

Konica Minolta Group

1Q/March 2009 Consolidated Financial Results

April 1, 2008 – June 30, 2008

August 7, 2008

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Cautionary Statement:

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

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

1Q/Mar09 Consolidated results – Summary

- **Net Sales: Up 1% Y-O-Y**
Excluding forex: +6% Y-O-Y
 - Growth amid severe economic conditions.
- **Operating Income: Same level Y-O-Y**
Excluding effects due to tax law changes and accounting method adjustments: +8% Y-O-Y
 - Declining Business Technologies' profit was offset by the growth of Optics business's solid growth.
- **Net Income: Up 9% Y-O-Y**
 - Net extraordinary profit improved reflecting gains on the sales of Medical & Graphic Imaging's subsidiaries and the transfer of the related assets.
- **Business Technologies:**
 - European sales → Favorable US sales → Sluggish
 - Net sales excluding forex → +2% Y-O-Y
 - Operating profit → -20% Y-O-Y (Due to SG&A increases at the US and European sales subsidiaries)
- **Optics: Favorable performance in all sub-segments**
 - Significant growth in both sales and profits.
 - Doubling operating income Y-O-Y excluding effects due to higher depreciation expenses resulting from tax law changes
- **Forecasts : Unchanged**
 - No adjustments since the May 9 announcement for both 1H and full year.

1Q/Mar09 Consolidated results - Highlights



	[a]			[Billions of yen]	
	1Q/Mar09	1Q/Mar08	Y-O-Y	[b]	[a] / [b]
	Results	Results	(%)	1H/Mar09	Achievement
				Forecasts	(%)
Net sales	255.1	252.4	1%	535.0	48%
Gross income	119.9	126.0	-5%	--	--
<i>Gross income ratio</i>	<i>47.0%</i>	<i>49.9%</i>	--	--	--
Operating income	24.5	24.7	-1%	56.5	43%
<i>Operating income ratio</i>	<i>9.6%</i>	<i>9.8%</i>	--	<i>10.6%</i>	--
Ordinary income	27.9	27.7	1%	55.0	--
Net income before taxes	30.8	27.5	12%	57.0	52%
Net income	17.6	16.1	9%	34.0	--
<i>Net income ratio</i>	<i>6.9%</i>	<i>6.4%</i>	--	<i>6.4%</i>	--
FOREX [P/L] [Yen] USD	104.55	120.78		100.00	
Euro	163.43	162.72		155.00	
EPS [Yen]	33.22	30.40	9.0%		
ROE [full year]	15.8%	16.7%	--		

1Q/Mar09 results - effects from tax law and accounting method changes

	Results 1Q/Mar09	<i>Factors</i>			[a]	[b]	[Billions of yen] [a] + [b]	
		<i>#1</i> <i>Tax law change</i>	<i>#2</i> <i>Accounting method change</i>	<i>#3</i>	Actual 1Q/Mar09	Results 1Q/Mar08	Y-O-Y	Actual (%)
Gross profit	119.9	-1.4	-0.8	-7.9	130.0	126.0	4.0	3%
<i>Gross profit ratio</i>	47.0%				51.0%	49.9%		
Operating income	24.5	-1.4	-0.8		26.7	24.7	2.0	8%
<i>Operating income ratio</i>	9.6%				10.5%	9.8%		

- **#1 Tax law change: Depreciation period change for machinery assets**
Effects from shortening of TAC film facilities' amortization period (8 years → 5 years)
- **#2 Accounting method change: Application of the cost method (method of reducing book value when the contribution of inventories to profitability declines)**
Shifting evaluation and disposal losses of inventories from non-operating expenses to cost of sales → Decreases in both gross profit and operating income.
- **#3 Accounting method change: Transferring service expenses from SG&A to cost of sales**
This change has been principally applied to Business Technologies' European and domestic sales companies.

1Q/Mar09 Consolidated results – Segment



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[Billions of yen]

	[a]			[b]	
	1Q/Mar09	1Q/Mar08	Y-O-Y	1H/Mar09	[a] / [b]
Net sales	Results	Results	(%)	Forecasts	Achievement
					(%)
Business Technologies	166.7	172.8	-4%	345.0	48%
Optics	51.1	37.5	36%	100.0	51%
Medical & Graphic	31.3	35.8	-13%	75.0	42%
Other businesses	4.0	3.8	5%	10.0	40%
Sub total	253.0	249.8	1%	530.0	48%
HD and eliminations	2.1	2.6	-18%	5.0	42%
Group total	255.1	252.4	1%	535.0	48%

[Billions of yen]

	[a]			[b]	
	1Q/Mar09	1Q/Mar08	Y-O-Y	1H/Mar09	[a] / [b]
Operating income	Results	Results	(%)	Forecasts	Achievement
					(%)
Business Technologies	17.1	21.4	-20%	44.5	39%
Optics	8.8	4.7	87%	16.0	55%
Medical & Graphic	1.4	1.3	9%	2.0	71%
Other businesses	0.3	0.4	-26%	1.0	32%
Sub total	27.7	27.9	-1%	63.5	44%
HD and eliminations	-3.3	-3.2	--	-7.0	--
Group total	24.5	24.7	-1%	56.5	43%

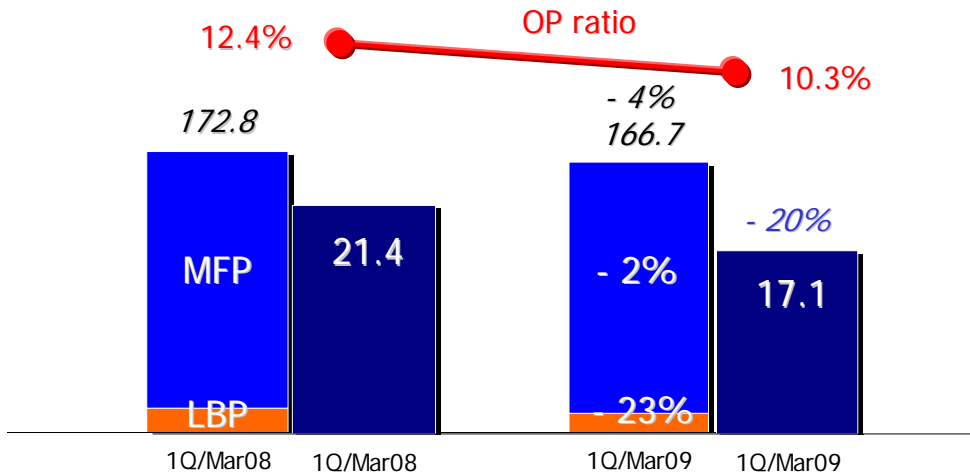
1Q/Mar09 Segment summary – Business Technologies



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Net sales / Operating income

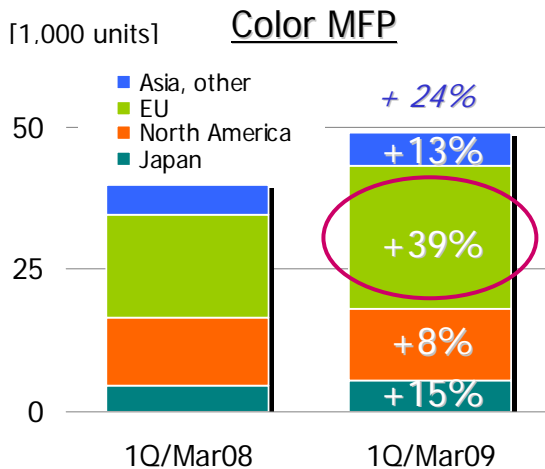
Left bar: Net sales
Right bar: Operating income



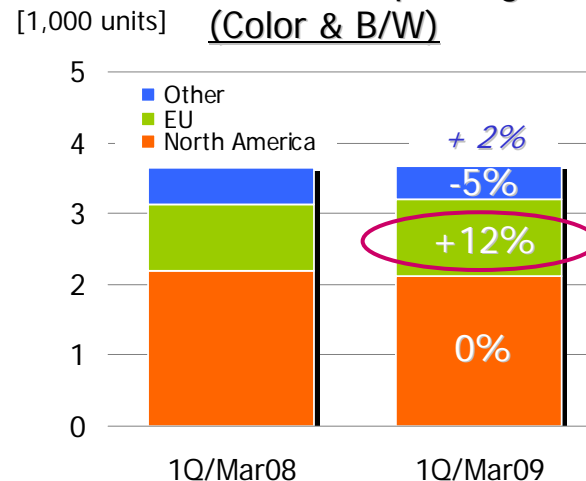
Color MFP sales maintained growth momentum mainly in Europe

- Total MFP sales: +2% Y-O-Y (excl. forex.)
- Total sales -- Europe: +11% Y-O-Y → Color MFP and production printing products sales propelled the growth.
- Total sales -- North America: -5% Y-O-Y (excl. forex.) → Slow sales in B/W MFP
- LBP's profitability: Break-even → Offset sales volume decrease with cost-cutting efforts.

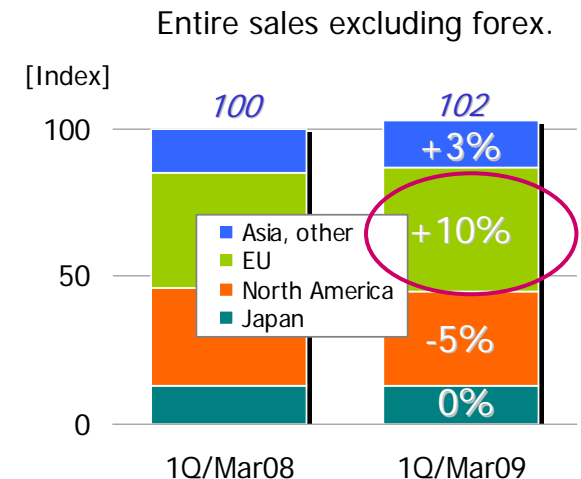
Unit sales



Production printing (Color & B/W)



Sales by region



Factor analysis – Business Technologies' profit decline



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[Billions of yen]

	Results	Factor	[a]	[b]	[a]-[b]	Break down				
	1Q/Mar09	#1 <i>Accounting method change</i>	Actual 1Q/Mar09	Results 1Q/Mar08		Y-O-Y	<i>Forex</i>	<i>Price change</i>	<i>Sales volume change, other</i>	<i>Cost down, net</i>
Gross profit	87.7	-8.3	96.0	97.0	-1.0	-2.1	-3.2	3.6	0.7	--
<i>Gross profit ratio</i>	52.6%		57.5%	56.1%						
Operating income	17.1	-0.7	17.9	21.4	-3.5	0.5	-3.2	3.6	0.7	-5.2
<i>Operating income ratio</i>	10.3%		10.7%	12.4%						

#1-1 Transfer of service expenses to cost of sales 7.5

#1-2 Increase in cost of sales due to adoption of the cost method -0.7

Gross profit ratio: +1.4% Y-O-Y, excluding effects of accounting method change

The decline in selling prices was offset by cost reduction efforts and MFP's product mix improvement shifting to color products.

Operating income: Decreased Y-O-Y due to a 5.2 billion yen increase in SG&A
 Factors: R&D expenses → +1.8 billion
 Expenses related to newly consolidated subsidiaries → +2.5 billion
 SG&A at US subsidiaries → +1.0 billion yen

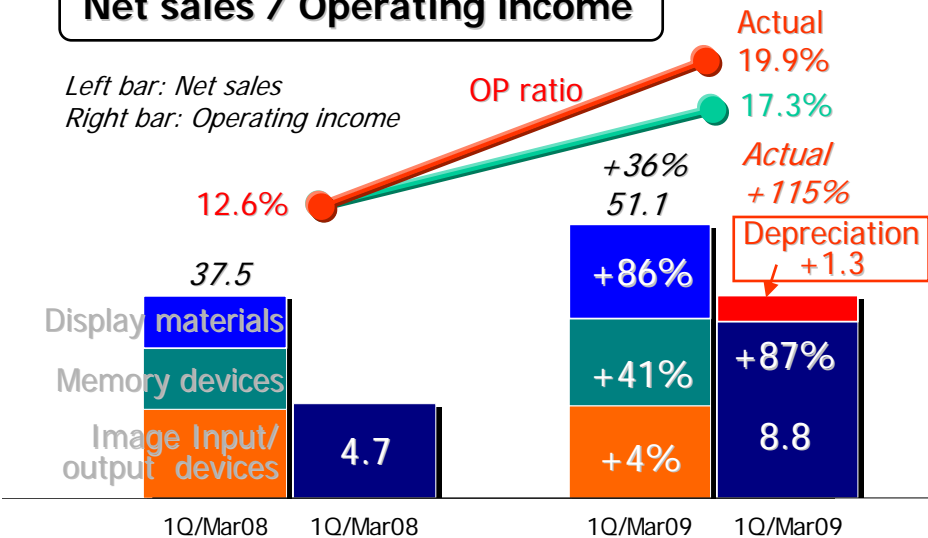
1Q/Mar09 Segment summary – Optics



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Net sales / Operating income

Left bar: Net sales
Right bar: Operating income



■ Mainstay products propelled significant growth in sales and operating profit.

TAC film:

- VA-TAC boosted sales.
- #6 production line started operation.

Optical pickup lens:

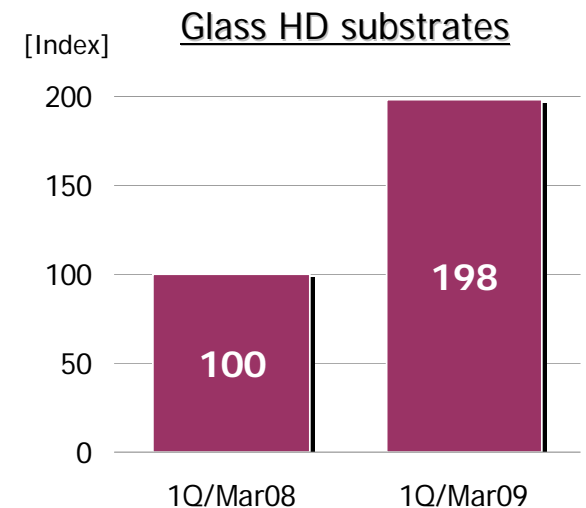
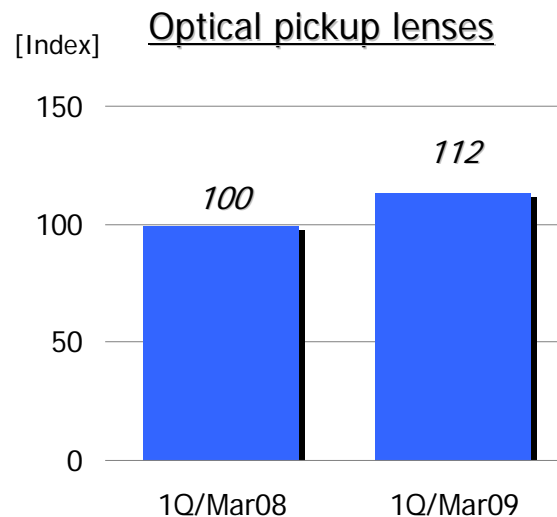
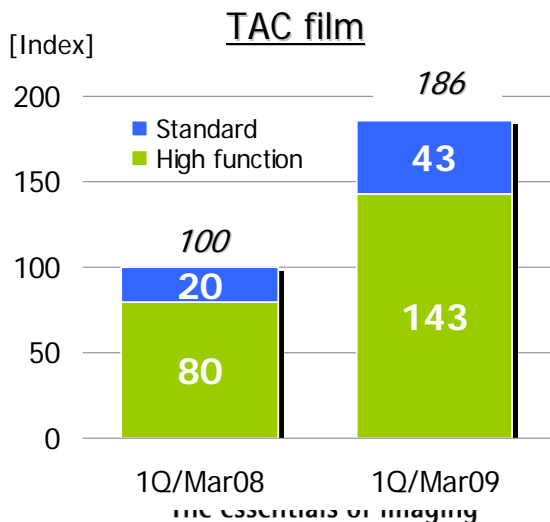
- For Blu-ray DVDs → Solid growth.
- For conventional DVDs → Unit sales increased mainly for recording function.

Glass HD substrate:

- Unit sales significantly increased due to the Malaysian factory's increased production capacity.

Unit sales

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



Forecasts March 2009 (announced May 9, 2008)



	Mar09 forecasts			Mar08	[Billions of yen] Y-O-Y	
	1H	2H	FY	FY	FY	(%)
Net sales	535.0	575.0	1,110.0	1,071.6	38.4	4%
Operating income	56.5	63.5	120.0	119.6	0.4	0%
<i>Operating income ratio</i>	<i>10.6%</i>	<i>11.0%</i>	<i>10.8%</i>	<i>11.2%</i>		
Ordinary income	55.0	60.0	115.0	104.2	10.8	10%
Net income before taxes	57.0	58.0	115.0	99.0	16.0	16%
Net income	34.0	36.0	70.0	68.8	1.2	2%
<i>Net income ratio</i>	<i>6.4%</i>	<i>6.3%</i>	<i>6.3%</i>	<i>6.4%</i>		
FOREX [P/L] [Yen]						
USD			100.00	114.28		
Euro			155.00	161.53		

[Note]

Impact of exchange rate fluctuation to operating income if given ¥1 change (full-year base):

FY/Mar08 actual : USD → ¥0.2 billion, EUR → ¥0.85 billion

Forecasts March 2009 – Segment (announced May 9, 2008)

Net sales

	Mar09 Forecasts			Mar08	[Billions of yen] Y-O-Y	
	1H	2H	FY	FY	FY	(%)
Business Technologies	345.0	375.0	720.0	701.0	19.0	3%
Optics	100.0	110.0	210.0	182.3	27.7	15%
Medical & Graphic	75.0	75.0	150.0	161.1	-11.1	-7%
Other businesses	10.0	10.0	20.0	16.8	3.2	19%
Sub total	530.0	570.0	1,100.0	1,061.2	38.8	4%
HD and eliminations	5.0	5.0	10.0	10.4	-0.4	-4%
Group total	535.0	575.0	1,110.0	1,071.6	38.4	4%

Operating income

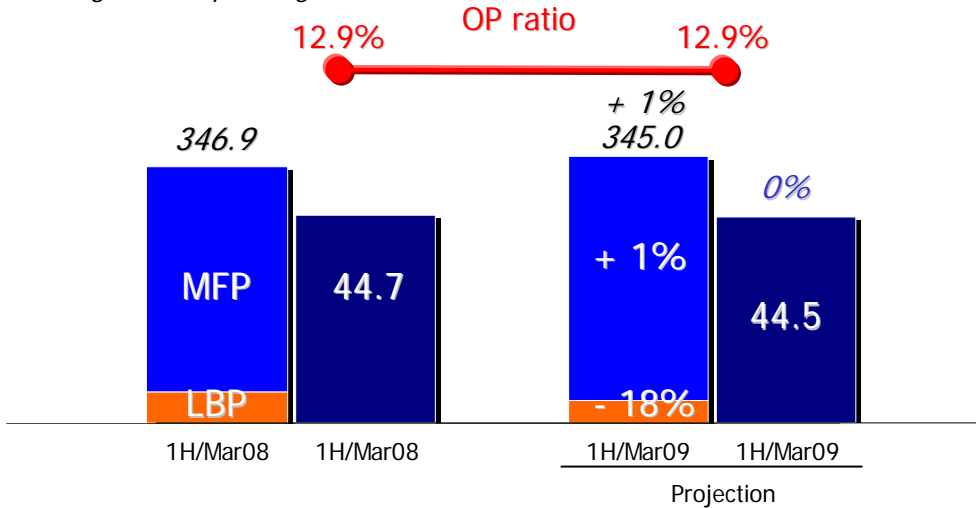
	Mar09 Forecasts			Mar08	[Billions of yen] Y-O-Y	
	1H	2H	FY	FY	FY	(%)
Business Technologies	44.5	49.5	94.0	90.1	3.9	4%
<i>Operating income ratio</i>	<i>12.9%</i>	<i>13.2%</i>	<i>13.1%</i>	<i>12.9%</i>		
Optics	16.0	17.0	33.0	31.3	1.7	6%
<i>Operating income ratio</i>	<i>16.0%</i>	<i>15.5%</i>	<i>15.7%</i>	<i>17.1%</i>		
Medical & Graphic	2.0	3.0	5.0	7.8	-2.8	-36%
Other businesses	1.0	1.5	2.5	2.1	0.4	20%
Sub total	63.5	71.0	134.5	131.2	3.3	2%
<i>Operating income ratio</i>	<i>12.0%</i>	<i>12.5%</i>	<i>12.2%</i>	<i>12.4%</i>		
HD and eliminations	-7.0	-7.5	-14.5	-11.6	-2.9	--
Group total	56.5	63.5	120.0	119.6	0.4	0%
<i>Operating income ratio</i>	<i>10.6%</i>	<i>11.0%</i>	<i>10.8%</i>	<i>11.2%</i>		



Forecasts 1H/Mar09 – Business Technologies

Net sales / Operating income

Left bar: Net sales
Right bar: Operating income



Strengthen the “genre-top” strategy

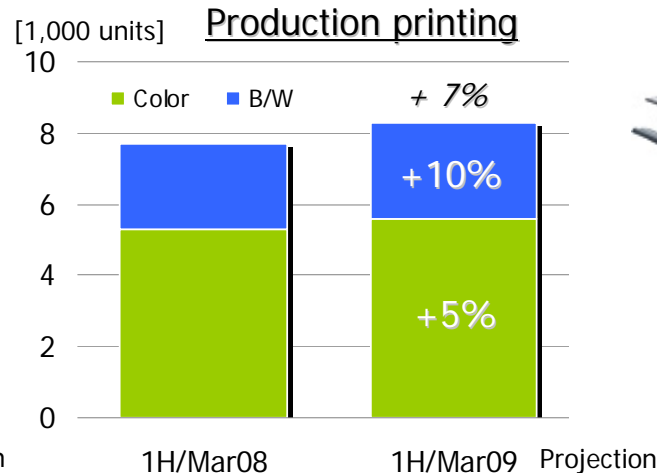
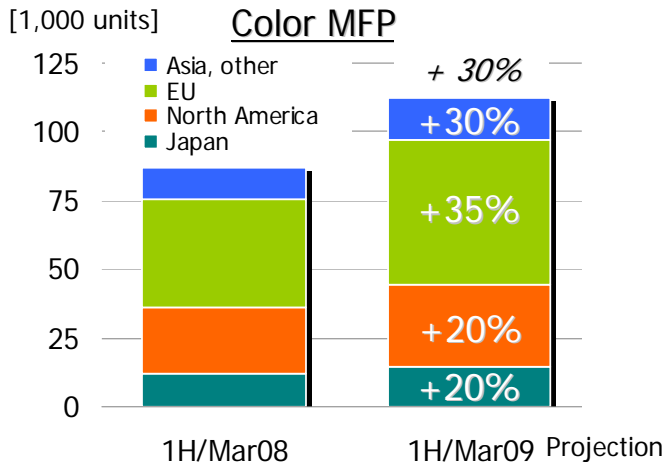
Color MFP:

- Increase color products sales in North America by fully utilizing the advantages from the acquisition of Danka Office Imaging Company.
- Strengthen new products sales worldwide

Production printing:

- Strengthen new color products sales in North America and Europe.
- 1H/Mar09 unit sales target: +7% Y-O-Y

Unit sales



New Product



bizhub PRO C6501/C5501

Launched June 2008

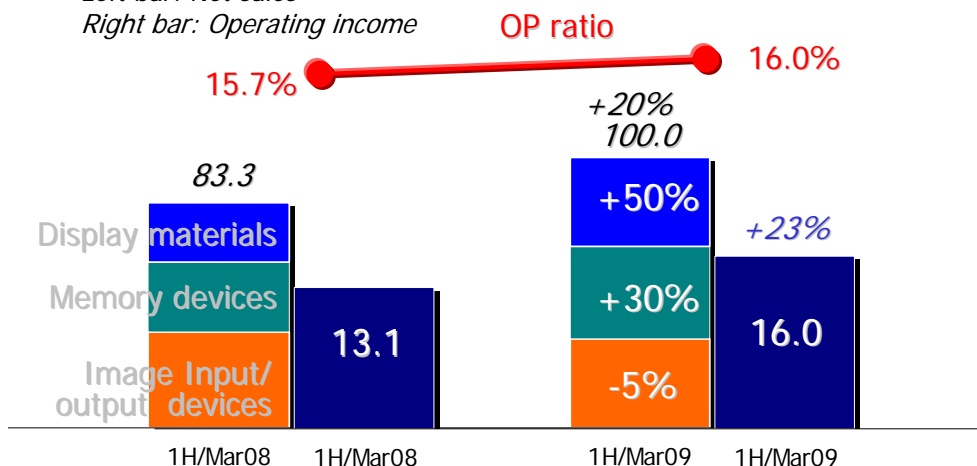


Forecasts 1H/March 2009 - Optics

Net sales / Operating income

Left bar: Net sales

Right bar: Operating income



■ Maintain the momentum of growth in three main products

TAC film:

- Maintain the current momentum, mainly VA-TAC.

Optical pickup lens:

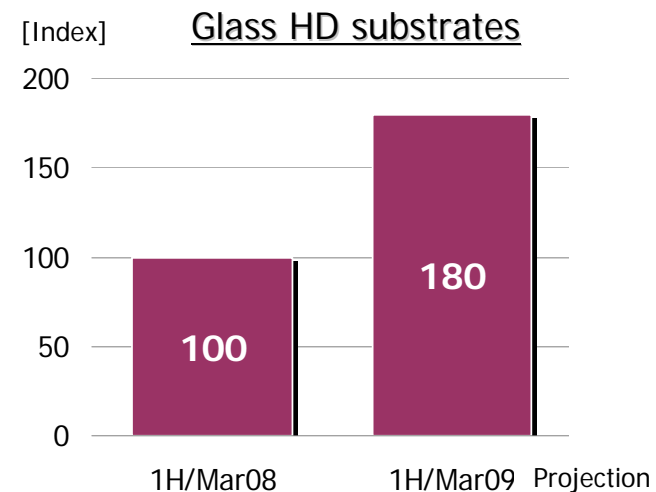
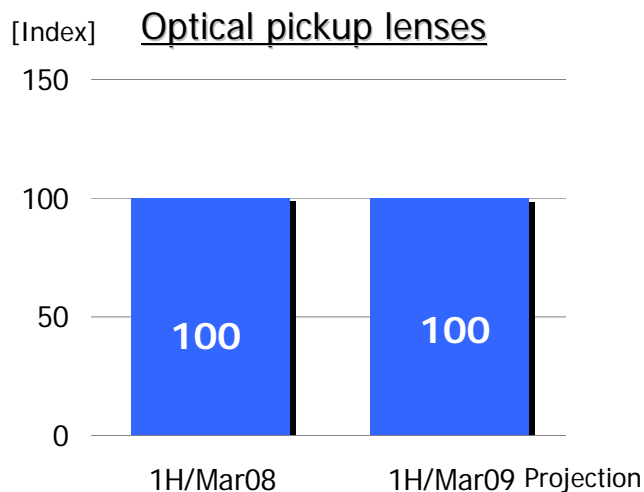
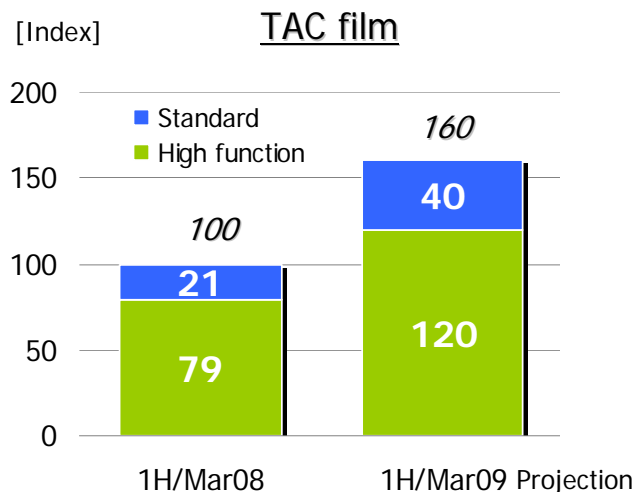
- Further increase unit sales, mainly Blu-ray DVD optical pickup lenses

Glass HD substrate:

- Further increase production capability at the Malaysian manufacturing facility.

Unit sales

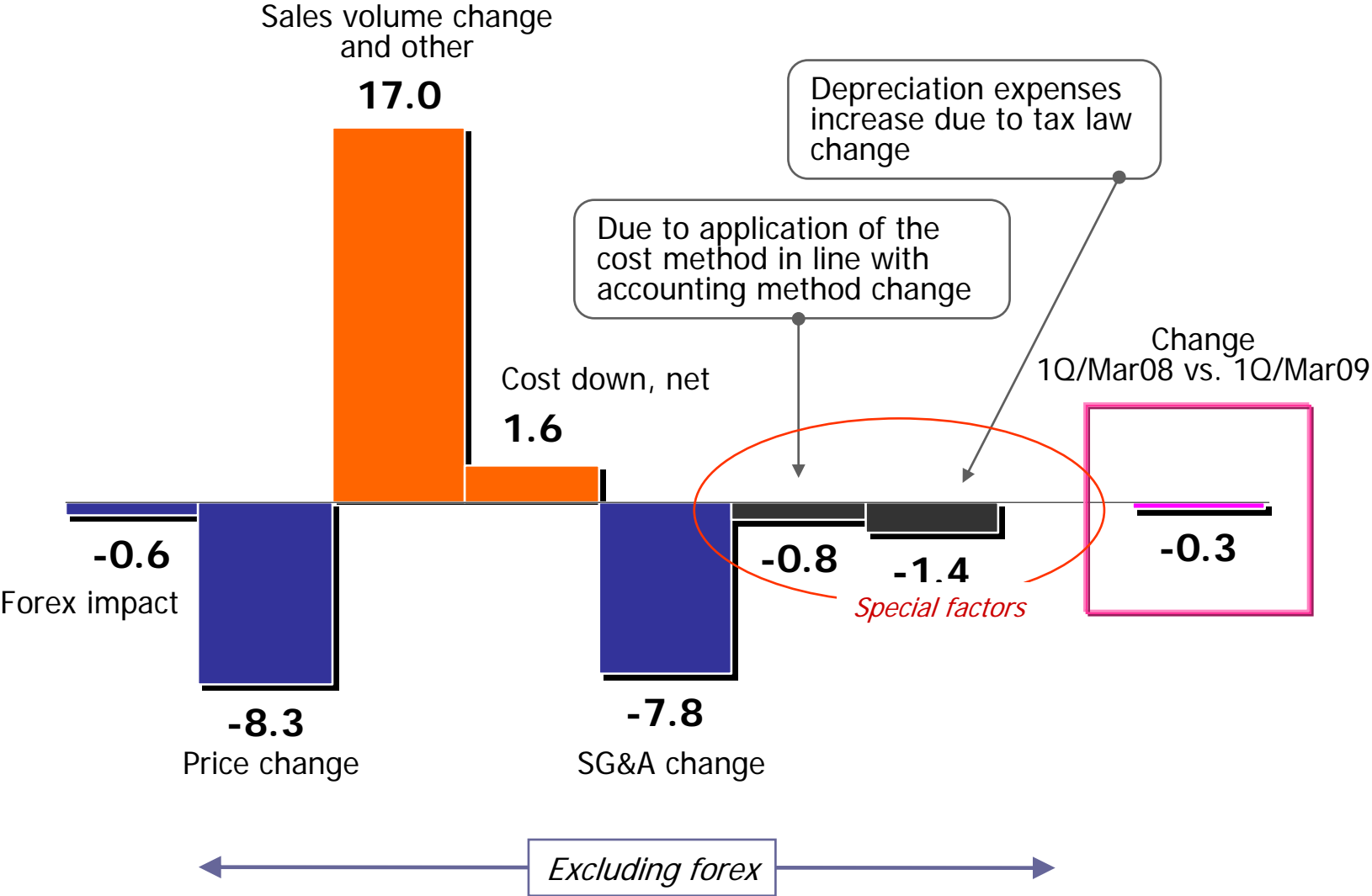
* Base index : "1H/Mar08" = 100



Supplementary Information

Operating income analysis

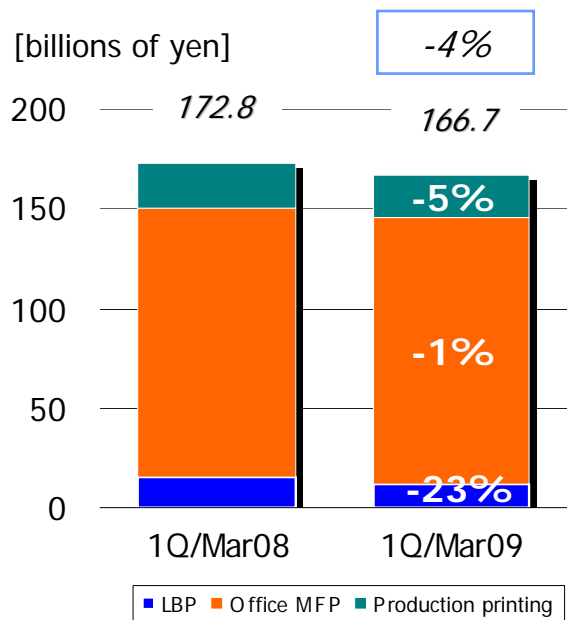
[billions of yen]





Net sales/unit sales - Sub segment - 1Q/Mar09

Business Technologies



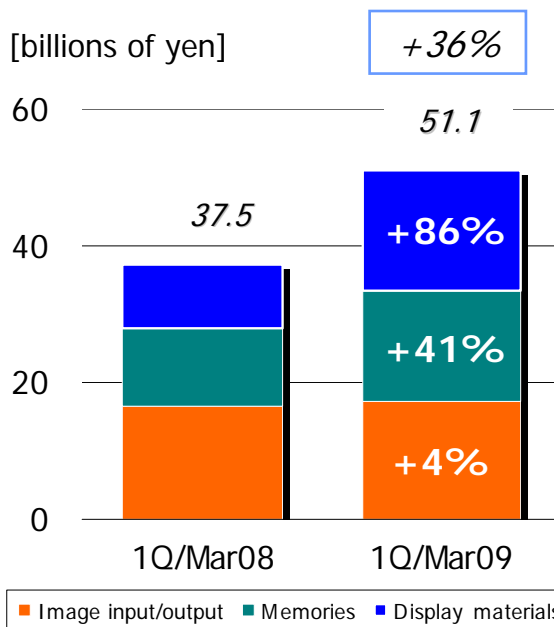
● MFP unit sales Y-O-Y: +2%

Color: +24%
 B/W: -7%
 (of which, production print: +2%)

● LBP unit sales Y-O-Y: -43%

Color: -24%
 (of which, single-pass: +17%)
 B/W: -50%

Optics



● LCD materials unit sales Y-O-Y

TAC film : +86%

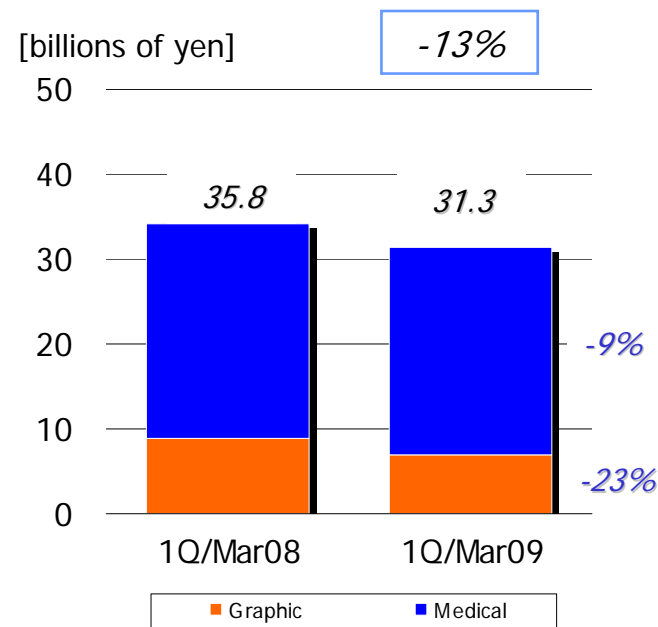
● Memory devices unit sales Y-O-Y

Optical pickup lenses: +12%
 Glass substrates for HD: +98%

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

Mobile phone components: +118%

Medical & Graphic Imaging



● Medical: unit sales Y-O-Y

X-ray film: -8%
 Digital input/output equipment: +26%

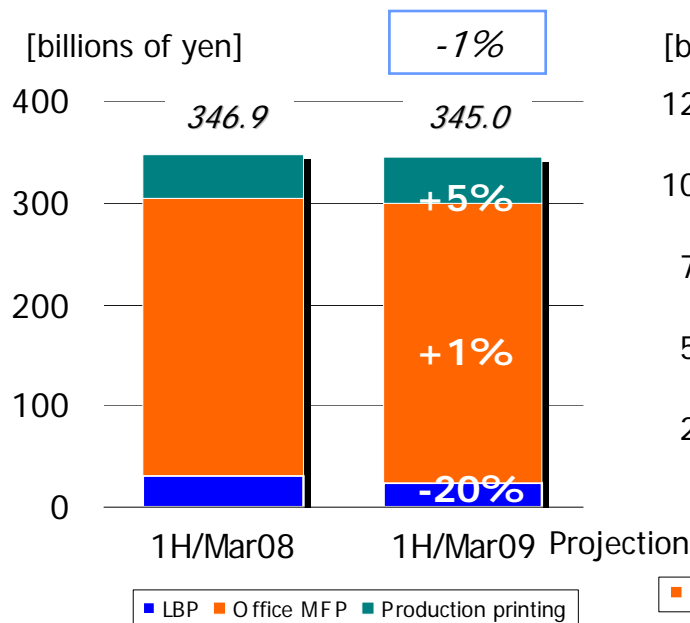
● Graphic: unit sales Y-O-Y

Graphic-arts film: -39%
 Digital printing equipment: -12%



Net sales/unit sales - Sub segment - 1H/Mar09 forecasts

Business Technologies



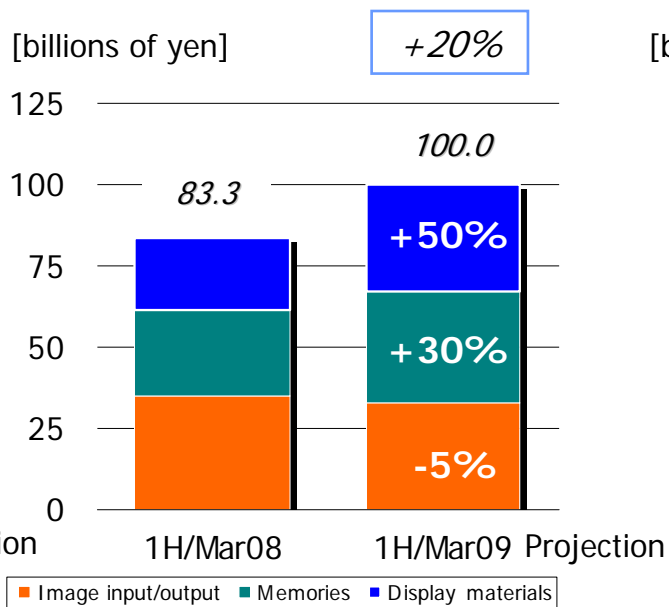
● MFP unit sales Y-O-Y: 0%

Color: +30%
 B/W: -10%
 (of which, production print: +7%)

● LBP unit sales Y-O-Y: -35%

Color: 0%
 (of which, single-pass: +90%)
 B/W: -50%

Optics



● LCD materials unit sales Y-O-Y

TAC film : +60%

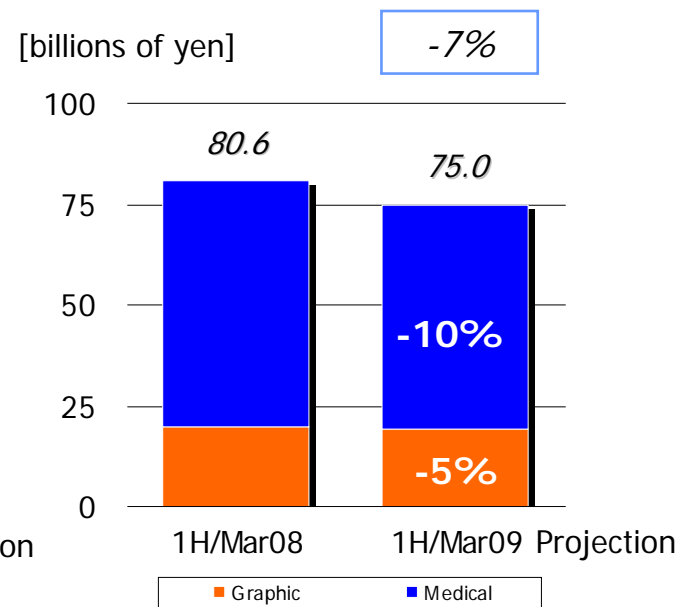
● Memory devices unit sales Y-O-Y

Optical pickup lenses: 0%
 Glass substrates for HD: +80%

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

Mobile phone components: +65%

Medical & Graphic Imaging



● Medical: unit sales Y-O-Y

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

● Graphic: unit sales Y-O-Y

Graphic-arts film: -45%
 Digital printing equipment: +25%

SG&A



	1Q/Mar09	1Q/Mar08	[Billions of yen] Y-O-Y
Sales expenses	13.0	15.2	-2.3
R&D	20.9	18.7	2.2
Salaries and wages	36.1	41.1	-5.0
Other	25.6	26.3	-0.7
SG&A total	95.5	101.3	-5.8
<i>Sales expenses recorded as cost of sales</i>	7.9		
Actual	103.4	101.3	2.1

[Forex impact] +3.0 billion yen (Actual: +5.1 billion yen)

Non-operating profit/loss

	1Q/Mar09	1Q/Mar08	[Billions of yen] Y-O-Y
Interest and dividend income	1.3	0.8	0.5
Foreign exchange gain	2.5	4.1	-1.6
Other	1.9	1.8	0.2
Non-operating income	5.7	6.6	-0.9
Interest expenses	1.3	1.3	0.1
Loss on revaluation/disposal of inventories	--	1.0	-1.0
Other	0.9	1.3	-0.4
Non-operating expenses	2.3	3.7	-1.4
Non-operating income/expenses	3.5	3.0	0.5

Extraordinary income/loss

	[Billions of yen]		
	1Q/Mar09	1Q/Mar08	Y-O-Y
Gain on sales of noncurrent assets	0.1	0.0	0.0
Gain on sales of subsidiaries and affiliates' stocks	2.8	0.0	2.8
Gain on transfer of business	3.1	--	3.1
Other	0.0	--	0.0
Extraordinary income	5.9	0.1	5.9
Loss on sales and retirement of noncurrent assets	0.5	0.3	0.2
Business structure improvement expenses	0.6	--	0.6
Loss on revision of retirement benefit plan	2.0	--	2.0
Other	0.1	0.0	0.1
Extraordinary losses	3.1	0.3	2.8
Extraordinary income, net	2.8	-0.2	3.0

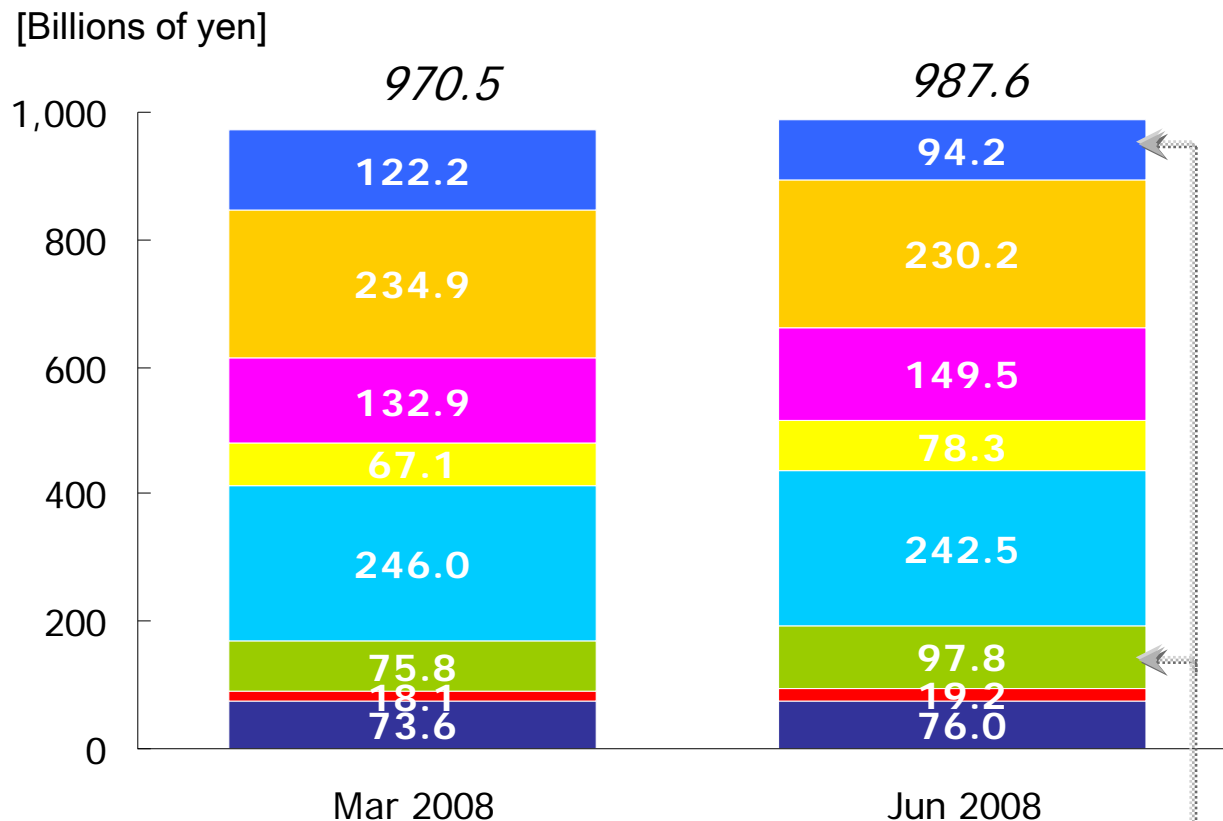
R&D expenses, investments, depreciation, and FCF

	[Billions of yen]			
	<u>1Q/Mar09</u>	<u>1Q/Mar08</u>	<u>Y-O-Y</u>	<u>Y-O-Y (%)</u>
R&D expenses	20.9	18.7	2.2	12%
Investment	13.7	22.8	-9.1	-40%
Depreciation	16.2	13.9	2.2	16%
FCF	-9.3	1.7	-11.0	--



B/S - Assets

Forex: B/S	[Yen]	
	Mar 2008	Jun 2008
US\$	100.19	106.42
Euro	158.19	168.07



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

*Mar 2008 vs. Jun 2008: + 17.1 billion yen
Of which, forex impact: + 23.6 billion yen
(Actual change: - 6.5 billion yen)*

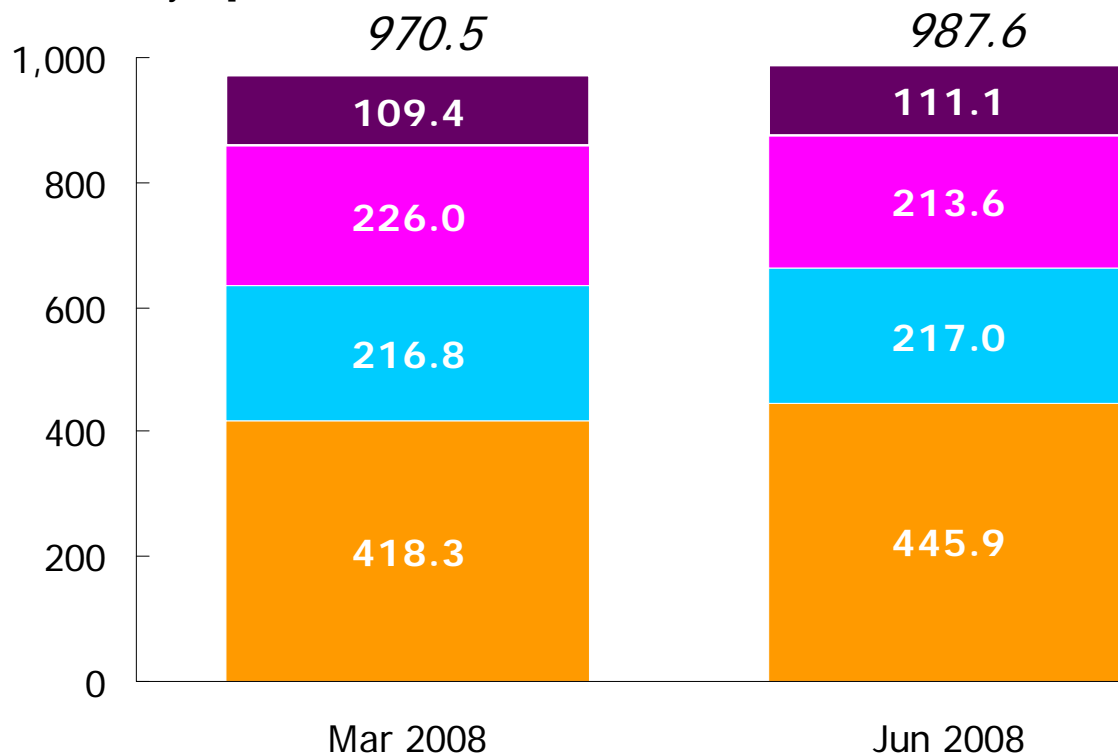
*Effects of acquisition of Danka
Office Imaging*

- *Decrease in cash and deposits*
- *Increase in consolidation goodwill*



B/S – Liabilities and shareholders' equity

[Billions of yen]



Forex: B/S	[Yen]	
	Mar 2008	Jun 2008
US\$	100.19	106.42
Euro	158.19	168.07

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

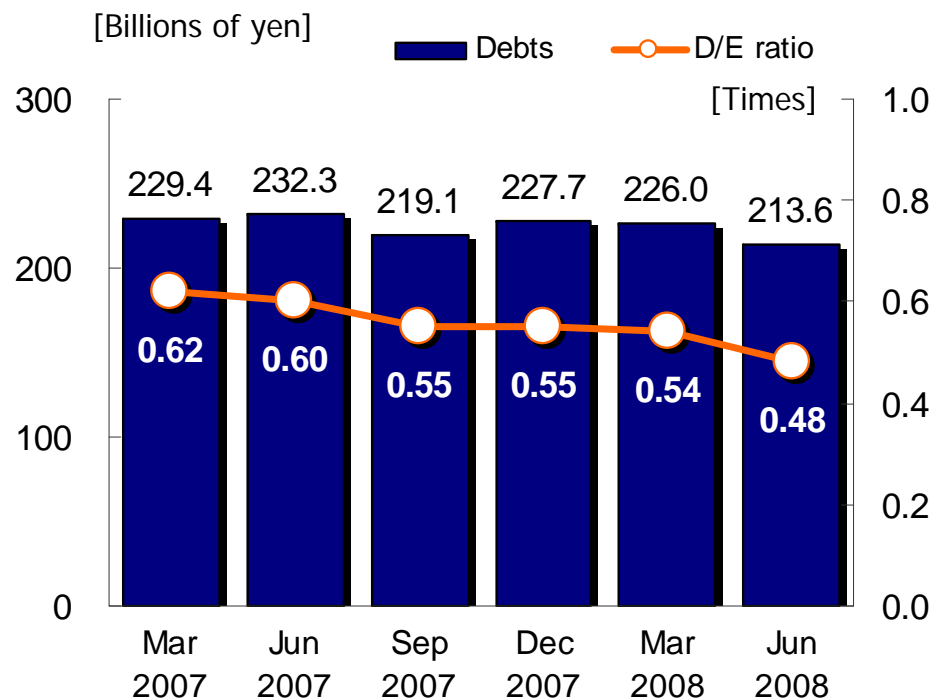
Equity ratio:
 Mar 2008 → 43.0%
 Jun 2008 → 45.0%

*Mar 2008 vs. Jun 2008: + 17.1 billion yen
 Of which, forex impact: + 23.6 billion yen
 (Actual change: - 6.5 billion yen)*



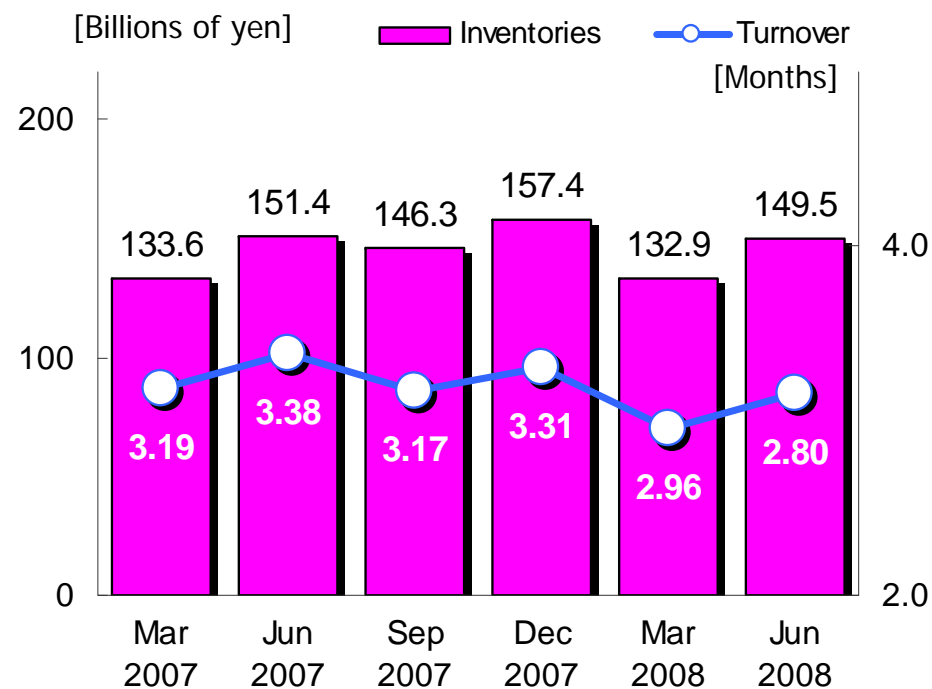
Interest bearing debts and inventories

Interest-bearing debts



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

Inventories and inventory turnover



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

Cash Flows



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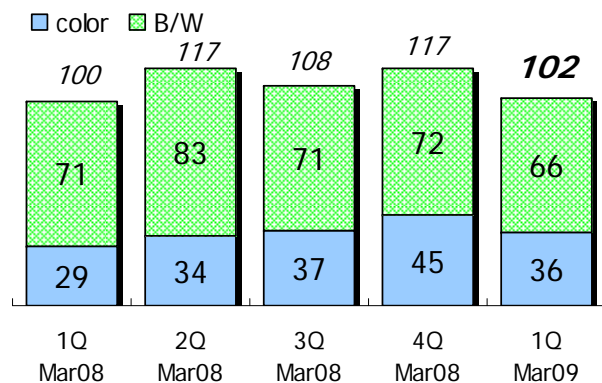
[Billions of yen]

	1Q/Mar09	1Q/Mar08	Y-O-Y
Income before income taxes and minority interests	30.8	27.5	3.3
Depreciation and amortization	16.2	13.9	2.2
Amortization of goodwill	1.7	1.7	0.0
Loss (gain) on sales and valuation of stocks of subsidiaries and affiliates	-5.9	0.0	-5.9
Loss (gain) on transfer of business			
Increase (decrease) in provision for loss on business liquidation (Photo Imaging Business)	-1.3	-1.7	0.4
Change in working capital, other	-0.7	-1.2	0.5
Other	-0.2	0.2	-0.4
Income tax paid	-18.4	-18.6	0.3
I. Net cash provided by operating activities	22.2	21.8	4.0
II. Net cash outflow from investing activities	-31.5	-20.1	-11.4
I. + II. Free cash flow	-9.3	1.7	-11.0
Change in debts and bonds	-16.2	0.5	-16.7
Cash dividends paid	-3.9	-5.3	1.4
Other	-1.2	-0.1	-1.1
III Net cash outflow from financing activities	-21.3	-4.9	-16.4

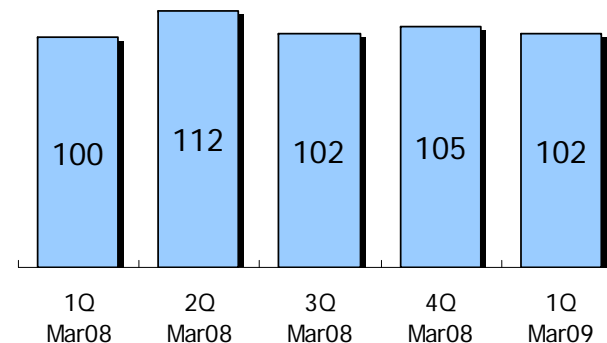


Unit sales – Business Technologies

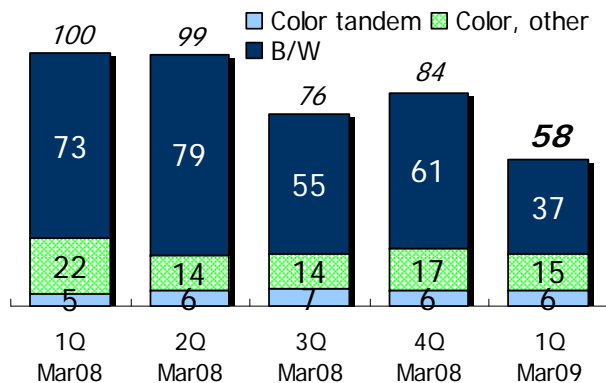
MFP



Production printing (Color and B/W)



LBP

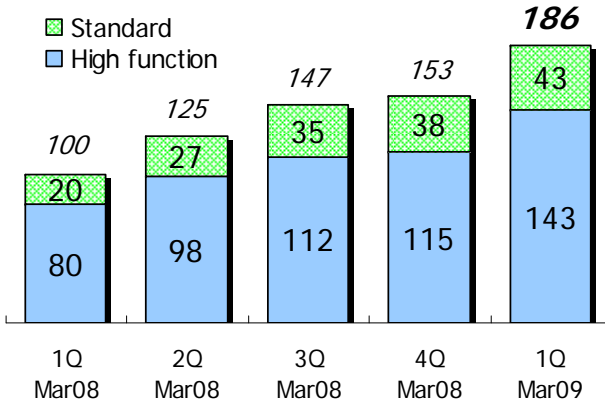


* Base index : "1Q Mar08 " = 100

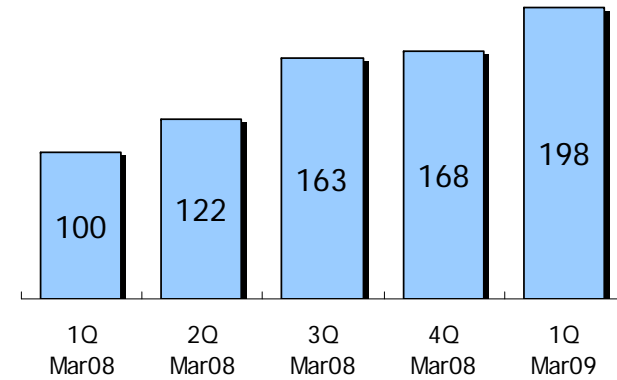


Unit sales – Optics

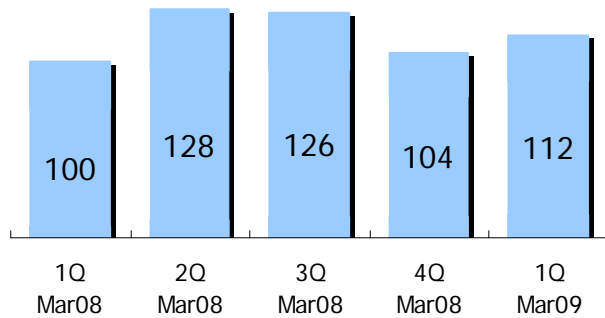
TAC film



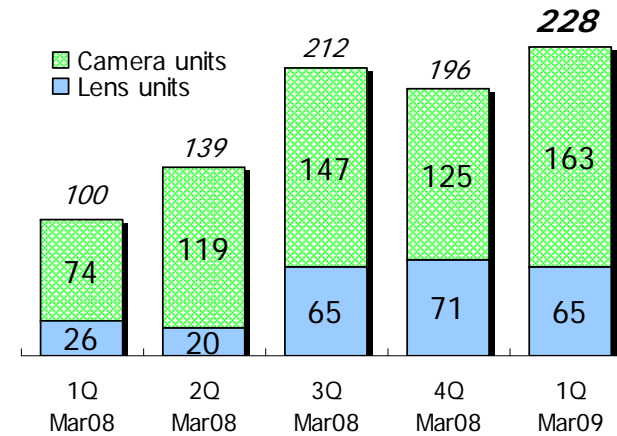
Glass substrates for HD



Optical pickup lens



Mobile phone components

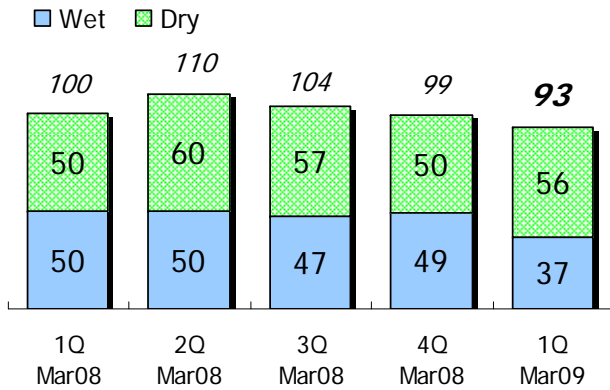


* Base index : "1Q Mar08" = 100

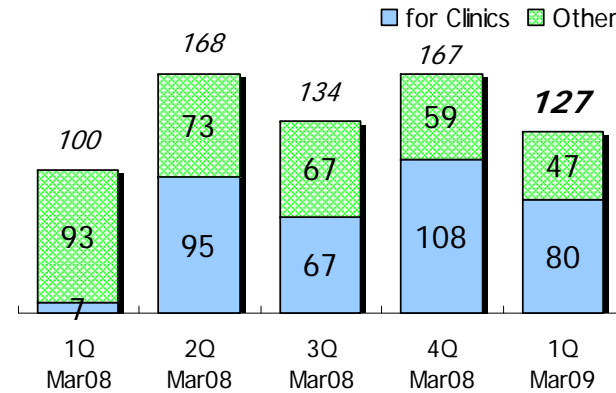
Unit sales – Medical & Graphic



■ X-ray film (dry & wet)



■ Digital input/output equipment



* Base index : "1Q Mar08 " = 100