KONICA MINOLTA

The essentials of imaging

KONICA MINOLTA HOLDINGS, INC. Annual Report 2006

Profile

In August 2003, Konica Corporation and Minolta Co., Ltd. integrated their respective managements and established a holding company, Konica Minolta Holdings, Inc. The new company represents an organic union of the revolutionary technologies long accumulated by the two companies, centering on a comprehensive imaging business—from input to output. Moreover, the Konica Minolta Group is pursuing growth by leveraging collective Group resources in the two major business domains of equipment and services, and components. The Group has annual sales of more than ¥1 trillion, conducts business operations in approximately 40 nations worldwide and has approximately 32,000 employees. Based on an underlying management principle of "New Value Creation" and driven by the corporate message of "the essentials of imaging", Konica Minolta aims to provide inspired creativity in the field of imaging by becoming an innovative, technologically sophisticated, reliable and market-leading global company that is able to enhance corporate value and respond to the expectations of its stakeholders through corporate creativity.

Contents

Disclaimer regarding Forward-Looking Statements
The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

Consolidated Financial Highlights

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

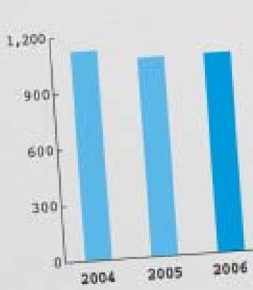
	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
For the Year:			
Net sales	¥1,068,390	¥1,067,447	$9,095,003
Operating income	83,416	67,577	710,105
Net income (loss)	(54,306)	7,524	(462,297)
Capital expenditure	67,571	56,448	575,219
R&D expenditures	67,040	65,994	570,699
At Year-End:			
Total assets	¥ 944,054	¥ 955,542	$8,036,554
Total shareholders' equity	293,817	339,729	2,501,209
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Net income—primary	¥(102.29)	¥ 14.11	$(0.87)
Shareholders' equity	553.50	639.80	4.71
Cash dividends	0.0	10.0	0.0
	Percent		
Financial Ratios:			
Equity ratio	31.1%	35.6%	
Return on assets	9.0	7.2	
Return on equity	(17.1)	2.2	

Notes: 1. U.S. dollar amounts above and elsewhere in this report for the Company are translated from yen, for convenience only, at the rate of ¥117.47=US$1, the approximate exchange rate prevailing at March 31, 2006.
2. Due to the integration of Konica Corporation and Minolta Co., Ltd. and to facilitate year-on-year comparisons, results for fiscal years prior to the fiscal year ended March 2004, excluding the financial statements, are simple aggregations of the prior two companies.
3. Return on assets = (Operating income + Interest and dividend income) ÷ Average total assets × 100 (%). Return on equity = Net income ÷ Average shareholders' equity × 100 (%).

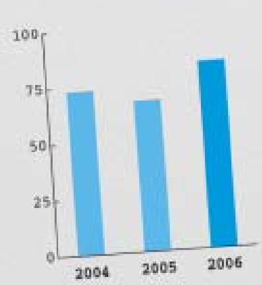
Supported by favorable growth in the main Business Technologies and Optics segments, operating income increased 23% year-on-year and the operating income to total sales ratio improved 2 percentage points to 8% as operating income recorded a new historical high.

Net income was in deficit by ¥54.3 billion mainly as a result of the decision to exit the Photo Imaging business. As a result, primary net income was minus ¥102.3 per share.

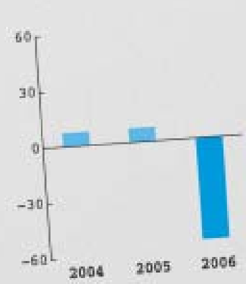
Net Sales
(Billions of Yen)



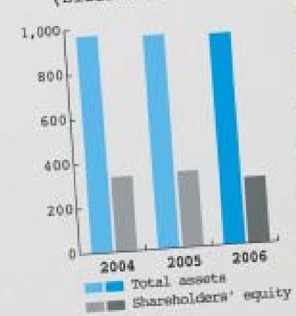
Operating Income
(Billions of Yen)



Net Income (Loss)
(Billions of Yen)



Total Assets and Shareholders' Equity
(Billions of Yen)



Taking the Lead in Driving Reforms

Fiscal 2005, ended March 31, 2006, was an epoch-making year for the Konica Minolta Group following our management integration in that we decided to exit the Photo Imaging business, which is a business that both Konica and Minolta have been involved in since their establishment. Based on this transformation, we now face a phase in which we pursue growth. As I have been appointed President and CEO as we move forward to this new stage, I feel a great sense of responsibility. At the same time, I am taking the lead for all executive officers and employees in renewing our determination to exert all effort in moving forward.

There are two important factors in the Group's realization of further growth. The first is to strengthen our solutions business. The shift toward digital and networks in many areas is fundamentally changing the state of the business. There is now a strong need for a business that can provide the solutions that customers desire within the context of digital networks. This has pushed development of solution businesses into the forefront.

The other factor is the keen mega-competition we face. In addition to continued globalization, cross-border corporate reorganization is becoming the norm. Given this environment, we are indeed facing an era where corporations must compete for their very survival. Thorough changes in structure and mindset are required to win this severe competition as well as reforms aimed at creating a corporate group that utilizes its integrated capabilities in pursuing growth. I intend to take the lead in driving this transition.

Fiscal Year Results and Exit from the Photo Imaging Business

The fiscal year ended March 2006 was a year of major restructuring, and our goal was to "maximize Group corporate value through selection and concentration". As a result, we emphasized the Business Technologies and Optics segments as we proactively promoted our business. Previous initiatives to strengthen our business have steadily produced results. Sales of new color MFP products were strong both domestically and overseas, and expanded production capacity for LCD materials resulted in sharp growth in sales. Consolidated sales for the fiscal year were ¥1,068.4 billion, while operating income reached ¥83.4 billion, which represented a new historical high.

On the other hand, while we have implemented various measures to stem profit deterioration in the Photo Imaging business in recent years, profitability has continued to deteriorate. Given the future outlook for the business, we determined that it would be difficult to maintain profitable operations because of accelerating shrinkage in demand for color film amid intensifying competition in digital cameras. We therefore decided to exit the camera business as of March 2006 and to gradually shrink photo-related businesses with the aim of discontinuing all operations in the Photo Imaging business by the end of September 2007. This decision resulted in extraordinary losses of ¥116.1 billion for the fiscal year, including ¥96.6 billion of Photo Imaging related asset impairment losses, which in turn resulted in a net loss of ¥54.3 billion for the period. While truly regrettable, we therefore chose to forego both the interim and the year-end dividend for the fiscal year.

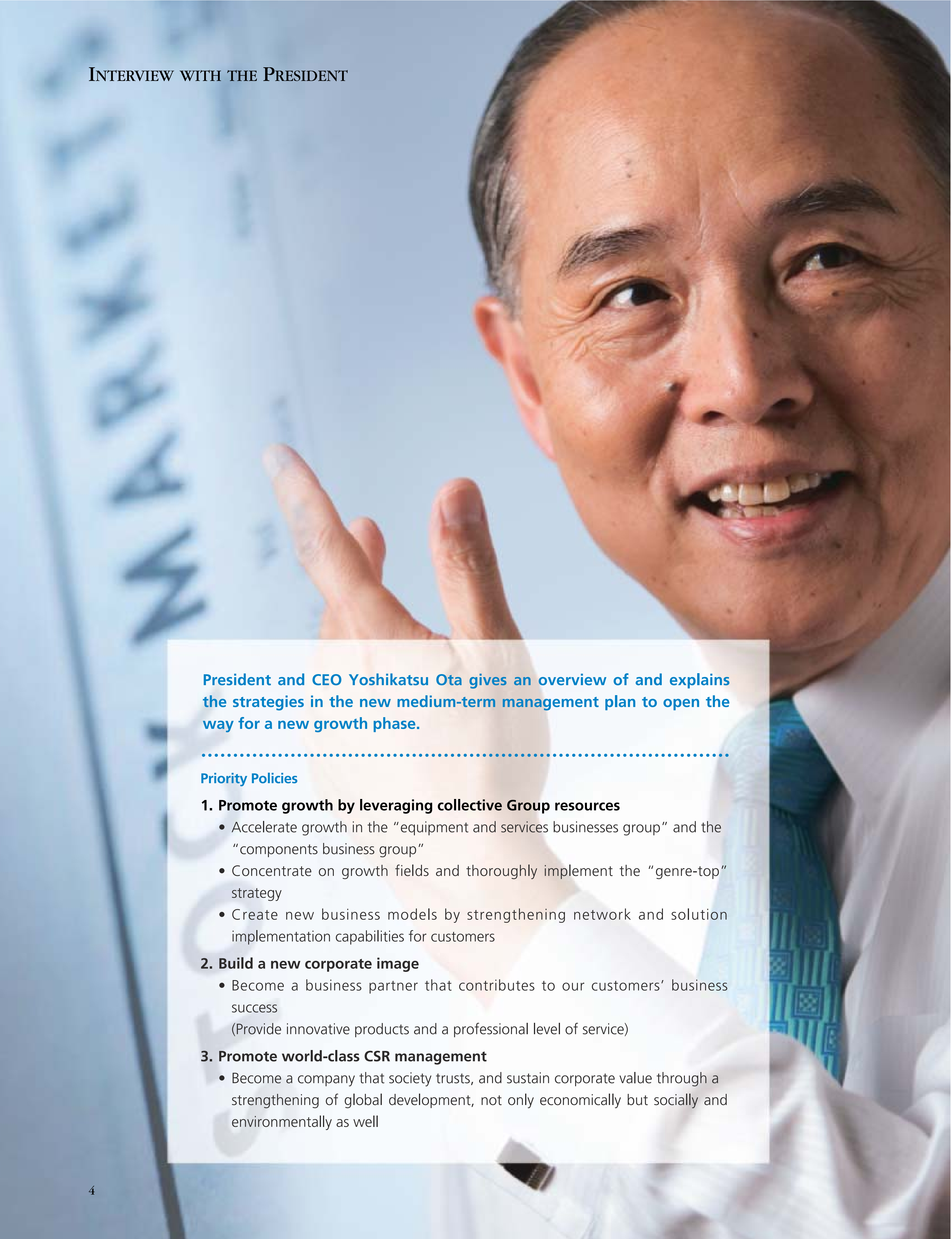
The New "FORWARD08" Medium-Term Management Plan

To remain a winner in increasingly severe global competition and achieve continuous growth, we have further clarified the Group's business direction and major priorities needed to achieve stable, sustainable growth and have made a new start with our "FORWARD08" medium-term management plan, which covers the three-year period beginning from April 2006.

By unfailingly achieving this plan, we intend to increase new business value-added in seeking to maximize the corporate value of the Group, and we will be exerting every effort in working to achieve this goal. Please refer to the following pages of this report for further details regarding the Plan.

June 2006

Yoshikatsu Ota
President & CEO



President and CEO Yoshikatsu Ota gives an overview of and explains the strategies in the new medium-term management plan to open the way for a new growth phase.

Priority Policies

1. Promote growth by leveraging collective Group resources

- Accelerate growth in the "equipment and services businesses group" and the "components business group"
- Concentrate on growth fields and thoroughly implement the "genre-top" strategy
- Create new business models by strengthening network and solution implementation capabilities for customers

2. Build a new corporate image

- Become a business partner that contributes to our customers' business success
  (Provide innovative products and a professional level of service)

3. Promote world-class CSR management

- Become a company that society trusts, and sustain corporate value through a strengthening of global development, not only economically but socially and environmentally as well

CHAPTER 01

Plan Overview

Please explain the fundamental policies of "FORWARD08".

The Plan contains three policies, "Promoting growth by leveraging collective Group resources", "Building a new corporate image" and "Promoting world-class CSR management". Among these, in strengthening growth potential, I believe it is important to go beyond previous frameworks in the pursuit of synergies among businesses in order to maximize the value-added of these businesses. Consequently, we intend to accelerate growth through the two drive wheels of "equipment and service businesses" such as multi-function peripherals (MFP), laser printers (LBPs), digital printing equipment and medical equipment on the one hand, and "components business" such as optical components and display materials on the other hand. Further, in addition to emphasizing the Business Technologies and Optics businesses as growth areas, we plan to steadfastly execute our "genre-top" strategy in establishing a position as the top brand in specific markets and domains. Moreover, we plan to strengthen our network and solution implementation capabilities for customers to evolve our business model.

What sort of initiatives do you plan to build a new corporate image and to promote corporate social responsibility (CSR) management?

In terms of a new corporate image, we aim to be a business partner that leads the way to business success for customers. The Konica Minolta Group has core technologies in optics, imaging, materials and precision fabrication. By rapidly coalescing these, we can provide customers with revolutionary products and professional services. In addition, in CSR management, it is important to be a corporation that is trusted by society in order to maintain and enhance corporate value for the Group. As a result, we plan to strengthen our global development not only from an economic perspective, but from the social and environmental perspectives as well. At the same time, we will strengthen internal controls including compliance, practice highly transparent management and fulfill our social responsibilities as a corporation.

CHAPTER 02

Market Analysis

What is the market environment for the general office and industry specific markets related to the MFP business?

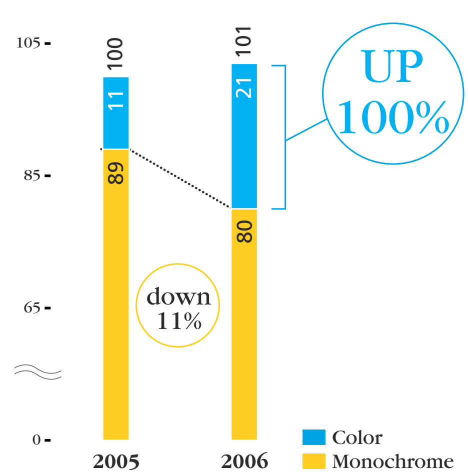
In developed markets such as Japan, the U.S. and Europe, there is a rapid shift to color in office documents, and the color MFP market is also rapidly expanding as a result. As the convenience of color, which has much more information content than monochrome is overwhelmingly high, we foresee an accelerating shift to color. In fact, in looking at global industry MFP shipments in the fiscal year ended March 2006, the color MFP segment recorded over 30% year-on-year growth while overall unit growth was flat.

What impact is the rapid shift to color having on the industry?

The impact is extremely significant, and we are convinced it will lead to a major change in corporate market shares in the MFP industry. For example, Konica Minolta's brand value is steadily increasing in the European and U.S. markets. Looking at segment 2* and above color MFP market shares in calendar 2005, our market share in the European market grew from 11% in the previous year to 15%, while it increased from 16% to 19% in the U.S. market, and we have secured a position within the top group. On the other hand, while we have struggled in Japan, our market share has risen from 3% to 5% in the past fiscal year and steadily continues to expand. Overall, however, color MFP unit shipments also increased by two-fold year-on-year. This is a significant result of our strategy to shift to color during this period. While our positioning in the Japanese market heretofore was somewhat fixed by monochrome MFP, we believe the rapid shift to color will lead to the kind of substantial repositioning that was seen in the European and U.S. markets. By the fiscal year ending March 2009, the Konica Minolta Group plans to ensure a worldwide market share of 25%, and market shares of over 30% in Europe and the U.S. in sales of segment 2 and above color MFP.

* Note: Segment 1: 11–20 pages per minute
Segment 2: 21–30 pages per minute
Segment 3: 31–40 pages per minute
Segment 4: 41–69 pages per minute
(A4/Letter size output speeds in monochrome mode)

MFP Unit Shipments
(2005 MFP Shipments as an Index of 100)



CHAPTER 03

Competition

Please explain the competitive strengths behind this increase in market share.

The reason for our strong competitiveness in color MFP is an enriched product lineup in addition to the new integrated firmware incorporated in the "bizhub C450" which was marketed from April 2005. In terms of the product lineup, four new models were introduced during the fiscal year ended March 2006 to promote a further shift to color. In addition, the incorporation of new integrated firmware made open architecture systems possible, which made it easy for customers to incorporate our products into office environments that consisted of various equipment. In addition, having the industry's most advanced polymerized toner is a significant factor in our strong competitiveness. Our toner, which is superior in terms of image quality, cost and durability, is compatible with monochrome or color, and low speed or high speed applications. In addition, as we have disclosed over 700 related patents in Japan alone, we believe this is a significant barrier to entry for other companies.

Could you explain your strategies for expanding market share?

In addition to strengthening our proposal capabilities to expand sales, we are developing our solutions business. The Business Technologies business has heretofore been characterized by purchases of color MFP hardware or receiving fees based on performance. However, given the rapid evolution in the networking of office environments, hardware also needs to fulfill its function within the network. As a result, the provision of total network solutions through software and applications development is required. In this regard, we plan to actively pursue alliances, and we have already formed corporate alliances with various IT companies in Japan and overseas including NEC Corporation and IBM® Corporation.

CHAPTER 04

New Products & Solutions

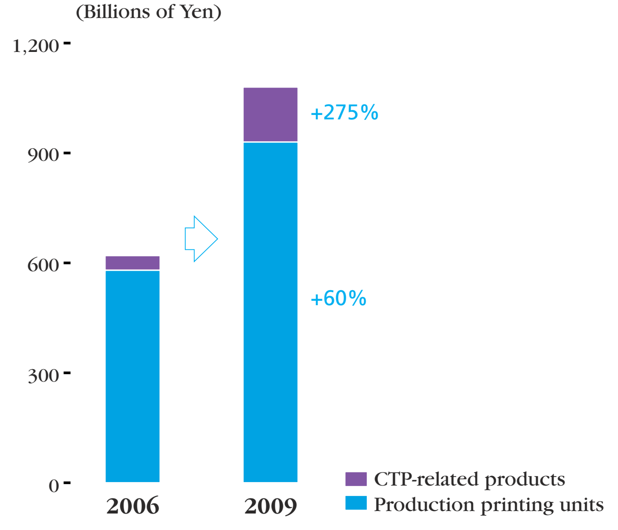
What about the production printing market?

The market has steadily grown over the past several years. In the fiscal year ended March 2006, in addition to introducing the new high speed MFP "bizhub PRO" series, we formed a specially designated sales team and worked to provide services. As a result, high unit sales growth was seen in the high speed segment. We believe that markets such as in-house printing divisions of large corporations and major franchise copy shops will see further expansion going forward. Konica Minolta has strong productivity and is competitive in polymerized toner featuring low heat fixing technology, in accumulated workflow know-how in the printing business, color management know-how and in the utilization of a wide range of MFP options compared to competitors' products. Through such initiatives, we plan to ensure a 30% worldwide market share of high speed color MFP unit sales in particular in the fiscal year ending March 2009, thereby assuring a number two or better position in the industry.

In addition to fully utilizing this competitiveness, we plan to strengthen our consulting capabilities in providing application software and contents and to strengthen our product offerings in digital printing and the computer-to-plate (CTP) area. In CTP in particular, we expect that American Litho Inc., a major U.S. printing plate maker that was acquired in 2005, will contribute to sales.

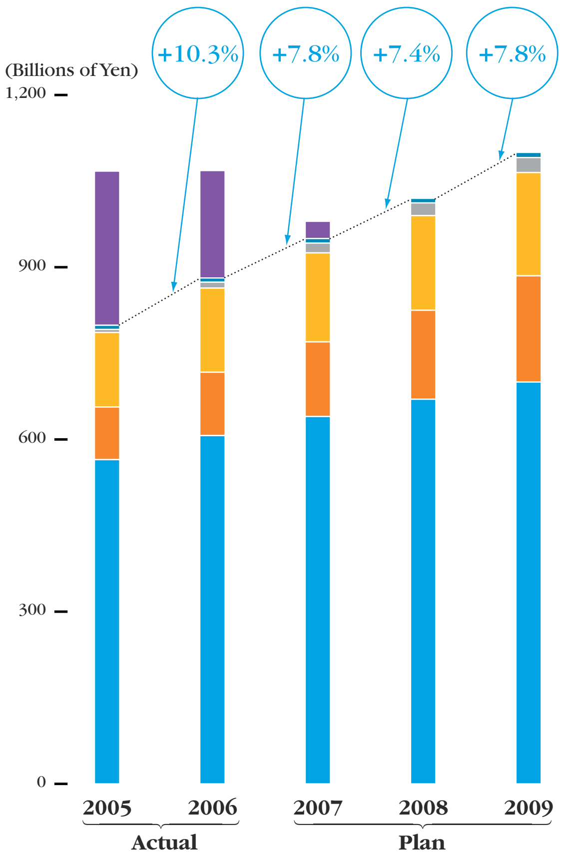
* The production printing segment represents the total of the high speed MFP segment reported under Business Technologies business and the graphic imaging segment excluding film.

Production Printing Sales Plan (excluding film)
(Billions of Yen)

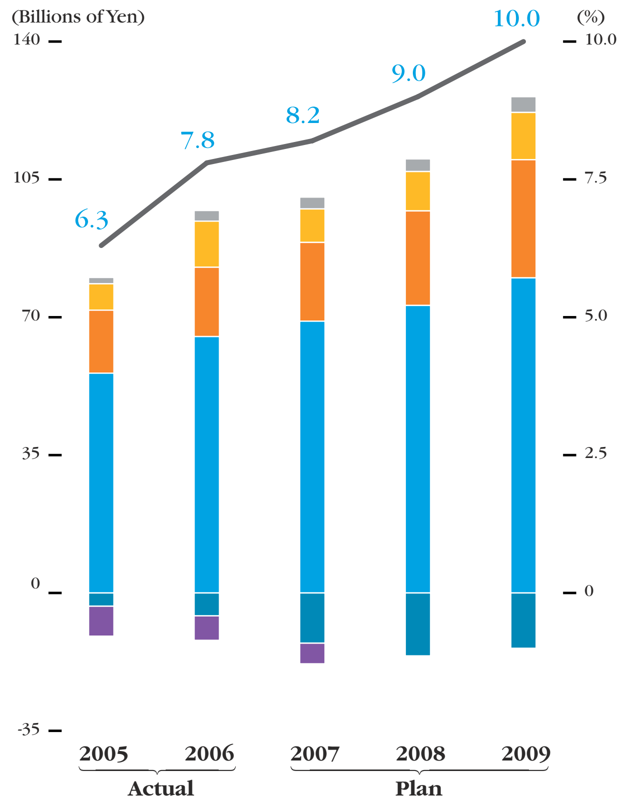


FORWARD08 Growth Targets by Business Segment

Net Sales



Operating Income (Loss) and Operating Income Ratio



Business Technologies · Optics · Medical and Graphic Imaging · Photo Imaging · HD Others · Other Businesses

Note: Year-on-year net sales growth and operating income ratio amounts do not include Photo Imaging.

Performance Targets by Business Segment

(Billions of Yen)

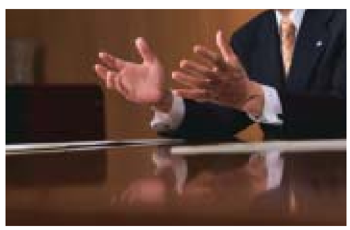
Fiscal Years Ended March 31		2006 Actual	2007 Plan	2008 Plan	2009 Plan
Business Technologies	Net sales	606.7	640.0	670.0	700.0
	Operating income	65.1	69.0	73.0	80.0
Optics	Net sales	110.4	130.0	155.0	185.0
	Operating income	17.6	20.0	24.0	30.0
Medical and Graphic Imaging	Net sales	146.6	155.0	165.0	180.0
	Operating income	11.7	8.5	10.0	12.0
Others	Net sales	10.2	17.0	22.0	26.0
	Operating income	2.7	3.0	3.2	4.0
Segment Total	Net sales	873.9	942.0	1,012.0	1,091.0
	Operating income	97.1	100.5	110.0	126.0
Photo Imaging	Net sales	187.1	30.0	0	0
	Operating income (loss)	(7.1)	(6.0)	0	0
HD Others, Elimination and Corporate	Net sales	7.4	8.0	8.0	9.0
	Operating income (loss)	(6.6)	(14.5)	(18.2)	(16.0)
Group Total	Net sales	1,068.4	980.0	1,020.0	1,100.0
	Operating income	83.4	80.0	92.0	110.0

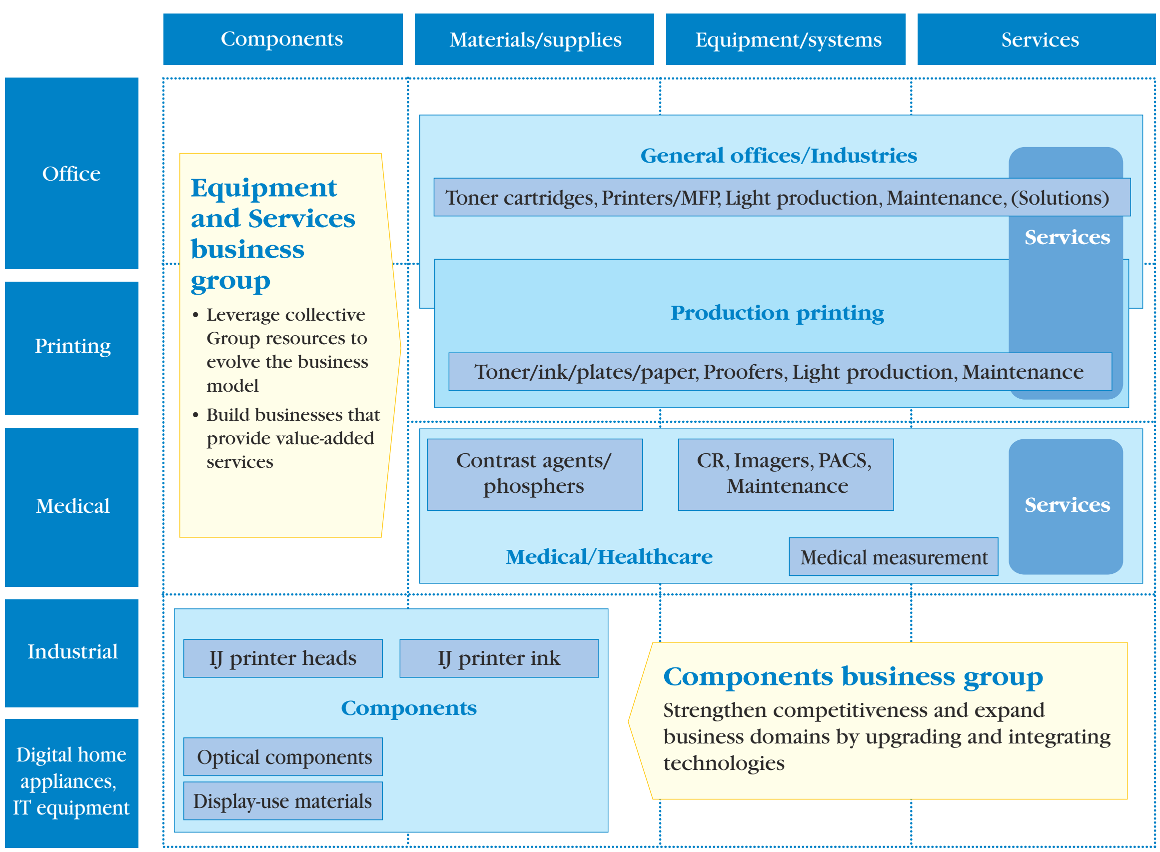
Please explain the market environment and your growth strategies for the components business.

In the optical pickup lens business, products for DVD recorders are growing, while we do not believe the DVD-related market as a whole will see much growth. Instead, high growth is expected in next-generation pickup lenses. Konica Minolta has already completed technology development for the Blu-ray Disk (BD) format and the high definition (HD) DVD format and has made preparations for mass production. The key point is materials development for next generation pickup lenses. Through the merger, Konica Minolta has both development and production technologies to organically integrate plastic lens technology and glass molding technology, and we intend to maintain dominating competitiveness through materials development that leverages these strong points. In terms of market share, we intend to maintain the commanding market position we have built up in DVD-use object lenses in the next generation of pickup lenses. On the other hand, in the liquid crystal display (LCD) market, the shift to larger and higher definition displays for LCD TVs is supporting the market expansion of high performance products such as large LCD-use viewing angle expansion film. In addition to further raising the level of our film manufacturing technology and materials technology that we have so far fostered, we plan to expand production capacity. In micro lenses and microcamera modules, because global diffusion rates for mobile phones with built-in cameras are still low, we expect continued growth. In addition, application of these products will not be limited to mobile phones, but will expand into other areas such as PCs, security cameras and vehicles. Konica Minolta continues to maintain a high market share and popularity in the domestic market in the high pixel count segment, and it is working for full-fledged diffusion in overseas markets. In glass hard disk substrates, we have developed and established production of small diameter products in response to market growth that is being driven by the miniaturization of mobile-related equipment, and we are balancing this with existing products to develop the business.

Please explain the market environment and your strategies for the medical and healthcare segment.

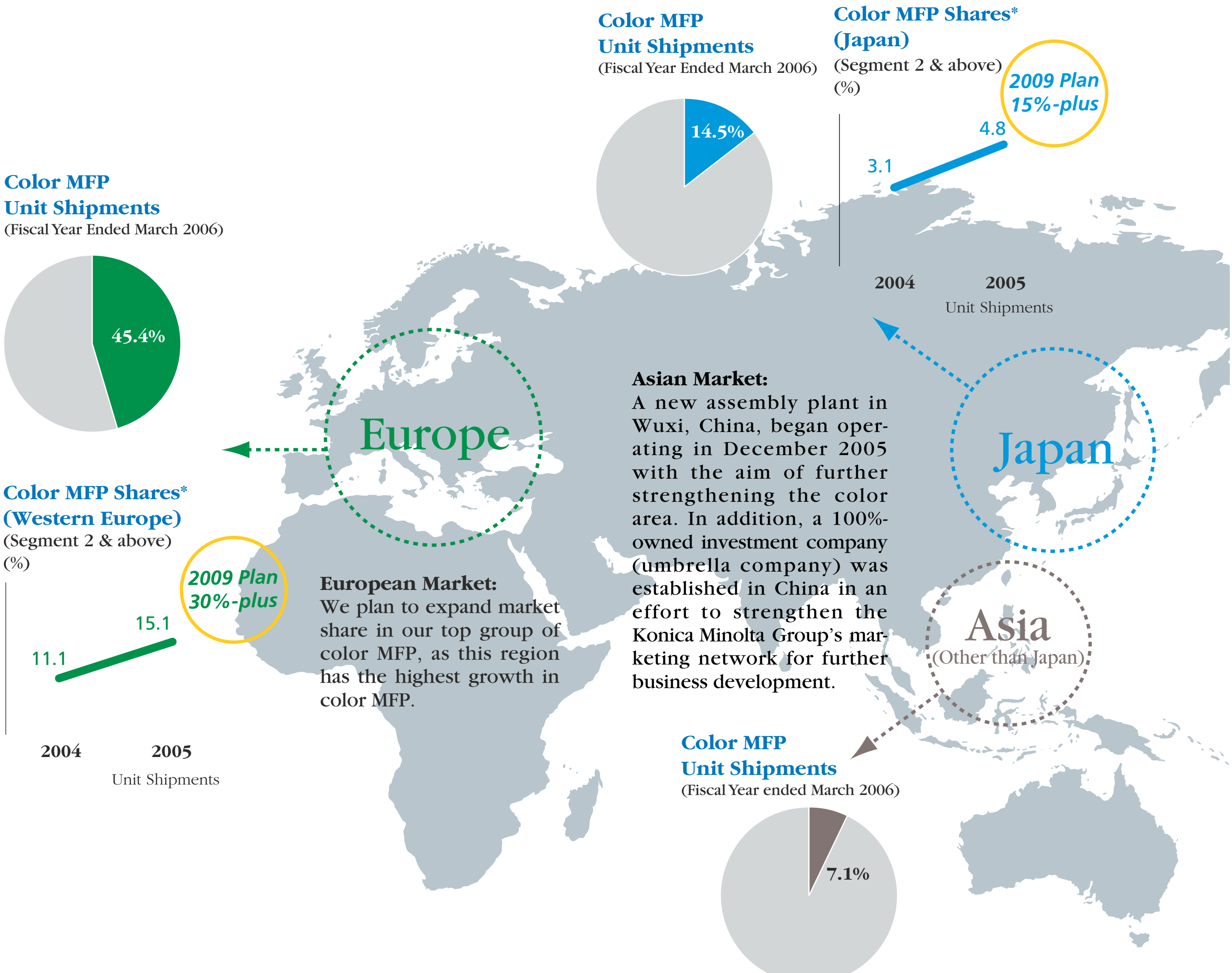
While the conversion to digital and networks is proceeding in the medical field centering on large hospitals given the strengthened collaboration between hospitals and clinics, this movement is broadening into the medical practioner market and the clinical market. In particular, Konica Minolta's X-ray digital image reader series has secured high market shares both in the domestic and overseas markets, and we plan to develop the medical practitioner and clinical markets through a strengthening of system development and a sales network for these markets. In addition, the shift to digital and networks in large hospitals is leading to increased diffusion of electronic medical charts, Picture Archiving and Communicating Systems (PACS) and the development of Radiology Information Systems (RIS). We plan to provide solutions in these areas through a combination of in-house development and alliances. In addition, we will strengthen the diagnostic product business such as contrast media for genetic diagnosis and Drug Delivery Systems (DDS). Overseas, on the other hand, we will emphasize such growth markets as China and Russia as we work to strengthen and expand our overseas business.





CHAPTER 05

Global Presence

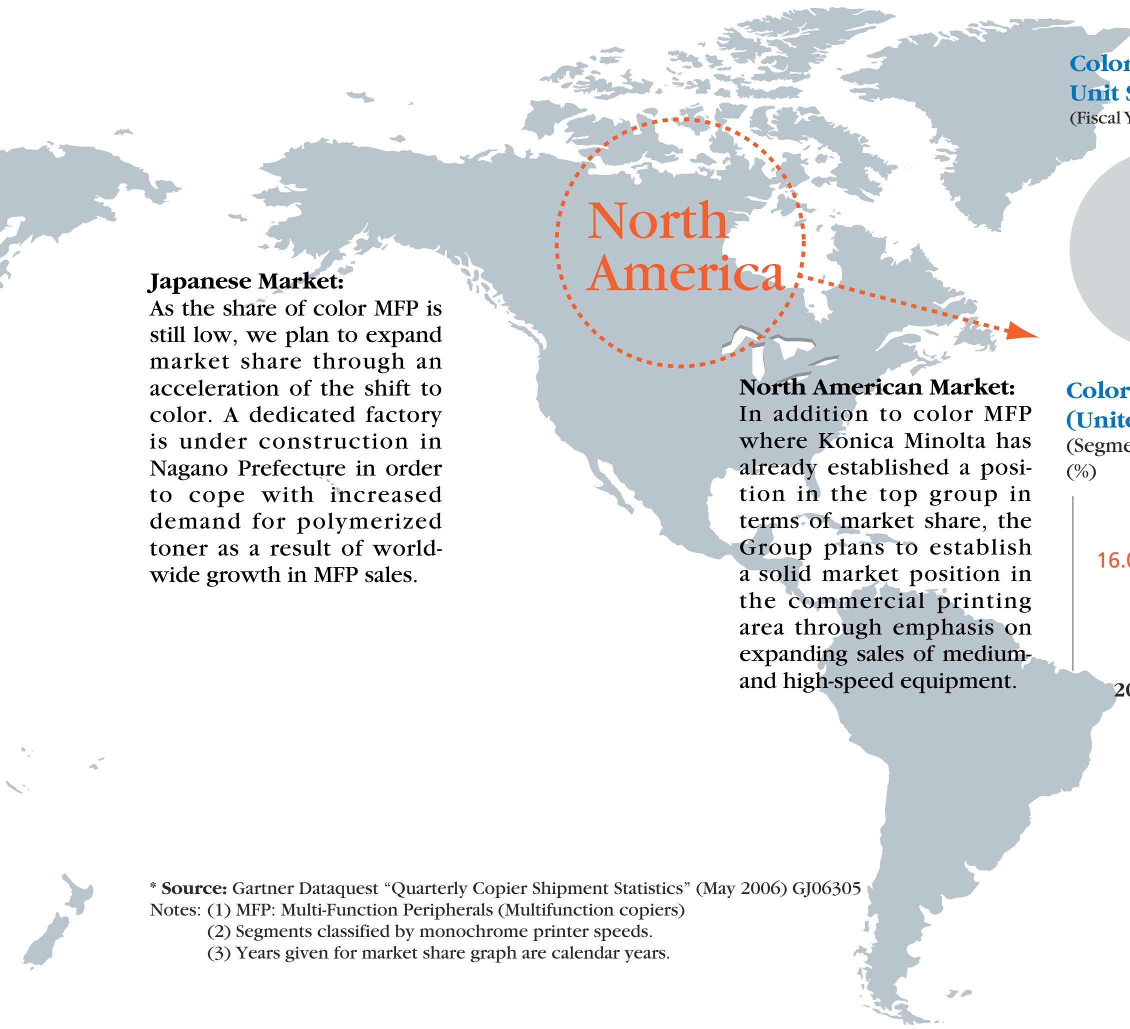


European Market:
We plan to expand market share in our top group of color MFP, as this region has the highest growth in color MFP.

Asian Market:
A new assembly plant in Wuxi, China, began operating in December 2005 with the aim of further strengthening the color area. In addition, a 100%-owned investment company (umbrella company) was established in China in an effort to strengthen the Konica Minolta Group's marketing network for further business development.

Please explain your capital expenditure strategy.

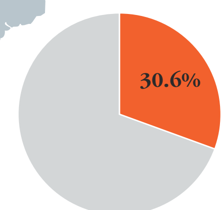
Our emphasis is on growth in the Business Technologies and Optics businesses. In Business Technologies, we plan to actively invest in software development and sales in particular in order to strengthen the solutions business. In the Optics business on the other hand, we plan to respond to growing demand for LCDs by investing in production line expansion.



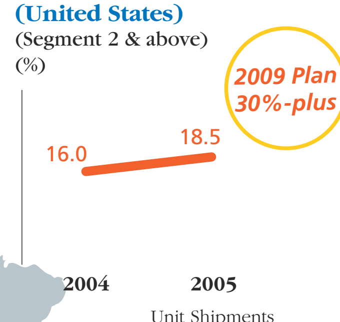
Japanese Market:
As the share of color MFP is still low, we plan to expand market share through an acceleration of the shift to color. A dedicated factory is under construction in Nagano Prefecture in order to cope with increased demand for polymerized toner as a result of worldwide growth in MFP sales.

North American Market:
In addition to color MFP where Konica Minolta has already established a position in the top group in terms of market share, the Group plans to establish a solid market position in the commercial printing area through emphasis on expanding sales of medium- and high-speed equipment.

Color MFP Unit Shipments
(Fiscal Year Ended March 2006)



Color MFP Shares* (United States)
(Segment 2 & above)
(%)



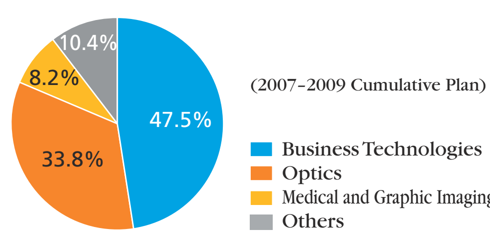
* **Source:** Gartner Dataquest "Quarterly Copier Shipment Statistics" (May 2006) GJ06305
Notes: (1) MFP: Multi-Function Peripherals (Multifunction copiers)
(2) Segments classified by monochrome printer speeds.
(3) Years given for market share graph are calendar years.

Capital Expenditure

(Billions of Yen)

Fiscal Years Ended March 31	2005 Actual	2006 Actual	2007–2009 Cumulative Plan
Business Technologies	24.3	28.8	95.5
Optics	14.4	21.8	68.0
Medical and Graphic Imaging	3.7	6.7	16.5
Photo Imaging	7.4	3.0	—
Others	6.7	7.3	21.0

Cumulative Capital Expenditure by Business Segment



CHAPTER 06

Issues

Please tell us the themes which you will be focusing on strengthening for the Group as a whole.

There are three areas: optimal utilization of Photo Imaging management resources; reengineering of product planning, commercialization and production processes; and solution development reorganization. In terms of the optimal utilization of Photo Imaging management resources, we plan to utilize our camera technologies in growing lens-related segments in the Optics business and to strengthen controller development technology in the Business Technologies business. In photosensitive materials technology, we plan to allocate resources to the development of chemical-based high performance material and thin film product applications. In addition, we have converted our camera factory in Shanghai into the production base for high precision optical units. In product planning, commercialization and production process reforms, in addition to accelerating product development and commercialization by reducing the time required for the process, we will at the same time promote internal production of major components and work to strengthen production technologies and procurement through supply chain management (SCM) restructuring. In solution development reorganization, we plan to build a global software development capability while at the same time strengthening our solution proposal capabilities and building a sales organization to support this capability.

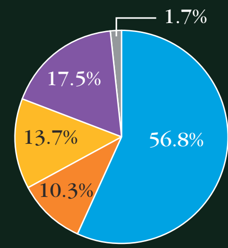
Please explain your philosophy regarding corporate governance.

We believe that strengthening corporate governance is an important management issue, and we aim to provide management that is both fair and highly visible. In particular, in terms of the separation of management oversight and execution, we converted to the committee-style governance system after the management integration, and outside directors now carefully monitor the activities of the Board of Directors. The system also functioned in our decision to exit the Photo Imaging business. As both Konica and Minolta have been continually involved in the camera and photo businesses from their establishment, the decision to exit was not an easy one. However, in addition to the Photo Imaging business being depressed over the last few years, we reached the decision after considering the opinions of investors and shareholders as well as the views of our outside directors. We believe that our attitude of emphasizing corporate governance played a big role in reaching this decision. In this regard, we believe we are a company where corporate governance actually functions. Moreover, for further details regarding our corporate governance initiatives, please refer to page 26 of this report.

AT A GLANCE

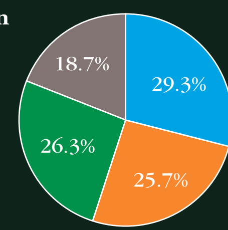
Sales Composition
(Fiscal Year Ended March 2006)

- Business Technologies
- Optics
- Medical and Graphic Imaging
- Photo Imaging
- Others



Net Sales by Geographical Region
(Fiscal Year Ended March 2006)

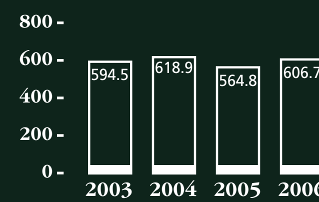
- Japan
- North America
- Europe
- Asia, Other



BUSINESS TECHNOLOGIES

Main Products:
MFPs, LBPs, facsimile machines, consumables, software, system solutions, service.

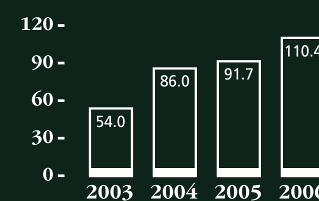
Net Sales
(Billions of Yen)



OPTICS

Main Products:
Optical pickup lenses, lens units, microcamera units, TAC film for LCD glass for HD substrates.

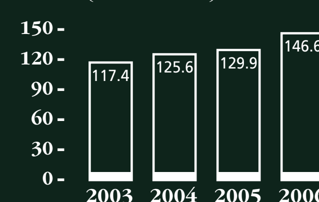
Net Sales
(Billions of Yen)



MEDICAL AND GRAPHIC IMAGING

Main Products:
X-ray image processing systems, X-ray film, contrast media for diagnostic purposes, digital color proofing systems, graphic film.

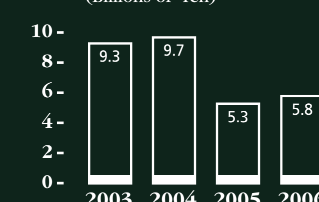
Net Sales
(Billions of Yen)



SENSING

Main Products:
3-D digitizers; color, light and temperature measuring instruments, medical measuring instruments.

Net Sales
(Billions of Yen)

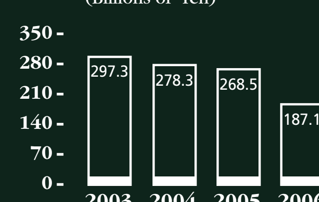


* New product categorization was adopted from the fiscal year ended March 2005. Under the previous categorization, March 2005 results were flat with the previous fiscal year.

PHOTO IMAGING

Main Products:
Digital cameras, film, photographic paper, inkjet media, ID photo system, minilabs.

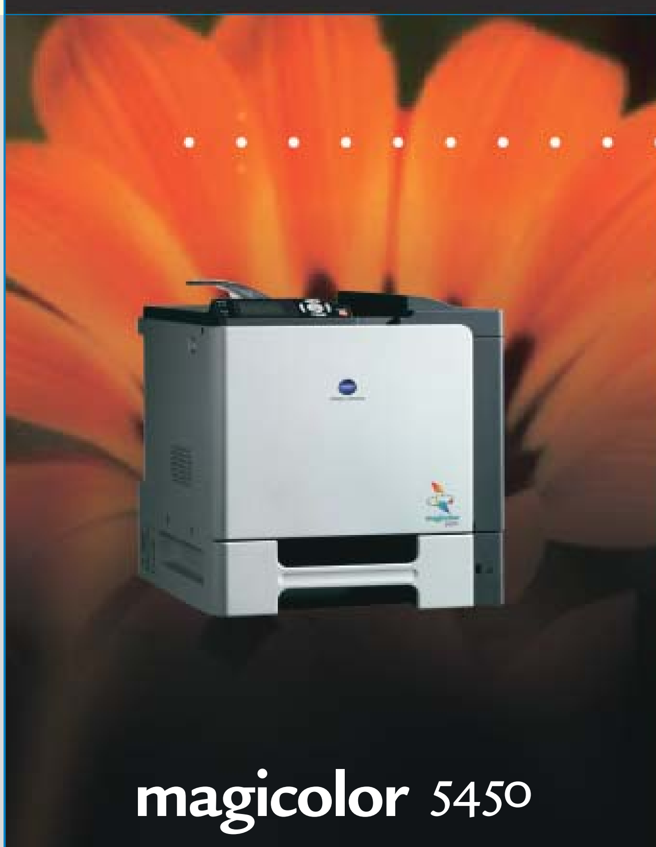
Net Sales
(Billions of Yen)



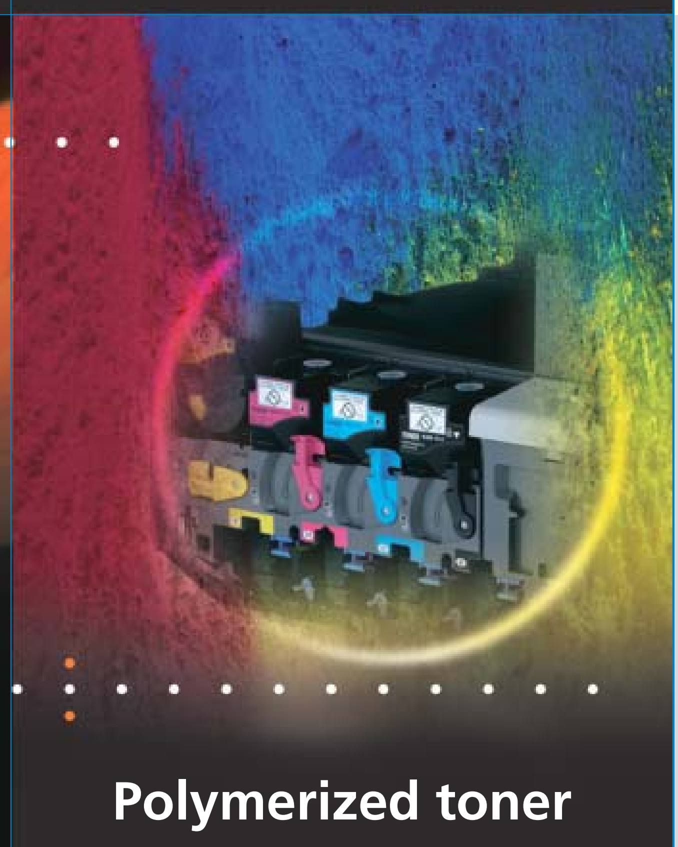
Note: Amounts prior to the fiscal year ended March 2004 are the aggregated totals of the prior two companies.

High speed, superior image quality and network compatibility make the **bizhub C450** MFP a key information processing office component.

The high speed digital MFP **bizhub PRO 920** is leading the on-demand age in the light production printing market.



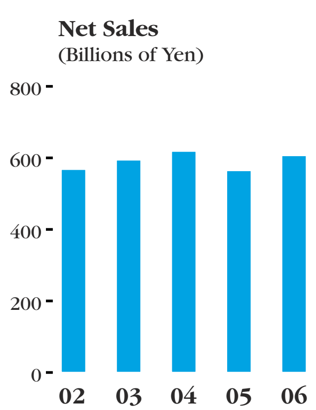
The high performance **magicolor 5450** color laser printer combines high speed polymerized toner and proprietary image processing technology to achieve a superior level of high image quality printing.

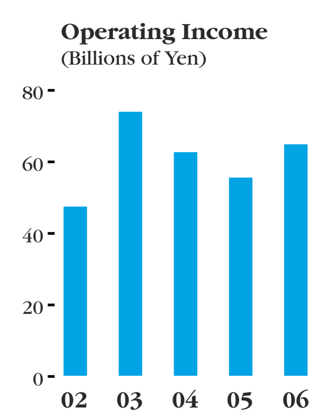


Polymerized toner is a revolutionary toner that leads the digital age in pursuing fine, uniformly sized particles to achieve outstanding image quality as well as high environmental performance in production processes.

BUSINESS TECHNOLOGIES

Akio Kitani
President
Konica Minolta Business Technologies, Inc.





In keeping with the policies of the "genre-top" strategy, the Group endeavored to expand sales in three key areas where growth is expected. As a result, segment sales recorded growth over the previous fiscal year.

For the year ended March 2006, the Group worked to expand its share of color and high speed product sales in the MFP business, particularly in the European and U.S. markets where high growth rates are expected.

Color MFP demand is expanding in Japan, the U.S. and the European regions, and four new models targeting the office segment were introduced as the Group worked to provide optimal solutions to meet customer needs for color documents. New products saw particularly strong sales on customer support for their high performance features such as high image quality, high productivity, high reliability and ease-of-use features, which were made possible by the industry's highest state-of-the-art polymerized toner and imaging technologies, as well as tandem engines.

As a result, color MFP unit sales recorded high growth over the previous fiscal year and resulted in a sharp increase in the ratio of color machines in segment 2 and above (products with output speeds of over 21 sheets per minute) products, which the Group has been emphasizing. In addition, market share is rising, and the Group has established a position in the top group in the U.S. and European markets, which the Group considers to be key markets.

On the other hand, the new "bizhub PRO 920" with output speed of 92 pages per minute was added to the Group's lineup in the medium- to high-speed segment of the monochrome MFP market where competition is intensifying. Further, concerning the light production printing segment where growth is expected from in-house printing divisions of large corporations, data centers and major franchise copy shops, the Group formed a specialty sales team and promoted strategic alliances with firms outside the Group in an effort to provide products and services with high quality and reliability. Unit sales in such high speed product areas were strong and recorded significantly higher sales than in the previous fiscal year.

As competition in the LBP market is intensifying for color products, the Group's marketing emphasis shifted from targeting sales in the SOHO segment that had been the main focus heretofore to general corporate users, and because of the shift in the target market, strengthened the product lineup in the high value-added high-speed segment as the Group's sales efforts shifted to an emphasis on expanding print volumes in order to enhance revenue from consumables.

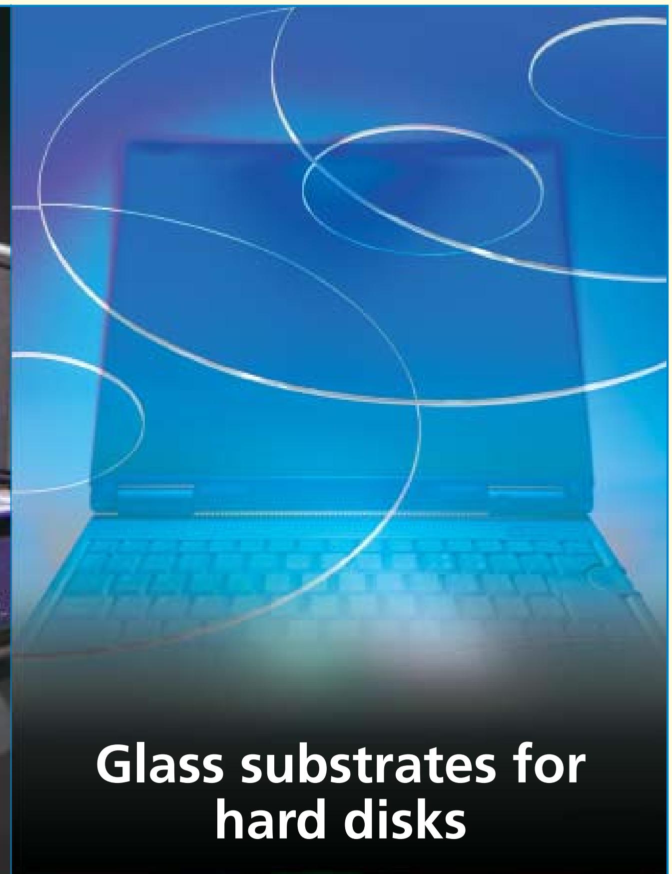
In the OEM business on the other hand, the Group began shipments of new products to major domestic and overseas LBP manufacturers in order to lay the groundwork for future business expansion.

In the color products area, a new equipment assembly factory built in Wuxi, China, began operating during the year. In polymerized toner, in addition to expanding capacity at existing facilities, construction began on a new specialty factory.

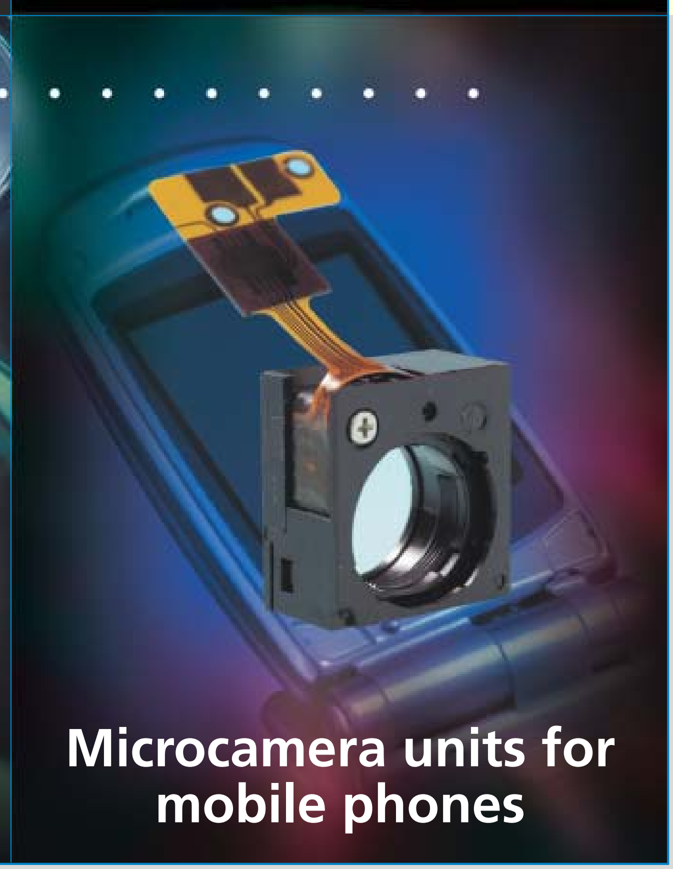
As a result of the above, consolidated sales for the Business Technologies business in the fiscal year ended March 2006 were ¥606.7 billion, while operating income was ¥65.1 billion.

TAC, film a key material for LCD polarizing plates, realizes superior membrane uniformity and stable product quality.

High density recording made possible through cutting edge materials development and precision fabrication technologies



A product of Konica Minolta's ultra precise technology, optical pickup lenses used in products such as CD, DVD, and MO drives command leading global market shares.

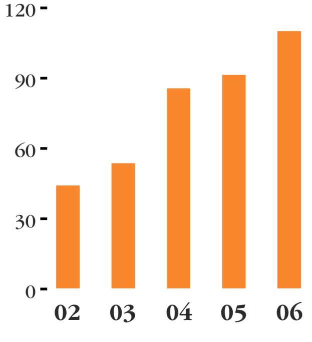


Containing proprietary piezoelectric actuators, microcamera units are ideal for a wide range of miniaturization applications.

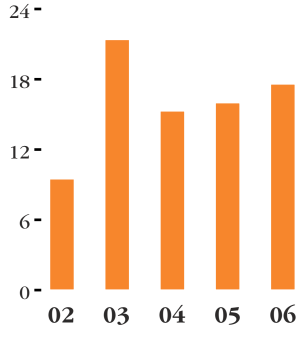
OPTICS

Takashi Matsumaru
President
Konica Minolta Opto, Inc.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Net sales and operating income for the Optics business increased over the previous fiscal year on sales growth of LCD-use TAC film, supported by diffusion of LCD TVs and growing demand for glass hard disk substrates.

For the fiscal year ended March 2006, the LCD-use TAC film business recorded high growth supported by expanding demand for LCD TVs. In particular, high performance products such as large LCD-use viewing angle expansion film, which the Group has been emphasizing as a growth area, helped to drive sales. In addition, in order to respond to the expansion in demand, the third production line was put into operation and construction began on the fourth production line.

In glass hard disk substrates, in addition to existing 2.5-inch substrates, favorable growth was seen in small diameter products for mobile equipment supported by growth in new applications such as notebook PCs and other portable digital home appliances with hard disk drives. As a result, sales recorded strong growth.

While the Group continued to maintain a high market share in the optical pickup market, sales were affected by customer inventory adjustments and unit price declines. Although sales volumes of lenses for recordable CD and DVD products increased, sales volumes of lenses other than object lenses decreased, which resulted in a decline in overall sales.

Going forward, in next-generation pickup lenses which are expected to be a major pillar of the optical pickup lens segment, technology development for both the Blu-ray disk (BD) and high definition (HD) DVD formats has been completed, and high-volume production lines for the new products will be in operation in the current fiscal year.

The expansion of sales for micro lens units for mobile phones with camera functions was supported by the provision of high value-added products such as the world's first lens unit with 5 mega pixel-compatible auto focus. In addition, microcamera module sales volume doubled from the previous fiscal year supported by full-fledged volume production mostly for overseas sales.

While sales of DSC-use lens units were flat with the previous year, sales of VCR-use lens units were strong especially for new products, stimulated by products compatible with high vision and hard disk drive-equipped VCR products.

Given the above, consolidated sales for the Optics business in the fiscal year ended March 2006 were ¥110.4 billion, while operating income was ¥17.6 billion.

Digital diagnosis through the world's first application of phase contrast technology in medical mammography imaging

Note: The product image shown is a Japan model. Appearance and product specifications may vary for other regions.

Phase Contrast Mammography System

A cassette-type direct digitizer with superior imaging characteristics for the digitization of X-ray images

REGIUS MODEL 190

Picture Archiving and Communication System and Radiology Information System

The report integration-type picture archiving communication system (PACS) and radiology information system (RIS) realize the integration of image information and medical charts.

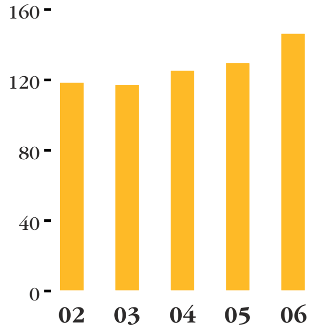
Digital Color Printer LD-5100

A high performance, low cost solution for on-demand high-speed digital color printing

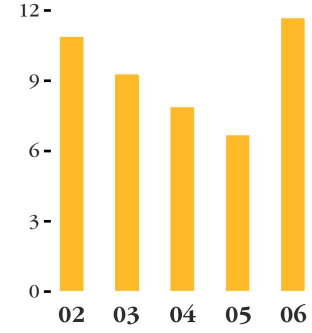
Medical and Graphic Imaging

Kiyofumi Tanida
President
Konica Minolta Medical & Graphic, Inc.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



In the medical segment, which saw progress in the shift to digital and networks, sales of digital related equipment and systems recorded growth, which resulted in revenue growth over the previous fiscal year.

For the fiscal year ended March 2006, the medical field saw an accelerating shift to digital and networks in on-site clinical and medical applications, particularly among large hospitals both in Japan and abroad. Given this trend, the Group worked to expand sales of digital related equipment and systems such as the X-ray digital image reader series, the recorded image output series and a network product series, which resulted in strong sales in Japan and overseas. In addition, film sales are shifting to dry film with digitization, which resulted in growing sales of dry film compatible with digital equipment.

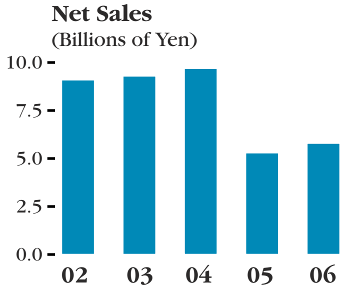
Furthermore, the Group emphasized sales of digital X-ray mammography systems (PCM systems) in response to the growing need for mammary cancer diagnosis as it worked to strengthen the digital image diagnosis area. As the PCM system is the first in the world to utilize phase contrast technology, and as the series consists of the industry's state-of-the-art digital imaging equipment such as a mammary X-ray mammography system and a digital imaging reading and output system, it is well regarded in the market and customer recognition of the product is growing.

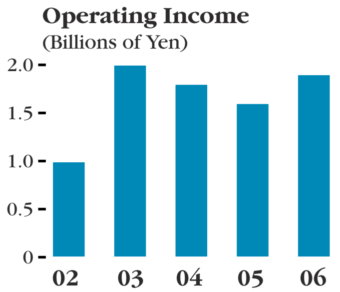
In the graphic imaging area, while sales centering on Asia increased, sales of the main film product declined in Europe and the U.S., which resulted in a slight decline in total unit sales amidst an accelerating shift in the domestic and overseas markets toward digitization of printing processes and film-less processing.

In order to shift the business structure in response to changes in the market environment such as digitization and the shift to film-less processing, the Group emphasized sales of digital color proofing systems, special proofing paper and digital equipment such as digital color printing equipment that is especially well suited for small lot printing. The Group maintained the top domestic market share in high-end digital color proofing systems, while favorable sales were recorded in Japan and overseas for light digital printing equipment. In addition, the Group acquired American Litho Inc., a major printing plate manufacturer in the U.S., in October 2005, and worked to expand the plate business (printing plates) centering on CTP, which is expected to become the pillar of a major new business for the Group.

As a result, consolidated sales for the Medical and Graphic Imaging business in the fiscal year ended March 2006 were ¥146.6 billion, and operating income was ¥11.7 billion.

Sensing





* New product categorization was adopted from the fiscal year ended March 2005. Under the previous categorization, March 2005 results were flat with the previous fiscal year.

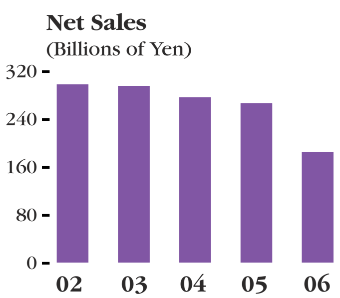
The main color measurement business is seeing strong demand from the automobile and flat panel display (FPD) industries, while the Group conducted product and applications development for 3-D digitizers.

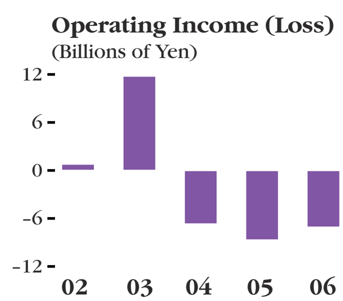
For the fiscal year ended March 2006, the main color measurement business saw strong growth in physical object spectrophotometers designed for the automobile industry, as well as light source measuring equipment for the FPD industry. In 3-D digitizers, which are a new business field that the Group is working to expand, management resources were concentrated in new product development and applications development as the Group worked to win new customers. Both Konica Minolta colorimeters and 3-D digitizers received high marks from customers for their high quality and reliability.

In addition, in medical measuring instruments, good volume growth was seen in pulse oximeters, which can measure the oxygen absorption level in the blood without taking a blood sample. As sleep apnea syndrome (SAS) has become a major issue, pulse oximeters are being well received by medical professionals.

Given the above, consolidated sales for the Sensing business in the fiscal year ended March 2006 were ¥5.8 billion, while operating income was ¥1.9 billion.

Photo Imaging





The Group has decided to exit the Photo Imaging business in phases by the end of September 2007.

At the end of March 2006, a portion of the camera production assets related to the development, design and production of digital single lens reflex (SLR) cameras was transferred to Sony Corporation. As a result, the Group ceased camera-related operations at the end of March 2006. In addition, minilab business activities were also discontinued as of the end of March 2006.

In the photo-related business (photosensitive materials) on the other hand, product types and production volume will be gradually reduced in preparation for a cessation of production activities by the end of March 2007, and the Group is scheduled to completely exit the business by the end of September of the same year.

In keeping with the decision to exit the business and preparations to cease business activities in this product area, consolidated sales for the Photo Imaging business for the fiscal year ended March 2006 were ¥187.1 billion, while the operating loss was ¥7.1 billion.

INKJET BUSINESS
(Inkjet Printer Heads and Textile Print Systems)

For the fiscal year ended March 2006, the inkjet printer head business, which was initiated as one facet of a program to develop and nurture new businesses in the components business was well received, and sales of printers using the Group's inkjet printer heads were strong. Moreover, these print heads were instrumental in the initiation of OEM supply to one of the world's largest printer manufacturers. Our ultra-precision heads for display manufacturing have also attracted a great deal of industry attention, and there has been a sharp increase in requests to supply samples.

In the textile print systems business, large format printers were introduced into the European market, where they were very well received, with business swiftly increasing. Beginning in Italy, sales in Europe have been expanded to include Spain and Eastern Europe.

Extremely high barriers to entry for the industrial-use inkjet heads in terms of technology that Konica Minolta is emphasizing puts the Group in a superior position. In addition, we have high revenue expectation given the abundant chemical knowledge that is supporting the Group's ink development and makes print heads and ink the two pillars of inkjet technology. The Group therefore intends to develop the market for inkjet applications in addition to building a high revenue base for the component's business.

"Nassenger V" Digital Inkjet Textile Print System

Utilizes Konica Minolta's proprietary technology to electro-mechanically modify piezo inkjet print heads that control ink ejection compatible with various types of inks, including solvent, oil-based and UV cutting inks allowing for high quality printing on wide textile materials

Corporate Social Responsibility (CSR)

Basic Philosophy

The Company believes that managing a corporation in a socially responsible manner is the essence of management itself. The underlying philosophy of the Konica Minolta Group is embodied in the management principles that were created when Konica and Minolta integrated their managements, which are the pursuit of "New Value Creation" and the practice of the "Konica Minolta Group Charter of Corporate Behavior", and these form the two cornerstones of Konica Minolta's CSR.

In the Group's "FORWARD08" medium-term management plan which was created to pave the way for a new growth phase, one basic philosophy is the "promotion of world-class CSR management". Within this philosophy, particular emphasis is on the slogan "to be a trusted corporation through the continual enhancement of corporate value by strengthening the Group's global development not only economically, but socially and environmentally as well". In order to achieve this, the Group is working to strengthen mutually trusting relationships across a broad spectrum of stakeholders, to strengthen product quality and environmental management, to practice Group governance and to strive for continuous improvement.

In strengthening the mutual trust relationships across a wide spectrum of stakeholders, the Group intends to continuously build trust through two-way communications with its stakeholders.

In terms of strengthening product quality and environmental management, we aim, through the provision of socially valuable products and services, to continuously enhance customer satisfaction while at the same time lowering the environmental burden.

In realizing and continually improving Group governance by strengthening the Group's internal control system including compliance, we aim to realize highly transparent management (for further details, please refer to page 26).

Environmental Activities

The Group places special emphasis on "prevention of global warming", "initiative towards a sound material-cycle society", and "minimization of chemical risks" in its environmental activities.

Prevention of Global Warming

Konica Minolta has established a goal to reduce total carbon dioxide emissions from all of its business activities and at the time of usage of products to 20% below fiscal 2000 levels by 2010.

Initiative Toward a Sound Material-Cycle Society

We believe that internal recycling is especially important. We aim to reduce the loss of global resources, reduce waste materials and reduce costs by repeatedly re-using trimmed waste materials and solvents used for production processes in the same plant.

Minimization of Chemical Risks

From the standpoints of environmental preservation, occupational safety and health, the Group comprehensively manages chemical substances. For harmful substances whose use is unavoidable at production sites, we have consistently planned for reductions in volumes used and emitted into the atmosphere, and we have achieved a 75% reduction in the volume of such air emission between fiscal years ended March 2000 and March 2005. In terms of products, we have completed the needed changes in order to become compliant with the European RoHS Directive (the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment).

Social Contribution

Konica Minolta is working as a corporate citizen to “contribute to society through environmental consideration and cultural development”, with the goal of realizing an abundant, healthy society. In order to accomplish this, Konica Minolta is actively making a social contribution through the support of culture and arts activities and the promotion of healthy lifestyles as well as environmental preservation.

Pink Ribbon Awareness Campaign

An increasing number of women are suffering and dying from breast cancer even in Japan. A major reason for this is limited knowledge about breast cancer and limited recognition of the potential risk. Breast cancer can be prevented through broader knowledge and awareness, and the Pink Ribbon Awareness Campaign is an effort to promote the importance of the early detection, diagnosis and treatment of breast cancer. As the Group also seeks the eradication of breast cancer, it supports the Pink Ribbon Awareness Campaign.

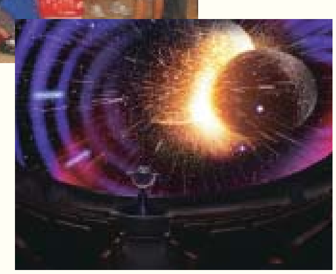
Mobile Planetarium

Planetariums allow people to enjoy the starry array of a clear night sky which is seldom visible in big cities. Since we completed the first planetarium in 1958, the Group has provided “a dream world of starry skies and outer space” to many people throughout the world for approximately half a century.

In addition, by using Konica Minolta’s mobile planetariums, events can be held in various regions to Japan that provide the experience of star viewing. In the fiscal year ended March 2006, approximately 10,000 people were able to enjoy this experience.

Support for Pink Ribbon Awareness Campaign
Konica Minolta supports the global movement to eliminate the tragedy of breast cancer, and in Japan supports the Pink Ribbon Awareness Campaign to raise awareness of the importance of early detection, diagnosis and treatment of breast cancer

Pink Ribbon



Mobile Planetarium
Small, mobile planetariums with computer graphics provide exciting outer space visual displays and space-related stories

Corporate Governance

Konica Minolta recognizes that strengthened corporate governance is a key management issue and is working to clarify the functional separation of management supervision and management execution, while at the same time working to strengthen the functioning of each to achieve fair and highly transparent management.

The separation of the executive and supervisory functions is accomplished by a committee-based governance structure that includes an Audit Committee, a Nominating Committee and a Compensation Committee that are part of the Board of Directors, through which the Group is working to enhance transparency and fairness, while at the same time working to speed up the decision making process.

The supervisory function of the board is ensured because the majority of the board members are non-executive directors. A total of seven individuals out of thirteen board members are directors without executive functions, including four outside directors, two directors that serve as committee members, and one director that serves as chairman of the board. The other six board members hold executive positions that serve as the president and CEO, and executive officers respectively in charge of corporate strategy, accounting and finance, compliance, technology strategy, and the Group's largest business company.

In addition, outside directors chair each committee. Moreover, as the president and CEO does not belong to any committee, we believe this provides for a very advanced and highly transparent governance structure.

The Nominating Committee is responsible for the selection of new director candidates based on predetermined selection standards and reviews the process and reasons for the selection of executive officers before candidates are voted on by the Board of Directors. Moreover, the criteria for the selection of outside directors include that the candidates have a track record and insights into their respective fields of expertise, are strongly independent, have no important business relationships with the Group and are able to devote sufficient time in performing their duties as a board director and a committee member.

The Compensation Committee determines policies regarding compensation decisions, and based on these policies, determines monetary and other compensation for directors and executive officers. The aim of the directors' compensation system is to increase the motivation for directors to strive for the continuous medium- and long-term improvement of Group performance in line with management policies to meet shareholder expectations, and in addition to aim at maintaining a continuously high level of capable director talent even when compared to other companies in the same industry, thereby maximizing the value of the Group as a whole. Director compensation packages consist of a "fixed compensation" component and long-term incentives in the form of "stock remuneration type stock options" (outside directors receive only "fixed compensation"), while executive officer compensation packages consist of a "fixed compensation" component, "performance-based compensation" as a short-term incentive and "stock remuneration type stock options" as a long-term incentive.

The Audit Committee supervises executive management decisions and where necessary advises corrective measures in reviewing the applicability and appropriateness of internal control systems, in addition to strictly reviewing the Group's independent auditors.

In order to strengthen internal controls, a Corporate Audit Division, a Risk Management Committee and a Compliance Committee have been established. The executive officers supervising these organizations report on the status of their activities to the Audit Committee.

As the Corporate Audit Division is in charge of internal audits of the Group, the division evaluates and improves the status of operations for the Group's business activities as a whole to determine what is both legitimate and rational.

The Risk Management Committee is responsible for managing the various risks inherent in the Group's business activities, and an executive officer designated by the Board of Directors is responsible for maintaining the Group's risk management system.

The Compliance Committee is tasked with ensuring that legal, corporate code of ethics and company regulations are observed, and an executive officer designated by the Board of Directors is responsible for maintaining the Group's compliance system. The Group has already established the "Konica Minolta Group Charter of Corporate Behavior" and has created compliance guidelines called the "Konica Minolta Group Compliance Guidelines". In addition, a compliance help line has been established as a contact point for consultations regarding compliance for the entire Group.

Through such initiatives, Konica Minolta is working to implement a highly transparent governance system that enhances corporate value.

Contents

Consolidated Financial Review

Scope of Consolidated Financial Statements

The Konica Minolta Group comprises Konica Minolta Holdings, Inc. and its 124 subsidiaries, 30 unconsolidated subsidiaries and 11 affiliated companies.

The business segments of the Group are organized and segmented by type of product and the markets in which these products are sold. These five segments are: Business Technologies, Optics, Photo Imaging, Medical and Graphic Imaging and Other Businesses.

In addition, the Group decided to exit the Photo Imaging business in stages by the end of September 2007.

Consolidated Business Results

Consolidated Net Sales

Consolidated sales for the fiscal year ended March 31, 2006 reflected the decision to exit the Photo Imaging business and increased ¥0.9 billion over the previous fiscal year to ¥1,068.4 billion. However, strong business performance was recorded in the main three business segments of Business Technologies, Optics and Medical and Graphics Imaging, which recorded an increase of ¥77.3 billion over the previous fiscal year.

Cost of Sales, Selling, General and Administrative Expenses

The cost of sales for the fiscal year was ¥575.2 billion, reflecting in a shrinkage in the Photo Imaging segment, a change in business structure from growth in other segments and the effects of cost reductions. As a result, gross profit was ¥493.2 billion and the gross profit margin was 46%, which represented a 2 percentage point improvement over the previous fiscal year.

Selling, general and administrative expenses increased ¥7.7 billion over the previous fiscal year to ¥409.8 billion. In addition to a ¥6.7 billion increase owing to the effects of a weaker yen, research and development expenses for new product development in the Group's three major business segments were also a factor.

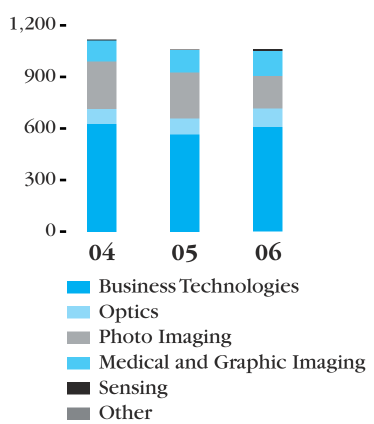
Research and Development Expenses

Total research and development expenditures were ¥67.2 billion. In Business Technologies, R&D expenses primarily for software and applications for the provision of total network solutions were ¥38.1 billion, which was higher than in the previous fiscal year. In Optics, R&D expenses centering on next generation pickup lenses and LCD-use film were ¥8.9 billion and higher than in the previous fiscal year. In Medical & Graphic Imaging, R&D expenses primarily for high resolution X-ray input/output equipment and development of software for internal hospital networks were ¥8.5 billion and higher than in the previous fiscal year.

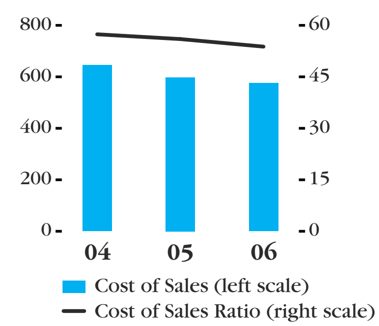
Segment Information

Sales in Business Technologies rose 7.4% year-on-year to ¥606.7 billion and operating income increased 16.6% year-on-year to ¥65.1 billion. The main reasons for the increases were strong sales growth from the introduction of new color MFP products, where demand is

Net Sales
(Billions of Yen)



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



expanding in the major regions of Japan, the U.S. and Europe, in addition to sales growth in light production printing domains such as in-house printing divisions of large corporations, data centers and large scale franchise copy shops. On the other hand, LBP sales and earnings declined year-on-year reflecting more intense price competition.

Optics segment sales increased 20.4% year-on-year to ¥110.4 billion, while operating income also increased 10.0% year-on-year to ¥17.6 billion. The segment total reflected growth in LCD-use TAC film sales as a result of the diffusion of LCD TVs, as well as strong growth in glass hard disk substrates for notebook PCs and digital home appliances. As a result, both sales and operating income recorded growth for the fiscal year.

Medical and Graphic Imaging sales grew 12.9% year-on-year to ¥146.6 billion and operating income increased 75.6% year-on-year to ¥11.7 billion. Growth here was supported by strong sales of X-ray digital input/output equipment and dry film for such digital equipment owing to the growing shift to digitization and networking in Japan and overseas markets. In the graphic imaging area on the other hand, the digitization of printing processes is accelerating the shift to film-less processes. Sales limited to a slight decline from the previous fiscal year and operating income increased year-on-year particularly as the result of a special emphasis on film sales in the Asian region.

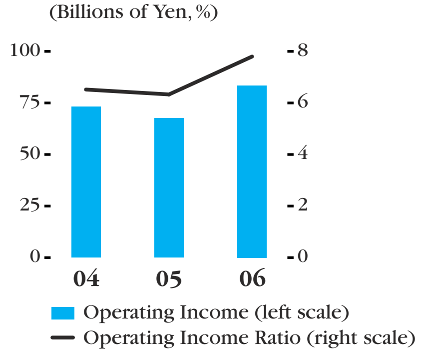
Photo Imaging sales reflected the Group's decision in January 2006 to exit the business and preparations for this exit in each related product area. As a result, sales for the segment declined 30.3% year-on-year to ¥187.1 billion and the operating in loss was ¥7.1 billion, which represents a ¥1.5 billion improvement over the previous fiscal year.

Earnings Analysis

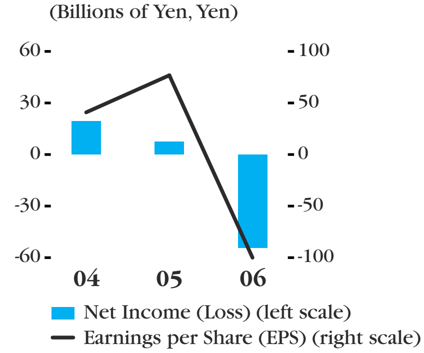
As explained above, while earnings were impacted by the decision to exit the Photo Imaging business, this was covered by revenue and earnings growth in other businesses. As a result, operating income for the fiscal year ended March 31, 2006 increased 23.4% year-on-year to ¥83.4 billion.

Net other expenses (income) deteriorated ¥87.2 billion from the previous fiscal year to ¥119.4 billion. The major reasons for this were the decision to exit the Photo Imaging business and related business withdrawal costs, and collective liquidation expenses for obligations incurred as a result of the management integration, including special retirement allowances under the special retirement transition assistance program. Earnings contributors included foreign exchange gains of ¥5.4 billion due to a weaker yen and a gain of ¥1.5 billion on the sale of investment securities. In addition, foreign exchange gains of ¥0.7 billion were recorded in the previous fiscal year. In terms of factors detracting from earnings, special losses related to discontinud operations

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



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



were ¥96.6 billion, including goodwill amortization of ¥2.4 billion and special retirement payments of ¥6.5 billion. A loss of ¥2.5 billion was also recorded related to the equity in investment losses arising from the decision to exit the Photo Imaging business. Moreover, interest paid declined owing to a reduction in interest-bearing debt.

As a result of the above, a loss before income taxes and minority interests of ¥35.9 billion was recorded for income before taxes, while the net loss for the period was ¥54.3 billion. The net loss per share of common stock was ¥102.29, while ROE was minus 17.1%.

Liquidity and Financial Position

Total Assets, Liabilities and Shareholders' Equity

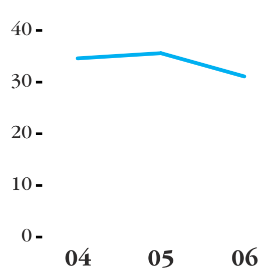
Total assets at the end of the period were ¥944.1 billion and ¥11.5 billion lower than at the end of the previous fiscal year. In current assets, cash and cash equivalents rose ¥21.5 billion as the result of preparations for the exit from the Photo Imaging business. On the other hand, inventories declined by ¥28.1 billion due to inventory liquidations as a result of the decision to exit the Photo Imaging business.

Total impairment losses of ¥32.8 billion were recorded mainly in relation to the decision to exit the Photo Imaging business. On the other hand, there were active capital expenditures in the Business Technologies and Optics segments. In addition, a ¥7.4 billion charge was made for consolidation goodwill including ¥2.4 billion one-time amortization of goodwill arising from the prior management integration. In investments and other assets, investment securities increased ¥4.3 billion reflecting a rise in the current value of stocks held.

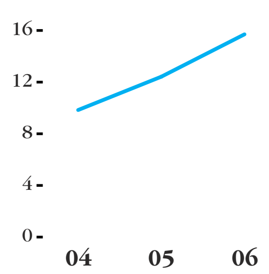
Under liabilities, interest-bearing debt declined ¥9.8 billion to ¥236.6 billion compared to the end of the previous fiscal year. Short-term debt declined ¥21.8 billion, and outstanding corporate bonds declined ¥8.2 billion from the end of the previous fiscal year as the result of efforts to promote redemption. On the other hand, long-term debt including that portion due within one year increased ¥20.3 billion. This increase reflected a shift from short-term debt to long-term debt as a strategy for future proactive investments. In addition, the decision to exit the Photo Imaging business resulted in the recognition of ¥58.1 billion in reserves for discontinued operations as well as special retirement payments of ¥6.5 billion under a special outplacement program that were recorded under other current liabilities.

In shareholders' equity, as net loss for the period was ¥54.3 billion, retained earnings declined ¥59.4 billion from the end of the previous fiscal year. On the other hand, unrealized gains on securities increased ¥5.4 billion as a result of higher stock prices, while the foreign currency translation adjustment account improved ¥8.2 billion because of the weaker yen at the end of the period. As a result of the above, shareholders' equity declined ¥45.9 billion from the end of the previous fiscal year, while shareholders' equity ratio declined 4.5 percentage points to 31.1%.

Equity Ratio
(%)



Interest Coverage Ratio
(times)



Capital Expenditure, Depreciation and Amortization

Capital expenditure increased ¥11.1 billion year-on-year to ¥67.6 billion

Business Technologies-related capital expenditure was ¥28.8 billion and included the construction of an equipment assembly plant in Wuxi, China, construction of a new polymerized toner plant and purchases of dies for new products. Optics-related capital expenditures were ¥21.8 billion and included the expansion of the manufacturing line for the Group's third TAC film plant. Medical and Graphic Imaging-related expenditure was ¥6.7 billion and included the acquisition of American Litho Inc., a major U.S. plate manufacturer, as part of efforts for an early expansion in the plate business. In Photo Imaging, capital expenditure declined 59.6% year-on-year to ¥3.0 billion reflecting the decision to exit the business.

Cash Flows

Net cash provided by operating activities in the fiscal year was ¥78.9 billion. While the loss before income taxes and minority interests was ¥35.9 billion, cash was provided by recorded losses of ¥96.6 billion related to the decision to exit the Photo Imaging business, depreciation expenses, impairment losses and amortization of consolidation goodwill that did not involve the use of cash.

Net cash used in investing activities was ¥43.1 billion, largely as the result of purchases of property, plant and equipment. Property, plant and equipment expenditures included investment in dies mainly for new products, and production capacity expansion for the assembly of business technology equipment, polymerized toner, aspherical plastic object lenses for optical disks and LCD-use TAC film.

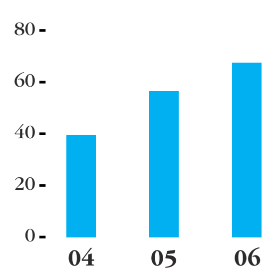
Net cash used in financing activities was ¥16.9 billion, mainly reflecting efforts to further reduce interest-bearing debt, centering on the redemption of corporate bonds.

Future Financial Strategies

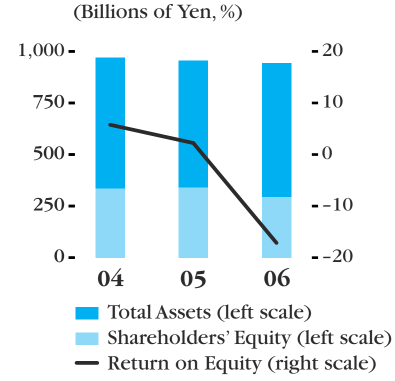
In making a new start, the Group has created a new medium-term management plan called **FORWARD08** that covers the three fiscal years beginning from April 2006 and is aimed at winning the global competition and achieving sustainable growth. **FORWARD08** sets the future direction for the Group's businesses, clarifies priority issues, and through its unfailing execution, the Group aims to provide for the expanding value of new businesses and a maximization of the Group's corporate value.

The financial strategies in order to achieve this place first priority on increasing sales as a means of creating cash, and includes the reduction of interest-bearing debt which was ¥236.6 billion at the end of the fiscal year under review to less than ¥200 billion. On the other hand, short-term debt has been shifted to long-term debt as a countermeasure for rising interest rates, and in order to provide for proactive investment in growth areas, while the Group also plans to increase its shareholders' equity ratio which has temporarily declined as a result of losses recorded because of the decision to exit the Photo Imaging business.

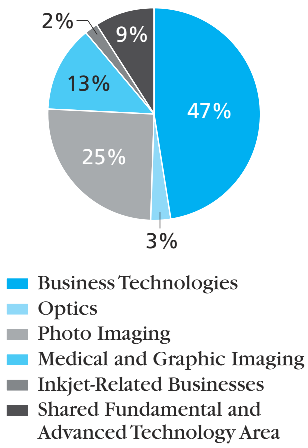
Capital Expenditure
(Billions of Yen)



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



Japanese Patents Held by Business Segment



1. R&D Segments and Intellectual Property Strategy Direction

The Konica Minolta Group is working to strengthen its intellectual property assets in its core Business Technologies business and in its strategic Optics business. As a result, the share of both businesses in terms of the Group's total patent applications is approximately 50%. In addition, both of these businesses accounted for approximately 50% of a total 6,163 Japanese patents held as of March 31, 2005.

2. Analysis of Technology Market Potential and Competitive Advantage

In Business Technologies, the Group has industry-leading product competitiveness in color MFP and color LBP where market expansion is accelerating based on the strength of polymerized toners featuring uniform, small diameter particles produced by a proprietary manufacturing method, as well as high quality image processing technology.

Moreover, in MFP for production printing, the Group is leveraging advanced paper handling technology, printing workflow and color management know-how to establish a solid market position.

In Optics, the Group has build a strong market position as a major manufacturer with global scale and strong product positioning supported by strong technological competitiveness in TAC film used to protect polarizing plates, and aspherical plastic object lenses and other that are the products of proprietary optical as well as nano fabrication technologies.

3. R&D, Intellectual Property Organization, Collaboration and Alliances

While each business company in the Konica Minolta Group has its own R&D organization and conducts its own development of products in existing businesses, Konica Minolta Technology Center, Inc. functions to provide research and development for the Group as a whole in deeply cultivating and advancing shared basic technologies as well as leading-edge technologies.

The Intellectual Property Center is part of the Konica Minolta Technology Center and is responsible for creating the Group's intellectual property strategy as well as collaborating closely with each business company to promote intellectual property activities in functioning as a horizontal intellectual property link for the Group.

In addition, Intellectual Property Center liaison personnel are assigned to respective bases in Japan and China to provide close collaboration in research and development activities in globally promoting the intellectual property strategies of the Group and the respective business companies.

4. Acquisition and Management of Intellectual Property, Trade Secrets Management and Policies to Prevent Technology Leakage

Recognizing the importance of intellectual property as a management resource, the Group has created Group-wide policies for intellectual property management and is actively promoting effective asset formation and the effective use of intellectual property rights in each of its businesses.

In addition, the Group has created clear guidelines regarding inventor rights and other issues concerning the effective use of these assets in the form of "Regulations for the Management of Industrial Property Rights" and in "Regulations for Industrial Property Right Awards", which govern the Group's acquisition and management of intellectual property rights. These regulations abolish upper caps on compensatory payment and provide for a system that allows the inventor to receive a lump sum compensatory payment when the patent is filed in order to provide even greater incentive for employee inventions.

In terms of trade secret management and technology security, in line with, the basic policies as outlined in the "Konica Minolta Group Compliance Guidelines" "Standards for the Management of Confidential Information" have been created by each business company and form the basis for efforts to educate employees to raise awareness, and these guidelines are being thoroughly applied through operational audits of each organization. Through such efforts, the Group is working to ensure that confidential information is being appropriately managed and to prevent the inadvertent leakage of confidential information.

5. Business Contribution of Licensing-Related Activities

The Group is effectively utilizing the large number of intellectual property rights it holds to ensure product differentiation and competitive advantage, and thereby ensure business profitability in each related business. On the other hand, in business domains where the technology is becoming increasingly sophisticated and complicated, the Group is pursuing a strategy of cross-licensing in order to acquire needed technology from other companies to ensure sustainable growth for the business and a degree of freedom in R&D.

6. Patent Portfolio Contributions to Business

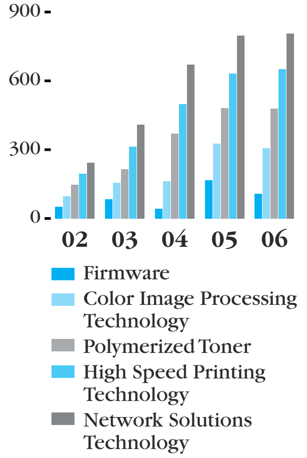
The Group's actively files patents for the R&D accomplishments of each business area, as it believes that assuring patent superiority is basis for business contribution. In order to ensure patent superiority, the Group specifies priority technology domains and areas to drive business expansion and the Group's "genre-top" strategy. Efforts in these designated domains and areas are not limited to systematic and concentrated patent applications. The Group is also seeking business contribution through the selection of foreign countries in which patent applications will be made and early patent right conversion will be promoted.

Trend in Disclosed Patents in Japan and U.S. Patents Granted

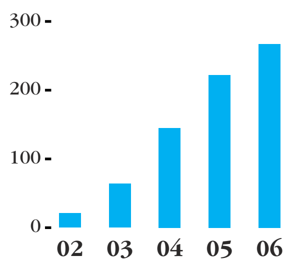
		2003	2004	2005
Disclosed Patents in Japan	Patents (Number)	4,107	4,417	4,268
	Ranking (Est.)	12	12	12
U.S. Patents Granted	Patents (Number)	380	404	316
	Ranking (Est.)	55	50	56

Notes: (1) Aggregate Japan publicly disclosed patents held by the prior Konica and Minolta companies based data published in Diamond Co., Ltd.'s "IP & Technology 2004-4" publication.
The rankings for the number of U.S. patents granted are the aggregated totals of the prior Konica, Minolta and Group companies, based on data compiled by the Intellectual Property Owners Association (http://www.ipo.org/).
(2) Years in the table refer to calendar years.

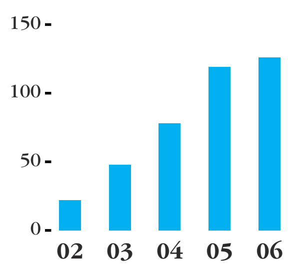
Cumulative Disclosed Japanese Patents in Key Areas
(Number of patents)
(From the fiscal year ended March, 2002)



Cumulative Disclosed Japanese Patents in Optical Pickup Lenses Including Next-Generation Pickup Lensess
(Number of patents)
(From the fiscal year ended March, 2002)



Trend in Disclosed Japanese Patents in the Medical Fields
(Number of patents)
(From the fiscal year ended March, 2002)



(1) Business Technologies

The Group has particularly high market shares in the color MFP and color LBP domains, and going forward it will continue promoting technologies and product development to further solidify its business base.

Priority Areas

1) Shared firmware:
Establish a broadly based lineup of low-speed to high-speed products.

2) Color image processing technology:
Achieve high image quality

3) Polymerized toner:
Achieve the industry's most advanced toner in terms of small diameter and uniformity, and achieve high resolution and image quality at a low cost

4) High speed printing technologies:
Achieve printing speeds and processing capacity on par with printing equipment, develop the ability to provide diverse finishing capability up to final binding and build an on-demand printing system that can respond to the varied demands of the printing business

5) Network solution technologies:
Achieve the ability to provide customers with abundant functionality, including optimized work flow, networking, security and verification.

(2) Optics

In Optics, the Group's products in the optical lens field are already highly respected in the market place, and concentrated efforts are under-way to acquire patents in order to establish greater patent superiority, thereby contributing to the business by providing greater stability. In the DVD/CD compatible pickup lens area, the Group has many domestic and overseas patents covering the main technologies, including patents for diffraction-type object pickup lenses that can record and play back two types of optical disks. In addition, the Group is also emphasizing the accumulation of patent applications for next-generation blue laser pickup lenses where future expectations are high.

(3) Medical and Graphic Imaging

In the medical field, the emphasis is on patent applications for key items of future medical systems such as digital image input/output equipment and network systems as a means of maintaining patent superiority and contributing to the business.

In the CTP printing plate field, we are actively applying for patents with an eye on market expansion.

Moreover, we have emphasized overseas patent applications over the past several years in response to the overseas development of the business.

7. Intellectual Property Portfolio Policies

The Group considers its two core business domains of Business Technologies and Optics to be its priority response domains for intellectual property. In terms of priority responses, the Group is not only working to increase the number of patent applications but is also conducting research on leading-edge technologies before patent applications are made and is proactively collaborating with engineers in the R&D division in order to improve quality. While the Group believes this emphasis on quality means that a certain decline in the number of applications is unavoidable, it will nevertheless work to increase the number of patent applications in priority domains after ensuring that quality is enhanced.

In addition, in keeping with the globalization of its business, the Group will continue to emphasize overseas patent applications. While the current emphasis is on patent applications in the U.S., the Group will be placing even more importance going forward on the U.S. as the most important target for patent applications. In addition, given the growing importance of China as a production base and the rapid expansion of the market, the Group is working to ensure that a specific number of patent applications in China are made in key business domains and is promoting the acquisition of effective patent rights.

8. Risk Response

As of the date of this report, the Group was not involved in any intellectual property disputes or litigation that could have a material impact on the management of the Group.

Consolidated Balance Sheets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Assets			
Current Assets:			
Cash on hand and in banks (Note 4)	¥ 80,878	¥ 59,330	$ 688,499
Notes and accounts receivable—trade	246,264	243,098	2,096,399
Marketable securities (Note 5)	—	155	—
Inventories	149,428	177,505	1,272,052
Deferred tax assets (Note 7)	43,242	37,850	368,111
Other accounts receivable	10,048	12,845	85,537
Other current assets	19,681	20,045	167,541
Allowance for doubtful accounts	(9,393)	(8,102)	(79,961)
Total current assets	540,152	542,728	4,598,212
Property, Plant and Equipment:			
Buildings and structures	171,000	175,734	1,455,691
Machinery and equipment	245,502	252,222	2,089,912
Tools and furniture	140,494	145,089	1,195,999
Land	35,871	36,374	305,363
Construction in progress	13,128	7,672	111,756
Rental business-use assets	71,008	61,868	604,478
	677,005	678,961	5,763,216
Accumulated depreciation	(460,877)	(456,344)	(3,923,359)
	216,127	222,617	1,839,848
Intangible Fixed Assets;			
Consolidation goodwill	80,789	88,212	687,742
Other intangible fixed assets	22,694	21,413	193,190
	103,483	109,625	880,931
Investments and Other Assets;			
Investment securities (Note 5)	37,459	33,194	318,881
Long-term loans	1,051	1,442	8,947
Long-term prepaid expenses	4,462	5,257	37,984
Deferred tax assets (Note 7)	29,135	27,049	248,021
Other	13,328	15,163	113,459
Allowance for doubtful accounts	(1,146)	(1,536)	(9,756)
	84,291	80,570	717,553
Total assets	¥944,054	¥955,542	$8,036,554

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term debt (Note 6)	¥135,362	¥157,174	$1,152,311
Current portion of long-term debt (Note 6)	22,123	24,483	188,329
Notes and accounts payable—trade	117,974	138,074	1,004,290
Accrued expenses	77,044	75,958	655,861
Accrued income taxes (Note 7)	8,778	18,838	74,725
Reserve for discontinued operations (Note 12)	58,078	—	494,407
Other current liabilities	57,196	45,517	486,899
Total current liabilities	476,559	460,047	4,056,857
Long-Term Liabilities:			
Long-term debt (Note 6)	79,075	64,688	673,151
Accrued retirement benefits (Note 14)	64,869	63,044	552,218
Accrued retirement benefits for directors and statutory auditors	442	1,189	3,763
Deferred tax liabilities on land revaluation (Note 7)	4,042	3,926	34,409
Other long-term liabilities	22,493	21,196	191,479
Total long-term liabilities	170,924	154,044	1,455,044
Minority Interest	2,753	1,720	23,436
Shareholders' Equity (Note 9, 17):			
Common stock:			
Authorized—1,200,000,000 shares in 2006 and 2005			
Issued—531,664,337 shares in 2006 and 2005	37,519	37,519	319,392
Additional paid-in capital	226,069	226,069	1,924,483
Less: Treasury stock, at cost; Common stock, 825,124 shares in 2006 and 719,416 shares in 2005	(915)	(791)	(7,789)
Retained earnings	20,088	79,491	171,005
Unrealized gains on securities	10,180	4,780	86,660
Foreign currency translation adjustments	875	(7,339)	7,449
Total shareholders' equity	293,817	339,729	2,501,209
Commitments and Contingent Liabilities (Note 10)			
Total liabilities and shareholders' equity	¥944,054	¥955,542	$8,036,554

CONSOLIDATED STATEMENTS OF INCOME

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Net Sales	¥1,068,390	¥1,067,447	$ 9,095,003
Cost of Sales (Note 8)	575,163	597,800	4,896,254
Gross profit	493,227	469,647	4,198,749
Selling, General and Administrative Expenses (Note 8)	409,811	402,069	3,488,644
Operating income	83,415	67,577	710,096
Other Income (Expenses):			
Interest and dividend income	1,756	1,353	14,948
Interest expenses	(5,427)	(5,549)	(46,199)
Foreign exchange gains, net	5,413	684	46,080
Equity in earnings (losses) under the equity method	(2,507)	108	(21,342)
Loss on sales and disposals of property, plant and equipment, net	(2,434)	(4,010)	(20,720)
Management integration rationalization expenses*	—	(4,020)	—
Write-down of investment securities	(8)	(325)	(68)
Amortization of unrecognized transition benefit obligations (Note 14)	—	(521)	—
Loss on disposal of inventories	(7,540)	(8,698)	(64,187)
Restructuring expenses*	—	(4,851)	—
Provision for doubtful accounts	—	(1,627)	—
Amortization of consolidation goodwill	(2,361)	(5,397)	(20,099)
Gain on sales of investment securities, net	1,107	2,455	9,424
Gain on sales of investment in affiliated companies, net	549	—	4,674
Loss on impairment of fixed assets (Note 11)	(4,143)	—	(35,269)
Loss on discontinued operations (Note 12)	(96,625)	—	(822,550)
Provision for special outplacement program	(6,484)	—	(55,197)
Other, net	(645)	(1,746)	(5,491)
Total	(119,350)	(32,147)	(1,016,004)
Income (loss) before income taxes and minority interest	(35,934)	35,430	(305,899)
Income Taxes (Note 7):			
Current	24,650	27,947	209,841
Deferred	(7,116)	(594)	(60,577)
Total	17,533	27,352	149,255
Income before minority interest	(53,468)	8,077	(455,163)
Minority Interest in Subsidiaries	(837)	(553)	(7,125)
Net Income (loss)	¥ (54,305)	¥ 7,524	$ (462,288)

	Millions of yen		U.S. dollars (Note 3)
	2006	2005	2006
Per Share (Notes 9, 17):			
Net income (loss)—Basic	¥(102.2)	¥14.1	$(0.87)
Cash dividends	—	10.0	—

* Management integration rationalization expenses of ¥3,096 million (US$ 28,829 thousand) for the year ended March 31,2005 mainly represent restructuring expenses for employees of European subsidiaries.

* Restructuring expenses
Expenses for structual reform of ¥3,628 million (US$ 33,783 thousand) related to the Photo Imaging business and accelerated depreciation charges of ¥1,223 million (US$ 11,388 thousand) for the digital camera business.

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

		Millions of yen					
	Shares of issued common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	531,664,337	¥37,519	¥226,065	¥ 77,254	¥ 4,886	¥(9,721)	¥(576)
Gain on disposal of treasury stock			4				
Net income				7,524			
Increase due to subsidiaries newly consolidated and affiliates newly accounted for under the equity method				55			
Decrease due to subsidiaries excluded from consolidation				(9)			
Cash dividends				(5,310)			
Bonuses to directors and statutory auditors				(22)			
Net unrealized gains on securities					(106)		
Foreign currency translation adjustments						2,382	
Purchase of treasury stock							(215)
Balance at March 31, 2005	531,664,337	¥37,519	¥226,069	¥ 79,491	¥ 4,780	¥(7,339)	¥(791)
Net loss				(54,305)			
Increase due to subsidiaries newly consolidated				200			
Cash dividends				(2,654)			
Bonuses to directors and statutory auditors				(32)			
Effect of adoption of new accounting standards for retirement benefits by subsidiaries in the United Kingdom				(2,611)			
Net unrealized gains on securities					5,399		
Foreign currency translation adjustments						8,215	
Purchase of treasury stock							(123)
Balance at March 31, 2006	531,664,337	¥37,519	¥226,069	¥ 20,088	¥10,180	¥ 875	¥(915)

		Thousands of U.S. dollars (Note 3)					
	Shares of issued common stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2005	531,664,337	$319,392	$1,924,483	$ 676,692	$40,691	$(62,476)	$(6,734)
Net loss				(462,288)			
Increase due to subsidiaries newly consolidated				1,703			
Cash dividends				(22,593)			
Bonuses to directors and statutory auditors				(272)			
Effect of adoption of new accounting standards for retirement benefits by subsidiaries in the United Kingdom				(22,227)			
Net unrealized gains on securities					45,961		
Foreign currency translation adjustments						69,933	
Purchase of treasury stock							(1,047)
Balance at March 31, 2006	531,664,337	$319,392	$1,924,483	$ 171,005	$86,660	$ 7,449	$(7,789)

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interest	¥ (35,934)	¥ 35,430	$(305,899)
Depreciation and amortization	51,198	52,953	435,839
Loss on impairment of fixed assets	4,143	—	35,269
Amortization of consolidation goodwill	5,595	5,906	47,629
Increase (decrease) in allowance for doubtful accounts	465	101	3,958
Interest and dividend income	(1,756)	(1,353)	(14,948)
Interest expenses	5,427	5,549	46,199
Loss (gain) on sale and disposal of property, plant and equipment	2,434	4,010	20,720
Loss (gain) on sale and write-down of investment securities, net	(1,099)	(2,129)	(9,356)
Amortization of unrecognized transition benefit obligations	—	521	—
Management integration rationalization expenses	—	4,020	—
(Gain) loss on transition to defined contribution plans from defined benefit plans	—	(160)	—
Restructuring expenses	—	4,851	—
Increase in allowance for doubtful accounts	—	1,627	—
Amortization of consolidation goodwill	2,361	5,397	20,099
Other losses	2,372	—	20,192
Payment for dissolution of business	96,625	—	822,550
Provision for special outplacement program	6,484	—	55,197
(Increase) decrease in notes and accounts receivable	7,257	(14,056)	61,777
(Increase) decrease in inventories	22,032	128	187,554
Increase (decrease) in notes and accounts payable	(31,855)	(9,239)	(271,176)
Increase (decrease) in accrued consumption tax payable	400	646	3,405
Increase (decrease) on transfer of lease assets used in sales activities	(11,278)	(16,731)	(96,007)
Other	(11,821)	13,761	(100,630)
Subtotal	113,051	91,235	962,382
Interest and dividend income received	1,524	1,417	12,974
Interest expenses paid	(5,488)	(5,524)	(46,718)
Income taxes paid	(30,162)	(31,447)	(256,763)
Net cash provided by operating activities	78,924	55,680	671,865
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	(51,904)	(46,585)	(441,849)
Proceeds from sale of property, plant and equipment	5,551	3,604	47,255
Payment for acquisition of intangible fixed assets	(8,809)	(9,088)	(74,989)
Proceeds from sale of business	8,599	—	73,202
Payment for acquisition of new consolidated subsidiaries	(1,729)	—	(14,719)
Payment for acquisition of loans	(541)	(1,670)	(4,605)
Proceeds from collection of loans	1,556	1,431	13,246
Payment for acquisition of investment securities	(42)	(348)	(358)
Proceeds from sales of investment securities	5,057	4,976	43,049
Payment for other investments	(3,236)	(3,395)	(27,547)
Other	2,352	1,732	20,022
Net cash used in investing activities	(43,146)	(49,343)	(367,294)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt	(25,819)	(29,640)	(219,792)
Proceeds from long-term debt	27,502	29,257	234,119
Repayment of long-term debt	(7,396)	(14,535)	(62,961)
Proceeds from issuance of bonds	9,184	13,694	78,182
Redemption of bonds	(17,536)	(24,870)	(149,281)
Proceeds from disposal of treasury stocks	10	24	85
Payment for repurchase of treasury stocks	(135)	(233)	(1,149)
cash dividends	(2,661)	(5,310)	(22,653)
Net cash used in financing activities	(16,850)	(31,614)	(143,441)
Effect of exchange rate changes on cash and cash equivalents	2,463	642	20,967
Increase (decrease) in cash and cash equivalents	21,391	(24,635)	182,098
Cash and cash equivalents at the beginning of the year	59,485	83,704	506,385
Cash and cash equivalents of subsidiaries newly consolidated	1	416	9
Cash and cash equivalents at the end of the year	¥ 80,878	¥ 59,485	$ 688,499

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Notes to The Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2005

1. Basis of Presenting Financial Statements

Konica Minolta Holdings, Inc., (the "Company") and its consolidated subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective country of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but which is provided here in as additional information.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its 124 subsidiaries in which it has control. All significant intercompany transactions balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 11 unconsolidated subsidiaries and 3 significant affiliates are accounted for using the equity method. Investments in other unconsolidated subsidiaries and affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

The excess of cost over the underlying investments in subsidiaries is recognized as consolidation goodwill and is amortized on a straight-line basis over a period not exceeding 20 years.

(b) Translation of Foreign Currencies

Translation of Foreign Currency Transactions

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and revenues and costs are translated using the average exchange rate for the period.

Translation of Foreign Currency Financial Statements

The translations of foreign currency financial statements of overseas consolidated subsidiaries and affiliates into Japanese yen are made by applying the exchange rates prevailing at the balance sheet dates for balance sheet items, except common stock, additional paid-in capital and retained earnings accounts, which are translated at the historical rates, and the statements of income and retained earnings which are translated at average exchange rates.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less, which represent a minor risk of fluctuation in value.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided from the amount of possible losses from uncollectible receivables based on the management's estimate.

(e) Inventories

The company and its domestic consolidated subsidiaries' inventories are stated at the lower of cost or market value, where cost is primarily determined using the weighted average cost method. Overseas consolidated subsidiaries' inventories are stated at the lower of cost or market value, where cost is determined using the first-in, first-out method.

(f) Property, Plant and Equipment

Depreciation of property, plant and equipment for the Company and domestic consolidated subsidiaries is computed using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, based on the estimated useful lives of the assets.

Depreciation of buildings acquired after April 1, 1998 is computed using the straight-line method. Depreciation for foreign subsidiaries is computed using the straight-line method.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any differences are charged or credited to income.

(g) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council of Japan issued new accounting standards entitled "Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets". Further, on October 31, 2003, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 6 – "Application Guidance on Accounting Standards for Impairment of Fixed Assets". These standards are effective from the fiscal years beginning April 1, 2005.

The company and its subsidiaries adopted these standards in the fiscal year ended March 31, 2006. As a result, operating income increased by ¥3,018 million and loss before income taxes and minority interest increased by ¥29,483 million, as compared with the amount which would have been reported if the previous standards had been applied consistently. The accumulated impairment loss is deducted from net book value of each asset.

(h) Income Taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred income taxes are provided for based on temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(i) Research and Development Costs

Research and development costs are expensed as incurred.

(j) Financial Instruments

Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities
Securities held by the Companies are classified into two categories:

Investments by the Companies in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value.

Net unrealized gains or losses on these securities are reported net of tax as a separate component of shareholders' equity.

Other securities for which market quotations are unavailable are stated at cost, except in cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is deemed other than temporary. In these instances, securities are written down to the fair value and the resulting losses are charged to income during the period.

Hedge Accounting
Gains or losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as an asset or a liability and charged or credited to income in the same period that the gains and losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments by the Companies are principally interest rate swaps, commodity swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, raw materials, long-term bank loans and debt securities issued by the Companies.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate, commodity price and exchange rate fluctuations. As such, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(k) Leases
Finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for using a method similar to that used for ordinary operating leases.

(l) Retirement Benefit Plans
Retirement Benefits for Employees
Pension and severance costs for employees are accrued based on the actuarial valuation of projected benefit obligations and the plan assets at the end of each fiscal year. The actuarial difference is amortized over the average remaining service period (mainly 10 years), using the straight-line method from the year subsequent to that in which the actuarial difference was incurred or determined.

Accrued retirement Benefits for Directors and Statutory Auditors
To provide for the payment of directors' retirement benefits, consolidated subsidiaries record a reserve for benefits for retired directors and statutory auditors in an actual amount equal to the amount needed at the end of the period under review based on the Company's regulations.

(Additional information)
At its Annual Meeting of Shareholders held on June 24, 2005, the company abolished its directors' retirement benefits system, with the aim of raising morale and increasing the willingness of its directors and executive officers to work toward improving performance, as well as to clarify management responsibility.

This system was replaced with a stock option compensation scheme.

(m) Accounting standards regarding accrued retirement benefits in the United Kingdom
Effective the year ended March 31, 2006, consolidated subsidiaries Konica Minolta Business Solutions (UK) Ltd. and Konica Minolta Photo Imaging (UK) Ltd. have implemented adoption of a new accounting standard for retirement benefits in the United Kingdom.

Retained earnings decreased by ¥2,611 million ($22,227 thousand) since the net retirement benefit obligation at the transition date and actuarial gains and losses were charged directly to retained earnings for the year ended March 31, 2006.

(n) Appropriation of Retained Earnings
Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after approval by the board of directors as required under the Commercial Code of Japan. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the shareholders of record as of September 30 of each year.

(o) Per Share Data
Net income (loss) per share of common stock has been computed based on the weighted-average number of shares outstanding during the fiscal year.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements are dividends declared as applicable to the respective fiscal years.

3. U.S. Dollar Amounts
Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.47=US$1, the rate of exchange on March 31, 2006, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Cash and Cash Equivalents
Cash and cash equivalents as of March 31 consist of:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Cash on hand and in banks	¥80,878	¥59,330	$688,499
Marketable securities	—	155	—
Cash and cash equivalents	¥80,878	¥59,485	$688,499

5. Securities

As of March 31, 2006

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value			
(1) Shares	¥13,688	¥30,417	¥16,728
(2) Bonds	—	—	—
(3) Other	120	129	8
Subtotal	13,808	30,546	16,737
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	2,881	2,694	(187)
(2) Bonds	—	—	—
(3) Other	16	12	(3)
Subtotal	2,897	2,706	(191)
Total	¥16,706	¥33,252	¥16,546
	Thousands of U.S. dollars		
Total	$142,215	$283,068	$140,853

(2) Other Securities Sold during the Fiscal Year under Review

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥5,215	¥1,531	¥420
	Thousands of U.S. dollars		
Other securities	$44,394	$13,033	$3,575

(3) Composition and Amounts on the Consolidated Balance Sheets of Other Securities without Market Quotes

Amounts on consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥486	$4,137

As of March 31, 2005

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value			
(1) Shares	¥13,010	¥21,391	¥8,381
(2) Bonds	—	—	—
(3) Other	19	20	1
Subtotal	13,029	21,412	8,382
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	6,428	5,519	(909)
(2) Bonds	116	116	—
(3) Other	70	69	(0)
Subtotal	6,616	5,706	(909)
Total	¥19,645	¥27,119	¥7,473
	Thousands of U.S. dollars		
Total	$182,931	$252,528	$69,587

(2) Other Securities Sold during the Fiscal Year under Review

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥5,128	¥2,461	¥3
	Thousands of U.S. dollars		
Other securities	$47,751	$22,916	$28

(3) Composition and Amounts on the Consolidated Balance Sheets of Other Securities without Market Quotes

Amounts on consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥1,545	$14,387
Other	¥155	$1,443

6. Short-Term & Long-Term Debt with Banks

Short-term and long-term debt as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
	(Interest rate)		
Short-term debt	¥135,362	¥157,174	$1,152,311
Current portion of long-term debt	8,086	7,261	68,835
Long-term debt	74,045	54,604	630,331
Total	¥217,494	¥219,040	$1,851,485

The repayment schedule of long-term debt from 2008 through 2011 and beyond is as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥17,058	$145,212
2009	6,364	54,176
2010	12,103	103,031
2011 and beyond	27,503	234,128

Bonds

Bonds as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Bonds	¥19,067	¥27,305	$162,314

The annual maturities of bonds at March 31, 2006 consisted of the following:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥14,037	$119,494
2008	30	255
2009	5,000	42,564
2010	—	—

Assets pledged as collateral for short-term debt, long-term debt and guarantees at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Property, plant and equipment	¥821	¥887	$6,989

7. Income Taxes

At March 31, 2006 and 2005, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Deferred tax assets:			
Reserve for retirement benefits	¥ 32,417	¥ 31,309	$ 275,960
Net operating tax loss carried forward	23,529	17,112	200,298
Elimination of unrealized intercompany profits	14,807	14,651	126,049
Provision for dissolution of businesses	14,405	—	122,627
Write-down of assets	11,457	7,119	97,531
Depreciation and amortization	7,446	1,497	63,386
Tax effects related to investments	6,054	—	51,537
Accrued bonuses over deductible limit	5,621	5,993	47,851
Allowance for doubtful accounts	3,157	1,693	26,875
Provision for special outplacement program	2,638	—	22,457
Enterprise taxes	1,728	1,556	14,710
Other	13,999	12,285	119,171
Gross deferred tax assets	137,265	93,220	1,168,511
Valuation allowance	(52,392)	(18,264)	(446,003)
Total deferred tax assets	84,872	74,955	722,499
Deferred tax liabilities:			
Unrealized gains on securities	(7,689)	(4,299)	(65,455)
Gains on securities contributed to employees' retirement benefit trust	(3,161)	(3,353)	(26,909)
Retained profit of overseas subsidiaries	(2,185)	(1,870)	(18,600)
Special tax-purpose reserve for condensed booking of fixed assets	(1,448)	(1,440)	(12,327)
Other	(111)	—	(945)
Gross deferred tax liabilities	(14,596)	(10,964)	(124,253)
Net deferred tax assets	¥ 70,276	¥ 63,991	$ 598,246
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (4,042)	¥ (3,926)	$ (34,409)

At March 31, 2006 and 2005, the reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2006	2005
Statutory income tax rate	40.7%	40.7%
(Reconciliation)		
Valuation allowance	(95.0)	(3.5)
Tax deduction	6.5	(8.6)
Amortization of consolidation goodwill	(9.0)	12.9
Effect of the introduction of a consolidated tax return system	—	28.6
Other, net	8.0	7.1
Income tax rate per statements of income	(48.8)	77.2%

8. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2006 and 2005 are ¥67,178 million (US$571,874 thousand) and ¥65,994 million, respectively.

9. Shareholders' Equity

As a result of huge losses of ¥116.1 billion (exiting of Photo Imaging business, loss on impairment of fixed assets and provision for special outplacement program etc.), the company reported a net loss of ¥54.3 billion and Shareholders' equity dropped ¥45.9 billion year on year, to ¥293.8 billion.

Shareholders' equity per share was ¥553.50 and the equity ratio was 31.1%.

In view of this situation, on May 11, 2006, the Board of Director's meeting approved to continue the suspension of cash dividends.

10. Contingent Liabilities

The companies were contingently liable at March 31, 2006 for loan guarantees of ¥2,620 million (US$22,304 thousand), and as of March 31, 2005 for loan guarantees of ¥2,195 million.

11. Loss on Impairment of Fixed Assets

The companies have recognized loss on impairment of ¥32,752 million ($278,812 thousand), for the following group of assets as of March 31, 2006. Loss on impairment of fixed assets ¥28,609 million ($243,543 thousand) concerning manufacturing and sales of photographic paper, film, etc was included in "Loss on discontinued operations".

Description	Classification	Location	Amount	
			Millions of yen	Thousands of U.S. dollars
Manufacturing and sales of photographic paper, Film, etc.	Buildings and structures, Machinery and equipment, Tools and furniture, Others	Hino-shi, Tokyo-to	¥ 4,353	$ 37,056
		Odawara-shi, Kanagawa-ken	3,774	32,127
		North Carolina, U.S.A.	9,611	81,817
		Other manufacturing and sales base, 20 locations	7,017	59,734
		Subtotal	24,756	210,743
Manufacturing and sales except above	Land, Buildings and structures	New York, U.S.A. etc, 2 locations	3,296	28,058
Rental assets	Land, Buildings and structures	Sakai-shi, Osaka-fu etc, 10 locations	4,412	37,559
Idle assets	Land, Buildings and structures, Others	Kanazawa-shi, Ishikawa-ken etc, 13 locations	287	2,443
Total			¥32,752	$278,812

(1) Identifying the cash-generating unit to which asset belongs
Each cash-generating unit is identified by the product line and the geographical area as group of assets. For rental assets, cash-generating unit is identified by the rental contact and the geographical area. The assets becoming idle are also identified as cash-generating unit respectively.

(2) The events and circumstances that led to the recognition of the impairment loss
Due to market circumstance deterioration and by decision of exiting the Photo Imaging business operation, operating profitability of manufacturing and sales base of photographic paper, film, etc. has worsened substantially.

Due to poor performance, profitability of other manufacturing and sales base has worsened.

Due to the decline in real estate value and poor performance, profitability of rental and idle assets has worsened.

Therefore, the companies have decided to mark the assets down to the recoverable value.

(3) Details of Impairment of fixed asset

Years ended March 31	Millions of yen	Thousands of U.S. dollars
Buildings and structures	13,464	114,616
Machinery and equipment	11,006	93,692
Tools and furniture	1,539	13,101
Lease asset	3,972	33,813
Others	2,769	23,572

(4) Measuring recoverable amount
The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and value in use. Fair value less costs to sell is supported by the appraisal report. The discount rate used for estimation of value in use is 5.26% as weighted average cost of capital.

12. Loss on Discontinued Operations

The loss on discontinued operations was incurred in connection with the exit from the Photo Imaging business.

It includes the reserve for discontinued operations (¥58,078 million), impairment loss on fixed assets of Photo Imaging business (¥28,609 million) and the cost for disposal of inventories (¥18,536 million), less the proceeds from the sale of business (–¥8,599 million).

13. Lease Transactions

Information on the Companies' finance lease transactions (except for those which are deemed to transfer the ownership of the leased assets to the lessee) and operating lease transactions is as follows:

Lessee

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Buildings and structures	¥10,598	¥ 6,098	$ 90,219
Machinery, equipment and other	15,110	9,725	128,629
Tools and furniture	13,230	19,111	112,624
Rental business-use assets	6,590	6,913	56,099
Intangible fixed assets	694	813	5,908
	46,224	42,662	393,496
Less: Accumulated depreciation	(28,572)	(27,538)	(243,228)
Loss on impairment of lease assets	3,972	—	33,813
Net book value	13,679	15,124	121,563
Depreciation	¥ 9,175	¥ 9,389	$ 78,105

Depreciation is calculated based on the straight-line method over the lease terms of the leased assets.

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Due within one year	¥ 5,949	¥ 6,790	$ 50,643
Due over one year	11,701	8,333	99,608
Total	17,651	15,124	150,260
Lease rental expenses for the year	¥10,045	¥ 9,389	$ 85,511
Accrued impairment loss	¥3,102	—	$26,407

2) Operating Leases

The scheduled maturities of future operating lease rental payments as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Due within one year	¥ 5,350	¥ 9,668	$ 45,544
Due over one year	11,670	21,036	99,345
Total	¥17,021	¥30,705	$144,897

Lessor

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Leased rental business-use assets:			
Purchase cost	¥ 22,569	¥ 20,345	$ 192,126
Less: Accumulated depreciation	(14,830)	(13,060)	(126,245)
Net book value	¥ 7,738	¥ 7,284	$ 65,872

The scheduled maturities of future finance lease rental income as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Due within one year	¥3,780	¥3,379	$32,178
Due over one year	4,236	4,484	36,060
Total	8,017	7,863	68,247
Lease rental income for the year	4,496	5,054	38,274
Depreciation for the year	¥4,174	¥4,271	$35,532

2) Operating Leases

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Due within one year	¥3,045	¥3,094	$25,922
Due over one year	2,690	1,575	22,899
Total	¥5,735	¥4,669	$48,821

14. Retirement Benefit Plans

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans (CDBPs), which are governed by the Japanese Welfare Pension Insurance Law, tax-qualified pension plans and lump-sum payment plans. In addition, the Company may pay additional retirement benefits to employees at its discretion.

The Company and certain of its consolidated subsidiaries recently changed their retirement plans, which are summarized as follows.

On April 1, 2003, Konica's tax-qualified benefit plan was transferred to a CDBP.

On April 30, 2003, a portion of the Konica lump-sum payment plan was transferred to a defined contribution pension plan.

On February 1, 2004, the Ministry of Health, Labour and Welfare permitted the substitutional portion of the Konica Welfare Pension Fund to be returned to the government, and the remaining portion of the Fund was integrated into a CDBP.

On March 1, 2004, the Ministry of Health, Labour and Welfare permitted that the substitutional portion of the Minolta Welfare Pension Fund be returned to the government, and the remaining portion of the Fund be integrated into a CDBP. A portion of the Minolta lump-sum payment plan was transferred to a CDBP on the same date.

On April 1, 2004, a portion of the Minolta lump-sum payment plan was transferred to a defined contribution pension plan.

The reserve for retirement benefits as of March 31, 2006 and 2005 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
a. Retirement benefit obligations	¥(154,221)	¥(142,123)	$(1,312,854)
b. Plan assets	108,320	76,808	922,108
c. Unfunded retirement benefit obligations (a+b)	(45,901)	(65,315)	(390,747)
d. Unrecognized actuarial differences	(5,572)	14,638	(47,433)
e. Unrecognized prior service costs	(11,768)	(10,345)	(100,179)
f. Net amount on consolidated balance sheets (c+d+e)	(63,241)	(61,022)	(538,359)
g. Prepaid pension costs	1,627	2,021	13,850
h. Accrued retirement benefits (f-g)	¥ (64,869)	¥ (63,044)	$ (552,218)

Notes: 1. Certain subsidiaries use a simplified method for the calculation of benefit obligation.

Net retirement benefit costs for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
a. Service costs	¥ 5,024	¥ 7,426	$42,768
b. Interest costs	4,107	2,947	34,962
c. Expected return on plan assets	(2,046)	(736)	(17,417)
d. Amortization of transition amounts	—	521	—
e. Actuarial differences that are accounted for as expenses	3,220	2,042	27,411
f. Prior service costs that are accounted for as expenses	(1,536)	(1,233)	(13,076)
g. Retirement benefit costs (a+b+c+d+e+f)	8,769	10,968	74,649
h. Loss on transition to defined contribution plans from defined benefit plans	—	(160)	—
i. Contribution to defined contribution pension plans	2,895	1,257	24,645
Total (g+h+i)	¥11,665	¥12,065	99,302

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in "a. Service costs."
In addition to the above net retirement benefit costs, a provision for a special outplacement program of ¥6,484 million (US$55,198 thousand) was recorded as other expenses.

Assumptions used in the calculation of the above information are as follows:

	2006	2005
a. Method of attributing the retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
b. Discount rate	Mainly 2.5%	Mainly 2.5%
c. Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
d. Amortization of unrecognized prior service cost	Mainly 10 years	Mainly 10 years
e. Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years
f. Amortization of transition amount due to changes in accounting standards	—	Mostly 5 years for subsidiaries

15. Derivatives

The Companies utilize derivative instruments including forward foreign currency exchange contracts, interest rate swaps and commodity futures, to hedge against the adverse effects of fluctuations in foreign currency exchange rates, interest rates and material prices. The Companies utilize these derivatives as hedges to effectively reduce the risks inherent in their assets and liabilities. These transactions are not likely to have a material impact on the performance of the Companies. Additionally, the Companies have a policy of limiting the purpose of such transaction to hedging identified exposures only and they are not held for speculative or trading purposes.

Risks associated with derivative instruments

Although the Companies are exposed to credit-related risks and risks associated with the changes in interest rates and foreign exchange rates, such derivative instruments are limited to hedging purposes only and the risks associated with these transactions are limited. All derivative contracts entered into by the Companies are with selected major financial institutions based upon their credit ratings and other factors. Such credit-related risks are not anticipated to have a significant impact on the Companies results.

Risk control system on derivative instruments

In order to manage the market and credit risks, the Finance Division of the Company is responsible for setting or managing the position limits and credit limits under the Company's internal policies for derivative instruments. Resources are principally assigned to the functions, including transaction execution, administration, and risk management, independently, in order to clarify the responsibility and the role of each function.

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, the Expert Committee, which consists of management from the Company and its major subsidiaries meets regularly, at which time the principal policies on foreign currency exchange instruments and other derivative instruments are reaffirmed and the market risks are assessed. All derivative instruments are reported monthly to the respective officers. Market risks and credit risks for other subsidiaries are controlled and assessed based on the internal rules, and the derivative instruments are approved by the respective President of each subsidiary.

Interest rate swap contracts are approved by the Finance Manager of the President of the Company and other subsidiaries, respectively.

Commodity futures contracts are approved by the respective President of each subsidiary based on internal rules.

A summary of derivative instruments at March 31, 2006 and 2005 is as follows:

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2006			2005			2006		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	¥30,849	¥31,081	¥(231)	¥39,233	¥40,358	¥(1,124)	$262,612	$264,587	$(1,966)
EURO	33,433	33,928	(494)	28,960	29,268	(308)	284,609	288,823	(4,205)
Other	—	—	—	1,075	1,082	(7)	—	—	—
Total	¥64,283	¥65,009	¥(726)	¥69,269	¥70,710	¥(1,440)	$547,229	$553,409	$(6,180)
To buy foreign currencies:									
US$	¥ 6,672	¥ 6,682	¥ 10	¥ 4,342	¥ 4,515	¥ 173	$ 56,797	$ 56,883	$ 85
EURO	—	—	—	614	622	7	—	—	—
Other	—	—	—	127	123	(3)	—	—	—
Total	¥ 6,672	¥ 6,682	¥ 10	¥ 5,084	¥ 5,261	¥ 177	$ 56,797	$ 56,883	$ 85

Notes: 1. Fair value is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2006 and 2005, respectively.
2. Derivative instruments with hedge accounting applied are excluded from the above table.

(2) Interest Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2006			2005			2006		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Receive fixed, pay floating	¥ —	¥—	¥—	¥ —	¥ —	¥ —	$ —	$ —	$ —
Pay fixed, receive floating	7,285	32	32	6,943	(36)	(36)	62,016	272	272
Total	¥7,285	¥32	¥32	¥6,943	¥(36)	¥(36)	$62,016	$272	$272

Notes: 1. Fair value is provided by the financial institutions with whom the derivative contracts were concluded.
2. Derivative transactions with hedge accounting applied are excluded from the above table.
3. Contract value (notional principal amount) does not show the size of the risk of interest rate swaps.

16. Segment Information

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2006 and 2005 is presented as follows:

Although the Company (the former Konica Corporation) became a new holding company, Konica Minolta Holdings, Inc., on August 5, 2003, through an exchange of shares with Minolta Co., Ltd. for accounting purposes, this merger is deemed as occurring at the end of the interim period, and as such, figures for Minolta Co., Ltd. have not been included in consolidated earnings for the first half of the fiscal year ended March 31, 2004.

Business segment	Related business segment products
Business Technologies:	Copy machines, printers and others
Optics:	Optical devices, electronic materials and others
Photo Imaging:	Photographic film and materials, ink-jet products, cameras and others
Medical and Graphic Imaging:	X-ray or graphic film, equipment for medical or graphic use and others
Sensing:	Industrial or medical measurement instruments
Other:	Others products not categorized in the above segments

	Millions of yen								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Elimination and Corporate	Consolidation
2006: Net sales									
Outside	¥606,730	¥110,368	¥187,117	¥146,600	¥5,822	¥ 11,752	¥1,068,390	¥ —	¥1,068,390
Intersegment	3,488	1,803	12,179	27,269	2,352	58,734	105,828	(105,828)	—
Total	610,218	112,171	199,296	173,869	8,174	70,486	1,174,218	(105,828)	1,068,390
Operating expenses	545,098	94,578	206,412	162,180	6,319	60,041	1,074,630	(89,655)	984,974
Operating income	¥ 65,120	¥ 17,593	¥ (7,115)	¥ 11,689	¥1,855	¥ 10,445	¥ 99,588	¥ (16,172)	¥ 83,415
Assets	¥462,534	¥119,174	¥102,061	¥122,610	¥8,813	¥430,648	¥1,245,842	(301,787)	¥ 944,054
Depreciation	27,214	7,593	4,070	5,128	141	7,050	51,198	—	51,198
Impairment losses	704	—	24,756	2,659	—	4,632	32,752	—	32,752
Capital expenditure	28,765	21,835	2,975	6,704	141	7,146	67,570	—	67,570

	Millions of yen								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Elimination and Corporate	Consolidation
2005: Net sales									
Outside	¥564,837	¥91,705	¥268,471	¥129,872	¥5,293	¥ 7,266	¥1,067,447	¥ —	¥1,067,447
Intersegment	29,886	4,079	12,782	19,918	2,425	60,757	129,849	(129,849)	—
Total	594,724	95,785	281,253	149,791	7,719	68,024	1,197,297	(129,849)	1,067,447
Operating expenses	538,892	79,783	289,905	143,134	6,125	56,490	1,114,332	(114,462)	999,869
Operating income	¥ 55,832	¥16,001	¥ (8,651)	¥ 6,656	¥1,593	¥ 11,533	¥ 82,965	¥ (15,387)	¥ 67,577
Assets	¥451,381	¥95,214	¥169,545	¥103,963	¥7,817	¥443,501	¥1,271,424	¥(315,881)	¥ 955,542
Depreciation	27,359	5,672	8,904	4,366	133	6,517	52,953	—	52,953
Capital expenditure	24,258	14,378	7,366	3,695	178	6,571	56,448	—	56,448

	Thousands of U.S. dollars								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Elimination and Corporate	Consolidation
2006: Net sales									
Outside	$5,164,978	$ 939,542	$1,592,892	$1,247,978	$49,562	$ 100,043	$ 9,095,003	$ —	$9,095,003
Intersegment	29,693	15,349	103,678	232,136	20,022	499,991	900,894	(900,894)	—
Total	5,194,671	954,891	1,696,569	1,480,114	69,584	600,034	9,995,897	(900,894)	9,095,003
Operating expenses	4,640,317	805,125	1,757,147	1,380,608	53,792	511,118	9,148,123	(763,216)	8,384,898
Operating income	$ 554,354	$ 149,766	$ (60,569)	$ 99,506	$15,791	$ 88,916	$ 847,774	$ (137,669)	$ 710,096
Assets	$3,937,465	$1,014,506	$ 868,826	$1,043,756	$75,023	$3,666,025	$10,605,618	$(2,569,056)	$8,036,554
Depreciation	231,668	64,638	34,647	43,654	1,200	60,015	435,839	—	435,839
Impairment losses	5,993	—	210,743	22,636	—	39,431	278,812	—	278,812
Capital expenditure	244,871	185,877	25,326	57,070	1,200	60,833	575,211	—	575,211

Notes: Accounting standards for the impairment of fixed assets were adopted in the fiscal year ended March 31, 2006 (consolidated). This has led to a decline in depreciation expenses and other categories, and increases in operating income for the Photo Imaging business (up ¥2,997 million) and other business (up ¥20 million).

(2) Geographic Segment Information

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Elimination and Corporate	Consolidation
2006: Net sales							
Outside	¥476,720	¥262,288	¥270,566	¥ 58,815	¥1,068,390	¥ —	¥1,068,390
Intersegment	294,586	5,898	1,302	185,488	487,276	(487,276)	—
Total	771,307	268,186	271,868	244,304	1,555,666	(487,276)	1,068,390
Operating expenses	685,718	261,121	267,633	243,206	1,457,681	(472,706)	984,974
Operating income	¥ 85,588	¥ 7,065	¥ 4,235	¥ 1,097	¥ 97,985	¥ (14,569)	¥ 83,415
Assets	¥821,766	¥183,772	¥144,887	¥ 86,231	¥1,236,657	¥(292,603)	¥ 944,054

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Elimination and Corporate	Consolidation
2005: Net sales							
Outside	¥480,522	¥250,207	¥278,164	¥ 58,552	¥1,067,447	¥ —	¥1,067,447
Intersegment	313,852	8,565	1,624	145,636	469,679	(469,679)	—
Total	794,375	258,773	279,789	204,188	1,537,127	(469,679)	1,067,447
Operating expenses	719,788	256,412	276,369	200,856	1,453,427	(453,557)	999,869
Operating income	¥ 74,587	¥ 2,360	¥ 3,419	¥ 3,332	¥ 83,699	¥ (16,122)	¥ 67,577
Assets	¥819,494	¥154,093	¥158,021	¥ 75,106	¥1,206,715	¥(251,173)	¥ 955,542

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia and Other	Total	Elimination and Corporate	Consolidation
2006: Net sales							
Outside	$4,058,228	$2,232,808	$2,303,277	$ 500,681	$ 9,095,003	$ —	$9,095,003
Intersegment	2,507,755	50,209	11,084	1,579,024	4,148,089	(4,148,089)	—
Total	6,565,991	2,283,017	2,314,361	2,079,714	13,243,092	(4,148,089)	9,095,003
Operating expenses	5,837,388	2,222,874	2,278,309	2,070,367	12,408,964	(4,024,057)	8,384,898
Operating income	$ 728,595	$ 60,143	$ 36,052	$ 9,339	$ 834,128	$ (124,023)	$ 710,096
Assets	$6,995,539	$1,564,416	$1,233,396	$ 734,068	$10,527,428	$(2,490,874)	$8,036,554

Note: Major countries or areas other than Japan are as follows:
North America ...........U.S.A. and Canada
Europe ....Germany, France and U.K.
Asia and Other ....Australia, China and Singapore
Accounting standards for the impairment of fixed assets were adopted in the fiscal year ended March 31, 2006 (consolidated). This has led to a decline in depreciation expenses and other categories. Operating income in Japan, North America, Europe, and Asia and Others (excluding Japan) increased ¥1,840 million, ¥1,077 million, ¥64 million, and ¥35 million, respectively.

(3) Overseas Sales

	Millions of yen	Thousands of U.S. dollars	Percentage of net sales
2006: Sales to			
North America	¥274,218	$2,334,366	25.7%
Europe	281,418	2,395,658	26.3
Asia and Other	199,529	1,698,553	18.7
2005: Sales to			
North America	¥264,718	$2,465,015	24.8%
Europe	282,475	2,630,366	26.5
Asia and Other	213,435	1,987,476	20.0

Notes: 1. Major countries or areas are as follows:
North America ...........U.S.A. and Canada
Europe ....Germany, France and U.K.
Asia and Other ....Australia, China and Singapore
2. "Overseas sales" represents sales recognized outside of Japan by the Companies.

17. Net Income per share

Caluculations of net income per share for the years ended March 31, 2006 and 2005, are as follows.

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Net income attributable to common shares	(¥54,305)	¥7,491	($462,288)
Weight average number of common shares outstanding:			
Basic	530,898	531,017	530,898
Diluted	—	—	—

	Yen		U.S. dollars
Net income per share:			
Basic	(¥102.29)	14.11	$0.87
Diluted	—	—	—

The Company had no dilutive potential common shares for the year ended March 31, 2005.
Diluted net income per share for the ended March 31, 2006 is not disclosed due to the company's loss position (anti-dilutive).

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors of Konica Minolta Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Konica Minolta Holdings, Inc. and its consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and its consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2(g), effective for the year ended March 31, 2006 Konica Minolta Holdings, Inc. and its consolidated subsidiaries adopted new accounting standards for impairment of fixed assets.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 23, 2006

The Konica Minolta Group

As of June 30, 2006

Business Technologies

	Country
Business Company	
Konica Minolta Business Technologies, Inc.	Japan
Production Companies	
Konica Minolta Electronics Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Kansai Co., Ltd.	Japan
Toyohashi Precision Products Co., Ltd.	Japan
Konica Supplies Manufacturing U.S.A., Inc.	U.S.A.
Konica Minolta Supplies Manufacturing France S.A.S.	France
Konica Minolta Business Technologies (WUXI) Co., Ltd.	China
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	China (Hong Kong)
Sales Companies	
F&M Imaging Technology Co., Ltd.	Japan
Konica Minolta Business Solutions Japan Co., Ltd.	Japan
Konica Minolta Printing Solutions Japan Co., Ltd.	Japan
Konica Minolta Software Laboratory Co., Ltd.	Japan
Konica Minolta Techno Tokyo Co., Ltd.	Japan
Powerprint, Inc.	Japan
Konica Minolta Business Solutions do Brasil Ltda.	Brazil
Konica Minolta Business Solutions (Canada) Ltd.	Canada
Konica Minolta Business Solutions (MONTREAL) Inc.	Canada
Konica Minolta Business Solutions de Mexico SA de CV.	Mexico
Albin Industries, Inc.	U.S.A.
Frontier Business Systems, Inc.	U.S.A.
Konica Computer Solutions, Inc.	U.S.A.
Konica Minolta Business Solutions U.S.A., Inc.	U.S.A.
Konica Minolta Printing Solutions U.S.A., Inc.	U.S.A.
Konica Minolta Systems Laboratory, Inc.	U.S.A.
Konica Minolta Business Solutions Austria GmbH	Austria
Konica Minolta Business Solutions (BELGIUM) N.V.	Belgium
Konica Minolta Croatia-Business Solutions d.o.o.	Croatia
Konica Minolta Business Solutions Czech spol. S.r.o.	Czech
Konica Minolta Business Solutions Denmark a/s	Denmark
Konica Minolta Business Solutions Finland Oy	Finland
Konica Minolta Business Solutions France S.A.S.	France
Konica Minolta Printing Solutions France S.a.r.l	France
Repro Conseil S.A.S.	France
Develop GmbH	Germany
dots Gesellschaft für Softwareentwicklung mbH	Germany
ECS Buero-und Datensysteme GmbH	Germany
Konica Minolta Business Solutions Deutschland GmbH	Germany
Konica Minolta Business Solutions Europe GmbH	Germany
Konica Minolta Printing Solutions Deutschland GmbH	Germany
Office-boerse. de Internet GmbH	Germany
Plankopie Gesellschaft fur Burosysteme (Monchengladbach) mbH	Germany
Konica Minolta Hungary Business Solutions Ltd.	Hungary
Konica Minolta Business Solutions Italia S.p.A.	Italy
Konica Minolta Baltia UAB	Lithuania
Konica Minolta Printing Solutions Europe B.V.	Netherlands
Hoyseter Utleie AS	Norway
Konica Minolta Business Solutions Norway AS	Norway
Konica Minolta Printing Solutions Nordic AB	Norway
Konica Minolta Business Solutions Polska s.p. z.o.o.	Poland
Konica Minolta Business Solutions Portugal Lda.	Portugal
NEA Rent-Aluguer e Comercio de Equipamentos S.A.	Portugal
Konica Minolta Business Solutions Romania s.r.l	Romania
Konica Minolta Business Solutions Russia	Russia
Konica Minolta Slovakia spol. s.r.o.	Slovakia
Konica Minolta Business Solutions Slovenia d.o.o.	Slovenia
Konica Minolta Business Solutions Spain S.A.	Spain
Konica Minolta Business Solutions Sweden AB	Sweden
Konica Minolta Business Solutions East Ltd.	U.K.
Konica Minolta Business Solutions (UK) Ltd.	U.K.
Konica Minolta Printing Solutions (UK) Ltd.	U.K.
Konica Minolta Ukraine	Ukraine
Konica Minolta Business Solutions Australia Pty. Ltd.	Australia
Konica Minolta Printing Solutions Asia Pty. Ltd.	Australia
Konica Minolta Business Solutions (CHINA) Co., Ltd.	China
Konica Minolta Business Solutions (Shenzhen) Co., Ltd.	China
Konica Minolta Business Solutions (WUHAN) Co., Ltd.	China
Konica Minolta Consulting (SHENZHEN) Co., Ltd.	China
Konica Minolta Business Solutions (HK) Ltd.	China (Hong Kong)
Konica Minolta Business Solutions (M) Sdn. Bhd.	Malaysia
Konica Minolta Business Solutions (S) Pte. Ltd.	Singapore

Optics

	Country
Business Company	
Konica Minolta Opto, Inc.	Japan
Production Companies	
Konica Minolta Components Co., Ltd.	Japan
Konica Minolta Glass Tech. Co., Ltd.	Japan
Konica Minolta Opto Products Co., Ltd.	Japan
Nankai Optical Co., Ltd.	Japan
Konica Minolta Opto (DALIAN) Co., Ltd.	China
Konica Minolta Opto (SHANGHAI) Co., Ltd.	China

Medical and Graphic Imaging

	Country
Business Company	
Konica Minolta Medical & Graphic, Inc.	Japan
Production Companies	
Konica Minolta Repro Co., Ltd.	Japan
Konica Minolta Technoproducts Co., Ltd.	Japan

Sales Companies

Konica Minolta Graphic Imaging Japan Co., Ltd.	Japan
Konica Minolta Medical & Graphic Technosupport Co., Ltd.	Japan
Konica Minolta Medical Co., Ltd.	Japan
American Litho Inc.	U.S.A.
Konica Minolta Graphic Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical & Graphics Imaging Europe GmbH	Germany
Konica Minolta Medical & Graphic Imaging Europe B.V.	Netherlands
Konica Minolta Medical Systems Russia LLC.	Russia
Konica Minolta Medical & Graphics (SHANGHAI) Co., Ltd.	China

Other

Konica Minolta Business Expert, Inc.	Japan
Konica Minolta Engineering Co., Ltd.	Japan
Konica Minolta Information Systems Co., Ltd.	Japan
Konica Minolta Logistics Co., Ltd.	Japan
Konica Minolta Sogo Service Co., Ltd.	Japan
Konica Minolta Technology Center, Inc.	Japan
Konica Minolta Technosearch Co., Ltd.	Japan
Konica Minolta Headquarters North America, Inc.	U.S.A.
Konica Minolta Holdings U.S.A. Inc.	U.S.A.
Konica Minolta Technology U.S.A., Inc.	U.S.A.
Konica Minolta (CHINA) Investment Ltd.	China

Photo Imaging

	Country
Business Company	
Konica Minolta Photo Imaging, Inc.	Japan
Production Companies	
Konica Minolta Chemical Co., Ltd.	Japan
Konica Minolta Packaging Co., Ltd.	Japan
Konica Minolta Manufacturing U.S.A., Inc.	U.S.A.
Konica Minolta Optical Products (SHANGHAI) Co., Ltd.	China
Sales Companies	
Konica Minolta Camera Service Co., Ltd.	Japan
Konica Minolta Photo Solutions Co., Ltd.	Japan
Konica Minolta Photo Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Photo Imaging France S.A.S.	France
Konica Minolta Photo Imaging Europe GmbH	Germany
Konica Minolta Photo Imaging (SHANGHAI) Co., Ltd.	China
Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd.	Singapore

Other Businesses

	Country
Business Companies	
Konica Minolta IJ Technologies, Inc.	Japan
Konica Minolta Planetarium Co., Ltd.	Japan
Konica Minolta Sensing, Inc.	Japan
Konica Minolta Sensing America, Inc.	U.S.A.
Konica Minolta Sensing Europe B.V.	Germany

(In order of business, region and alphabetical order by country name.)

Board of Directors

As of June 23, 2006

Chairman of the Board

Fumio Iwai

Directors

Yoshikatsu Ota

Noriyuki Inoue
Chairman of the Board and Chief Executive Officer, Daikin Industries, Ltd.

Hisashi Nakayama
Chairman of the Board of Directors, Meiji Dairies Corporation

Tadao Namiki
President of Namiki Office

Tadaaki Jagawa
Chairman of the Board, Hino Motors, Ltd.

Masanori Hondo

Yoshihiko Someya

Hiroshi Ishiko

Shoei Yamana

Akio Kitani

Yasuo Matsumoto

Masatoshi Matsuzaki

Executive Officers

As of June 23, 2006

Yoshikatsu Ota
President and CEO

Senior Executive Officers

Shoei Yamana
In charge of Corporate Strategy
Chairman of Risk Management Committee

Hiroshi Ishiko
In charge of Legal Affairs, General Affairs, and Compliance

Takashi Matsumaru
President, Konica Minolta Opto, Inc.

Tsuyoshi Miyachi
President, Konica Minolta Photo Imaging, Inc.

Toshifumi Hori
In charge of Human Resources and Corporate Communications

Mitsuharu Ohura
President, Konica Minolta Business Expert, Inc.
General Manager, Kansai Headquarters

Akio Kitani
President, Konica Minolta Business Technologies, Inc.

Kiyofumi Tanida
President, Konica Minolta Medical & Graphic, Inc.

Masatoshi Matsuzaki
In charge of Technology Strategy
President, Konica Minolta Technology Center, Inc.

Yasuo Matsumoto
In charge of Corporate Accounting, Corporate Finance, and IT Planning

Executive Officers

Kaoru Onodera
In charge of Environment and Quality Control

Tomohisa Saito
Director, Konica Minolta Business Technologies, Inc.

Hiroshi Furukawa
President, Konica Minolta Sensing, Inc.

Hideki Okamura
Director, Konica Minolta Business Technologies, Inc.
President, Konica Minolta Business Solutions Europe, Inc.

Atsushi Kodama
Executive Director, Konica Minolta Business Technologies, Inc.

Takashi Sugiyama
Executive Director, Konica Minolta Business Technologies, Inc.

Takumi Kawakami
Director, Konica Minolta Business Technologies, Inc.
President, Konica Minolta Business Solutions Japan Co., Ltd.

Hisashi Tokumaru
Executive Director, Konica Minolta Opto, Inc.

Hisao Yasutomi
General Manager, Secretariat, and Board of Directors Office

Corporate Data

As of March 31, 2006

Company Name:
Konica Minolta Holdings, Inc.

Address:
1-6-1 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel: (81) 3-6250-2100
Fax: (81) 3-3218-1368
URL: http://konicaminolta.com

Established:
August 2003

Paid-in Capital:
¥37,519 million (US$319 million)

Number of Employees:
Parent company: 90
Group: 31,685

Investor Relations Contact:
Tel: (81) 3-6250-2011
Fax: (81) 3-3218-1362
E-mail:
ir-support@pub.konicaminolta.jp

Investor Information

Konica Minolta Holdings, Inc.
As of March 31, 2006

Common Stock
Authorized: 1,200,000,000 shares
Outstanding: 531,664,337 shares

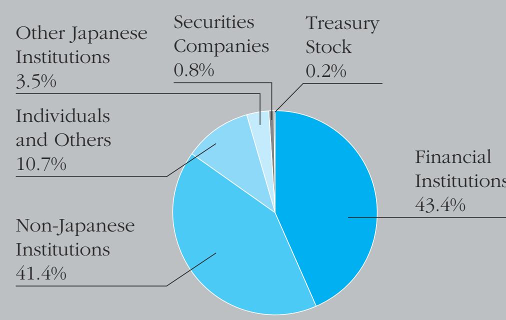
Stock Exchange Listings
Tokyo, Osaka, 1st Sections

Number of Shareholders
37,809

Independent Auditor
ChuoAoyama PricewaterhouseCoopers

Transfer Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Types of Shareholders



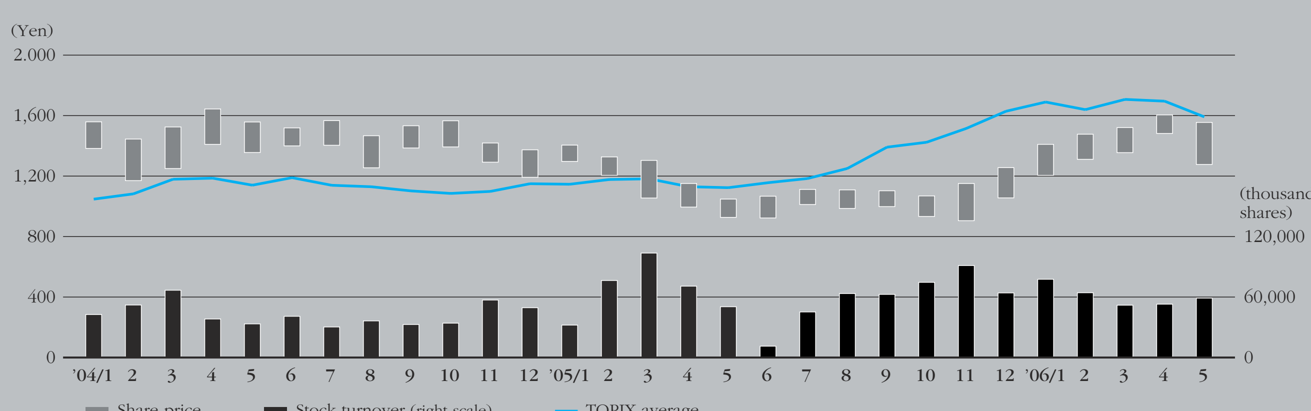
Principal Shareholders

Name	Investment in Konica Minolta Holdings, Inc. Number of shares held (Thousand shares)	Investment ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	50,183	9.5
The Chase Manhattan Bank NA London	35,379	6.7
The Master Trust Bank of Japan, Ltd. (Trust account)	31,322	5.9
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,494	2.9
State Street Bank and Trust Company	13,019	2.5
Nippon Life Insurance Company	12,009	2.3
Japan Trustee Services Bank, Ltd. (Mitsui Asset Trust and Banking Company Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.3
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for UFJ Bank Limited)	10,801	2.0
Daido Life Insurance Company	9,040	1.7
State Street Bank and Trust Company 50513	8,216	1.6

Note: Although significant shareholder reports from the following companies claim that they hold substantial numbers of shares in Konica Minolta Holdings, Inc. as of March 31, 2006, the Company is unable to confirm the number of shares held and hence these companies have not been included in the principal shareholders' overview stated above.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held
Templeton Asset Management Limited (Joint holding)	March 31, 2006	49,875	9.4%
J. P. Morgan Trust Bank Ltd. (Joint holding)	March 31, 2006	41,399	7.8%
Barclays Global Investors Japan Trust & Banking Co., Ltd. (BTB) (Joint holding)	November 14, 2005	29,802	5.6%

Stock Price Chart



KONICA MINOLTA

KONICA MINOLTA HOLDINGS, INC.
1-6-1 Marunouchi, Chiyoda-ku, Tokyo 100- 0005, Japan
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