owing to market environment deterioration from 2Q
- Continued solid sales and profit performance by three mainstay products in Optics segment unable to overcome profit decrease in Business Technologies segment
- Ignoring the impact of changes in accounting system (approx. ¥6.0 billion) and foreign exchange (approx. ¥2.0 billion), profit essentially unchanged YoY

[Billions of yen]

	Net Sales					Operating Profit				
	1H/Mar09	1H/Mar08	Y-O-Y	1Q/Mar09	2Q/Mar09	1H/Mar09	1H/Mar08	Y-O-Y	1Q/Mar09	2Q/Mar09
Business Technologies	343.8	346.9	-3.1	-6.1	3.0	32.3	44.7	-12.4	-4.3	-8.1
Optics	109.4	83.3	26.1	13.6	12.6	19.0	13.1	5.9	4.1	1.8
Medical & Graphic	66.2	80.6	-14.4	-4.5	-9.9	2.9	4.0	-1.1	0.1	-1.3
Other businesses	8.6	8.3	0.4	0.2	0.2	1.0	1.3	-0.4	-0.1	-0.2
HD and eliminations	4.9	5.8	-1.0	-0.5	-0.5	-6.4	-6.0	-0.4	-0.1	-0.3
<b>Group total</b>	<b>533.0</b>	<b>525.0</b>	<b>8.0</b>	<b>2.7</b>	<b>5.3</b>	<b>48.7</b>	<b>57.1</b>	<b>-8.4</b>	<b>-0.3</b>	<b>-8.1</b>

\* Medical & Graphic segment's 1H/Mar08 figures include the amounts generated by a subsidiary that was transferred to outside the Group in the 1H/Mar08 period. The effective amounts are ¥3.4 billion in net sales and ¥0.5 billion in operating profit.

## Factors behind worsening sales in Business Technologies

- In addition to changes in accounting system and the impact of new consolidation, major factors included price reductions in the face of increasingly stringent competition
- Amid deteriorating market conditions, sales volume failed to expand, hampering gross profit expansion
- Danka's SG&A and R&D expenses up, but owing to cost controls the degree of increase in expenses during 1Q lower than that of 2Q

[Billions of yen]

<u>Operating profit</u>	1Q/Mar09	2Q/Mar09	1H/Mar09
FY/March 2009	17.1	15.2	32.3
FY/March 2008	21.4	23.3	44.7
Increase (Decrease)	-4.3	-8.1	-12.4

Factors not related to operations

FOREX	+0.5	-0.5	-0.0
Accounting method changes	-0.7	-0.7	-1.4
Goodwill depreciation for newly consolidated subsidiaries	-0.3	-1.2	-1.5
<b>Total</b>	<b>-0.5</b>	<b>-2.4</b>	<b>-2.9</b>

Application of lower-cost-or-market method

Danka' goodwill depreciation: 1.0 billion yen

Factors related to operations

Price change	-3.2	-4.2	-7.4
Sales volume change	+3.6	+1.0	+4.6
Cost cut, net	+0.7	+0.9	+1.6
SG&A change	-4.9	-3.3	-8.2
<b>Total</b>	<b>-3.8</b>	<b>-5.6</b>	<b>-9.4</b>

Cost-up: -1.2 billion yen  
 Cost-down: +¥2.8 billion yen

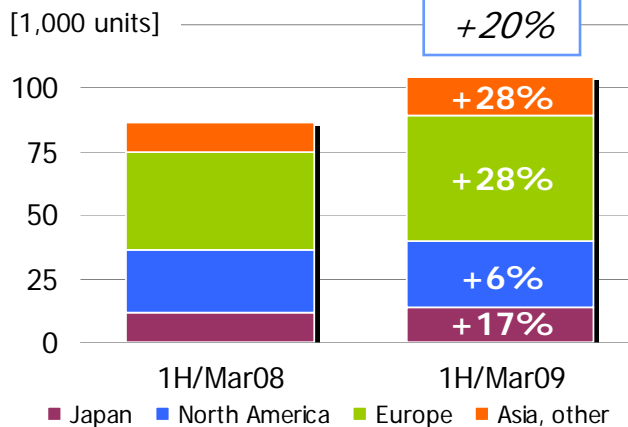
Due to new consolidation: +5.0 billion yen  
 R&D expenses: +2.5 billion yen



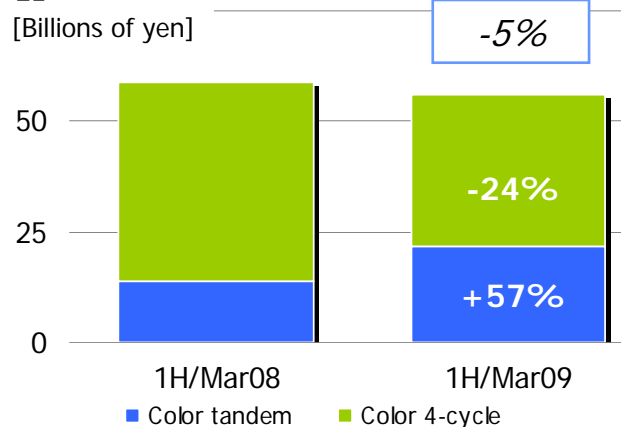
# [Reference] Sales Trends in Mainstay Business Technologies

Continued expansion via “genre-top” strategies; no major change in fundamental approach of generating non-hardware sales

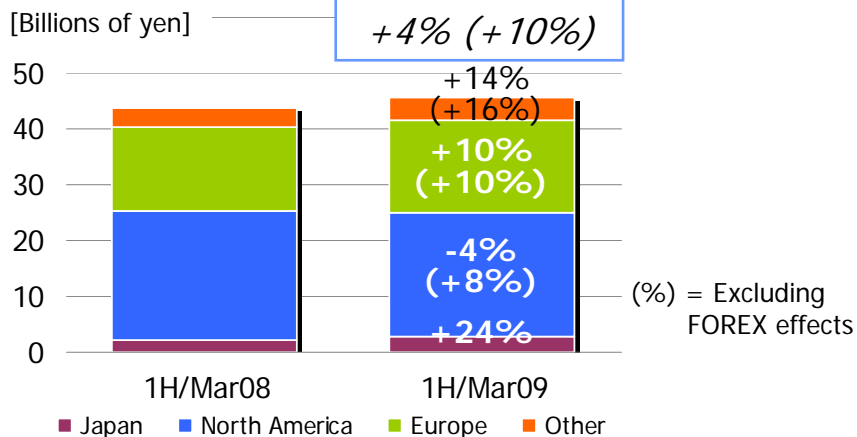
## Color MFP – Unit sales



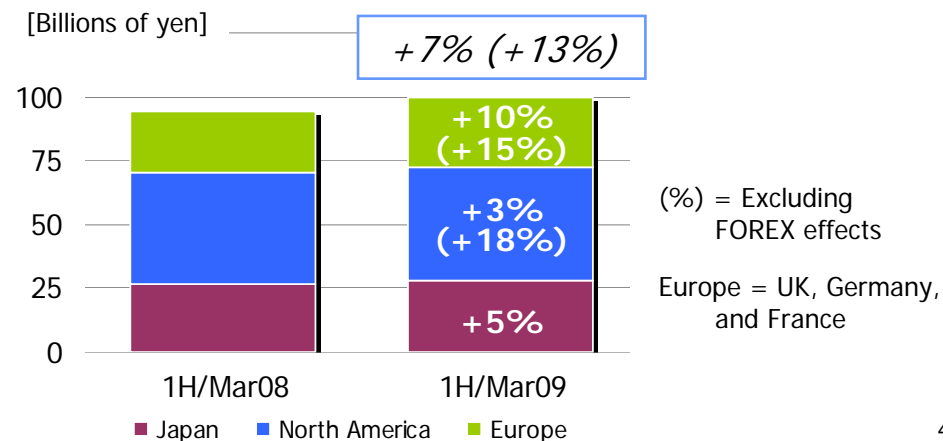
## Color LBP – Unit sales



## Production printing – Net sales



## MFP non-hardware – Net sales (Color + B/W)



# Factors behind revision of 2H/Mar09 forecast



Revision of business plans to incorporate sudden deterioration in market conditions

## Potential risks - Business Technologies

- Market environment deterioration affects additional sectors
- Growing credit risk concerns likely to tighten lease parameters, raising lease rates
- Sharp drop in value of euro to affect sales and profit of European operations

## Potential risks - Optics

- Lackluster personal consumption heightening concerns about year-end holiday sales

	Mar08 vs. Mar09			[Ref.] Current projection vs. Plan		
	1H Result	2H Projection	FY Projection	1H/Mar09	2H/Mar09	FY/Mar09
<b>Business Technologies</b>						
Color MFP	+20%	+15%	+17%	-5%	-5%	-5%
B/W MFP	-10%	+8%	0%	-10%	0%	-5%
<b>Total</b>	<b>0%</b>	<b>+10%</b>	<b>+5%</b>	<b>-7%</b>	<b>-3%</b>	<b>-5%</b>
<b>Optics</b>						
TAC film	+70%	+25%	+45%	+5%	-5%	0%
Pickup lens for Blu-ray	+75%	+40%	+50%	-10%	-10%	-10%
Glass hard disk subtleties	+78%	+50%	+65%	0%	-5%	-3%

## Revised forecast for FY/Mar09

- Net sales 1,035.0 billion yen YoY: -75.0 billion yen [ -6.8%]
- Operating profit 80.0 billion yen YoY: -40.0 billion yen [-33.3%]
- Net income 42.0 billion yen YoY: -28.0 billion yen [-40.0%]

- Exchange rates assumption revised for yen appreciation:

1 Euro: (previous) ¥155, (new) ¥120; 1 USD: (previous) ¥100, (new) ¥95

Note: Sensitivity of operating income (annually) per ¥1 difference in the exchange rate is \$:¥150 million, €:¥1.0 billion

- Revised 2H sales plans to account for global economic deceleration
- Effective tax rate: 41% (Effective tax rate FY/Mar08: 30%, due to tax deduction associated with business exit of Photo Imaging segment)
- No change in expected annual dividend of ¥20 per share

[Billions of yen]

	Net Sales					Operating Profit				
	Result	Current forecast		Previous forecast	Difference	Result	Current forecast		Previous forecast	Difference
	1H/Mar09	2H/Mar09	FY/Mar09	FY/Mar09		1H/Mar09	2H/Mar09	FY/Mar09	FY/Mar09	
Business Technologies	343.8	326.2	670.0	720.0	-50.0	32.3	23.7	56.0	94.0	-38.0
Optics	109.4	95.6	205.0	210.0	-5.0	19.0	12.0	31.0	33.0	-2.0
Medical & Graphic	66.2	68.8	135.0	150.0	-15.0	2.9	1.6	4.5	5.0	-0.5
Other businesses	8.6	8.4	17.0	20.0	-3.0	1.0	1.0	2.0	2.5	-0.5
HD and eliminations	4.9	3.0	7.9	10.0	-2.1	-6.4	-7.1	-13.5	-14.5	1.0
<b>Group total</b>	<b>533.0</b>	<b>502.0</b>	<b>1,035.0</b>	<b>1,110.0</b>	<b>-75.0</b>	<b>48.7</b>	<b>31.3</b>	<b>80.0</b>	<b>120.0</b>	<b>-40.0</b>



## Major issues and actions for 2H/Mar09

In the increasingly severe business environment, we will concentrate on the “genre-top” strategy and maintain growth momentum as well as sustain our positions in the focusing markets.

### Business Technologies

- Reinforce “genre-top” position in color MFPs
- Increase volume by maximizing new channels of acquired companies Danka (United States) and KN (Netherlands)
- Strengthen business alliance with Oce (Netherlands) to expand production printing business

### Optics

- TAC film: Bolster competitiveness and capacity utilization in fourth-generation VA-TAC to enhance pricing responsiveness
- Blu-ray optical pickup lenses: Maintain dominant position in terms of production and technical prowess
- Glass substrates for hard disks: Raise competitiveness in response to sector restructuring worldwide



# Management initiatives in response to sudden changes in operating environment



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In line with a growing awareness of an extended global economic slump, we will accelerate initiatives to reinforce our corporate base in accordance with FORWARD 08 objective, taking advantage of opportunities for growth and business reform while remaining aware of impending risks.

- Review FORWARD 08 policy initiatives, taking action to maximize effective speed
- Make imperative the reduction of expenses and investments in effort to maintain or enhance financial base through ability to generate profit
- Review operations and pursue structural reforms, including consolidation of operating bases
- Prepare business base for the next growth phase, but remain aware of major swings in business
- Reform the business culture—simply BOLD: Dare to demonstrate audacious creativity and courage

## *Supplementary Information*

# 1H/Mar09 Consolidated results - Highlights



	[a]			[Billions of yen]	
	1H/Mar09	1H/Mar08	Y-O-Y	[b]	[a] / [b]
	Results	Results	(%)	1H/Mar09 Plan	Progrss (%)
Net sales	533.0	525.0	2%	535.0	100%
Gross income	243.2	259.7	-6%	--	--
<i>Gross income ratio</i>	<i>45.6%</i>	<i>49.5%</i>	--	--	--
Operating income	48.7	57.1	-15%	56.5	86%
<i>Operating income ratio</i>	<i>9.1%</i>	<i>10.9%</i>	--	<i>10.6%</i>	--
Ordinary income	47.9	54.7	-12%	55.0	--
Net income before taxes	49.9	53.9	-7%	57.0	--
Net income	29.3	37.6	-22%	34.0	86%
<i>Net income ratio</i>	<i>5.5%</i>	<i>7.2%</i>	--	<i>6.4%</i>	--
FOREX [P/L] [Yen] USD	106.11	119.33		100.00	
Euro	162.68	162.30		155.00	
EPS [Yen]	55.19	70.93	-22%		
ROE [full year]	13.1%	18.8%	--		

# 1H/Mar09 Consolidated results – Segment



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	[a]			[Billions of yen]	
	1H/Mar09	1H/Mar08	Y-O-Y	[b]	[a] / [b]
<b>Net sales</b>	Results	Results	(%)	1H/Mar09	Progrss
				Pllan	(%)
Business Technologies	343.8	346.9	-1%	345.0	100%
Optics	109.4	83.3	31%	100.0	109%
Medical & Graphic	66.2	80.6	-18%	75.0	88%
Other businesses	8.6	8.3	4%	10.0	86%
Sub total	528.1	519.1	2%	530.0	100%
HD and eliminations	4.9	5.8	-17%	5.0	98%
Group total	533.0	525.0	2%	535.0	100%

	[a]			[Billions of yen]	
	1H/Mar09	1H/Mar08	Y-O-Y	[b]	[a] / [b]
<b>Operating income</b>	Results	Results	(%)	1H/Mar09	Progrss
				Pllan	(%)
Business Technologies	32.3	44.7	-28%	44.5	73%
Optics	19.0	13.1	45%	16.0	119%
Medical & Graphic	2.9	4.0	-29%	2.0	143%
Other businesses	1.0	1.3	-27%	1.0	96%
Sub total	55.1	63.1	-13%	63.5	87%
HD and eliminations	-6.4	-6.0	--	-7.0	--
Group total	48.7	57.1	-15%	56.5	86%

## 2Q/Mar09 Consolidated results - Highlights

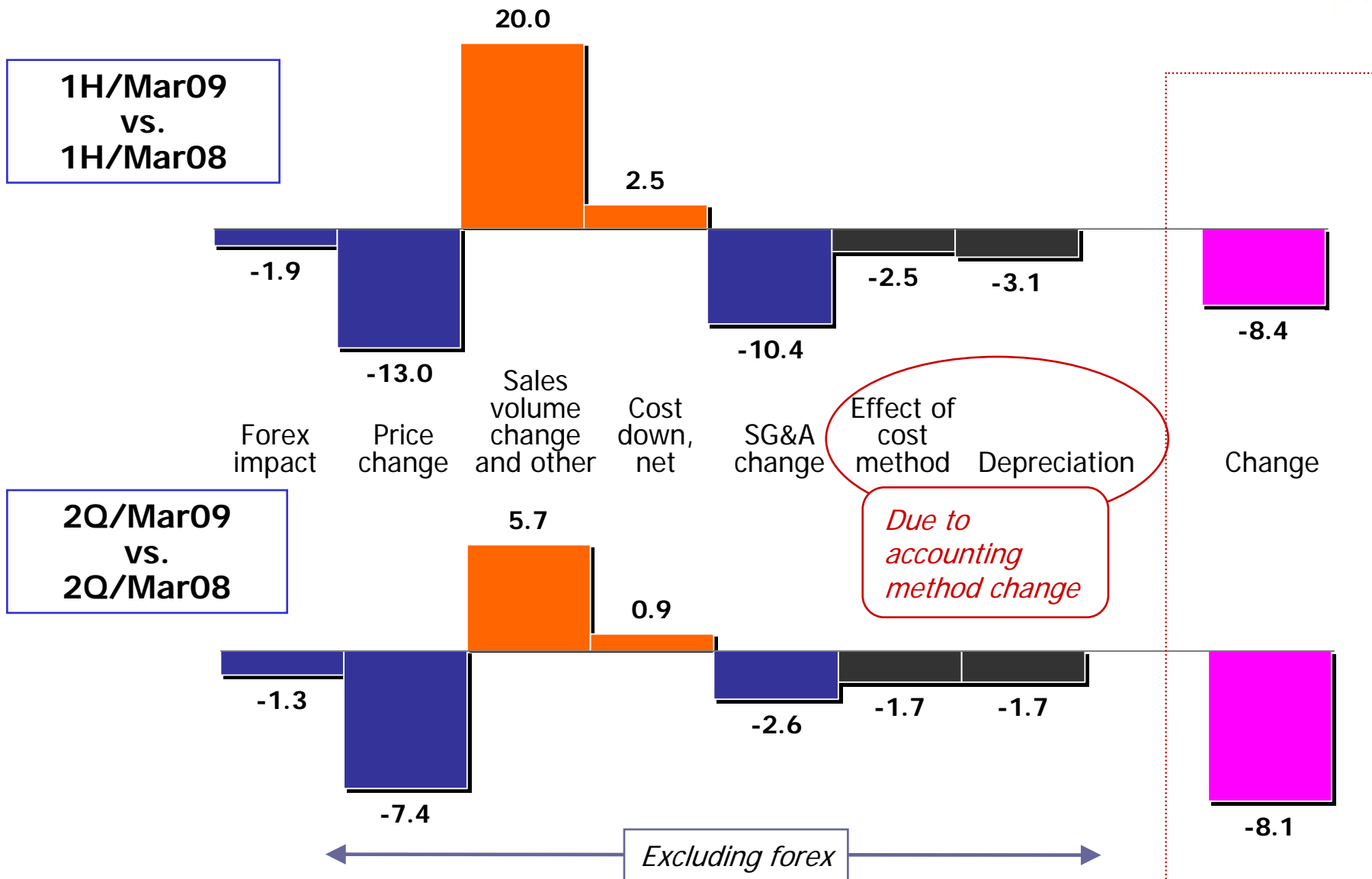
	[Billions of yen]		
	2Q/Mar09	2Q/Mar08	Y-O-Y
	Results	Results	(%)
Net sales	277.8	272.6	2%
Gross income	123.3	133.7	-8%
<i>Gross income ratio</i>	44.4%	49.0%	--
Operating income	24.2	32.3	-25%
<i>Operating income ratio</i>	8.7%	11.9%	--
Ordinary income	19.9	27.0	-26%
Net income before taxes	19.1	26.4	-28%
Net income	11.7	21.5	-46%
<i>Net income ratio</i>	4.2%	7.9%	--
FOREX [P/L] [Yen] USD	107.66	117.87	
Euro	161.93	161.88	
EPS [Yen]	21.96	40.53	-46%
ROE [full year]	10.4%	18.8%	--

## 2Q/Mar09 Consolidated results – Segment

<b>Net sales</b>	[Billions of yen]		
	2Q/Mar09 Results	2Q/Mar08 Results	Y-O-Y (%)
Business Technologies	177.1	174.1	2%
Optics	58.4	45.8	27%
Medical & Graphic	34.9	44.9	-22%
Other businesses	4.7	4.5	4%
Sub total	275.1	269.3	2%
HD and eliminations	2.8	3.3	-15%
Group total	277.8	272.6	2%

<b>Operating income</b>	[Billions of yen]		
	2Q/Mar09 Results	2Q/Mar08 Results	Y-O-Y (%)
Business Technologies	15.2	23.3	-35%
Optics	10.1	8.3	21%
Medical & Graphic	1.4	2.7	-47%
Other businesses	0.6	0.9	-27%
Sub total	27.4	35.2	-22%
HD and eliminations	-3.2	-2.9	--
Group total	24.2	32.3	-25%

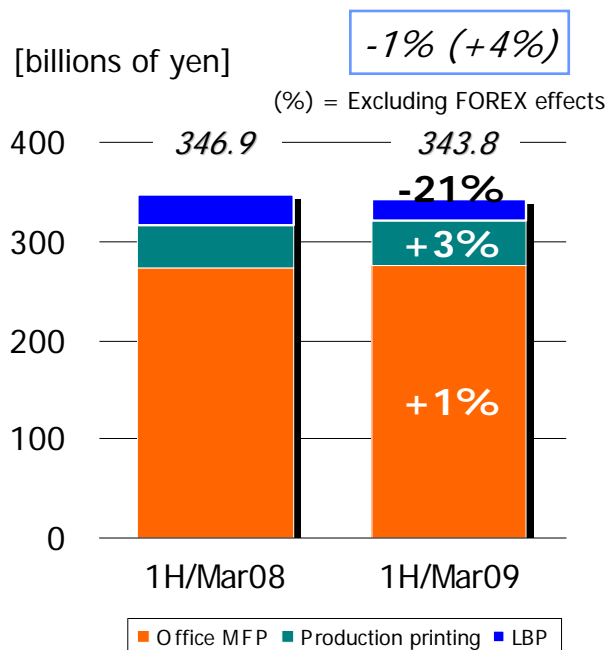
# Operating profit analysis





# Net sales/unit sales - sub segment – 1H/Mar09

## Business Technologies



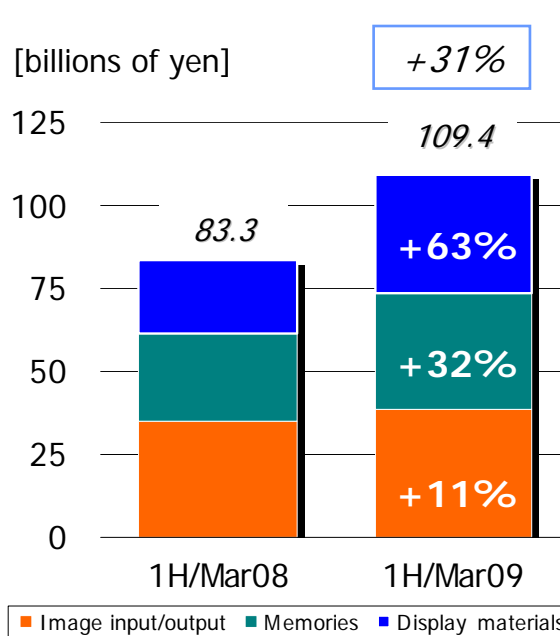
### ● MFP unit sales Y-O-Y: +0%

Color: +20%  
 B/W: -10%  
 (of which, production print: +0%)

### ● LBP unit sales Y-O-Y: -32%

Color: -5%  
 (of which, single-pass: +57%)  
 B/W: -41%

## Optics



### ● LCD materials unit sales Y-O-Y

TAC film : +70%

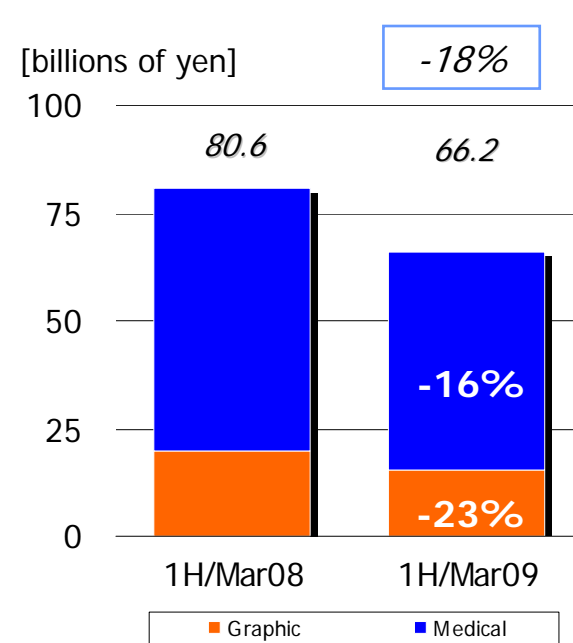
### ● Memory devices unit sales Y-O-Y

Optical pickup lenses: +0%  
 Glass substrates for HD: +78%

### ● Image input/output components unit sales Y-O-Y

Mobile phone components: +91%

## Medical & Graphic Imaging



### ● Medical: unit sales Y-O-Y

X-ray film: -12%  
 Digital input/output equipment: +16%

### ● Graphic: unit sales Y-O-Y

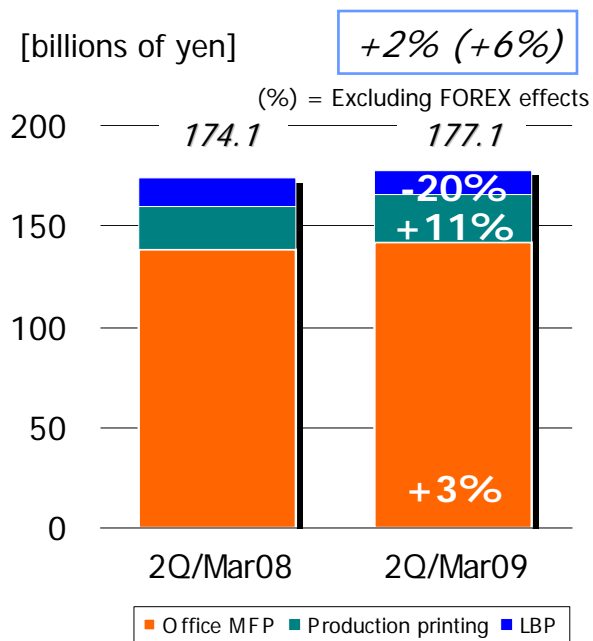
Graphic-arts film: -38%  
 Digital printing equipment: -18%





# Net sales/unit sales - sub segment – 2Q/Mar09

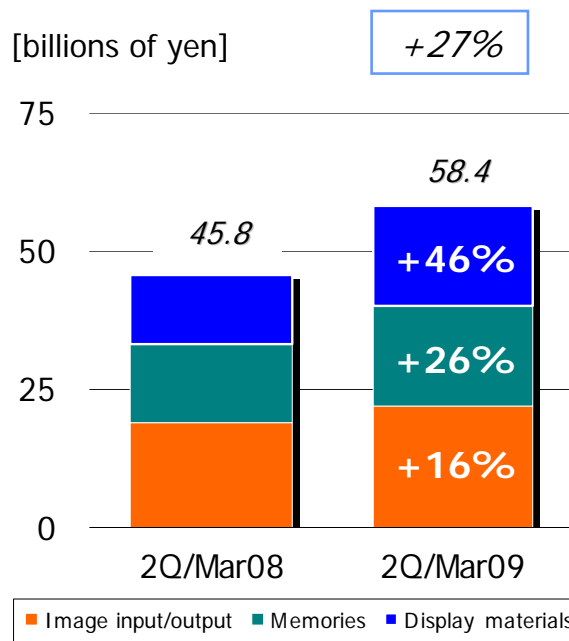
## Business Technologies



- MFP unit sales Y-O-Y: -5%**
  - Color: +17%
  - B/W: -14%
  - (of which, production print: -5%)

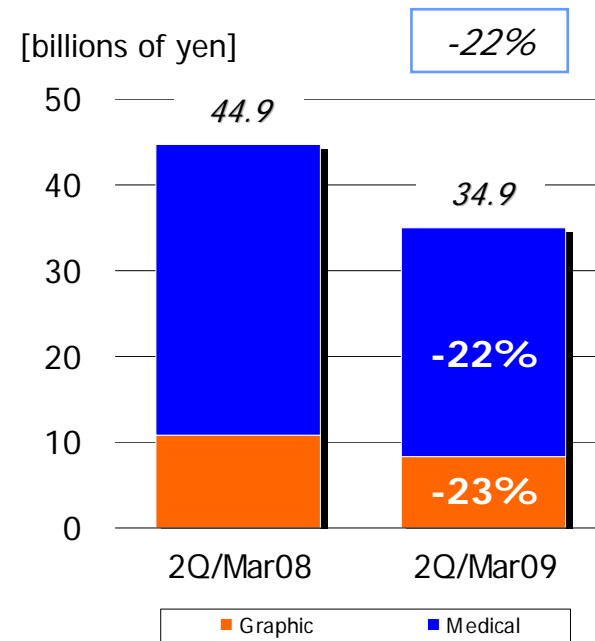
- LBP unit sales Y-O-Y: -25%**
  - Color: +20%
  - (of which, single-pass: +101%)
  - B/W: -35%

## Optics



- LCD materials unit sales Y-O-Y**
  - TAC film : +58%
- Memory devices unit sales Y-O-Y**
  - Optical pickup lenses: -12%
  - Glass substrates for HD: +61%
- Image input/output components unit sales Y-O-Y**
  - Mobile phone components: +71%

## Medical & Graphic Imaging

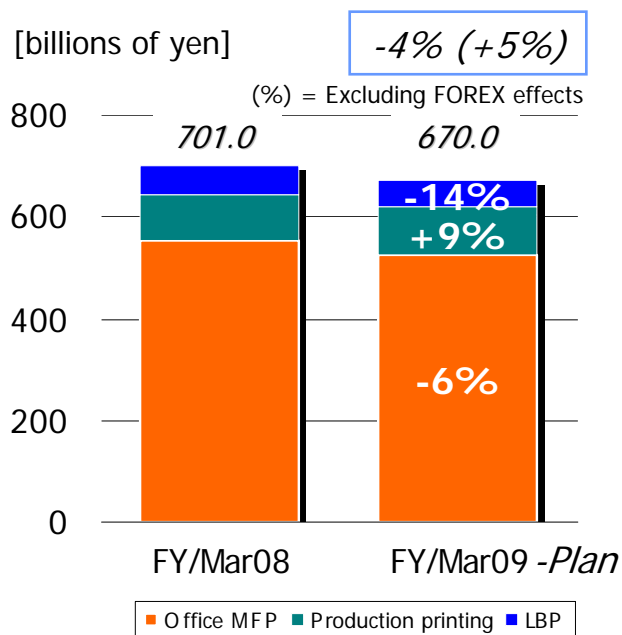


- Medical: unit sales Y-O-Y**
  - X-ray film: -15%
  - Digital input/output equipment: +10%
- Graphic: unit sales Y-O-Y**
  - Graphic-arts film: -38%
  - Digital printing equipment: -20%



# Net sales/unit sales - sub segment – FY/Mar09 -Plan

## Business Technologies



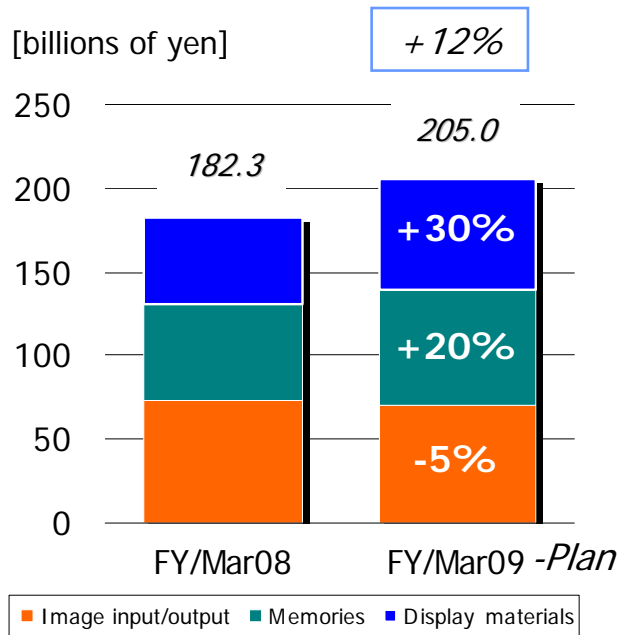
### ● MFP unit sales Y-O-Y: +5%

Color: +17%  
 B/W: 0%  
 (of which, production print: +3%)

### ● LBP unit sales Y-O-Y: -20%

Color: +30%  
 (of which, single-pass: +100%)  
 B/W: -40%

## Optics



### ● LCD materials unit sales Y-O-Y

TAC film : +45%

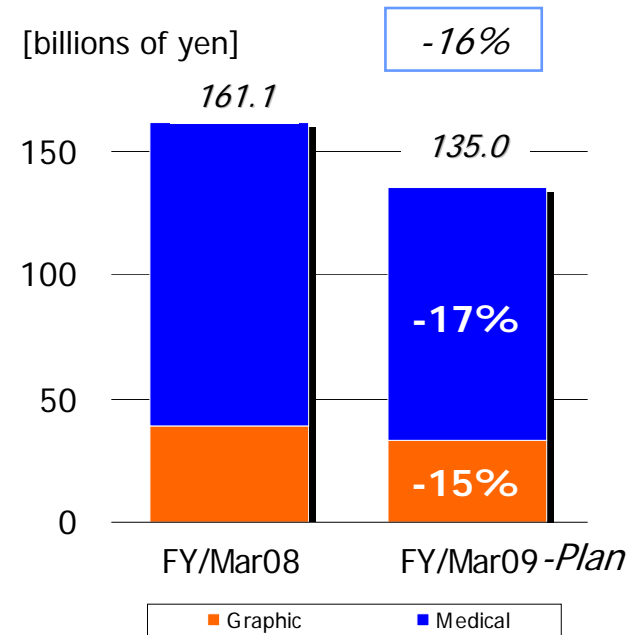
### ● Memory devices unit sales Y-O-Y

Optical pickup lenses: -5%  
 Glass substrates for HD: +65%

### ● Image input/output components unit sales Y-O-Y

Mobile phone components: +15%

## Medical & Graphic Imaging



### ● Medical: unit sales Y-O-Y

X-ray film: -15%  
 Digital input/output equipment: +25%

### ● Graphic: unit sales Y-O-Y

Graphic-arts film: -25%  
 Digital printing equipment: +10%

# SG&A



	1H/Mar09	1H/Mar08	[Billions of yen] Y-O-Y
Sales expenses	28.0	30.7	-2.7
R&D	41.9	38.4	3.5
Salaries and wages	72.5	80.3	-7.9
Other	52.2	53.2	-1.0
<b>SG&amp;A total</b>	<b>194.6</b>	<b>202.6</b>	<b>-8.1</b>
<i>Sales expenses recorded as cost of sales</i>	15.5		
<i>Forex impact *1</i>	-5.5		
<b>Actual</b>	<b>215.6</b>	<b>202.6</b>	<b>12.9</b>

\*1: Negative figures = Reductions in SG&A

## *Non-operating profit*

	1H/Mar09	1H/Mar08	[Billions of yen] Y-O-Y
Interest and dividend income	1.5	1.3	0.2
Foreign exchange gain	--	0.5	-0.5
Other	4.2	3.9	0.3
<b>Non-operating income</b>	<b>5.7</b>	<b>5.7</b>	<b>0.0</b>
Interest expenses	2.9	2.2	0.6
Loss on revaluation/disposal of inventories	--	2.4	-2.4
Foreign exchange loss	0.6	--	0.6
Other	3.0	3.4	-0.4
<b>Non-operating expenses</b>	<b>6.5</b>	<b>8.1</b>	<b>-1.6</b>
<b>Non-operating income, net</b>	<b>-0.8</b>	<b>-2.4</b>	<b>1.6</b>

## *Extraordinary income*

	[Billions of yen]		
	1H/Mar09	1H/Mar08	Y-O-Y
Gain on sales of noncurrent assets	0.1	1.1	-1.0
Gain on sales of subsidiaries and affiliates' stocks	2.8	0.0	2.8
Gain on transfer of business	3.1	--	3.1
Other	0.9	0.2	0.7
<b>Extraordinary income</b>	<b>6.8</b>	<b>1.4</b>	<b>5.5</b>
Loss on sales and retirement of noncurrent assets	1.1	1.0	0.1
Loss on impairment of fixes assets	0.3	0.4	--
Business structure improvement expenses	1.4	--	1.4
Loss on revision of retirement benefit plan	2.0	--	2.0
Other	0.0	0.8	-0.7
<b>Extraordinary losses</b>	<b>4.8</b>	<b>2.2</b>	<b>2.7</b>
<b>Extraordinary income, net</b>	<b>2.0</b>	<b>-0.8</b>	<b>2.8</b>

## R&D expenses, investments, and depreciation



[Billions of yen]

Forecasts FY/Mar09

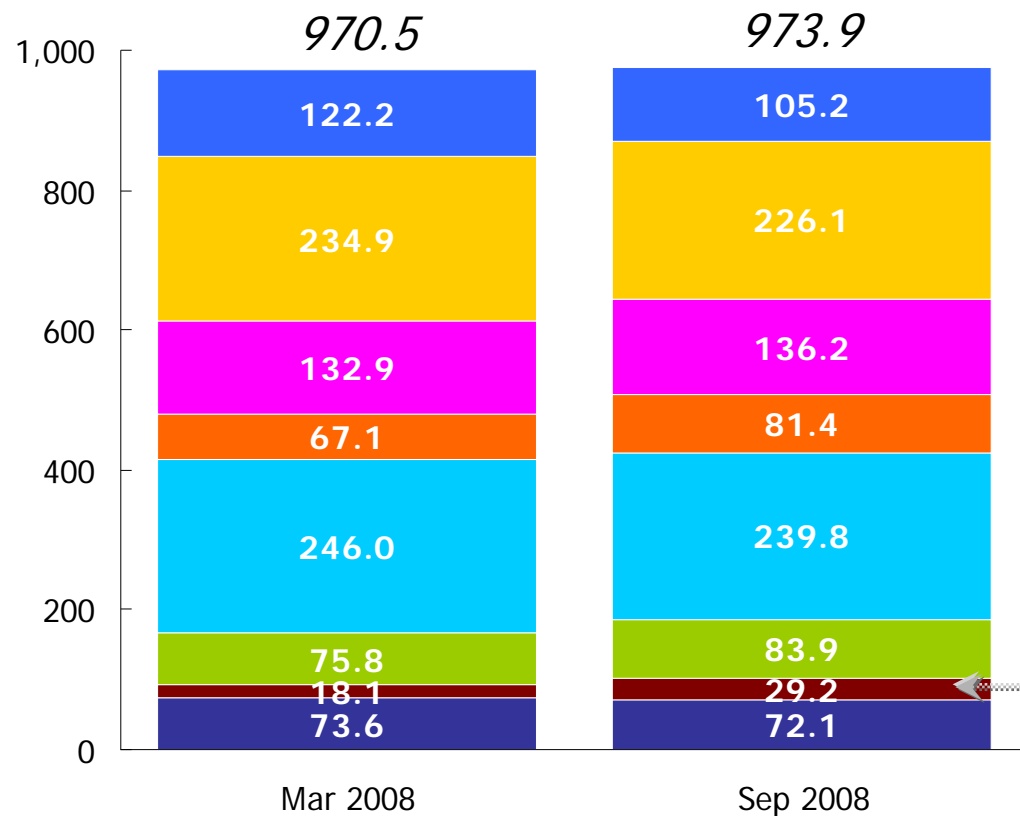
	1H/Mar09	1H/Mar08	Y-O-Y		Forecasts FY/Mar09		
					Current	Previous	Difference
R&D expenses	41.9	38.4	3.5	9%	85.0	90.0	-5.0
Investment	31.3	33.6	-2.4	-7%	60.0	75.0	-15.0
Depreciation	33.9	28.6	5.4	19%	75.0	80.0	-5.0
<hr/>							
Number of employees [persons]	37,876	30,843	7,033				

Major factors for increase:

- (1) Acquisition of Danka – Approx. 1,800 persons
- (2) Full ownership of business equipment factories in China – Approx. 4,200 persons

# B/S - Assets

[Billions of yen]



Forex: B/S	[Yen]	
	Mar 2008	Sep 2008
US\$	100.19	103.57
Euro	158.19	149.05

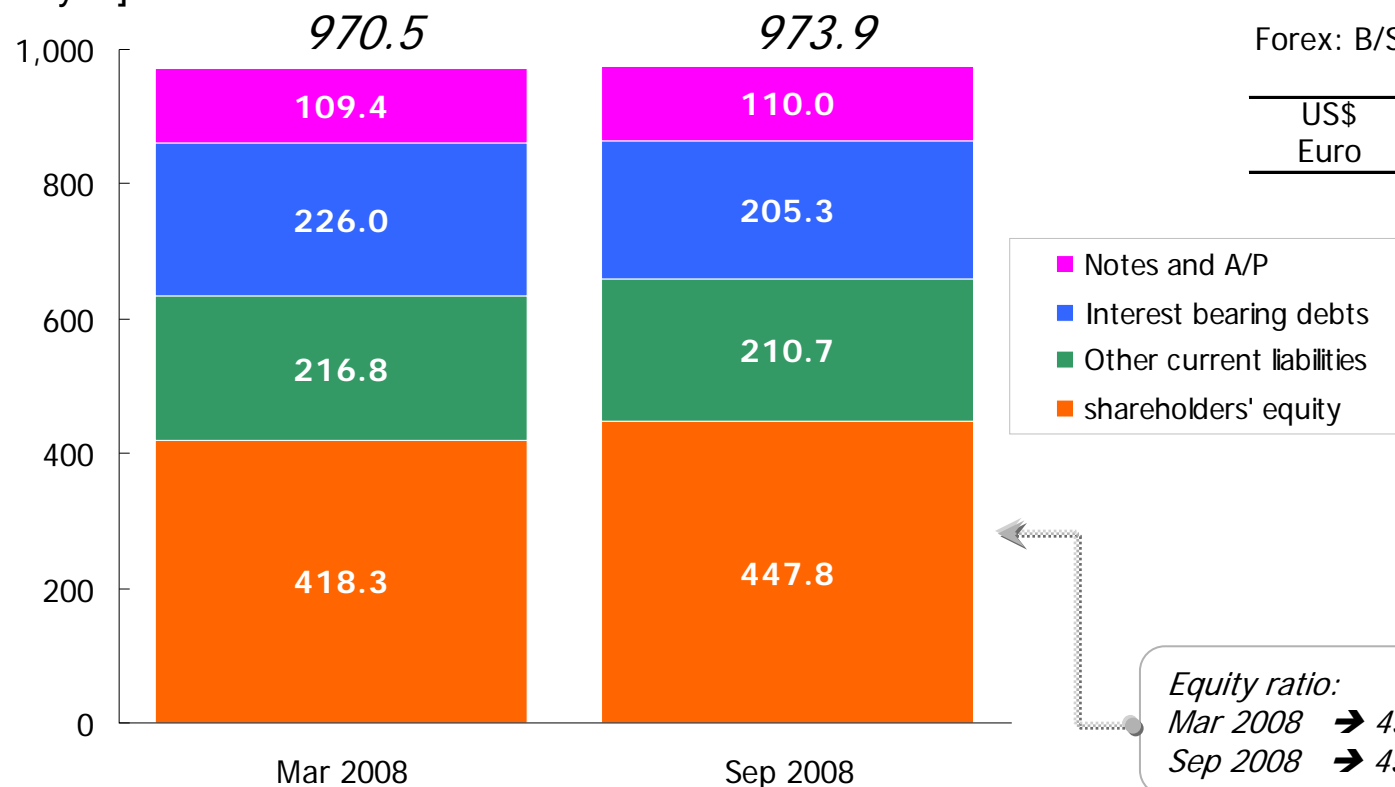
- Cash and deposits
- Notes and A/R
- Inventories
- Other current assets
- Tangible fixed assets
- Consolidation goodwill
- Other intangible fixed assets
- Investments and others

Consolidation goodwill and intangible assets  
 Of which, Effects of acquisition of Danka Office Imaging: + 23.1 billion yen

*Mar 2008 vs. Sep 2008: + 3.3 billion yen  
 Of which, forex impact: - 0.8 billion yen  
 (Actual change: + 4.1 billion yen)*

## B/S – Liabilities and shareholders' equity

[Billions of yen]



Forex: B/S	[Yen]	
	Mar 2008	Sep 2008
US\$	100.19	103.57
Euro	158.19	149.05

- Notes and A/P
- Interest bearing debts
- Other current liabilities
- shareholders' equity

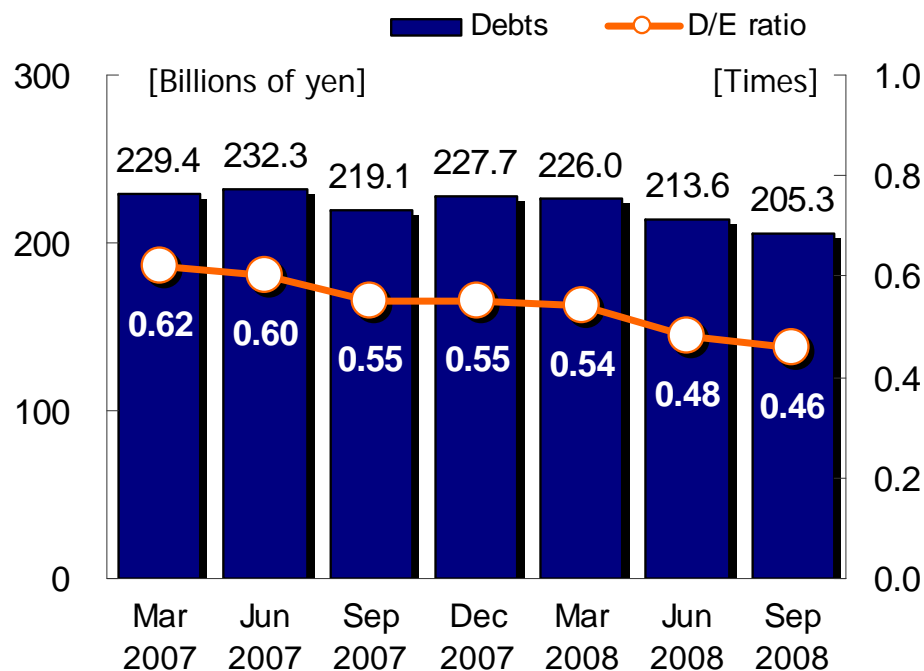
*Equity ratio:*  
 Mar 2008 → 43.0%  
 Sep 2008 → 45.9%

*Mar 2008 vs. Sep 2008: + 3.3 billion yen*  
*Of which, forex impact: - 0.8 billion yen*  
*(Actual change: + 4.1 billion yen)*



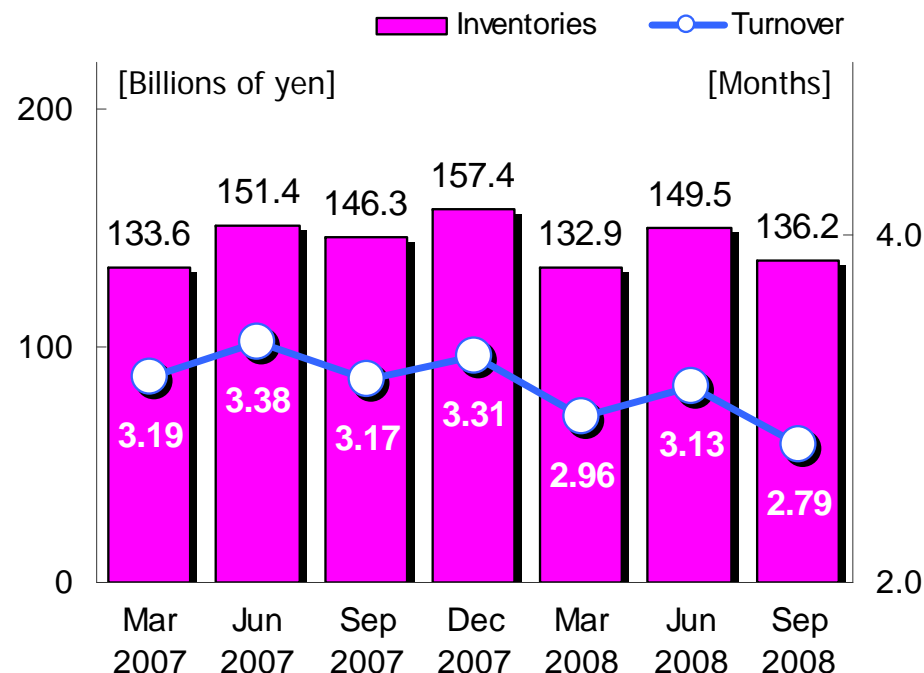
## Interest bearing debts and inventories

### Interest-bearing debts



*D/E ratio = Interest-bearing debts at year-end / Shareholders' equity at year-end*

### Inventories and inventory turnover



*Inventory turnover (months) = Average inventories / Average cost of sales per month*

## Cash flows



KONICA MINOLTA

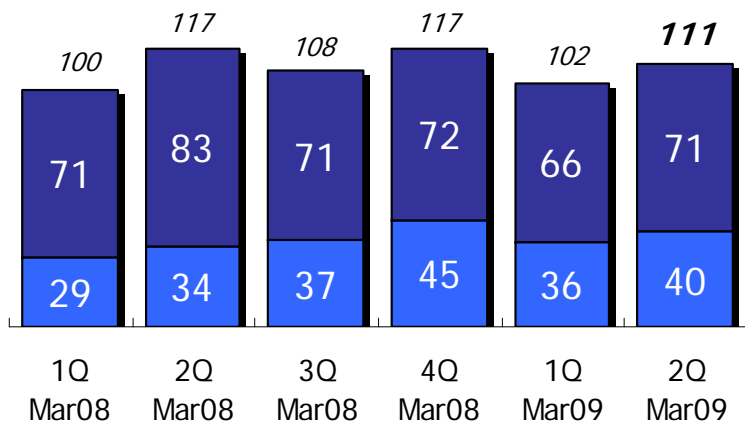
[Billions of yen]

	1H/Mar09	1H/Mar08	Y-O-Y
Income before income taxes and minority interests	49.9	53.9	-4.0
Depreciation and amortization	33.9	28.6	5.4
Amortization of goodwill	4.1	3.4	0.7
Loss (gain) on sales and valuation of stocks of subsidiaries and affiliates	-3.1	--	-3.1
Loss (gain) on transfer of business			
Increase 8decrease) in provision for loss on business liquidation (Photo Imaging Business)	-2.2	-10.4	8.2
Change in working capital, other	7.8	-1.1	8.9
Other	-6.5	-6.0	-0.5
Income tax paid	-19.9	-18.0	-2.0
<b>I. Net cash provided by operating activities</b>	<b>64.0</b>	<b>50.3</b>	<b>13.7</b>
<b>II. Net cash outflow from investing activities</b>	<b>-53.2</b>	<b>-31.6</b>	<b>-21.6</b>
<b>I.+ II. Free cash flow</b>	<b>10.8</b>	<b>18.7</b>	<b>-7.9</b>
Change in debts and bonds	-19.5	-11.1	-8.5
Cash dividends paid	-4.0	-5.3	1.3
Other	-2.0	-0.2	-1.8
<b>III Net cash outflow from financing activities</b>	<b>-25.5</b>	<b>-16.6</b>	<b>-9.0</b>

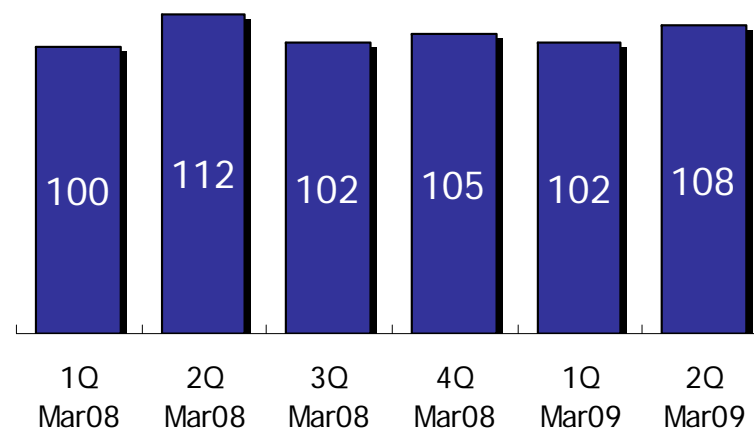
# Unit sales – Business Technologies

## MFP

■ color ■ B/W

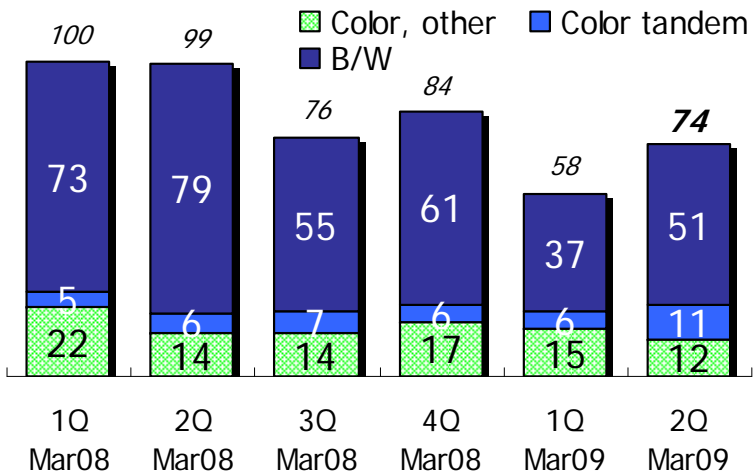


## Production printing (Color and B/W)



## LBP

■ Color, other ■ Color tandem ■ B/W

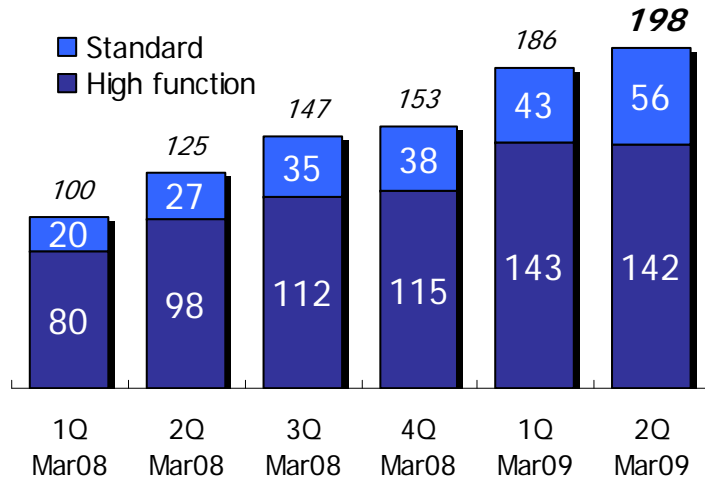


\* Base index : "1Q Mar08 " = 100

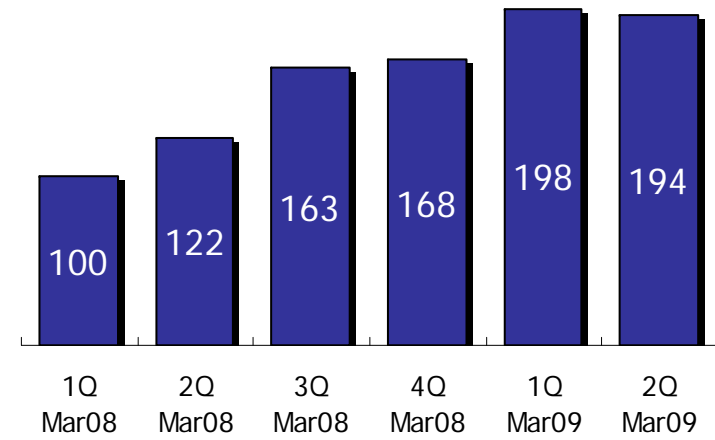


# Unit sales – Optics

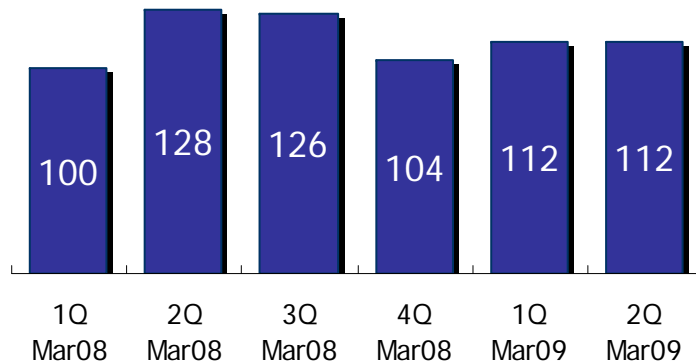
## TAC film



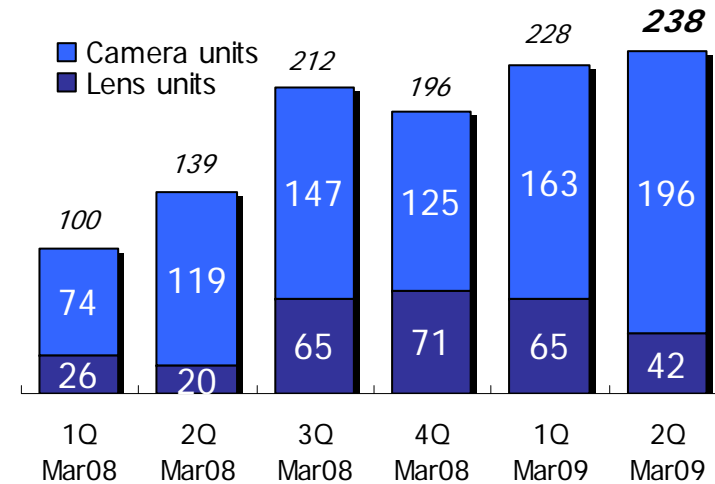
## Glass substrates for HD



## Optical pickup lens



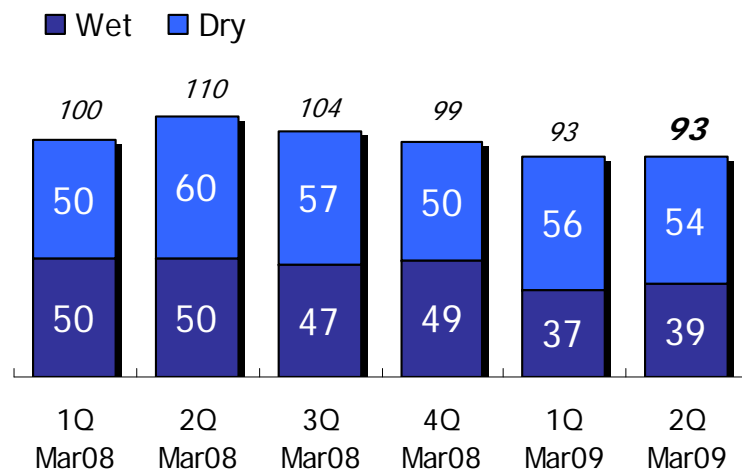
## Mobile phone components



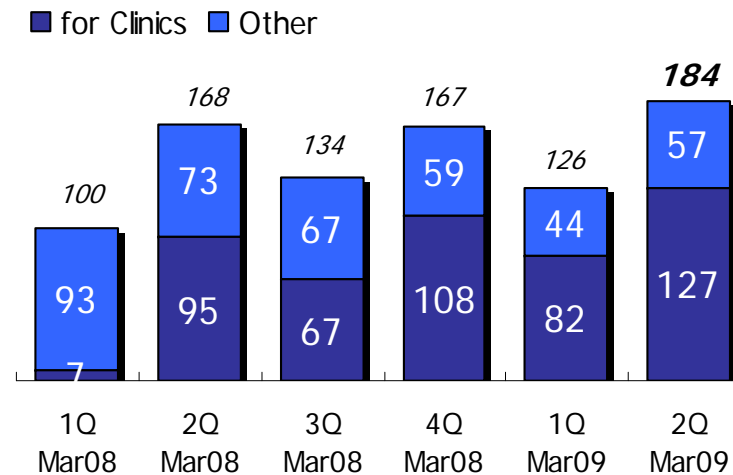
\* Base index : "1Q Mar08" = 100

## Unit sales – Medical & Graphic

### ■ X-ray film (dry & wet)



### ■ Digital input/output equipment



\* Base index : "1Q Mar08" = 100