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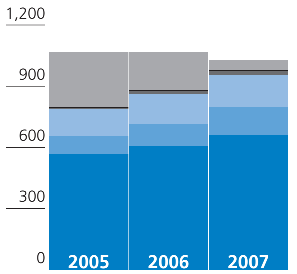
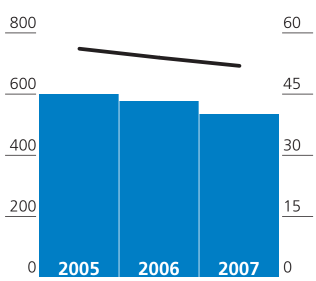
Net Sales
(Billions of Yen)



Cost of Sales and Cost of Sales Ratio
(Billions of Yen, %)



Scope of Consolidated Financial Statements

The Konica Minolta Group comprises Konica Minolta Holdings, Inc., and its 120 subsidiaries, 25 unconsolidated subsidiaries and 9 affiliated companies.

The business segments of the Group are organized and segmented by type of product, the markets in which these products are sold and the nature of the business or how it is administered. The Group's six business segments are Business Technologies, Optics, Medical and Graphic Imaging, Sensing, Industrial Inkjet, and Photo Imaging. In addition, the Group nearly completed its exit from the Photo Imaging business in the fiscal year ended March 2007.

Consolidated Business Results

Consolidated Net Sales

Consolidated net sales for the fiscal year ended March 2007 declined by ¥40.8 billion year-on-year to ¥1,027.6 billion. While sales in the Photo Imaging business that is being wound down recorded a large decline of ¥139.4 billion for the year, growth was recorded in sales for all other businesses. In particular, sales for the strategic Optics business recorded 26% year-on-year growth.

In the Business Technologies business, good growth of medium- and high-speed color MFPs mainly in European markets supported 9% growth in sales for the segment as a whole. In the Optics business, all areas recorded good sales growth, including TAC film and viewing angle expansion film for display applications, optical pickup lenses and glass hard disk substrates for memory applications, micro cameras for camera-equipped mobile phones for imaging input/output applications. In the Medical and Graphic Imaging business, digital X-ray input/output equipment for medical imaging area and overseas film sales for the graphic imaging area recorded 8% year-on-year growth. In the Sensing business, strong sales were recorded for color measuring equipment used in automobile and FPD industries. In the Industrial Inkjet business, favorable sales were supported by active development of new customers. On the other hand, sales in the Photo Imaging business recorded a noticeable decline because of the Group's decision to exit this business in Japan and overseas.

Cost of Sales, and Selling, General and Administrative Expenses

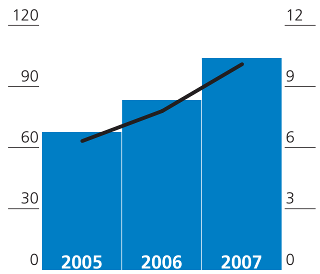
The cost of sales for the fiscal year was ¥532.7 billion, resulting in a cost of sales ratio of 51.8%. The Group was able to offset sharply higher silver and other basic materials costs and unit price declines because of more intense competition with Group-wide cost reduction efforts and an improved sales mix with the introduction of new products, and the effect of foreign exchange rates. As a result, gross profit was ¥494.9 billion, and the gross profit margin improved by 2 percentage points over the previous year, from 46.2% to 48.2%.

Selling, general and administrative expenses were reduced by ¥48.7 billion because of the exit from the Photo Imaging business. As a result, total selling, general and administrative expenses declined by ¥18.9 billion from the previous fiscal year to ¥390.9 billion, even though selling and research expenses for other businesses increased by ¥29.8 billion.

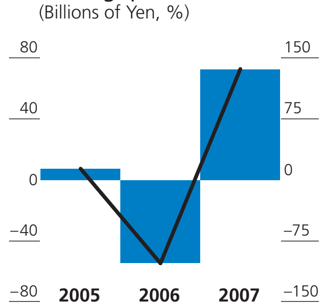
Research and Development Expenses

Research and development expenditures rose ¥5.0 billion over the previous fiscal year to ¥72.1 billion. In the Business Technologies segment, R&D expenditures rose over the previous fiscal year to ¥42.5 billion, mainly because of expenditures for the development of new medium- and high-speed color MFP products and R&D on software and applications to establish the capability to provide solutions. In the Optics segment, R&D expenditures of ¥9.8 billion were used largely for

Operating Income and Operating Income Ratio
(Billions of Yen, %)



Net Income (Loss) and Earnings per Share (EPS)
(Billions of Yen, %)



R&D on next generation pickup lenses. Medical and Graphic Imaging segment R&D expenditures were higher than the previous fiscal year at ¥10.5 billion mainly because of R&D expenditures for digital X-ray image input/output equipment. In addition, R&D expenditures for the Sensing segment were ¥1.1 billion.

Segment Information

Sales in the Business Technologies segment grew 9% year-on-year to ¥658.7 billion and operating income increased 23% year-on-year to ¥80.0 billion. This increase reflected sales growth mainly in European markets on an enhanced product lineup with the introduction of four new color MFP models, mainly in the medium- and high-speed range. Also contributing to sales was the introduction of two new models in the production printing area that were specially aimed at developing the U.S. market, which has the largest market potential.

Sales in the Optics segment increased 26% year-on-year to ¥139.0 billion and operating income grew 19% year-on-year to ¥21.0 billion. Growth in this segment was supported by increased sales of TAC and viewing angle expansion film in the display area, given growth in the LCD TV market and the shift to larger screen sizes. In addition, sales of high value-added optical pickup lenses were buoyed by growth of DVD readable products, and the contribution from the second half from sales of next generation products for Blu-ray and HD DVD formats. In the imaging input/output area, particularly strong growth was recorded in sales of camera units for camera-equipped mobile phones to major overseas customers. As a result, operating income for the segment also recorded growth over the previous fiscal year.

Medical and Graphic Imaging segment sales increased 8% year-on-year to ¥158.7 billion, while operating income for the segment declined 24% year-on-year to ¥8.9 billion. In the medical imaging area the higher segment sales reflected favorable growth in digital input/output equipment for overseas markets as well as dry film for digital equipment, given an accelerating trend toward on-site medical digitization and networking. In the graphic imaging area, although the accelerating trend toward digitization and filmless in printing processes continued, the main line film products grew in overseas markets. On the other hand, the year-on-year decline in operating income was due to higher costs for digital equipment development and sharply higher prices for silver, which is the basic material for film products.

Sensing business sales growth reflected stronger sales of color measuring equipment for the automobile and FPD industries, and the contribution from the establishment of new independent sales companies in the U.S., Europe and Singapore. On the other hand, additional costs related to the establishment of these independent overseas marketing companies resulted in lower operating income for the year. Sales for the Sensing business increased 72% year-on-year to ¥10.0 billion, while operating income declined 11% year-on-year to ¥1.6 billion.

Sales in the Industrial Inkjet business increased 38% year-on-year to ¥6.0 billion, while operating income grew 47% year-on-year to ¥1.3 billion. The business recorded good growth in its second year of full-fledged operations thanks to active efforts to win new customers.

Sales for the Photo Imaging business declined 74% year-on-year to ¥47.8 billion following the Group's decision to exit the business in Japan and overseas. However, the operating loss for the segment improved by ¥6.3 billion from the previous fiscal year to ¥0.8 billion.

Earnings Analysis

The major increase and decrease factors affecting earnings included a large positive contribution from the Group's main business segments, while the process of exiting from the Photo Imaging business had a positive affect on the overall profit margin. The weaker yen was an additional positive earnings factor. As a result, operating income for the fiscal year ended March 2007 increased 24.7% to ¥104.0 billion, while the operating income ratio improved by 2.3 percentage points from 7.8% to 10.1%.

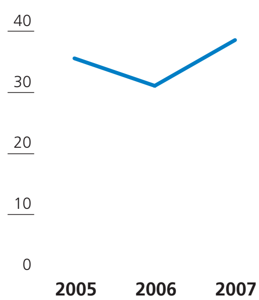
Net other expenses (income) improved by ¥120.2 billion over the previous fiscal year to a surplus of ¥0.9 billion. The major factors behind this improvement included the absence of (1) a ¥96.6 billion charge for costs related to the decision to exit the Photo Imaging business last fiscal year, (2) a goodwill amortization charge of ¥2.4 billion related to the prior management integration, and (3) a provision of ¥6.5 billion for the special outplacement program recorded the previous fiscal year. For the fiscal year ended March 2007, a gain on the sale of fixed assets of ¥7.3 billion related to the exit from the Photo Imaging business, and gains of ¥2.8 billion on the sale of investment securities were recorded. In addition, interest expenses declined because of a reduction in interest-bearing debt.

As a result of the above, income before income taxes and minority interests was ¥104.9 billion and net income for the period was ¥72.5 billion. Net income per share of common stock was ¥136.67, while ROE (return on equity) was 21.9% and ROA (operating income + interest and dividend income return on total assets) was 11.2%.

Liquidity and Financial Position

Total Assets, Liabilities and Shareholders' Equity/Net Assets

Equity Ratio
(%)

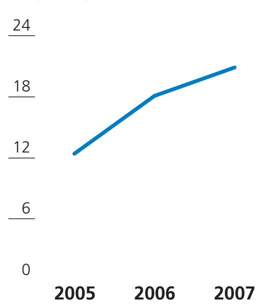


Total assets at the end of the fiscal year were ¥7.0 billion higher than at the end of the previous fiscal year at ¥951.1 billion.

In current assets, notes and accounts receivable–trade increased by ¥11.1 billion due to growth in sales. In addition, inventories declined by ¥15.9 billion and allowance for doubtful accounts declined by ¥4.3 billion, mainly as a result of the exit from the Photo Imaging business.

In property, plant and equipment, the book value of mainly machinery and equipment, buildings and structures, and land declined by ¥34.9 billion as a result of asset sales related to the decision to exit the Photo Imaging business. However, as accumulated depreciation also increased by ¥48.9 billion, the net value of property, plant and equipment increased ¥14.0 billion as a result of capital expenditures mainly in the Business Technologies and Optics businesses. In other asset categories, investment securities declined by ¥3.5 billion due to stock liquidations arising from the sale of stock in affiliated companies and the unwinding of cross-holdings due to the decision to exit the Photo Imaging business.

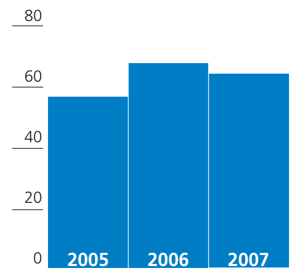
Interest Coverage Ratio
(Times)



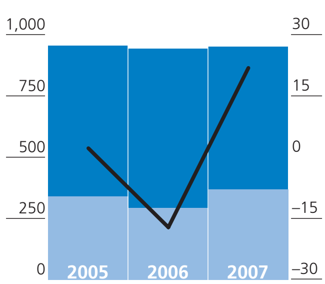
Under liabilities, interest-bearing debt declined by ¥7.2 billion to ¥229.4 billion. Short-term debt declined by ¥55.4 billion, and the current portion of long-term debt declined by ¥5.0 billion. On the other hand, long-term debt increased by ¥53.3 billion due to the issuance of convertible bonds (¥70.3 billion).

In net assets, as net income for the period was ¥72.5 billion, retained earnings increased by ¥95.6 billion. On the other hand, as retained earnings were used to offset the loss at the end of the previous fiscal year, additional paid-in capital declined by ¥21.9 billion, and unrealized gains on securities declined by ¥2.7 billion because of the sale of stocks held. As a result of the above, net assets at the end of the period increased by ¥72.1 billion over the end of the previous fiscal year, and the equity ratio increased by 7.5 percentage points over the end of the previous fiscal year to 38.6%.

Capital Expenditure
(Billions of Yen)



Total Assets, Net Assets and Return on Equity (ROE)
(Billions of Yen, %)



Total Assets (left scale)
Net Assets (left scale)
Return on Equity (ROE) (right scale)

Capital Expenditure, and Depreciation and Amortization

Capital expenditure was ¥64.0 billion and mainly for production capacity, with ¥24.5 billion of expenditure being allocated to the Business Technologies segment which is the Group's core business, ¥24.5 billion for the Optics segment and ¥8.8 billion for the Medical and Graphic Imaging segment.

In terms of developments of note in Business Technologies for the period under review, construction of a new polymerized toner plant (in Nagano, Japan) was completed. In the Optics segment, a fourth plant for TAC film was completed to respond to growing LCD related demand, while construction began for a fifth plant scheduled for completion in the fall of 2007 (both in Kobe, Japan). In the memory-related area, the Group also invested in production capacity for next generation pickup lenses. In Medical and Graphic Imaging, a CTP plate production line for the newspaper industry that is owned American Litho Inc., a major U.S. printing plate manufacturer acquired by the Group in October 2005, was expanded.

Cash Flows

Net cash provided by operating activities during the fiscal year totaled ¥66.7 billion. While income before income taxes and minority interests of ¥104.9 billion and depreciation and amortization of ¥52.7 billion contributed to cash inflows, cash outflows from payments (¥30.0 billion) accrued at the end of the previous fiscal year because of the decision to exit the Photo Imaging business, payments of retirement benefits (¥8.4 billion), and payment of corporate taxes (¥22.2 billion) had a significant impact on operating cash outflows.

Net cash used in investing activities was ¥56.4 billion, largely because of cash outflows of ¥62.5 billion due to acquisition of property, plant and equipment for the core Business Technologies business and for the strategic Optics business. These outflows mainly consisted of capital expenditure for investments in molds for new products, and increased production capacity mainly for polymerized toner and TAC film.

Net cash used in financing activities was ¥5.2 billion. While there was a cash inflow of ¥70.3 billion from the issue of convertible bonds, debt repayments exceeded the cash inflow, including a ¥53.1 billion repayment of short-term debt, corporate bond redemption and other debt repayments.

Future Financial Strategies

The Konica Minolta Group intends to speedily implement policies outlined in the *FORWARD 08* medium-term management plan and to unfailingly achieve the Group's operational targets, In order to accomplish this, the Group believes that its financial strategy will be one important key. As a result, the Group intends to strengthen its financial structure, and to flexibly respond to capital expenditure and other funding needs in growth areas with diversified funding sources. Recently, the Group moved to increase net assets by issuing convertible bonds (see Note 6 in Notes to the Consolidated Financial Statements) in December 2006 with the aim of strengthening the Group's net assets over the long term through conversion into equity and minimizing the cost of funds. Our key medium-term financial indicator targets are for a net asset ratio over 50% and a D/E ratio of less than 0.5 times.