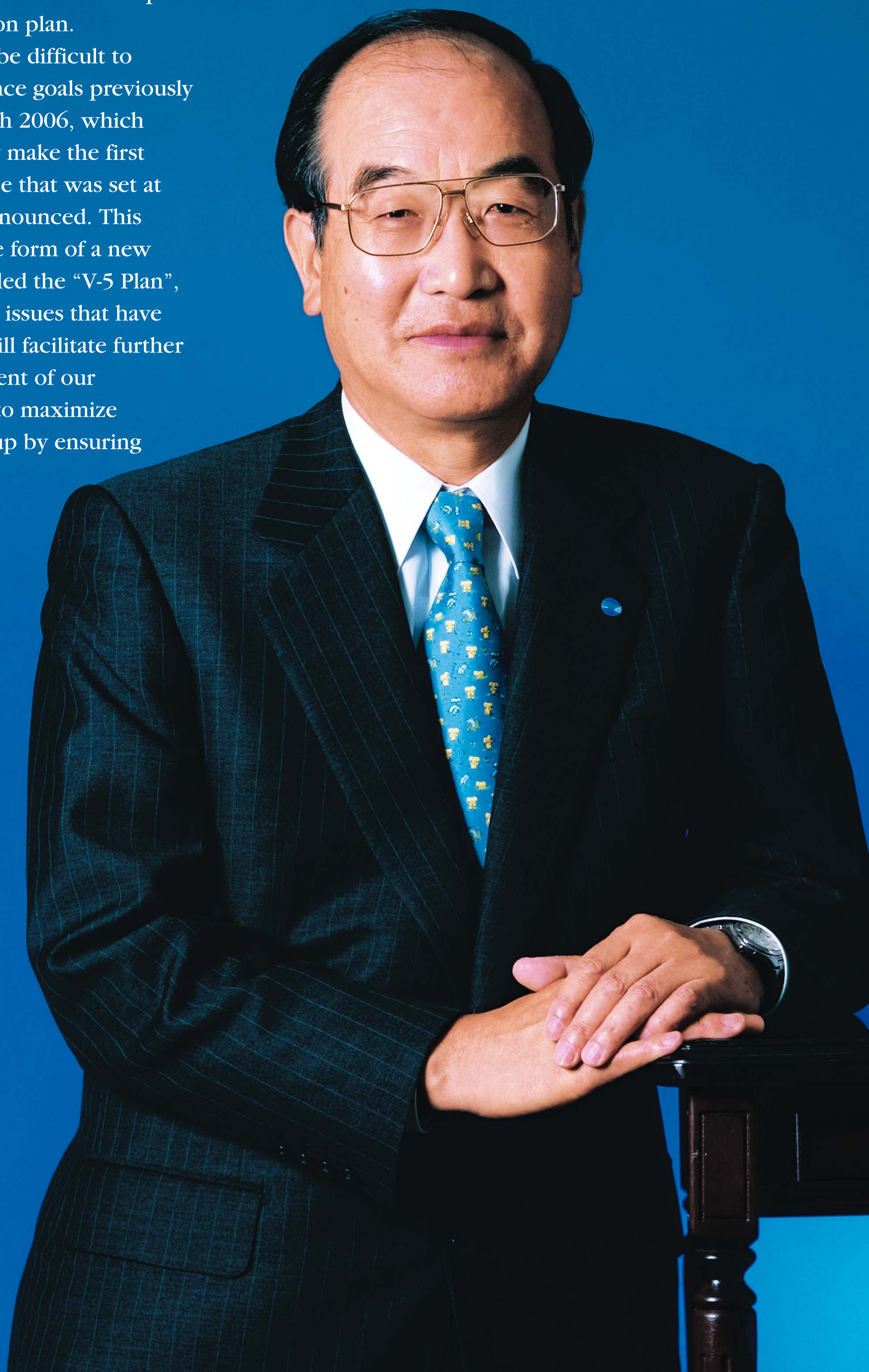
The management integration of Konica Minolta that was first announced in January 2003 is now complete, with integration of IT and personnel systems as well as operating locations proceeding largely as outlined in the Konica Minolta Group's original medium-term integration plan. Unfortunately, however, it will be difficult to achieve the business performance goals previously set for fiscal 2005, ending March 2006, which means that we must regrettably make the first correction to the original course that was set at the time the integration was announced. This course correction has taken the form of a new medium-term business plan called the "V-5 Plan", which has helped us clarify the issues that have arisen and which we believe will facilitate further growth and the early achievement of our performance goals. Our aim is to maximize the corporate value of the Group by ensuring that we meet these goals.



REVIEW OF THE PAST YEAR

Fiscal 2004, ended March 31, 2005 was a difficult year. While the Group worked to implement business portfolio management policies in keeping with Konica Minolta's basic group management strategy, consolidated sales for the Group were ¥1,067.4 billion. By major business segment, Business Technologies sales were ¥564.8 billion and Optics sales were ¥91.7 billion, while Photo Imaging sales were ¥268.5 billion, Medical and Graphic Imaging sales were ¥129.9 billion and Sensing sales were ¥5.3 billion.

Success requires a more rapid response to changes in the operating environment.

In terms of earnings, operating income for the Group was ¥67.6 billion, while net income for the period was ¥7.5 billion, which represented a 61.1% decline from the simple aggregation of net income for the integrated companies for the previous fiscal year. The decline in net income reflected extraordinary losses of ¥21.4 billion related to structural reforms in the Photo Imaging segment, collective amortization of goodwill for the camera business and other rationalization expenses. Operating income by segment was broken down into: ¥55.8 billion for Business Technologies, ¥16.0 billion for Optics, ¥6.7 billion for Medical and Graphic Imaging and ¥1.6 billion for Sensing. On the other hand, Photo Imaging unfortunately reported an ¥8.7 billion operating loss.

INTEGRATION NOW COMPLETE

The aim of the medium-term management integration plan was to achieve speedy integration by completing fundamental integration between fiscal 2003 and fiscal 2004, so the Group could begin generating the benefits of the integration between fiscal 2005 and fiscal 2006.

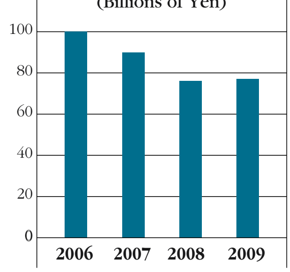
The fundamental groundwork for management integration is now complete.

As a result, business reorganization, the consolidation of IT and personnel systems and the consolidation and elimination of domestic and overseas sales offices as well as research and development facilities proceeded largely as planned. In addition, the integration has produced a smooth melding of corporate cultures and notable integration synergy effects in our businesses.

In terms of personnel, we achieved a cumulative head count reduction of 3,900 employees by the end of March 2005, which greatly exceeds the targeted 3,200 reductions for the same period.

However, while we believe the fundamental groundwork for management integration was completed largely as planned, the operating environment since we first announced the integration has dramatically changed. We have thus regrettably had to change our original performance goals that we indicated to investors for fiscal 2005 and thereafter. As a result, we have created a new medium-term business plan called the "V-5 Plan", which aims to create a stronger corporate group that can more rapidly respond to changes in the operating environment through further "selection and concentration" of our businesses. For more detail on this plan, please refer to the special section on pages 5 to 13 of this report.

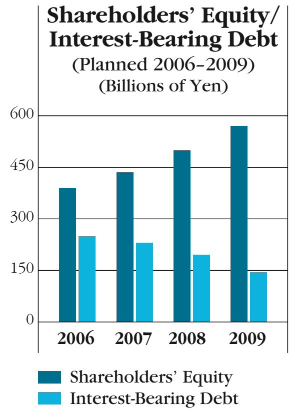
Capital Expenditure
(Planned 2006–2009)
(Billions of Yen)

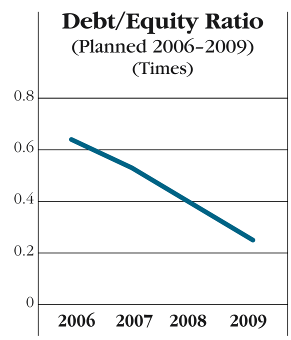


Note: Includes equipment rental in Business Technologies

FOCUSED INVESTMENT IN GROWTH BUSINESSES

Planned capital expenditures under the V-5 Plan are to be concentrated in the Business Technologies and Optics business segments. Cumulative capital expenditures of approximately ¥340 billion are planned for the four fiscal years through March 2009, of which more than 80% will be concentrated in these two businesses. In Business Technologies, Konica Minolta has begun construction of new facilities





in Wuxi, China to expand equipment manufacturing capacity and new facilities for increased polymerized toner production capacity in Japan in response to the ongoing shift to color products. In addition, we are investing to increase direct sales capacity and acquiring dealers in order to expand marketing capacity.

In the optics business, construction has begun on the third and the fourth plants for TAC film used in liquid crystal displays (LCDs) in response to expanding demand.

BALANCE SHEET IMPROVEMENTS

During the fiscal year, interest-bearing debt continued to decline, falling by ¥21.6 billion from the previous fiscal year-end to ¥246.3 billion.

Shareholders' equity increased by ¥4.3 billion from the end of the previous fiscal year to ¥339.7 billion. As a result, shareholders' equity ratio at the end of the fiscal year improved by 1 percentage point from the previous year-end.

PENDING ISSUES

As the market environment is likely to become even more severe, we need to remain vigilant. In particular, the shift to color in the MFP market is occurring faster than anticipated, and we believe the keys to win will be timely responses to market opportunities and global market share expansion. Given this environment, Konica Minolta intends to actively expand sales of popular color products, while emphasizing increased sales of optical devices and components as well as LCD materials in the Optics segment.

On the other hand, we believe the Photo Imaging segment will continue to be plagued by shrinking demand, pricing competition and a generally severe operating environment. We therefore intend to achieve thorough structural reforms by implementing early corrective measures to address structural earnings deficiencies in the business.

CORPORATE GOVERNANCE PHILOSOPHY

The goal is to further enhance management transparency and efficiency.

Konica Minolta regards the strengthening of corporate governance as a key management issue and, in addition to adopting a committee-based corporate governance system, aims to improve management transparency and efficiency. During the fiscal year under review, the functioning of the Group's corporate governance organs—from the Board of Directors to the Audit Committee, the Nominating Committee and the Compensation Committee—was strengthened and policies were implemented with these goals in mind. All of these efforts reflect Konica Minolta's emphasis on achieving fair returns for all stakeholders. For our shareholders in particular, Konica Minolta's management priority is the early achievement of our business performance goals as a means of enhancing corporate value.

June 2005

Fumio Iwai
President & CEO, Representative Executive Officer