1. Consolidated Operating Results

(1) Overview of Performance

The increase (decrease) amounts and related percentages between six-month ended September 30, 2007 and six-month ended September 30, 2008 are shown as reference.

[Millions of yen]

	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)	*Reference* Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)	Increase (Decrease)		*Reference* Three months (July 1, 2008 – September 30, 2008)
Net sales	532,971	524,958	8,012	1.5%	277,831
Gross profit	243,227	259,682	(16,454)	-6.3%	123,296
Operating income	48,670	57,059	(8,388)	-14.7%	24,192
Recurring profit	47,877	54,670	(6,793)	-12.4%	19,938
Net income before income taxes and minority interests	49,856	53,853	(3,997)	-7.4%	19,100
Net income	29,279	37,644	(8,364)	-22.2%	11,651
Net income per share [yen]	55.19	70.93	(15.74)	-22.2%	21.96
Capital expenditure	31,285	33,634	(2,349)	-7.0%	17,588
Depreciation	33,931	28,550	5,380	18.8%	17,763
R & D expenses	41,908	38,406	3,502	9.1%	21,038
Exchange rates [yen]					
US dollar	106.11	119.33	(13.22)	-11.1%	107.66
Euro	162.68	162.30	0.38	0.2%	161.93

Regarding the net sales of the Konica Minolta Group's principal business segments during the six-month period under review, the core Business Technologies Business's sales of MFP (multifunctional peripheral) products were affected by various challenging situations. Beginning from the summer in 2007, the emergence of the subprime loan crisis led to increasingly widespread concern with respect to the financial system in the United States as well as in Europe, Japan, and elsewhere in the world. This caused the emergence of concerns during the latter half of the six-month period regarding economic deceleration in Europe, which is the largest market for the Group's MFP products. Sales in the United States were impacted by the protraction of economic deceleration as well as the considerable appreciation of the yen against the U.S. dollar. However the June 2008 acquisition of Danka Office Imaging Company (DOIC) as a means of strengthening direct marketing capabilities in the United States and the inclusion of that company within the scope of consolidation enabled the Group to maintain overall Business Technologies Business sales at approximately the same level as in the same period of the previous fiscal year.

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 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 graphic field, where digitization is proceeding rapidly. As a result, the Group's six-month period net sales amounted to ¥532,971 million, an increase of 1.5%, or ¥8,012 million from the same period of the previous fiscal year.

The impact of the appreciation of the yen against the U.S. dollar and other currency exchange rate changes had the effect of reducing net sales by approximately ¥21.6 billion.

Regarding gross profit for the period, Konica Minolta has been stepping up its Groupwide cost cutting efforts, but the benefits of these efforts were not sufficient to offset the effects of such factors as decreases in product selling prices and surges in raw materials prices. Moreover, gross profit was impacted by 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 non-operating 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 Group's gross profit for the period declined 6.3%, or ¥16,454 million year on year, to ¥243,227 million and the gross profit ratio was 45.6%, down 3.9 percentage points from 49.5% in the same period of the previous fiscal year. We estimate that the impact of these accounting system changes had the effect of reducing gross profit by approximately ¥21.1billion and lowering the gross profit ratio by 4.0 percentage points.

Factors that augmented SG&A expenses included a ¥3,502 million rise in R&D expenses that mainly resulted from the Business Technologies Business' emphasis on color products and production printing business, but SG&A expenses decreased ¥8,066 million year on year, to ¥194,557 million, reflecting the abovementioned accounting shift of service expenses to cost of sales and other factors. As a consequence of all these factors, the Group's operating income decreased 14.7 %, or ¥8,388 million year on year, to ¥48,670 million, and the operating income ratio was 9.1%.

Net non-operating income improved ¥1,595 million, reflecting the abovementioned accounting shift of losses on the disposal of inventory assets from nonoperating expenses to cost of sales. Thus, recurring income declined 12.4%, or ¥6,793 million year on year, to ¥47,877 million.

Net extraordinary profit improved ¥2,795 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 dropped 7.4%, or ¥3,997 million year on year, to ¥49,856 million. After deducting income taxes and minority interests, net income amounted to ¥29,279 million, down 22.2%, or ¥8,364 million year on year. Net income per share was ¥55.19, down 22.2%, or ¥15.74.

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. Konica Minolta 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 Group's capital investments in the six-month period under review amounted to ¥31,285 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 six-month period under review totaled ¥33,931 million, up ¥5,380 million year on year.

Regarding exchange rate trends during the six-month period under review, the trend of yen appreciation has rapidly proceeded. Average exchange rates for the period were ¥106.11 =US$1, corresponding to yen appreciation of ¥13.22 (11.1%) from the same period of 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 ¥162.68 =€1, roughly unchanged from the same period of the previous fiscal year.

[Reference] Overview of Performance in the 2nd Quarter
(Three-month period: From July 1, 2008 to September 30, 2008)

The Konica Minolta Group's sales trends during the second three-month quarterly period of the current fiscal year were generally as described above regarding the six-month period of the current fiscal year, particularly regarding the noteworthy situation of the Business Technologies Business.

The Group's consolidated net sales during the second three-month quarterly period amounted to ¥277,831 million, and we estimate that the impact of the appreciation of the yen against the U.S. dollar and other currency exchange rate changes had the effect of reducing net sales by approximately ¥9.6 billion.

Regarding gross profit for the three-month quarterly period, cost cutting efforts were not sufficient to offset the effects of such factors as decreases in product selling prices and surges in raw materials prices. Moreover, gross profit was impacted by such factors as the accounting changes previously explained, which we estimate had the effect of reducing gross profit by approximately ¥11.0 billion and lowering the gross profit ratio by 4.0 percentage points. Consequently, gross profit amounted to ¥123,296 million, and the gross profit ratio was 44.4%.

SG&A expenses were affected by a rise in R&D expenses amounting to ¥21,038 million, but decreased to ¥99,103 million due to the abovementioned accounting shift of service expenses to cost of sales and other factors. As a result, operating income was ¥24,192 million, and the operating income ratio was 8.7%.

A ¥3,138 million exchange rate loss resulting from the appreciation of the yen cause the net value of non-operating income items to be a loss of ¥4,253 million. Thus, recurring income amounted to ¥19,938 million.

The net value of extraordinary income items was also a net loss of ¥838 million, reflecting such factors as ¥590 million in loss on the disposal and sale of fixed assets and ¥783 million in business structural improvement expenses.

Consequently, income before income taxes and minority interests was ¥19,100 million, and net income amounted to ¥11,651 million. Net income per share for the three-month quarterly period was ¥21.96.

(2) Overview by Segment

Business Technologies Business

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

Reference [Millions of yen]

	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)	Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	343,782	346,901	(3,119)	-0.9%
(2) Intersegment net sales	2,267	2,883	(615)	-21.4%
Total net sales	346,050	349,785	(3,735)	-1.1%
Operating income	32,319	44,716	(12,396)	-27.7%

In the MFP segment, in line with our "genre-top strategy," we are concentrating on expanding sales of color MFPs, for which demand is continuing to grow in Japan and overseas office products markets as users shift from black & white to color models, and on expanding sales of production printing-use high-speed MFPs, which are projected to be in increasing demand in connection with corporate internal printing, commercial printing, and other production printing applications.

Regarding office-use MFPs, we expanded our bizhub series product lineup during the previous fiscal year with the introduction of five new medium- and low-speed products, and we worked to further enhance the lineup's product competitiveness with the August 2008 launch of the strategic "bizhub C200" model. We strove to maintain and expand our color MFP market share—giving particular attention to the European market, where we have a strong marketing base—although the financial instability that originated in the United States spread to the European market late in the six-month period, causing a weakening of new installations in France, Spain, and certain other sectors of the European market. Business conditions in the United States were harsh, reflecting the introduction of stricter credit appraisal standards for new lease contracts and other measures taken in response to the protracted trend of financial instability, and these conditions led a continued general weakening of sales. For black & white MFPs, we launched the "bizhub 501, 421, and 361" models in May 2008 in line with our strategy of emphasizing the strengthening of product competitiveness in the medium- to high-speed market segment.

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 C6501 and C5501" high-speed color MFPs in August 2008, and sales of these products grew smoothly in markets centered on the Europe and United States markets.

In the LBP field, placing emphasis on the general-office market where large printing volume can be forecast, we launched the "bizhub C31P/magicolor 5650EN (dual brand)" high-speed color printer with 35ppm output capabilities (introduced in June 2008) and the "bizhub C20/magicolor 4690MF (dual brand)" all-in-one type color printer model with printing, scanning, copying, and fax functions (introduced in August 2008.) to strengthen our product lineup.

We estimate that the impact of the considerable appreciation of the yen against the U.S. dollar exchange rate change had the effect of reducing net sales of this business to outside customers during the six-month period by approximately ¥17.3 billion. However, the inclusion of DOIC within the scope of consolidation enabled us record ¥343,782 million in net sales of this business to outside customers, approximately the same level as that in the six-month period of the previous fiscal year. Operating income was affected by the impact of accounting system changes and the consolidation of additional subsidiaries as well as the impact of a drop in selling prices amid worsening market conditions in the United States and Europe. Reflecting these factors, along with a rise in R&D expenses, operating income declined 27.7% year on year, to ¥32.319 million.

Optics Business

[Optical devices, electronic materials, etc.]

Reference [Millions of yen]

	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)	Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	109,440	83,315	26,125	31.4%
(2) Intersegment net sales	539	529	10	1.9%
Total net sales	109,979	83,844	26,135	31.2%
Operating income	18,962	13,059	5,903	45.2%

Regarding display materials, we have sustained efforts to expand manufacturing capacity—having completing the construction of our No. 5 TAC film production line in November 2007, we began operating our No. 6 TAC film production line in June 2008. Particularly, the VA-TAC products marketed since early 2008 have been highly evaluated by customers. VA-TAC products for use in large LCD televisions are in increasing demand, and sales volume grew greatly, particularly to customers in Korea and Taiwan.

In the memory-related product field, sales of mainstay optical pickup lenses for use with conventional CDs and DVDs were approximately unchanged from the same period of the previous fiscal year, but a considerable rise was seen in sales of pickup lenses for use with Blu-ray Disks. Sales volume of glass hard disk substrates grew greatly, reflecting the smooth start-up of operations at a Malaysian factory completed in January 2008 and the expansion of demand associated with notebook personal computers.

In the image input/output component field, sales of zoom lens units for compact digital cameras fell due to such factors as customers' adjustments of their manufacturing volumes. However, we recorded robust shipment volume of micro camera modules and lens units for camera-equipped mobile phones for Japan and overseas markets.

As a result, sales of this business to outside customers during the six-month period under review rose 31.4% year on year, to ¥109,440 million. Despite higher depreciation expense due to tax reforms related to LCD materials manufacturing facilities, operating income increased 45.2%, to ¥18,962 million.

Medical and Graphic Imaging Business

[Medical and graphic imaging products, etc.]

Reference [Millions of yen]

	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)	Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	66,234	80,616	(14,382)	-17.8%
(2) Intersegment net sales	1,052	1,739	(687)	-39.5%
Total net sales	67,286	82,355	(15,069)	-18.3%
Operating income	2,856	4,005	(1,149)	-28.7%

In the medical and healthcare segment, the general shift to the digitization at medical facilities is reducing demand for X-ray film, and we have responded by emphasizing measures to expand sales of such digital equipment as the REGIUS series of digital radiography image inputting systems. In particular, we have developed the REGIUS MODEL 110 and the REGIUS Unitea peripheral system to support the use of IT in clinics and other relatively small-scale medical establishments. Marketed since June 2007, these products have been highly evaluated by front-line medical professionals for their innovative design concepts, which enable compactness and the performance of image-based diagnoses in a simple operating environment. As a result, we recorded robust domestic and overseas sales of digital products centered on these new products.

Regarding the graphic (printing) segment, in view of the decline in demand for film products due to the shift to digital printing processes, we strove to increase our sales of such products as digital printing equipment and CTP plates. Although we have been stepping up our efforts with respect to the "Pagemaster Pro 6500" on-demand printing system, sluggish capital investments due to economic deceleration in Japan and overseas markets restrained sales.

Reflecting the decline in sales of film products centered on products for overseas markets, external sales of this business to outside customers during the six-month period declined 17.8% year on year, to ¥66,234 million. While the Group strove to reduce R&D expenses and SG&A expenses, the impact of such factors as the appreciation of the yen against the U.S. dollar and the surge in prices of silver and other film manufacturing raw materials caused operating income to fall 28.7% year on year, to ¥2,856 million.

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 such industrial-use products as those for measuring colorimetric levels, gloss levels, and three-dimensional shapes as well as such medical-use products as those for measuring blood oxygen levels and jaundice levels.

In the color measurement field, we recorded robust sales in Japan and 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 addition, our CS-2000 spectroradiometer for light source color measurement regarding Hi-Vision displays and other high-definition displays was chosen as the Grand Prize winner in the Display Testing Equipment Category of the 13th Advanced Display of the Year (ADY 2008) program, reflecting the high evaluation of our technologies for products in the inspection and measuring fields.

In the three-dimensional measurement field, the new RANGE7 noncontact digitizer for commercial and academic applications recorded strong sales, particularly in Japan.

Sales to outside customers in this segment during the six-month period decreased 0.4% from the same period of the previous fiscal year, to ¥4,926 million, and operating income decreased 35.5%, to ¥514 million.

Other Business

Industrial Inkjet Business

[Industrial inkjet printer heads, ink, textile printers, etc.]

Utilizing Konica Minolta's proprietary inkjet technologies and unique chemical and ink technologies, this segment markets high-definition large-format printer heads and inks to major printer manufacturers and large inkjet printers for textile use.

During the six-month period, OEM sales of printer heads to major customers in Japan fell, but a smooth increase was seen in sales in Asia, Europe, and the United States. Supported by previous growth in printer head installations, sales of ink consumable products were sustained at approximately the same level as the same period of the previous fiscal year. We also continued efforts to pioneer new business fields through such measures as those to commercialize printer heads for equipment used to manufacture color filters for LCD panels.

Sales to outside customers in this segment during the six-month period increased 11.3% from the same period of the previous fiscal year, to ¥3,712 million, while operating income decreased 13.5%, to ¥444 million.

2. Financial Position

(1) Analysis of Financial Position

[Millions of yen]

		As of September 30, 2008	As of September 30, 2007	Increase (Decrease)
Total assets	[Millions of yen]	973,855	970,528	3,317
Total liabilities	[Millions of yen]	526,060	552,227	(26,166)
Net assets	[Millions of yen]	447,794	418,310	29,484
Net assets per share	[Yen]	842.27	786.20	56.07
Equity ratio	[%]	45.9	43.0	2.9

At the end of the six-month period under review, total assets amounted to ¥973,855 million, up 0.3%, or ¥3,317 million, from the previous fiscal year-end. Current assets declined 1.5%, or ¥8,180 million, to ¥548,930 million, and accounted for 56.4% of total assets, while non-current assets grew 2.8%, or ¥11,497 million, to ¥424,925 million, and accounted for 43.6% 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 Danka Office Imaging Company (DOIC), and the repayment of interest-bearing debt caused a decrease of ¥939 million from the previous fiscal year-end, to ¥88,278 million, in cash and deposits, and a drop of ¥16,000 million to ¥17,000 million in marketable securities. Trade notes and accounts receivable, which rose at the end of the previous fiscal year, decreased ¥8,729 million, and other accounts receivable were down ¥4,540 million.

Inventories centered on those of the Business Technologies Business and the Optics Business increased ¥3,288 million from the previous fiscal year-end, to ¥136,225 million. Accompanying measures to unify accounting methods of overseas subsidiaries and to change accounting standards for domestic lease transactions, a net increase of ¥15,023 million was recorded in lease assets.

Regarding non-current assets, tangible fixed assets decreased ¥6,201 million from the previous fiscal year-end, to ¥239,788 million, as a ¥2,410 million increase in buildings and structures that was mainly attributable to the Optics Business segment was offset by a ¥7,320 million decrease in rental business-use assets. The recording of goodwill in connection with the acquisition of DOIC led to a ¥19,198 million rise in intangible fixed assets, to ¥113,046 million. In addition, investments and other assets fell ¥1,499 million, to ¥72,090 million, mainly owing to a drop in the market value of investment securities.

Total liabilities at the end of the six-month period under review amounted to ¥526,060 million, down 4.7%, or ¥26,166 million, from the previous fiscal year-end, and corresponded to 54.0% of total assets. Short-term liabilities decreased ¥21,543 million, or 5.9%, to ¥344,027 million, and corresponded to 35.3% of total assets, while long-term liabilities declined ¥4,623 million, or 2.5%, to ¥182,032 million, and corresponded to 18.7% of total assets. Additional progress made in repaying interest-bearing debt (the sum of long-term loans and bonds) led to a ¥20,700 million decrease in interest-bearing debt, to ¥205,324 million. Accounts payable-other and accrued expenses decreased ¥8,087 million and ¥2,837 million, respectively, while a drop of ¥2,210 million, to ¥9,517 million, was seen in the allowance for loss on withdrawal from operation, which is associated with the discontinuation of the Photo Imaging Business.

Net assets at the end of the six-month period under review were up 7.0%, or ¥29,484 million, from the previous fiscal year-end, to ¥447,794 million, and corresponded to 46.0% of total assets.

Retained earnings grew ¥30,606 million from the previous fiscal year-end, to ¥207,290 million, mainly reflecting the recording of ¥29,279 million in net income for the six-month period, a ¥5,210 million rise at the start of the period due to preliminary measures to unify overseas subsidiaries' accounting methods, and a decrease of ¥3,979 million due to dividend payments. Valuation difference on available-for-sale securities decreased ¥759 million.

Consequently, net assets per share at the end of the six-month period under review amounted to ¥842.27, and the equity ratio rose 2.9 percentage points from the end of the previous fiscal year, to 45.9%.

In addition—aiming to ensure stable liquidity and increase funding efficiency as well as to supplement liquidity at times of emergencies—the Company increased the value of its commitment line borrowing limit from ¥80 billion to ¥100 billion. The Company has further strengthened its borrowing capabilities by increasing the multi-currency portion of its commitment line from ¥10 billion to ¥50 billion and expanding the scope of that multi-currency portion to provide for euro borrowings in addition to the previously provided for yen and U.S. dollar borrowings.

(2) Cash Flows

Reference [Millions of yen]

	Six months ended September 30, 2008	Six months ended September 30, 2007	Increase (Decrease)
Cash flows from operating activities	63,986	50,264	13,721
Cash flows from investing activities	(53,182)	(31,565)	(21,617)
Total (Free cash flow)	10,803	18,699	(7,895)
Cash flows from financing activities	(25,526)	(16,564)	(8,961)

During the six-month fiscal period under review, net cash inflow from operations amounted to ¥63,986 million, while net cash outflow from investing activities, mainly associated with capital investments and the acquisition of a dealer subsidiary, totaled ¥53,182 million. As a result, free cash flow (the sum of operating and investing cash flows) amounted to ¥10,803 million.

Net cash outflow from financing activities, mainly associated with the repayment of interest-bearing debt and the disbursement of dividends, was ¥25,526 million. Exchange rate changes had the effect of decreasing cash and cash equivalents ¥2,729 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 six-month period totaled ¥105,234 million, down ¥17,451 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash flow from operations amounted to ¥63,986 million. We reported income before income taxes and minority interests of ¥49,856 million, and depreciation of ¥33,931 million, and these inflows were partially offset by a reversal of provision for loss in 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 ¥53,182 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 ¥34,058 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 inflow of ¥10,803 million.

Cash flows from financing activities

Net cash used in financing activities amounted to a net outflow of ¥25,526 million. This was due mainly to the use of ¥19,541 million of cash to reduce interest-bearing debt and the use of ¥3,972 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

Financial market disorder beginning from the emergence of the U.S. subprime loan crisis last year is augmenting concern regarding the possibility of worldwide economic deceleration, and the impact of this situation on the actual economy is becoming increasingly evident. Moreover, such factors as rapidly advancing yen appreciation and the surging prices of raw materials and crude oil are increasing the harshness of the domestic and overseas business environments in which the Group operates.

Regarding the Business Technologies business, we anticipate growth in demand for our mainstay general office-use color MFPs and production printing high-speed MFPs of the medium-to-long term, but we believe it is currently difficult to realize improvement in the capital investment proclivities of companies in Europe and North America, which are the Group’s principal markets.

Regarding the Optics Business, the Group’s highly competitive high-function optical materials and components are incorporated in such products as large LCD televisions, DVD products, personal computers, camera-equipped mobile phones, and it is increasingly difficult to project trends in ultimate demand for such consumer digital products and IT-related products due the cooling down of personal consumption in Japan and overseas.

To respond to these conditions, the Group is accelerating its use of two approaches to strengthen its condition— (1) by further intensifying the implementation of its “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, and (2) by stepping up concerted efforts to thoroughly improve productivity and reduce costs, investments and expenses, and otherwise enhance its profitability and strengthen its financial base.

Amid these circumstances, based on an appraisal of the six-month period performance as well as the greater-than-originally-expected difficulty of projecting future demand and price trends, currency exchange rate trends, and other situations in our operating environment, we have revised our business plan for operations during the latter half of the fiscal year, particularly with respect to mainstay MFP products. Moreover, we have changed our assumed yen-U.S. dollar exchange rate from ¥100 to ¥95 and yen-euro exchange rate from ¥155 to ¥135 in line with the trend of yen appreciation. In view of these factors, we have adjusted the projections of performance in the current fiscal year that were announced on May 9, 2008. The new projections are shown below.

Regarding dividends, in accordance with the previous forecast, we are distributing interim dividends of ¥10 per share, and we do not anticipate a change in the previously announced level of interim and year-end dividends applicable to the fiscal year, which is ¥20 per share.

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

[Millions of yen]

	Previous Forecast (A) Announced May 9, 2008	Current Forecast (B)	Change (B) – (A)
Net sales	1,110,000	1,035,000	-75,000
Operating income	120,000	80,000	-40,000
Recurring profit	115,000	76,000	-39,000
Net income	70,000	42,000	-28,000

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/billions of yen have been rounded off by discarding figures less than one million/billion yen.

4. OTHER

(1) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation)

One company removed from the scope of consolidation
Company name: Konica Minolta Manufacturing U.S.A., INC.
(Reason for change: Completion of liquidation)

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

1. Simplified accounting methods

[1] Method for calculating the estimated loan loss value for general loans
In calculating the estimated loan loss value for general loans at the end of the six-month period, except in the case that a noteworthy change in the loan loss rate is recognized, the loan loss rate at the end of the previous fiscal year is employed.

[2] Method for assessing the value of inventories
Regarding the reduction of book values of inventories, 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.

[3] Method for calculating deferred tax assets and liabilities
In judging the possibility of recovering deferred tax assets, except in the case that severe, major changes in the operating environment and major temporary differences following the close of the previous consolidated fiscal year are recognized, the future business forecasts and tax planning documents that were used for making such judgments related to the previous fiscal year are used.

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

Calculation of Tax Expenses

The effective tax rate on income before income taxes and minority interests for the current consolidated fiscal year after the application of tax effect accounting is rationally estimated, and that estimated rate is applied to net income for each quarterly period to calculate estimated tax expenses.

In addition, the income tax adjustment amount is included in the income taxes item.

(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

1. 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, issued March 14, 2007) and the "Implementation Guidance for the Accounting Standards for Quarterly Financial Statements" (ASBJ, ASBJ Guidance No. 14, issued March 14, 2007) have been applied. In addition, the quarterly consolidated financial statements are prepared following the "Rules for Quarterly Consolidated Financial Statements."

2. Application of Accounting Standards for Measurement of Inventories

Beginning from 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 to domestic subsidiaries, and the method of measurement of inventories was changed from the cost method determined by the average method or market method to the cost method (method of reducing book value when the contribution of inventories to profitability declines), where cost is determined by the average method. 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 for the six-month period by ¥1,214 million and of decreasing both recurring profit and income before income taxes and minority interests for the six-month period by ¥32 million.

3. 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 Group 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 for the six-month period was not material. The main impact of the change on the Company's consolidated balance sheets for the six-month period under review is to increase lease assets and lease investment assets by ¥15,023 million.

4. 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.

Regarding the depreciation of leased assets, the useful lifetimes of such assets are deemed to be the lease periods, and depreciation is calculated by depreciating the residual value of such assets to zero over the useful lifetimes.

For finance leases for which ownership is not transferred to the lessee (Konica Minolta) 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 had no effect on Consolidated Statements of Income items for the six-month period of the current fiscal year.

Regarding Consolidated Statement of Cash Flows items for the six-month period 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.

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

Previously, a portion of the consolidated subsidiaries accounted for service expenses (related to digital multifunction devices and other products) within SG&A expenses but, as a result of Group accounting policy adjustments undertaken in response to the introduction of internal control reporting systems from the current fiscal year, the Group has uniformly accounted for such service expenses within cost of sales beginning with the first quarter of the current fiscal year. This change had the effect of decreasing six-month period gross profit by ¥15,391 million.

6. Accounting items for loss on disposal of inventories

Beginning from 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 to consolidated subsidiaries in Japan, and the Company has responded to this by reevaluating Group accounting policy. As a result, beginning with the first quarter of the current fiscal year, the Group has uniformly accounted for losses on the disposal of inventory within cost of sales. Consequently, a portion of overseas subsidiaries that previously accounted for such losses within non-operating expenses have changed to the method of accounting for such losses within cost of sales. 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 for the six-month period by ¥1,259 million

Additional Information

Amortization Method for Important Depreciable Assets

Tangible Fixed Assets

The Company and its domestic consolidated subsidiaries, in response to fiscal year March 2009 corporate income tax system reforms, with respect to mechanical device 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.