

Konica Minolta Group Medium Term Plan -- Integration Phase -- From April 2004 through March 2007

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Konica Minolta Holdings, Inc.
March 19, 2004

Management Philosophy, Visions and Group Management Initiatives



Management Philosophy	The Creation of New Value.
Management Visions	An Innovative Corporation That Continues to Create Inspiring Products and Services in the Field of Imaging. A Global Corporation That Leads the Market by Advanced Technology and Reliability.
Corporate Message	“The essentials of imaging”

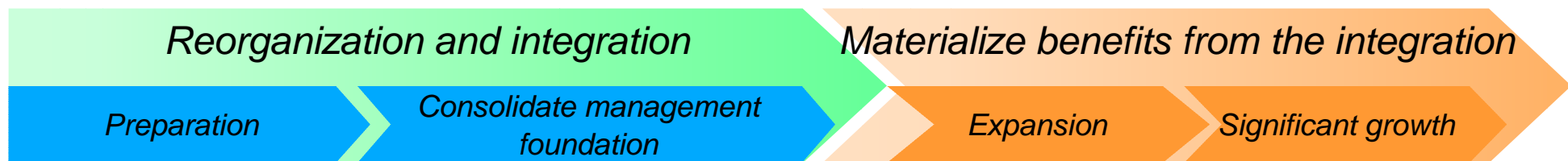
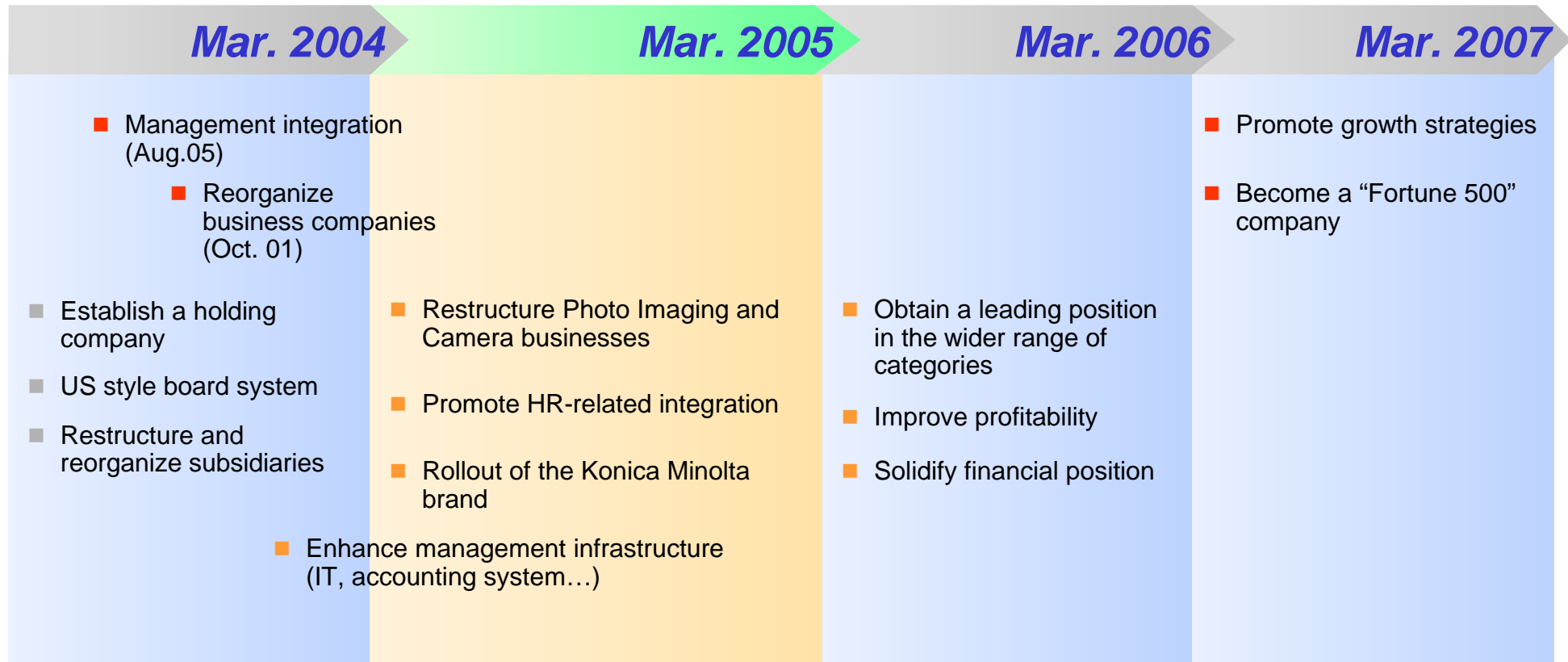
Group management initiatives

1. Consistently execute business portfolio management
2. Promote Group-wide corporate governance focusing on transparency
3. Promote Group-wide R&D strategies and make the Konica Minolta brand penetrate in the field of imaging
4. Promote performance-oriented human resources policies
5. Enhance corporate social responsibilities

**Maximize
corporate value
of the Group**

The essentials of imaging

Management Development



Priority Management Issues

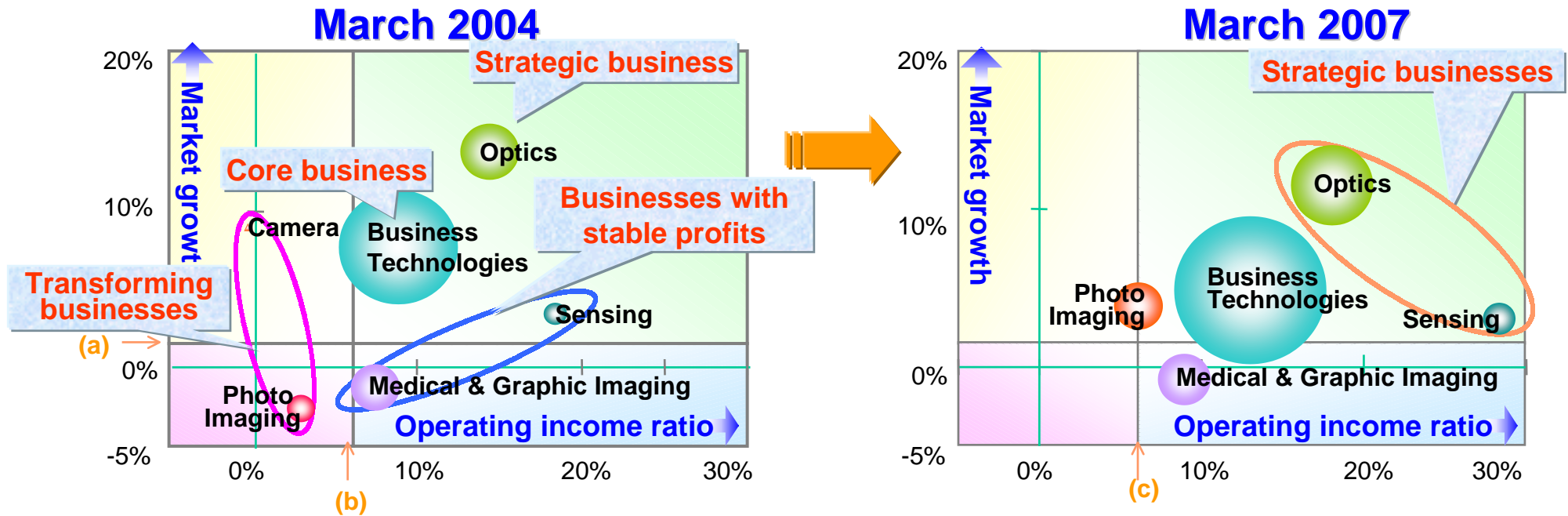
1. Promote business portfolio management

- Concentrate management resources on Business Technologies and Optics businesses
- Restructure Photo Imaging and Camera businesses

2. Promptly realize management integration effects and promote employee relations

- Realize rationalization effects and integration synergies
- Initiatives to promote human resources integration

Business Portfolio Management



(a): Worldwide market growth → 2.25% (Source:the UN's statistics 2002)
 (b): Group's operating income ratio March 2004 → 6%
 (c): Group's operating income ratio March 2007 → 12%

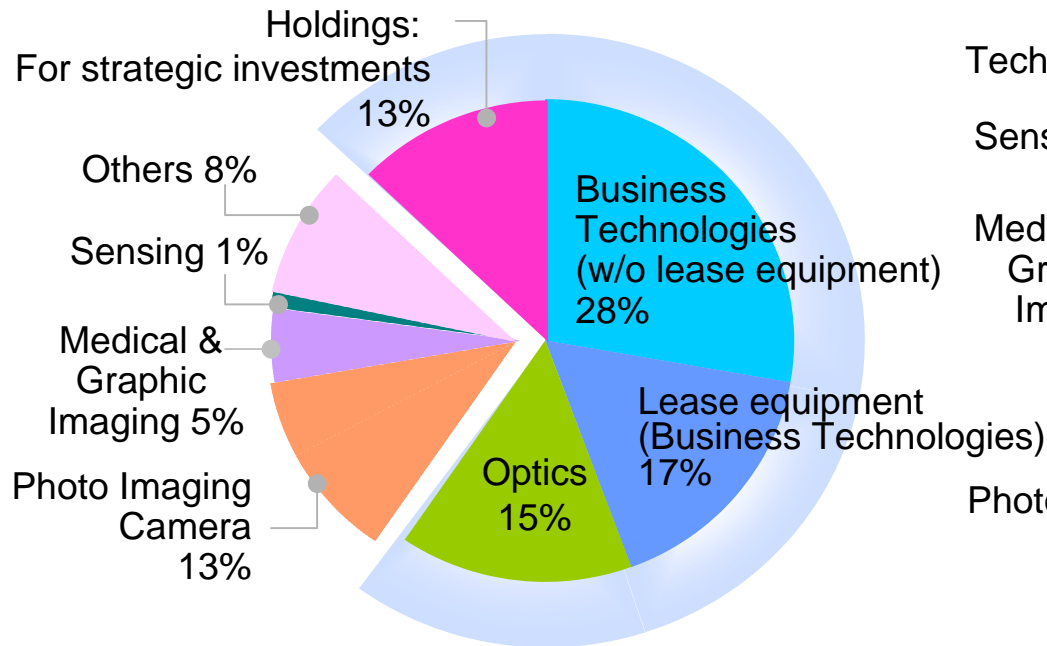
- **Business Technologies** will continue to grow as a core business.
- **Optics** will continue to expand, and become a secure source of profits together with Business Technologies.
- **Photo Imaging, Camera, and Medical & Graphic Imaging** will focus on securing profits rather than expanding the scale of business. Those businesses are required to quickly develop new businesses to respond to the advancing digitization and the shrinking film markets as well.

Business Portfolio Management

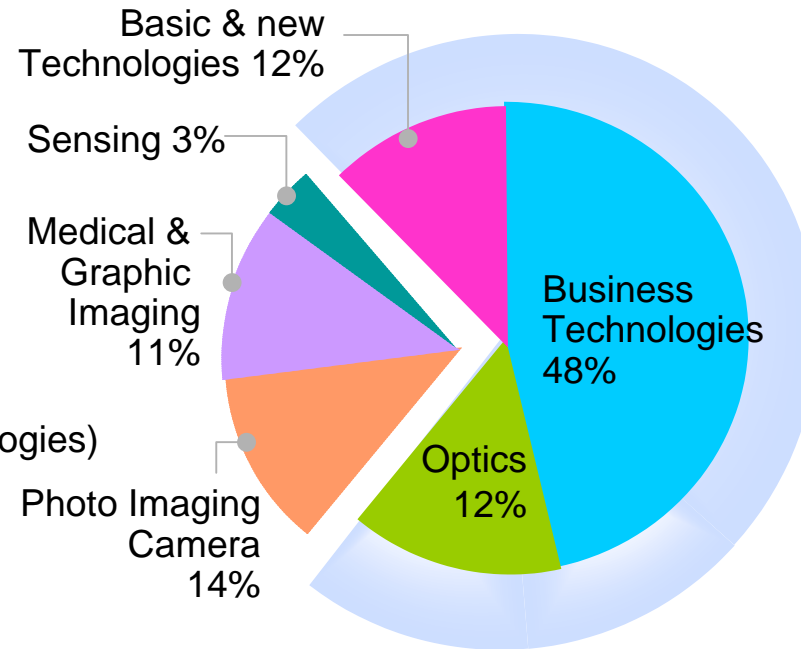
-- Allocation of Management Resources --



Investments



R&D expenditures



Apr 2004 – Mar 2007
 Total investments: 230.0 billion yen

Apr 2004 – Mar 2007
 Total R&D expenditures: 220.0 billion yen

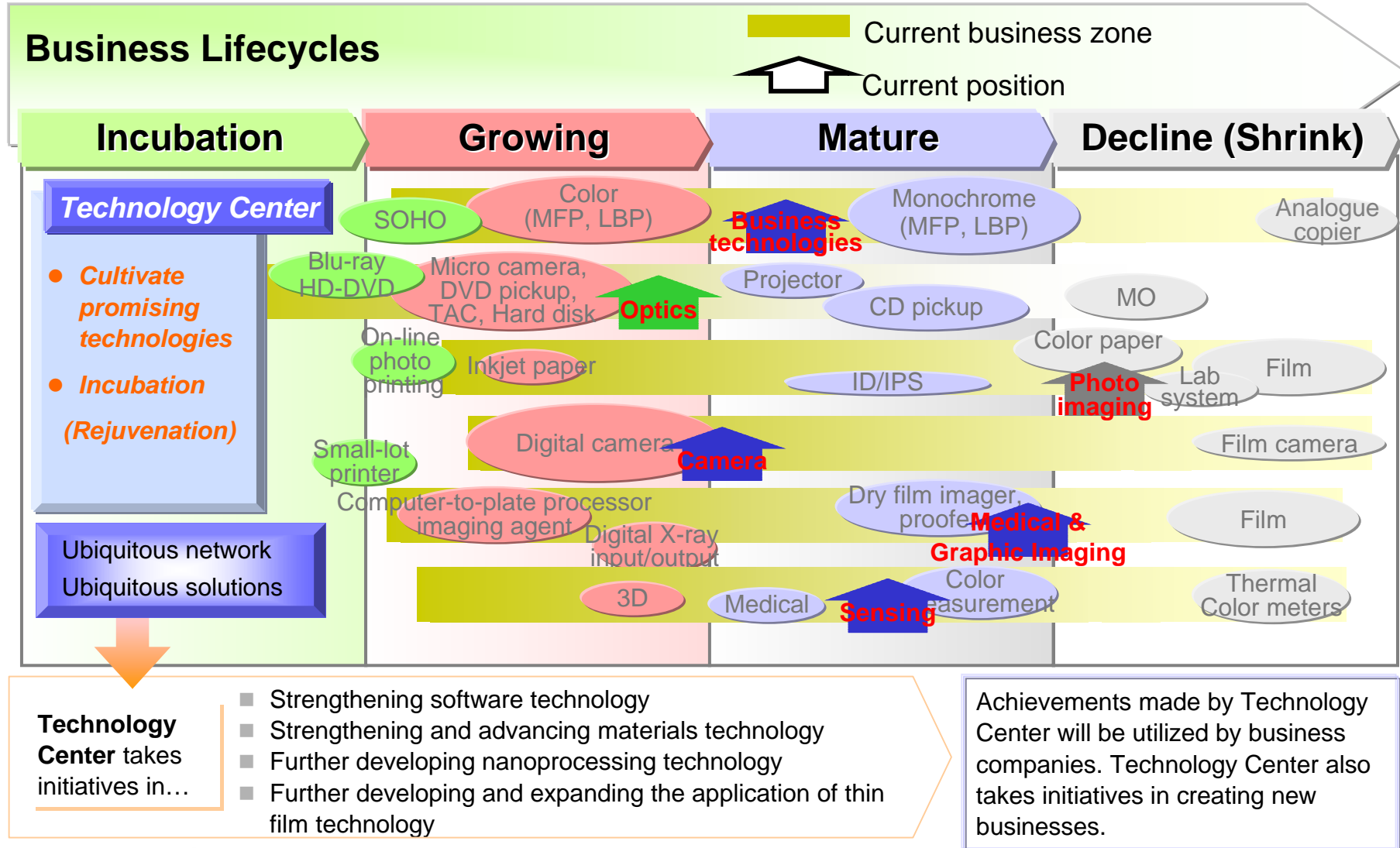
More than 70% of management resources will be allocated to Business Technologies, Optics and Holdings.

Business Portfolio Management

-- R&D Strategies --



Concentrate management resources on priority growing areas



Business Technologies - #1

CORE BUSINESS

Expand operations, and generate profits and cash flows

Key strategies

1. Enhance the “Category Top Strategy”, obtaining a leading position in the specified categories such as color MFP, color LBP and high-speed MFP
2. Improve profit margin by promptly realizing integration effects
3. Develop production-printing business by strengthening colorization and network connectivity
4. Further strengthen competitiveness in polymerization toner that realizes high image quality and low cost
5. Expand operations by propelling strategic alliances

Targets

	Results		Forecasts	Plan
	Mar 2003	Mar 2004	as of Nov 14	
(billions of yen)				Mar 2007
Net sales (a)	594.7	624.6		740.0
Operating income (b)	52.6	52.4		103.0
(b) / (a) %	8.8	8.4		13.9

Focusing areas

1. Color MFP, color LBP
2. Digital high-speed MFP, production-printing
3. Polymerization toner and low-cost image chemical
4. R&D and marketing: Network solutions

Business Technologies - #2



Targets in focusing areas

Color MFP

Mar. 2004

Market share: 13%



Mar 2007

20%

- Widest product lineups in the industry
- High image quality
- Competitive TOC, including hardware and software

Color LBP

Mar. 2004

Market share: 25%



Mar 2007

30%

- Strengthen own sales channels
- Enhanced product lineups
- Accomplish new OEM deals

POD

Mar. 2004

Sales: 11.5 billion yen



Mar 2007

60.0 billion yen

- Further strengthen color and high-speed monochrome models
- Expand European marketing operation
- Effectively utilize printing sales channels

Optics- #1

STRATEGIC BUSINESS

Become the world mightiest optical devices manufacture

Key strategies

1. **Optical pick-up lens:** Invest in the next-generation technologies and sustain the overwhelming market share
2. **Lens/camera units for digital cameras and mobile phones with camera function:** Expand business and improve profitability
3. **Electronic materials:** Focus on high value-added products and accelerate business expansion in the growing large-size LCD market
4. **Prisms for optical pick-up and glass hard disk substrates:** Increase sales opportunities by leveraging the advantage of management integration as well as improve profitability
5. Increase production capacity and manpower corresponding to the expansion of business (Relocate production sites and enhance production in China)

Targets

	Forecasts as of Nov 14		Plan Mar 2007
	Results Mar 2003	Mar 2004	
(billions of yen)			
Net sales (a)	54.1	79.1	130.0
Operating income (b)	12.4	12.7	28.0
(b) / (a) %	22.9	16.1	21.5

Focusing areas

1. Next-generation pick-up lenses adoptable for Blu-ray and HD-DVD
2. Micro-camera lens units responding to the advancing functions and pixels
3. Special-function films for large-size LCDs

Targets in focusing areas

Micro-lens units / micro-camera units for mobile phones with camera function

Mar. 2004

Sales: 15 billion yen



Mar 2007

40 billion yen

- Sustain the top market share by accomplishing speedy production start-up
- High functions including AF, power zoom and anti-shake
- Enhance alignment technology, and glass mold and plastic lenses adoptable for high resolution

Lens units for digital still cameras and digital video cameras

Mar. 2004

Sales: 15 billion yen



Mar 2007

23 billion yen

- Strengthen alliance with major consumer-electronics manufactures
- Improve cost competitiveness by increasing production in China
- Generate synergies by collaborating with camera business

Electronic materials

Mar. 2004

Sales: 10 billion yen



Mar 2007

23 billion yen

- Increase production capacity responding to LCD market's growth
- Strengthen special-function films and thin TAC films

Photo Imaging and Camera

Promote fundamental restructuring, focusing on digital cameras and digital printing as core businesses

Key strategies

Photo Imaging

1. Drastic shift from film-oriented operation to digital network-related business structure
 - Meet customers' diverse needs, making full use of a diverse range of technologies --
 - Digital printing sales of all Photo Imaging sales: 20% (Mar. 2004) => 40% (Mar. 2007)
2. Strengthen and expand Inkjet media business. Expand Photo Imaging business including digital printing business, from lab printing to at-home printing field
3. Establish an optimum business structure to respond to decreasing demand in photosensitive materials

Camera

1. Implement a "Profit First" policy by concentrating on high-quality images and high value-added products
2. Strengthen optical components business with emphasis on the R&D of key devices including optical lenses
3. Streamline entire operations including production and marketing in order to establish a profit-oriented mechanism

Targets

	Results		Forecasts	Plan
	Mar 2003	Mar 2004	as of Nov 14	
(billions of yen)				
Net sales (a)	280.7	293.2		290.0
Operating income (b)	10.4	4.0		16.0
(b) / (a) %	3.7	1.4		5.5

Medical & Graphic Imaging

Create new business models, moving away from the film-oriented business models, while actively developing digital products and solution businesses to secure profits

Key strategies

Medical

1. Expand digital X-ray image input/output devices sales and increase their market share
2. Expand solution business
3. Expand imaging-agent business

Graphic

1. Expand color-proofing systems business in Japan and increase the market share of films overseas
2. Increase entire sales focusing on computer-to-plate processors and small-lot printers

Targets

	Results		Forecasts	Plan
	Mar 2003	Mar 2004	as of Nov 14	Mar 2007
(billions of yen)				
Net sales (a)	117.4	120.0		145.0
Operating income (b)	9.3	9.0		13.0
(b) / (a) %	7.9	7.5		9.0

Focusing areas

1. Strengthen hardware and software development
2. Penetrate the small-lot printer market

Sensing

Sustain high profitability and promote business alliances with other companies to expand business size

Key strategies

1. Reinforce 3D product lineups and increase sales by strengthening software/solutions
2. Sustain superiority in the color measurement field for industrial use. Increase loyal customers by providing products of de facto standards
3. Sustain high market shares and profitability as well as develop new businesses in the medical field.
4. Promote strategic alliances with other corporations

Targets

	Results		Forecasts	Plan
	Mar 2003	Mar 2004	as of Nov 14	
(billions of yen)				
Net sales (a)	9.7	10.4		15.0
Operating income (b)	2.0	1.9		4.0
(b) / (a) %	20.6	18.3		26.7

Focusing areas

1. Establish sales channels in China
2. Develop new businesses

Group's Management Targets



(Billions of yen)

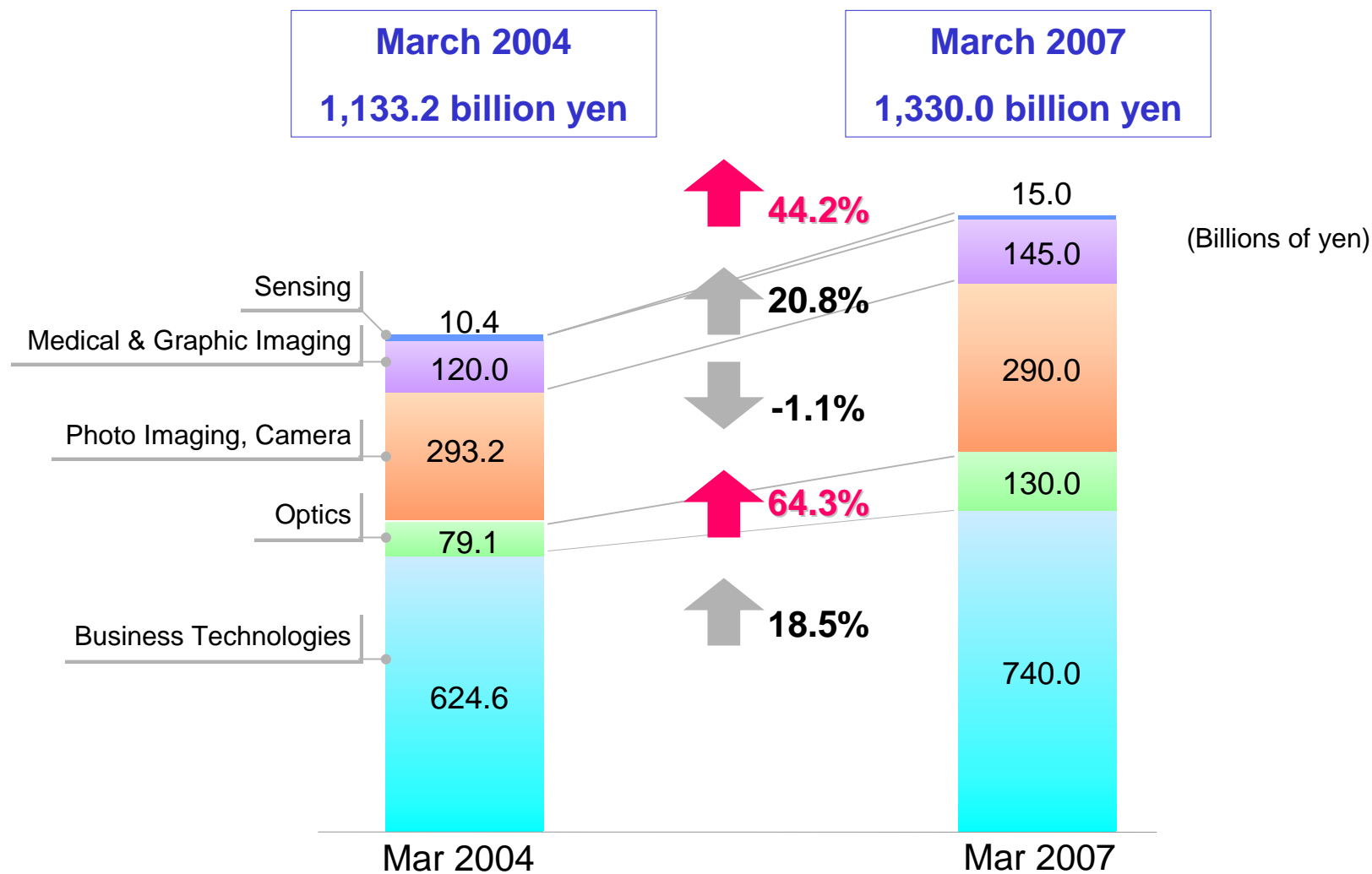
	as of Nov 14		as of Aug 28			
	Results Mar 2003	Forecasts Mar 2004	Plan Mar 2005	Plan Mar 2006	Plan Mar 2007	Plan Mar 2006
Net sales	1,087.2	1,133.2	1,160.0	1,230.0	1,330.0	1,300.0
Operating income	77.2	66.7	88.0	145.0	160.0	145.0
Operating income ratio (%)	7.1	5.9	7.6	11.8	12.0	11.2
Net income	29.1	23.8	30.0	65.0	80.0	65.0
ROE (%)	12.2	7.0	8.1	15.1	15.8	14.7
FCF	92.9	34.2	20.0	33.0	55.0	53.0
Interest-bearing debts	322.8	305.0	285.0	240.0	175.0	250.0
Investments	45.4	71.4	85.0	80.0	65.0	60.0

1USD=113JPY 1Euro=131JPY	1USD=110JPY 1Euro=130JPY	1USD=115JPY 1Euro=120JPY
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Note: Goodwill depreciation

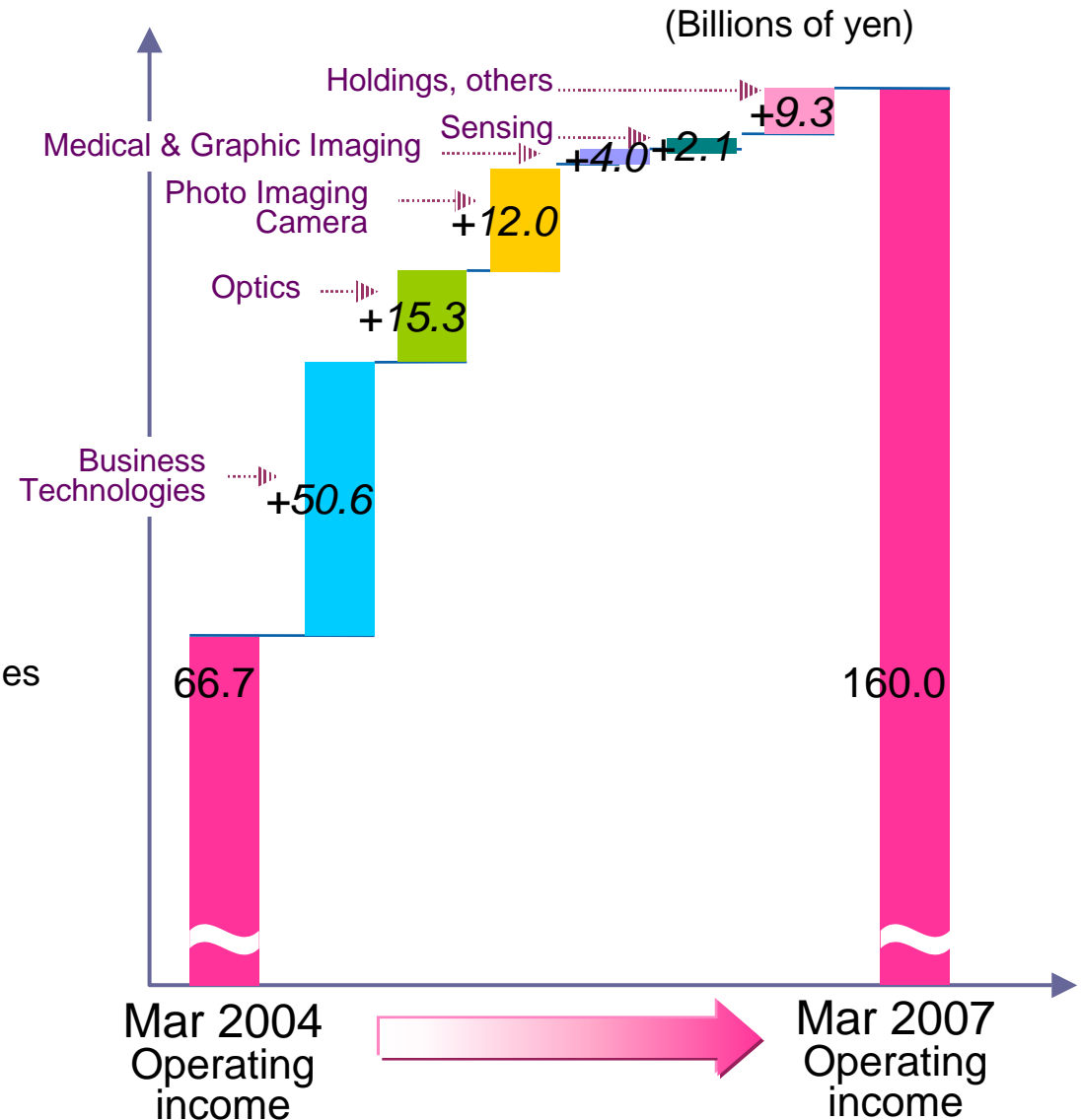
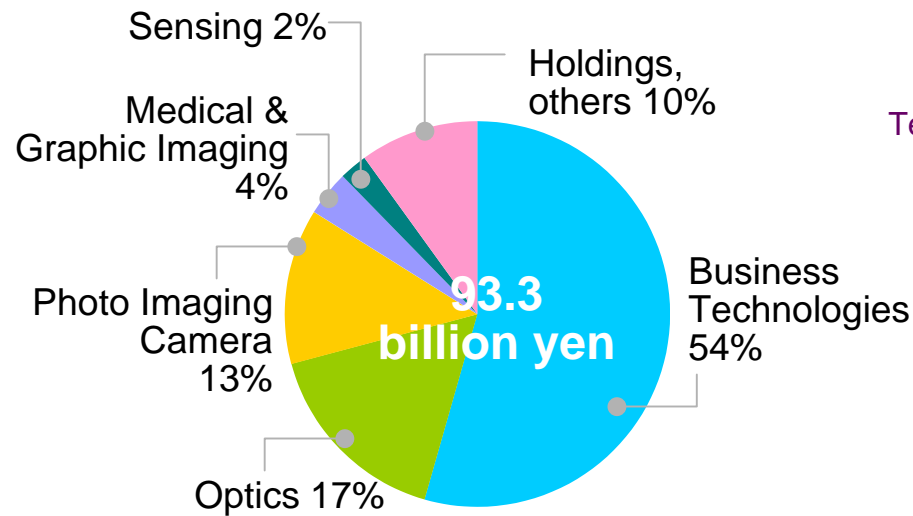
- 6 months ending March 2004 : 2.5 billion yen
- Years ending Mar. 2005, 2006 and 2007 : 5.0 billion yen each year

Growth of Net Sales (Breakdown by company)



Growth of Operating Income (Breakdown by company)

Mar 2004 => Mar 2007 :
 Aim to increase group-wide
 operating income by 93.3 billion yen





Business Companies' Management Targets

		as of Nov 14		as of Aug 28		
		Results Mar 2003	Forecasts Mar 2004	Plan Mar 2006	Plan Mar 2007	Plan* Mar 2006
(Billions of yen)						
Business Technologies	Net sales	594.7	624.6	680.0	740.0	700.0
	Operating income	52.6	52.4	90.0	103.0	85.8
Optics	Net sales	54.1	79.1	120.0	130.0	120.0
	Operating income	12.4	12.7	25.0	28.0	19.8
Photo Imaging, Camera	Net sales	280.7	293.2	270.0	290.0	350.0
	Operating income	10.4	4.0	11.0	16.0	20.6
Medical & Graphic Imaging	Net sales	117.4	120.0	140.0	145.0	140.0
	Operating income	9.3	9.0	12.0	13.0	12.9
Sensing	Net sales	9.7	10.4	13.0	15.0	13.0
	Operating income	2.0	1.9	3.0	4.0	2.9
Hodings, others	Net sales	30.6	5.9	7.0	10.0	-23.0
	Operating income	-9.5	-13.3	4.0	-4.0	3.0
Total	Net sales	1,087.2	1,133.2	1,230.0	1,330.0	1,300.0
	Operating income	77.2	66.7	145.0	160.0	145.0

1USD=113JPY
1Euro=131JPY

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1USD=115JPY
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Note: Goodwill depreciation

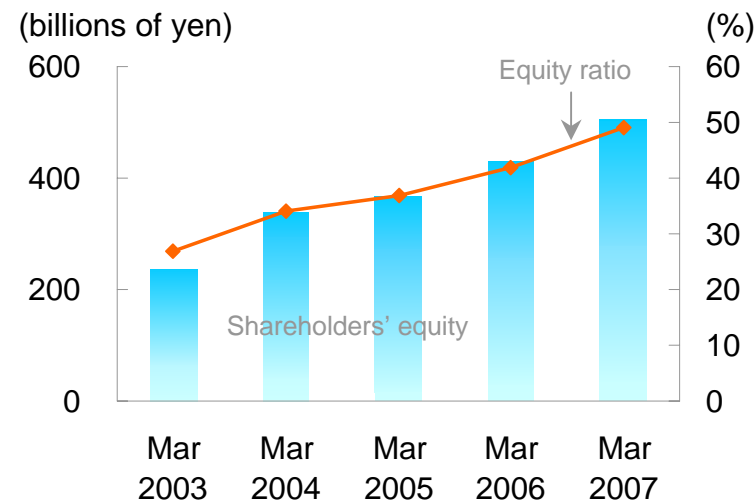
- 6 months ending March 2004 : 2.5 billion yen
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Strengthen Financial Position

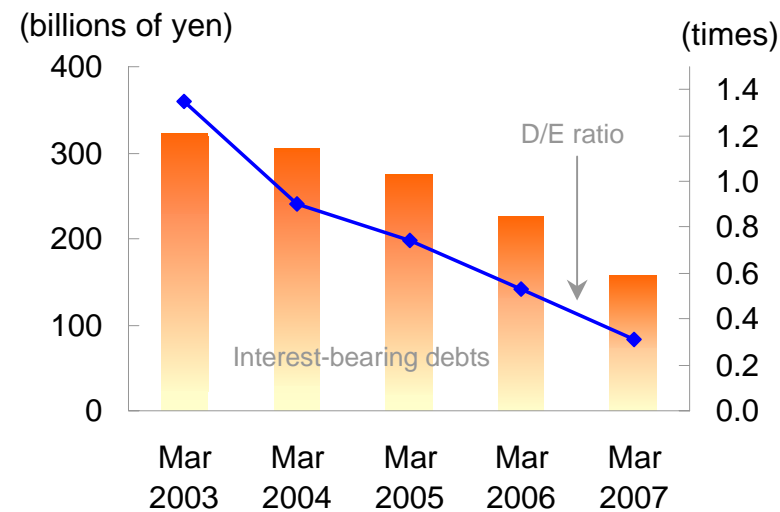
Shareholders' equity & Equity ratio

(billions of yen)	Results	Forecasts	Plan		
	Mar 2003	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Shareholders' equity	239.0	340.0	370.0	430.0	505.0
Equity ratio (%)	27.0	34.0	37.0	42.0	49.0



Interest-bearing debts & D/E ratio

(billions of yen)	Results	Forecasts	Plan		
	Mar 2003	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Interest-bearing debts	322.8	305.0	285.0	240.0	175.0
D/E ratio (times)	1.35	0.9	0.77	0.56	0.35



Quick Realization of Integration Effects

-- Costs and Effects --



		Forecasts	Plan		Total
		Mar 2004	Mar 2005	Mar 2006	
(Billions of yen)					
Costs	SG&A (1)	12.6	12.0	8.0	32.6
	Other non-operating and extraordinary losses	5.4	8.0	2.0	15.4
	Total	18.0	20.0	10.0	48.0
Effects	Rationalization	3.0	13.0	32.0	
	Improvement in profits <i>(including synergies)</i>	-3.7	8.6	32.0	
	Total (2)	-0.7	21.6	64.0	
Increase of operating income and others due to the increase of net sales (3)		3.0	1.4	12.0	
Impact to operating income (2)+(3)-(1)		-10.3	11.0	68.0	
Y-O-Y change of operating income		-10.5	21.3	57.0	

Quick Realization of Integration Effects

-- Manpower Rationalization --

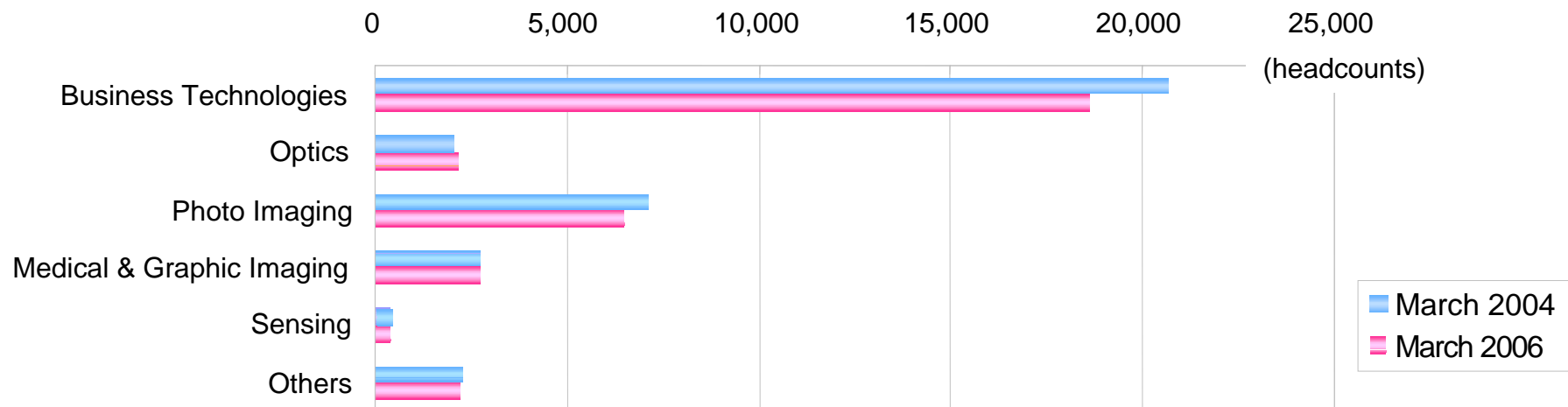


Group-wide manpower plan

Result	Plan			(headcounts)
	Sep. 30 2002	March 2004	March 2005	March 2006
37,300*	35,200	33,600	32,600	
Comparison with Sep.30, 2002		-2,100	-3,700	-4,700

*Above figures are based on the Group consolidated aggregation rule implemented as of September 30, 2003. Headcounts for Sep.30, 2002 before applying the new rule was 38,300.

Number of employees by company : March 2004 vs. March 2006



The essentials of imaging

Initiatives for Human Resources Integration

Employee Visions

Konica Minolta values people who...

...are committed to shared corporate goals of becoming a global company with market leadership in the imaging business domain.

...always strive for continues innovation with the customer oriented approach, not adhering to successful achievements of the past nor established customs.

HR systems

- Guiding principles for the qualifications of candidacy for executive officers
- New HR system for managers
- New HR system for non-exempt

HR management

- HR information database
- HR development
- Liquidation of HR

Organization and infrastructure

- Establish an optimum organization
- Right person for the right place
- Improve internal network environment
- Consolidate internal portal site

Develop new identity

- Survey among employees

Human Resources Integration

Initiatives for Human Resources Integration –Actions–

HR systems

- Develop guiding principles for the qualifications of candidacy for executive officers
- Implement a new HR system for managers
(Starting Jul. 2004)
 - Strengthen a performance-oriented appraisal policy
 - Implement a new criteria that is different from Konica's or Minolta's previous systems
- Develop a new HR system for non-exempt
(Starting Apr. 2005)
 - Establish a performance-oriented appraisal system
 - Organize a committee with labor unions to co-develop a better system

Organization and infrastructure

- Promote a right-person-for-the-right-place policy by establishing an optimum organization
 - Promote a performance-oriented appraisal policy
 - Promote a staffing system that is satisfactory and fair for individuals
- Improve internal network environment and consolidate internal portal site

HR management

- Establish a HR information database
 - Database for skills, job experiences, strengths, and others
- Implement a HR development policy
- Liquidation of HR
 - Maximize the effective use of Group-wide human resources

Develop new identity

- Conduct a survey among 9,500 employees in Holdings and other major Group companies in Japan
 - Multidirectional analysis on the progress of HR integration
 - Clarify HR issues
 - Solutions to maximize integration effects

(Glossary #1)



Business Field	Name of Business Company	Business Activities
---	Konica Minolta Holdings, Inc.	Holding Company (Planning and promoting group management strategy, auditing group management, other group management and administration)
Business Technologies	Konica Minolta Business Technologies, Inc.	Manufacturing, sale and related services of copiers, printers, micro- systems, facsimiles, and related supplies.
Optics	Konica Minolta Opto, Inc.	Manufacturing and sale of optical and related products and electronic materials
Photo Imaging, Camera	Konica Minolta Photo Imaging, Inc.	Manufacturing, sale and related services of consumer and commercial photographic materials, ID photos, inkjet media, and related equipment. Manufacturing, sale, and related services of photographic equipment such as digital cameras, film cameras and lense
Medical & Graphic Imaging	Konica Minolta Medical & Graphic, Inc.	Manufacturing, sale, and related services of film and processing equipment for medical and graphic imaging
Sensing	Konica Minolta Sensing, Inc.	Manufacturing and sale of instrument systems for photographic, industrial and medical industries
Technology Center	Konica Minolta Technology Center, Inc.	Research and development, incubation of new technologies and businesses, and administration and services of intellectual properties
Service	Konica Minolta Business Expert, Inc.	Various management supports and indirect functions and services

(Glossary #2)



Abbreviation	Definition
DSC	Digital Still Camera
HD-DVD	High Definition DVD
ID/IPS	ID Photo and Instant Photo System
LBP	Laser Beam Printer
LCD	Liquid Crystal Display
MFP	Multi Function Peripheral
POD	Print-On-Demand
TAC	Triacetate Cellulose Film
VCR	Video Cassette Recorder



Caution:

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.