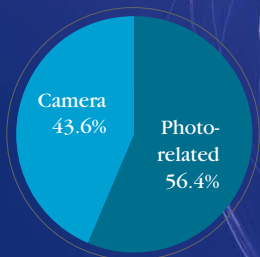


FUNDAMENTAL REVITALIZATION

Given the diffusion of digital cameras, the silver halide film and camera related market continues to shrink. The Group thus plans to scale back the size of its photo sensitive materials business, while shifting emphasis in digital cameras to higher value-added products. In addition, the Group will work to leverage its core technologies in other areas in an effort to enhance the segment's contribution to profits. The Group aims to implement restructuring as quickly as possible through such efforts, in order to restore a profitable earnings base for the business.



Share of Sales By Product
(Fiscal year ended March 2005)



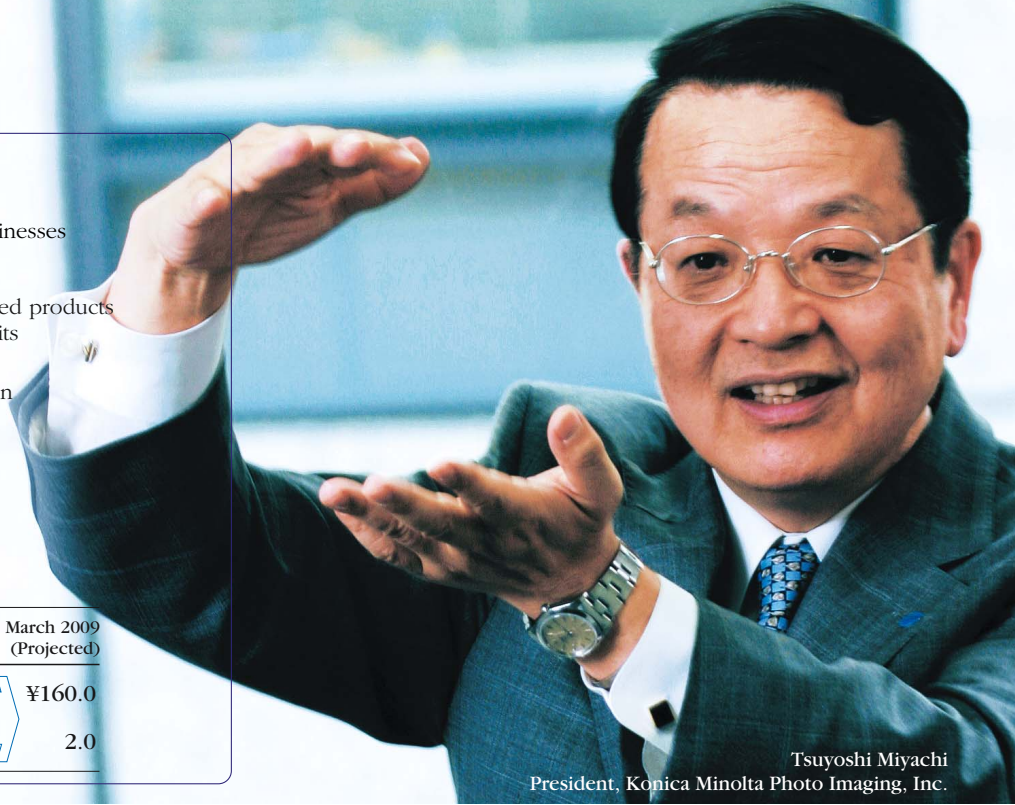


Photo Imaging Key Strategies

1. Scale back business size
 - 1) Scale back film and photo paper businesses
 - 2) Camera business:
 - ✓ Scale back business size
 - ✓ Concentrate on high-value-added products
 - ✓ Break away from chronic deficits
2. Speedy restructuring
 - 1) An extraordinary loss of 34 billion yen in total for 4 years (Fiscal years ended March2006–March 2009)
 - 2) Continue to execute restructuring programs

Business Targets (Billions of Yen)

	March 2005 (Actual)	March 2009 (Projected)
Net Sales	¥268.5	¥160.0
Operating Income/Loss	-8.7	2.0

Tsuyoshi Miyachi
President, Konica Minolta Photo Imaging, Inc.

REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the photo materials market saw significant shrinkage in demand in its main color film segment owing to the diffusion of digital cameras. The Group was able to limit the decline in sales volumes by strategically strengthening sales to developing markets in Asia including China, India and Africa, where the impact of digital camera diffusion has been less noticeable. In addition, as demand for over-the-counter digital print services is expanding, good growth was seen in unit sales of digital minilabs in Europe and Asia. On the other hand, the photographic paper segment remained weak due to inventory corrections. In inkjet media, sales volume growth was seen mainly in the Japanese market even though price competition is intensifying.

In the camera business, the DYNAX 7D* high end digital single lens reflex camera recorded sales growth on strong support from users, while unit prices as a whole continued to decline centering on compact digital cameras. The DYNAX 7D* features a proprietary anti-shake technology in the camera's body and lens interchangeability with all DYNAX/Maxxum/α series lenses. In terms of profitability, restructuring contributed to reductions in fixed costs. These efforts could not however offset the significant impact on overall profitability from a rapid deterioration in the film market and unit price declines in digital cameras.

As a result, consolidated sales for the Photo Imaging business in fiscal year ended March 2005 were ¥268.5 billion, while the operating loss was ¥8.7 billion.

* The DYNAX 7D is marketed as Maxxum 7D in North America and α-7 DIGITAL in Japan and China.

