

1. Consolidated Operating Results

(1) Overview of Performance

The increase (decrease) amounts and related percentages between nine-months ended December 31, 2007 and December 31, 2008 are shown as reference.

	[Millions of yen]				
		<i>Reference</i>			<i>Reference</i>
	Nine months (Apr. 1, 2008 – Dec. 31, 2008)	Nine months (Apr. 1, 2007 – Dec. 31, 2007)	Increase (Decrease)	%	Three months (Oct. 1, 2008 – Dec. 31, 2008)
Net sales	746,632	794,964	(48,331)	(6.1)	213,661
Gross profit on sales	347,000	398,862	(51,862)	(13.0)	103,772
Operating income	63,385	89,577	(26,192)	(29.2)	14,714
Recurring profit	54,088	86,430	(32,341)	(37.4)	6,210
Net income before income taxes and minority interests	50,608	85,249	(34,640)	(40.6)	751
Net income	27,348	55,712	(28,363)	(50.9)	(1,931)
Net income per share [yen]	51.55	104.98	(53.43)	(50.9)	(3.64)
Capital investment	47,287	52,229	(4,942)	(9.5)	16,001
Depreciation	51,723	44,542	7,181	16.1	17,791
R&D expenses	62,732	59,061	3,671	6.2	20,824
Exchange rates [yen]					
US\$	102.84	117.28	(14.44)	(12.3)	96.32
Euro	150.70	162.82	(12.12)	(7.4)	126.74

During the nine-month period under review (from April 1, 2008 through December 31, 2008), disorderly conditions in financial markets due to the emergence of the subprime loan crisis led to a worldwide economic slowdown involving the protracted restraint of corporate capital investments and personal consumption as well as a sharp appreciation of the yen against the U.S. dollar, the euro, and other currencies. These and other situations caused a trend of deterioration in the Konica Minolta Group's operating environment, and this deterioration became particularly evident during the third quarter. Amid these conditions, the Business Technologies Business faced prolonged economic deterioration affecting the U.S. market due to the financial crisis as well as an expanding trend of economic deceleration affecting European markets, the Japanese market, and other markets. These situations impacted the sales of Konica Minolta's mainstay MFP (multifunctional peripheral) products. Moreover, because overseas sales account for a high share of the Business Technologies Business's sales, the large appreciation of the yen was a major factor reducing the yen value of the business's sales.

In the Optics Business, Konica Minolta maintained strong sales of such strategic products as TAC film (protective film for polarizing plates), optical pickup lenses for Blu-ray Discs, and glass substrates for hard disk drives (HDDs) used with personal computers and other equipment during the first two quarters (April through September). From the beginning of the third quarter, however, the rapid downward adjustment of production volumes by companies in the digital consumer electronics industry slackened the pace of growth in the Optics Business's sales, which had been sustained since the previous fiscal year. The Medical and Graphic Imaging Business recorded a decrease in its sales of film products in Japan and overseas markets, reflecting the progressive shift toward the use of digital products.

As a result, the Group's nine-month period net sales amounted to ¥746,632 million, a decrease of 6.1%, or ¥48,331 million, from the same period of the previous fiscal year. We estimate that the impact of currency

exchange rate changes under review had the effect of reducing net sales by approximately ¥53.4 billion.

Konica Minolta has been stepping up its Groupwide cost-cutting efforts to offset the effects of such factors as decreases in product selling prices and surges in raw materials prices. However, gross profit for the period was impacted by such factors as the accounting shift of service expenses from selling, general and administrative (SG&A) expenses to the cost of sales by a portion of the Business Technologies Business's marketing companies as a part of measures to unify the Group's accounting methods, the accounting shift of losses on the disposal of inventory assets from non-operating expenses to the 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, gross profit amounted to ¥347,000 million, a decrease of 13.0%, or ¥51,862 million, from the same period of the previous fiscal year. The gross profit ratio was 46.5%, down 3.7 percentage points from 50.2% in the same period of the previous fiscal year. We estimate that the impact of the above-mentioned accounting system changes had the effect of reducing gross profit by approximately ¥30.3 billion and lowering the gross profit ratio by 4.1 percentage points.

SG&A expenses decreased ¥25,670 million year on year, to ¥283,614 million, reflecting the above-mentioned accounting shift of service expenses to the cost of sales as well as the benefits of the strengthening of imperative cost reduction measures beginning from the third quarter.

As a result, the Group's operating income decreased 29.2%, or ¥26,192 million, year on year, to ¥63,385 million, and the operating income ratio was 8.5%, a decrease of 2.8 percentage points from 11.3% in the same period of the previous fiscal year.

The above-mentioned accounting shift of losses on the disposal of inventory assets from non-operating expenses to the cost of sales had the effect of reducing non-operating expenses by ¥3,207 million. However, the rapid surge of yen appreciation led to a ¥7,717 million increase in foreign exchange losses compared with the same period of the previous fiscal year. Consequently, the net value of non-operating income and expense items was an expense of ¥9,296 million, causing recurring profit to decline 37.4%, or ¥32,341 million year on year, to ¥54,088 million.

Regarding extraordinary income, the Company recorded a gain on the sale of an affiliate and a gain on the transfer of business in connection with the April 2008 transfer of a subsidiary in the Medical and Graphic Imaging Business segment—Konica Minolta ID System Co., Ltd.—and related business assets. However, the impact of the downturn in stock prices led to a ¥3,901 million loss on the valuation of investment securities. As a result, the net value of extraordinary income and expense items was an expense of ¥3,480 million, and income before income taxes and minority interests dropped 40.6%, or ¥34,640 million, year on year, to ¥50,608 million.

After deducting income taxes and minority interests, net income under review amounted to ¥27,348 million, down 50.9%, or ¥28,363 million, year on year.

The yen appreciated greatly during the nine-month period under review. Average exchange rates for the period were ¥102.84=U.S.\$1 corresponding to yen appreciation of ¥14.44 (12.3%) from the previous fiscal year, and ¥150.70=€1, corresponding to yen appreciation of ¥12.12 (7.4%).

**[Reference] Performance in the Third Quarter
(Three-month period from October 1, 2008 through December 31, 2008)**

The Konica Minolta Group's sales trends during the third quarter of the current fiscal year were generally as described above regarding the nine-month period of the current fiscal year, being affected by the increasingly noteworthy impact of the worldwide economic downturn that stemmed from disorderly conditions in financial markets. The Business Technologies Business was impacted by the restraint of corporate capital investments and contraction of credit in Japan and the industrialized countries of North America and Europe, and the number of newly installed MFPs was sluggish. The Optics Business faced a sharp drop in demand for all types of electronics component products due to the rapid downward adjustment of production volumes by companies in the digital consumer electronics industry. The Medical and Graphic Imaging Business was confronted with an accelerating decrease in demand for film products in Japan and overseas markets due to the progressive shift toward the use of digital products. As a result, the Group's consolidated net sales during the third quarter amounted to ¥213,661 million. We estimate that the impact of currency exchange rate changes had the effect of reducing net sales by approximately ¥31.7 billion.

The Group intensified its cost- and expense-reduction efforts aimed at countering the impact of such factors as decreases in sales volume and drops in selling prices. Gross profit was impacted by such factors as the previously explained accounting changes introduced beginning from the fiscal year under review, which we estimate had the effect of reducing gross profit by approximately ¥9.2 billion and lowering the gross profit ratio by 4.3 percentage points. Consequently, gross profit amounted to ¥103,772 million, and the gross profit ratio was 48.6%.

The Group strove to reduce SG&A expenses with the above-mentioned imperative cost reduction measures, which involved reducing expenses by means of a thorough emphasis on the selection of strategic fields and concentration of resources in those fields. Reflecting the benefits of these measures and the above-mentioned accounting shift of service expenses to the cost of sales, SG&A expenses amounted to ¥89,057 million. As a result, operating income was ¥14,714 million, and the operating income ratio was 6.9%.

A ¥7,069 million foreign exchange rate loss resulting from the appreciation of the yen caused the net value of non-operating expenses and income items to be an expense of ¥8,503 million. Thus, recurring profit amounted to ¥6,210 million.

The net value of extraordinary loss and income items was a net loss of ¥5,458 million, reflecting such factors as ¥3,858 million in loss on the valuation of investment securities and ¥1,120 million in loss on business restructuring costs. Consequently, income before income taxes and minority interests was ¥751 million, and after recording ¥2,683 million in income taxes, net loss for the third quarter amounted to ¥1,931 million.

The yen appreciated greatly during the third quarter under review. Average exchange rates for the period were ¥96.32=U.S.\$1 corresponding to yen appreciation of ¥16.87 (14.9%) from the same quarter of the previous fiscal year, and ¥126.74=€1, corresponding to yen appreciation of ¥37.13 (22.7%).

(2) Overview by Segment

Business Technologies Business

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

	<i>Reference</i>		[Millions of yen]	
	Nine months (Apr. 1, 2008 – Dec. 31, 2008)	Nine months (Apr. 1, 2007 – Dec. 31, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	486,244	522,087	(35,842)	(6.9)%
(2) Intersegment net sales	3,261	4,275	(1,013)	(23.7)%
Total net sales	489,506	526,363	(36,856)	(7.0)%
Operating income	47,705	67,066	(19,360)	(28.9)%

In the Business Technologies Business—in line with our “genre-top strategy” for concentrating management resources in business fields and markets projected to grow so that we can expand our operations and assume the top position in those fields and markets—we are concentrating on expanding sales of office-use color MFPs and production printing-use high-speed MFPs used for corporate internal printing, commercial printing, and other production printing applications.

Regarding office-use color MFPs, we renewed our bizhub series product lineup during the previous fiscal year with the introduction of new medium- and low-speed products, and we worked to further enhance the lineup’s merchandise competitiveness with the August 2008 launch of the strategic “bizhub C200.” While further strengthening the competitiveness of our offerings in the medium- and low-speed product range, we strove to expand our color MFP sales in markets centered on the European market, where we have a strong marketing base, and NIC markets, where demand is projected to increase. As a result, we maintained year-on-year growth in unit sales. Regarding black & white MFPs, we launched the “bizhub 501, 421, 361” in May 2008 and the “bizhub 751, 601” in December 2008 in line with our strategy of emphasizing the strengthening of product competitiveness in the medium- to high-speed market segment.

Regarding production printing-use MFPs, in August 2008, we began sales of our two new high-speed models—the “bizhub PRO C6501, C5501”, which offer greatly improved image quality stability and solid mechanical durability—and worked to strengthen marketing operations in markets centered on those of Europe and United States. Moreover, based on the strategic business alliance arranged with Netherlands-based Océ N.V. in April 2008, we launched three new ultrahigh-speed black & white MFPs—the “bizhub PRO 2500P, 2000P, 1600P”—in November and worked to leverage the additional models to expand the scope of our operations in the production printing-use MFP market.

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” tandem-type high-speed color printers (introduced in June 2008) and the “bizhub C20/magicolor 4690MF” all-in-one type color printer with printing, scanning, copying, and fax functions (introduced in August 2008.) Through these and other measures, we strove to strengthen our marketing of new high-value-added products.

During the nine-month period under review, we continued to face a severe situation in the U.S. market, as the impact of the protracted period of financial unease presented the stricter credit appraisals for new lease contracts between lease companies and customers, and a trend toward similar severe situations is steadily spreading to such other markets as those of Europe and Japan. Moreover, amid worldwide economic deceleration, companies are becoming increasingly averse to capital investments. These situations caused a general weakening in new sales volume trends for MFP products during the latter half of the period under

review.

As a result of these factors, we recorded ¥486,244 million in net sales of this business to outside customers during the nine-month period under review, down 6.9% from the same period of the previous fiscal year. We estimate that the impact of the considerable appreciation of the yen against the U.S. dollar and euro and other currency exchange rate changes had the effect of reducing net sales of this business to outside customers during the period by approximately ¥45.8 billion. Excluding the impact of these exchange rate changes, net sales of this business to outside customers amounted to ¥532.1 billion, an increase of 1.9%, from the same period of the previous fiscal year. The inclusion of Danka Office Imaging Company (DOIC) within the scope of consolidation from the second quarter enabled us to attain a higher level of sales than in the same period of the previous fiscal year. Operating income declined 28.9% year on year, to ¥47,705 million, reflecting the impact of exchange rate changes and newly introduced accounting rules as well as drops in selling prices associated with deteriorating market conditions in the United States and Europe and rises in expenses related to the consolidation of an additional subsidiary and other factors.

Optics Business

[Optical devices, electronic materials, etc.]

	Nine months (Apr. 1, 2008 – Dec. 31, 2008)	Reference	[Millions of yen]	
		Nine months (Apr. 1, 2007 – Dec. 31, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	146,512	134,030	12,481	9.3%
(2) Intersegment net sales	843	782	61	7.8%
Total net sales	147,356	134,813	12,542	9.3%
Operating income	19,432	24,198	(4,766)	(19.7)%

Regarding display materials, the new third-generation VA-TAC film (viewing angle expansion film) products for large-size LCD TVs marketed since early 2008 have been highly evaluated by customers and greatly expanded their share of our sales, particularly with respect to sales to LCD panel manufacturers in Korea and Taiwan. However, sharp downward adjustments of production volume by all LCD panel manufacturers since the start of the third quarter slowed the rate of increase in sales volume during the nine-month period under review.

In the memory-related product field, we have an overwhelmingly strong market position with respect to pickup lenses for use with Blue-ray Disks, and the unification of standards for new-generation DVDs was expected to spur the full-scale expansion of demand for such products, but the impact of the worldwide deterioration of economic conditions caused a sharp deceleration in demand growth beginning from the third quarter, and this slowed the rate of increase in sales volume during the nine-month period under review. Regarding glass hard disk substrate products, although growth in the personal computer market propelled by the popularity of low-priced notebook personal computers supported a rise in sales volume compared with the same period of the previous fiscal year, the rate of increase in sales volume was slowed by the start of downward adjustments of production volume by computer manufacturers since November 2008.

In the image input/output component field, sales of zoom lens units for compact digital cameras were sluggish owing to downward adjustments of production volume by all camera manufacturers. We recorded robust shipment volume of micro camera modules and lens units for camera-equipped mobile phones through the first half of the fiscal year, but sales volume fell greatly from the third quarter due to the impact of the worldwide deterioration of economic conditions.

Thus, while strong performances were recorded by such mainstay products as VA-TAC film and pickup lenses for use with Blue-ray Disks during the first half of the fiscal year under review, the performance of all these products was impacted by sharp downward adjustments of production volume by all manufacturing company customers from the start of the third quarter. This impact caused deterioration in our revenue and profit.

Consequently, sales of this business to outside customers during the nine-month period under review increased 9.3% from the same period of the previous fiscal year, to ¥146,512 million. Operating income decreased 19.7%, to ¥19,432 million, reflecting higher depreciation expense due to tax reforms related to LCD materials manufacturing facilities; a rise in depreciation expense associated with investments in such manufacturing facilities as the No. 6 TAC film production line, completed in June 2008; and the impact of sharp drops in sales beginning from the third quarter.

Medical and Graphic Imaging Business

[Medical and graphic products, etc.]

	<i>Reference</i>		[Millions of yen]	
	Nine months (Apr. 1, 2008 – Dec. 31, 2008)	Nine months (Apr. 1, 2007 – Dec. 31, 2007)	Increase (Decrease)	
(1) Net sales to outside customers	94,631	117,649	(23,017)	(19.6)%
(2) Intersegment net sales	1,967	2,796	(828)	(29.6)%
Total net sales	96,599	120,445	(23,845)	(19.8)%
Operating income	4,170	5,888	(1,718)	(29.2)%

In the medical and healthcare segment, we worked to strengthen our marketing of digital X-ray image inputting equipment, placing particular emphasis on measures to expand domestic and overseas sales of the REGIUS “MODEL 110” and the “REGIUS Unitea” peripheral system, which meet the IT needs of clinics and other relatively small-scale medical establishments. In addition, we strengthened our product lineup in the digital imaging diagnosis field with the October 2008 launch of the “PLAUDR” series of high-image-quality digital radiography units for hospitals. Furthermore, in the domestic market, we recorded strong sales of our “NEOVISTA I-PACS” medical-use imaging network product series.

Regarding the graphic (printing) segment, we strove to increase our sales of such products as the “Pagemaster Pro 6500” on-demand printing system and “Digital Konsensus Pro” digital color proofing units, although the impact of restrained capital investments due to the deterioration of economic conditions in Japan and overseas markets restrained sales.

Because both segments of this business were impacted by large drops in demand for film products as well as the progressive appreciation of the yen, sales of this business to outside customers during the nine-month period under review declined 19.6% year on year, to ¥94,631 million. Operating income was down 29.2%, to ¥4,170 million.

Sensing Business

[Colorimeters, medical measuring instruments, 3D digitizers, etc.]

This segment draws on Konica Minolta’s exclusive light-measurement technologies to provide domestic and overseas customers with diverse 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.

During the nine-month period, we worked to strengthen our sales in Japan and European markets centered on new products. In the color measurement field, these products include 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 and the "CS-2000" spectroradiometer for light source color measurement regarding Hi Vision displays and other high-definition displays. In the three-dimensional measurement field, these products include the "RANGE7" noncontact digitizer for such industrial applications as those related to the development and manufacture of diverse components, dies, and molds. However, sales in both of these product fields were weakened by the impact of the sharp restraint of capital investments by manufactures amid the protracted economic slowdown as well as by the impact of the progressive appreciation of the yen.

Consequently, sales to outside customers in this segment during the nine-month period declined 8.9%, to ¥6,574 million, and operating income decreased 54.1%, to ¥414 million.

2. Financial Position

(1) Analysis of Financial Position

		[Millions of yen]		
		As of December 31, 2008	As of March 31, 2008	Increase (Decrease)
Total assets	[Millions of yen]	915,847	970,538	(54,690)
Total liabilities	[Millions of yen]	490,683	552,227	(61,544)
Net assets	[Millions of yen]	425,164	418,310	6,853
Net assets per share	[Yen]	799.82	786.20	13.62
Equity ratio	[%]	46.3	43.0	3.3

At the end of the nine-month fiscal period of the current fiscal year, total assets amounted to ¥915,847 million, down 5.6%, or ¥54,690 million, from the previous fiscal year-end.

Current assets decreased 8.8%, or ¥48,785 million, to ¥508,325 million, and accounted for 55.5% of total assets, while non-current assets declined 1.4%, or ¥5,905 million, to ¥407,522 million, and accounted for 44.5% 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 ¥28,350 million from the previous fiscal year-end, to ¥60,867 million, in cash and deposits. Trade notes and accounts receivable, which rose at the end of the previous fiscal year, decreased ¥47,588 million, and other accounts receivable were down ¥6,486 million.

Inventories centered on those of the Business Technologies Business and the Optics Business increased ¥10,276 million from the previous fiscal year-end, to ¥143,213 million. Accompanying measures to unify accounting methods of overseas subsidiaries and to apply new accounting standards for domestic lease transactions, a net increase of ¥13,297 million was recorded in lease assets.

Regarding non-current assets, tangible fixed assets decreased ¥15,255 million from the previous fiscal year-end, to ¥230,733 million, reflecting a ¥10,453 million net decrease in machinery, equipment and vehicles that was mainly attributable to the Optics Business segment and that resulted from such factors as a rise in depreciation expenses accompanying tax system reforms. The decrease in tangible fixed assets also reflected an ¥8,923 million net decrease in assets for rent that resulted from such factors as the preliminary measures associated with measures to unify accounting methods of overseas subsidiaries. Intangible fixed

assets grew ¥15,510 million, to ¥109,358 million, mainly owing to the recording of goodwill and other intangible fixed assets in connection with the acquisition of DOIC. In addition, investments and other assets fell ¥6,159 million, to ¥67,430 million, mainly owing to an ¥8,749 million drop in the market value of investment securities that resulted from the weakness of stock prices.

Total liabilities at the end of the nine-month fiscal period under review amounted to ¥490,683 million, down 11.1%, or ¥61,544 million, from the previous fiscal year-end, and corresponded to 53.6% of total assets. Current liabilities decreased ¥30,783 million, or 8.4%, to ¥334,787 million, and corresponded to 36.6% of total assets, while non-current liabilities fell ¥30,760 million, or 16.5%, to ¥155,895 million, and corresponded to 17.0% of total assets. Additional progress made in repaying interest-bearing debt (the sum of long- and short-term loans and bonds) led to an ¥18,258 million decrease in interest-bearing debt, to ¥207,766 million. Accounts payable-other and income taxes payable decreased ¥14,693 million and ¥13,950 million, respectively, while a drop of ¥2,905 million, to ¥8,822 million, was seen in the allowance for the loss on withdrawal from operations, which is associated with the discontinuation of the Photo Imaging Business.

Net assets at the end of the nine-month fiscal period under review were up 1.6%, or ¥6,853 million, from the previous fiscal year-end, to ¥425,164 million, and corresponded to 46.4% of total assets.

Retained earnings grew ¥23,257 million from the previous fiscal year-end, to ¥199,941 million, mainly reflecting the recording of ¥27,348 million in net income for the nine-month fiscal 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 ¥9,283 million due to dividend payments. The valuation difference on available-for-sale securities decreased ¥2,387 million due to the weakness of stock prices in the stock market, while the large appreciation of the yen led to a ¥13,496 million drop in the foreign currency translation adjustments.

Consequently, net assets per share at the end of the nine-month fiscal period under review amounted to ¥799.82, and the equity ratio rose 3.3 percentage points from the end of the previous fiscal year, to 46.3%.

In addition—aiming to ensure stable liquidity and increase funding efficiency as well as to supplement liquidity at times of emergencies—the Company has 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. Furthermore, the Company has newly procured ¥8 billion from financial institutions other than banks.

(2) Cash Flows

[Millions of yen]

	Nine months ended December 31, 2008	Nine months ended December 31, 2007	Increase (Decrease)
Cash flows from operating activities	82,590	73,893	8,697
Cash flows from investing activities	(76,187)	(55,481)	(20,705)
Total (Free cash flow)	6,402	18,411	(12,008)
Cash flows from financing activities	(18,286)	(13,103)	(5,183)

During the nine-month fiscal period under review, net cash inflow from operations amounted to ¥82,590 million, while net cash outflow from investing activities, mainly associated with capital investments and the acquisition of a dealer subsidiary, totaled ¥76,187 million. As a result, free cash flow (the sum of operating and investing cash flows) amounted to ¥6,402 million.

Net cash outflow from financing activities, mainly associated with the repayment of interest-bearing debt and the disbursement of dividends, was ¥18,286 million. Exchange rate changes had the effect of decreasing cash and cash equivalents ¥8,972 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 nine-month fiscal period totaled ¥101,829 million, down ¥20,357 million from the end of the previous fiscal year.

Cash flows from operating activities

Net cash flow provided by operating activities amounted to ¥82,590 million. The Company reported income before income taxes and minority interests of ¥50,608 million and depreciation of ¥51,723 million as well as a ¥20,231 million rise in operating capital associated with notes and accounts receivable-trade, inventories, and notes and accounts payable-trade. These inflows were partially offset by ¥34,225 million in income taxes and other factors.

Cash flows from investing activities

Net cash flow used in investing activities amounted to an outflow of ¥76,187 million. This was mainly due to expenditures of ¥27,987 million for the Business Technologies Business's acquisition of newly consolidated subsidiaries in the United States (DOIC). It also reflected expenditures of ¥50,217 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 glass hard disk substrates and TAC film.

As a result, free cash flow (the sum of operating and investing cash flows) amounted to an inflow of ¥6,402 million.

Cash flows from financing activities

Net cash used in financing activities amounted to a net outflow of ¥18,286 million. This was due mainly to the use of ¥6,779 million of cash to reduce interest-bearing debt and the use of ¥9,135 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

With respect to the prospective business environment during the fourth quarter of the current fiscal year, the impact of financial crisis stemming from the subprime loan problem has caused a rapid economic deceleration in the global economy. As a result, corporate profitability is deteriorating, and there are increasingly broad-ranging moves by companies to make large-scale downward adjustments to their manufacturing volumes and to restrain their capital investments. These trends have been accompanied in the industrialized countries by growing concern regarding employment situations, falling stock prices, and other factors that are bringing an additional noteworthy cooling of personal consumption. Consequently, the deterioration of the real economy throughout the world is becoming increasingly severe. In addition, while there is a downtrend in prices of petroleum-related products and such raw materials as silver and aluminum, the level of yen appreciation remains high. These various situations are projected to further increase the harshness of the business environments in which the Group operates.

Regarding the Business Technologies Business, a quick recovery from the credit contractions and restraint of capital investment seen in the principal markets of North America and Europe appear to be difficult; so, it is projected that overall demand for MFP products will continue to be slack. Looking at the Optics Business, there is a general trend of decrease in real demand for LCD televisions, DVD products, personal computers, camera equipped mobile phones, and other digital consumer electronic products in which the Group's optical components are incorporated. This, combined with the impact of large supply-chain inventory adjustments, is projected to cause a drop in orders that is considerably larger than the ordinary level of seasonal declines in orders.

In light of the previously described performance in the three-quarter fiscal period and the prospective situation in the near future, we have made revisions to our fourth-quarter sales and profitability projections

centering on the Optics Business, which operating environment for the Optics Business is expected to become harsher than anticipated, we have adjusted the projections of performance in the current fiscal year that were announced on October 30, 2008. The new consolidated performance projection is ¥80.0 billion in net sales, ¥15.0 billion in operating income, and ¥25.0 billion in recurring profit; each of these figures has been revised downward. Regarding net income—reflecting our provisions for ¥9.5 billion in business restructuring costs designed to accelerate our efforts to create a stronger corporate structure by moving ahead with concerted Groupwide measures aimed at lowering the cost of sales and reducing expenses—we have decreased our projection by ¥25.0 billion.

Assuming that we attain our current performance forecast figures, we intend to distribute year-end dividends of ¥10 per share, in accordance with previous plans. (The aggregate level of interim and year-end dividends applicable to the fiscal year is thus expected to be ¥20 per share.)

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

	Current Projection (A)	Previous Projection (B)	Change (A - B)	Change (%) (A - B) / (C)	Actual Results FY/Mar2008 (C)
Net sales	955,000	1,035,000	-80,000	-7.7 %	1,071,568
Operating income	65,000	80,000	-15,000	-18.8 %	119,606
Recurring profit	51,000	76,000	-25,000	-32.9 %	104,227
Net income	17,000	42,000	-25,000	-59.5 %	68,829

The presumed currency exchange rates for the fourth quarter of the current fiscal year are U.S.\$1 = ¥95 and €1 = ¥120.

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.

**Regarding Management Initiatives to Strengthen Group
Management Systems as a Means of Improving Profitability**

When the Company reported on its first half fiscal period performance, on October 30, 2008, it announced its intention to fundamentally strengthen the Konica Minolta Group through measures—including productivity enhancement measures, thorough cost-reduction measures, the restraint of capital investments, and expense-reduction measures—aimed at both increasing profit-earning capabilities and strengthening the Group's financial base, and the Group has worked concertedly to implement these measures. However, because of the need to respond to deterioration in the Group's domestic and overseas operating environments that has proceeded at a greater speed and on a greater scale than anticipated, the Company has decided to move ahead with the accelerated implementation of a number of additional countermeasures—including manufacturing unit measures to optimize domestic and overseas manufacturing systems and their scale in response to the shrinking of demand and marketing unit measures to increase the efficiency of administrative support operations and thereby streamline indirect functions among overseas marketing units. As a result, the Company is proceeding with the implementation of structural reform measures aimed at enabling the attainment of performance targets for the current fiscal year and improving profitability in the subsequent fiscal year.

Concurrently, the Company is moving ahead with measures to respond to yen appreciation by increasing selling prices in local markets and by clearly differentiating between profitable and unprofitable business fields. In addition to improving profitability, these measures are designed to facilitate the proactive addition

of new products and other offerings in highly profitable fields and fields where business expansion can be expected. To ensure the Group's future growth, the Company will continue to implement these and other measures going forward.

• Figures in qualitative information sections given as millions of yen have been rounded off by discarding figures less than ¥1 million.

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 nine-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 calculation of inventories at the end of the nine-month fiscal period under review, the assessment of actual inventories has been dispensed with, and inventories were rationally estimated based on the level of actual inventories at the end of the interim fiscal period.

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 nine-month period by ¥1,364 million and of decreasing both recurring profit and income before income taxes and minority interests for the six-month period by ¥111 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 nine-month period was not material. The main impact of the change on the Company's consolidated balance sheets for the nine-month period under review is to increase lease assets and lease investment assets by ¥13,297 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 nine-month period of the current fiscal year.

Regarding Consolidated Statement of Cash Flows items for the nine-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 nine-month period gross profit by ¥21,832 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 nine-month period by ¥1,842 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 ¥4,740 million each during the nine-months period of the current fiscal year.