KONICA MINOLTA GROUP
Q&A from 3Q / March 2008 Financial Results Briefing Session

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Place:	Keidanren Kaikan, Tokyo, Japan
Announced by:	Shoei Yamana, Senior Executive Officer

■ Business Technologies

Q: During the third quarter the economic downturn in the US appears to have impacted the office equipment industry. How has it affected Konica Minolta's Business Technologies business?

A: Third quarter MFP sales in the US on a unit base for our priority color MFPs increased 32% compared with the same quarter a year ago and continue to show strong growth. Nonetheless, the slowing economy is having an effect and sales results continue to fall somewhat short of the business plan. By sales channel, direct sales (meaning Konica Minolta sales representatives selling directly to the customer) have been only slightly affected, but sales through dealers (meaning office equipment retailers who have a dealer agreement with Konica Minolta) have been short of sales targets.

Up until now, robust sales in Europe and elsewhere have compensated for the sales shortfall in the US. By product type, sales of medium/high-speed color MFP for offices and production print systems have been robust so the effect of this development on our business performance has been limited. Nonetheless, we are rushing to do a precise analysis of market conditions to correctly ascertain whether these conditions will continue for the long term and what measures we might need to take.

Q: Operating profit fulfillment for the total nine months for the Business Technologies business is 73% of the full business year forecast. How does this figure compare with the company business plan?

A. While the business plan for the current second half broken down into third and fourth quarters has not been announced, the company initially planned for a fourth quarter stronger than the third, and so a 73% fulfillment of the full business year forecast in fact exceeds the business plan. While slowing sales in the US make the outcome for the aforementioned third quarter uncertain, robust MFP sales in Europe, production print systems, and the other areas where the company is very competitive will have a compensating effect as we move ahead and make every effort to achieve fiscal year plan targets.

Q: Tell us your future plans for strengthening your partnership with Oce.

A: Oce's home base is the Netherlands and it is a topflight firm in Europe's business technologies industry. Oce is especially strong in the production printer business and holds a major share of the global market for both the data center oriented continuous-feed high-speed printer segment and the cut sheet high-speed printer segment. The company especially stands out for its strong technology and extensive experience in the production printer segment and therefore they are an excellent partner for us as we aim to increase our business in the mid-range and heavy-range production printer segment.

■ Optics

Q: In the third quarter every segment significantly increased revenue compared to the same period of the previous year. This was especially notable for the fiercely competitive glass hard disk substrate segment. Tell us why results were so good for your company in this area.

A: I think the major causes were that from the second half of the period, PC demand picked up and we increased our vendor share. Another telling reason is that our customers are very happy with our exclusively developed substrate materials. Our schedule for building a new factory in Malaysia in order to increase production was moved up one month earlier than the initial plan, and the factory started running in December of last year. Going forward, we will work for greater cost efficiency and work to increase profits while taking measures to deal with cost pressures and other factors.

Q: The fourth quarter is underway, what is the outlook for your product lineup?

A: The fourth quarter (January through March) is a low demand period for all products, and we expect that sales volume for optical pick up lenses, mobile telephone lens units, and the like to fall compared to the third quarter. We also expect to maintain our strong competitiveness and see robust sales for our mainstay products such as VA-TAC film (viewing angle expansion film), next-generation DVD pick up lenses, and glass hard disk substrates.

■ Other

Q: For China, how do you plan to deal with the risk of a revalued yuan, rising labor costs, and other risks?

A: After fiscal 2008 we have been aware of the need to take the risk of a revalued yuan into account. On the other hand, rather than labor costs the cost factor that perhaps requires closer watching in China is parts procurement and other variable costs. For us, parts procurement for machines manufactured in China requires avoiding concentrating all our procurement in China and acquiring competitive parts from around Southeast Asia.

Moreover, in China raw material procurement transactions are US dollar denominated, and at this point in time we see no direct effect from a yuan revaluation.

Q： Finally, give your qualitative guidance for fiscal 2008.

A： Considering a business plan for fiscal 2008 requires taking into account such factors as a rising yen, a sharp rise in raw material costs, and anxiety over a global economic slowdown. But in addition to these factors I want to add the following: an increase in the depreciation allowance due to changes in the tax system (service life for TAC film related equipment will be shortened from 8 years to 5 years, which is expected to amount to an increased expenditure of around 5.5 billion yen) and the anticipated effect due to changes in accounting standards (a 4.5 billion loss of revaluation of inventory assets will be shifted from non-operating expenditures to cost of goods sold). Compared to the current fiscal year, this total of around 10 billion yen at the operating profit stage will put stress on profits, however since the 4.5 billion yen that is the effect of changing the previous accounting system will not extend to effect ordinary profits, in real terms, pressure on profit and loss results will be 5.5 billion yen.

Thus, while fiscal 2008 involves various factors, in the coming year we are committed to achieving further growth in our strongest areas and we intend to overcome increasing cost burdens and work towards increasing profits.

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