Overview of Performance

(1) Third Quarter Summary

With regard to the global economy in the third quarter, ended December 31, 2004, the U.S. economy, whose vigorous expansion has been supported by both robust personal consumption of durable and other goods and strong capital investments related to IT and other industries, continued to exhibit solid growth. However, negative influences on the global economy during the period included the effects of a devastating hurricane in Mexico as well as the skyrocketing price of crude oil, while sluggish housing starts, lackluster Christmas sales, and other factors indicated the economy was gradually losing steam. Furthermore, economic growth in Europe, which was being driven by U.S. growth, started to stagger in late 2004 amid the steadily emerging effects of surging crude oil prices and an excessively strong euro. In addition, despite continued strength in the Chinese economy, signs of a possible drop-off in exports were evident, which would be detrimental to its stable growth. Economic growth in newly emerging Asian economies, which depend on exports to the United States and China, slackened following the slowdown in those two countries.

Turning to the domestic economy, the manufacture of digital-related materials, which had powered Japan's economic recovery, was continuously reduced in mid-to-late 2004 amid a slump in the sales of final products, and sentiment among manufacturers soured. The third-quarter decline was exacerbated by a temporary surge due to a heat wave and the 2004 Summer Olympics, which gave personal consumption a momentary boost in the second quarter, as well as employment worries that dampened consumer spending.

Responding to these conditions in its second year of integrated operations, Konica Minolta Holdings, Inc., has implemented various policies to integrate human resources and worked to adjust and expand its IT and personnel systems as well as to familiarize the public with the Konica Minolta brand name. The Group is also striving to implement business portfolio management for the purpose of realizing the benefits of the business merger at the earliest possible time. In particular, with the Business Technologies business, the Company's core enterprise, Konica Minolta is channeling its energies into market expansion of its flagship products for this business, multifunctional peripherals (MFPs) and color laser printers (LBPs), in addition to streamlining marketing locations and agencies made redundant by the merger. At the same time, to respond to increasing demand for consumables for color printing equipment, the Company has started construction of a new plant to increase polymerized toner production. In the Optics business, acting on increased demand for TAC film used in liquid crystal displays (LCDs), which is a growth business, the Company is moving forward with the construction of a third plant and other measures to actively invest in area of focus and high growth. In the Photo Imaging business, the operating environment continued to be challenging amid the decreasing demand for color film and intensified price competition for digital cameras. The Company is working to counter these difficulties by implementing broad policies to reduce indirect expenses and fixed costs for development, production, and marketing in all divisions both in Japan and overseas, to cultivate a market for high-value-added digital single lens reflex (SLR) cameras, and to carry out other initiatives in a Companywide effort to reform its business structure and hasten profitability growth.

As a result of the aforementioned factions, consolidated net sales for the nine months ended December 31, 2004 were ¥798.5 billion, operating income was ¥51 billion, recurring profit was ¥44 billion, and net income was ¥16.5 billion. In the third quarter, from October 1, 2004, to December 31, 2004, net sales were ¥263.3 billion, operating income was ¥18.5 billion, recurring profit was ¥15.8 billion, and net income was ¥8.3 billion.

The average foreign exchange rate for the first nine months of the fiscal year was ¥109 against the U.S. dollar and ¥135 against the euro. In the third quarter alone, the dollar-yen rate averaged ¥106 and the euro-yen rate averaged ¥137.

Operating results by segment are as follows:

1. Business Technologies Business [multi-function peripherals (MFPs), laser printers (LBPs), etc.]

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Three months ended December 31, 2004	Three months ended December 31, 2003	Increase (Decrease)
(1) External Sales	416,989	464,751	(47,762)	135,595	166,471	(30,876)
(2) Intersegment sales	21,620	17,105	4,515	7,120	5,672	1,447
Total sales	438,610	481,857	(43,246)	142,715	172,144	(29,428)
Operating expenses	399,874	436,823	(36,947)	130,713	156,659	(25,945)
Operating income	38,735	45,033	(6,298)	12,002	15,485	(3,483)

Note: Nine months totals for the term ended December 31, 2003 were calculated by combining Minolta's results for the first half of the year and do not include consolidated eliminations.

In MFP operations, the Company continued to focus on expanding sales of its high-value-added color and high-speed black and white models and endeavored to maintain and expand its market share for these products. Amid the shift toward increased use of colorized office documentation in Japan and the leading industrial nations in Europe and North America, the market for color MFPs is booming, and Konica Minolta's bizhub C350, launched in March 2004, boasts high cost performance thanks to its high image quality, high reliability, and high operability achieved by its polymerized toner, which is technologically most advanced in the industry. For this reason, it has received strong support from customers and continues to sell well. Third-quarter volume sales of color MFPs improved approximately 54% over the same quarter of the previous year and color MFPs accounted for 13% of all MFP sales in the third quarter, up from 9% in the same term of the previous fiscal year. Furthermore, due to a shortage of key parts for the bizhub C350, we have been unable to meet the demand for this product and a number of unfilled orders remain. However, we have coordinated our procurement system and are set to receive all bizhub C350 components, and we expect to fill all orders before the end of the current fiscal year. However, in the area of black and white MFPs, although competition for high-speed models continued to intensify in the third quarter, Konica Minolta strengthened its operations in the print-on-demand (POD) market with the December 2004 launch of the bizhub PRO1050, a high-speed model with an output of 105 pages per minute, and other measures.

In LBP operations, competition in the market for color LBPs intensified, particularly in the area of low-speed segment in Europe and North America. In September 2004, the Company launched its magicolor 2400 series with an output of five pages per minute to replace the magicolor 2300 series, which had an output of four pages per minute. Konica Minolta has also sought to strengthen its lineup of color LBPs in the area of high-speed segment and introduced the magicolor 5430DL with an output of 20 pages per minute. The Company also made a delayed entry in marketing through major volume retailers in Japan along with other committed efforts to expand marketing of Konica Minolta brand products.

As a result of the above factors, nine months totals for the term ended December 31, 2004 external sales for the Business Technologies business amounted to ¥417 billion and operating income was ¥38.7 billion. October to December external sales were ¥135.6 billion and operating income was ¥12 billion.

2. Optics Business (optical devices, electronics materials)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Three months ended December 31, 2004	Three months ended December 31, 2003	Increase (Decrease)
(1) External Sales	66,519	64,564	1,955	22,511	25,358	(2,847)
(2) Intersegment sales	3,466	14,355	(10,889)	1,047	5,164	(4,117)
Total sales	69,986	78,919	(8,933)	23,559	30,523	(6,964)
Operating expenses	58,825	67,543	(8,717)	19,599	25,656	(6,057)
Operating income	11,160	11,376	(215)	3,959	4,866	(907)

Note: Nine months totals for the term ended December 31, 2003 were calculated by combining Minolta's results for the first half of the year and do not include consolidated eliminations.

The core optical pickup lenses segment has recovered somewhat from a period of inventory adjustments, primarily in consumer equipment, which took place from mid-to-late 2004, but third-quarter sales did not reach levels attained in the prior third quarter. Digital and video camera lens unit operations were also slowed by inventory adjustments and sales volumes dipped compared to the third quarter of the previous fiscal year.

In microlenses and microcameras for mobile phones, the Company aggressively worked to domestically market its high-performance products equipped with megapixel and higher resolution, auto-focus, optical zoom, and other technologies in which Konica Minolta excels. The Company also maintained its strong momentum continued from the interim period for sales of high-value-added products in the area of TAC film and other electronics materials for LCDs. Glass hard disk substrates also contributed to business profitability, with sales of 1.8-inch and other small-diameter substrates for HDD-equipped mobile audio players growing steadily, in addition to standard 2.5-inch models.

The above factors resulted in nine months totals for the term ended December 31, 2004 external sales for the Optics business of ¥66.5 billion and operating income of ¥11.2 billion. October to December external sales were ¥22.5 billion, and operating income was ¥4 billion.

3. Photo Imaging Business
(photosensitive materials, digital cameras, ink-jet media, etc.)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Three months ended December 31, 2004	Three months ended December 31, 2003	Increase (Decrease)
(1) External Sales	215,893	196,420	19,473	73,068	59,053	14,014
(2) Intersegment sales	10,053	11,916	(1,864)	3,620	4,140	(520)
Total sales	225,946	208,337	17,608	76,688	63,194	13,494
Operating expenses	228,584	208,310	20,274	75,322	64,923	10,398
Operating income	(2,638)	26	(2,665)	1,366	(1,729)	3,095

Note: Nine months totals for the term ended December 31, 2003 were calculated by combining Minolta's results for the first half of the year and do not include consolidated eliminations.

The market for photography-related products continued to be affected by the ongoing trend toward diminished demand for color film, a mainstay business, whose sales have been receding in inverse proportion to those of digital cameras. Konica Minolta made a valiant effort to offset the inevitable decline in color film sales by strategically focusing marketing efforts in China, India, Asia, Africa, and other areas where digitization has not taken root, and, as a result, sales volume declined a mere 7% compared with the third quarter of the previous fiscal year. Meeting rising demand for digital prints at retail outlets, Konica Minolta's R1 Super and R2 Super digital mini-labs continued to sell briskly, and the sales volume of these devices improved 68% from the third quarter of the previous fiscal year. However, overall sales in the photographic paper business were weak, due to a downswing following an unsustainable surge in growth in the interim period, which was compounded by inventory adjustments. Nevertheless, fierce price competition for ink-jet media in Japan and abroad did not prevent strong sales in North America and Japan from boosting sales volume 17%, compared with the third quarter of the previous fiscal year.

With regard to the digital camera business, which suffered substantial losses in the previous fiscal year and the first half of the current fiscal year, the Company revised its business program and is now pursuing a policy of emphasis on profitability rather than business scale. In line with this new thinking, Konica Minolta has streamlined its market lineup and shifted the focus of its marketing to high-value-added products. The erosion of prices of compact and other digital cameras continues to be severe, but the Company has obtained the support of users of the Company's α/Maxxum/Dynax series film-base SLR cameras with the November 2004 launch of its high-end SLR α-7 Digital (marketed as Maxxum 7D in North America and Dynax 7D in other regions.), designed with the Company's original anti-shake function built into the camera body, making it effective for the entire range of α /Maxxum/Dynax series AF lenses, and healthy sales continued. With regard to the structural reforms that are currently being carried in the second half of the current fiscal year, initiatives to pare fixed expenses have started to take effect and the quarter under review was the first in five that this business division showed a profit.

As a result, nine months totals for the term ended December 31, 2004 external sales in the Photo Imaging business were ¥215.9 billion and operating loss was ¥2.6 billion. In the third quarter, external sales were ¥73.1 billion and operating income was ¥1.4 billion.

4. Medical and Graphic Imaging Business (medical and graphic products)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Three months ended December 31, 2004	Three months ended December 31, 2003	Increase (Decrease)
(1) External Sales	89,970	87,109	2,861	29,070	28,358	712
(2) Intersegment sales	15,300	18,289	(2,989)	4,997	5,801	(803)
Total sales	105,270	105,399	(128)	34,068	34,159	(91)
Operating expenses	99,834	100,240	(405)	32,944	33,674	(730)
Operating income	5,435	5,158	277	1,124	484	639

Note: Nine months totals for the term ended December 31, 2003 were calculated by combining Minolta's results for the first half of the year and do not include consolidated eliminations.

In the medical segment, the trend among major hospitals and other institutions toward digitization and the networking of diagnosis and medical care locations have accelerated both in Japan and abroad. Konica Minolta responded by channeling its efforts into the marketing of its REGIUS series of computed radiography products, its DRYPRO series of dry laser imagers, and dry film that is compatible with these digital input/output devices. In the current period under review, sales of dry film in the pivotal Japanese market were vigorous, and strong overseas sales of medical devices grew sharply, particularly in the United States and China.

In the graphics segment, slipping demand in Japan and abroad caused sales of film, which is the mainstay product for this business, to drop. Amid the market trend for filmless imaging, Konica Minolta restructured this business by focusing on domestic sales of its Digital Consensus Pro, a digital color proofreading system; Pagemaster Pro, high-speed output proofreading equipment; proofreading paper; and other digital equipment.

As a result of the above factors, nine months totals for the term ended December 31, 2004 external sales in the Medical and Graphic Imaging business were ¥90 billion and operating income was ¥5.4 billion. October to December external sales were ¥29.1 billion, and operating income was ¥1.1 billion.

5. Sensing Business (colorimeters, 3D digitizers, and others)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Three months ended December 31, 2004	Three months ended December 31, 2003	Increase (Decrease)
(1) External Sales	3,697	6,488	(2,792)	1,053	1,115	(62)
(2) Intersegment sales	1,756	659	1,096	556	544	11
Total sales	5,453	7,148	(1,695)	1,609	1,660	(51)
Operating expenses	4,392	5,850	(1,458)	1,422	1,335	86
Operating income	1,061	1,298	(236)	187	325	(137)

Note: Nine months totals for the term ended December 31, 2003 were calculated by combining Minolta's results for the first half of the year and do not include consolidated eliminations.

In our mainstay color measuring segment, Konica Minolta directed its efforts toward the marketing of illuminant color measurement equipment for the area of liquid crystal televisions and other flat panel displays (FPDs), as well as object color measuring equipment, which targets the automotive industry. Moving forward with the cultivation of our new 3-D digitizing device business, we are using VIVID 9i as a part of our endeavors to expand sales in the area of industrial measuring equipment. However, overall sales in this business were disappointing due to early indications of flagging capital spending among domestic manufacturers.

As a result of the above factors, external sales for nine months ended December 31, 2004 in the Sensing business were ¥3.7 billion and operating income was ¥1.1 billion. Third-quarter external sales from October to December were ¥1.1billion and operating income was ¥0.2 billion.

The classification of businesses in the preceding segment information is on a business unit basis. In contrast, pre-merger Minolta segment information was classified on an individual product basis. Combined Konica and Minolta figures for the same quarter of the previous fiscal year have been simply totaled without integrating the two approaches to business classification.

The Sensing business was the one most significantly affected by the differing approach to classification, resulting in a substantial decline compared with the first three quarters of the previous fiscal year. If reexamined the nine months results of the previous year using the current business classification, sales to external customers would amount to ¥3,713million and operating income would be ¥1,105 million.

(2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (yen)
As of December 31, 2004	984,163	346,133	35.2	651.88
As of December 31, 2003	1,009,244	341,091	33.8	642.21
(Reference) As of March 31, 2004	969,589	335,427	34.6	631.54

Consolidated Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Nine months ended December 31, 2004	26,757	(34,329)	(6,693)	70,766
Nine months ended December 31, 2003	20,553	(14,347)	(9,612)	87,652
(Reference) Fiscal year ended March 31, 2004	55,957	(28,784)	(33,149)	83,704

(Supplementary information)

As indicated in (1) Overview of operations, to appropriately present the Group's actual condition, the data below has been combined with Minolta's performance results for the prior fiscal year.

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Nine months ended December 31, 2004	26,757	(34,329)	(6,693)	70,766
Nine months ended December 31, 2003	50,734	(17,487)	(31,781)	87,652
(Reference) Fiscal year ended March 31, 2004	86,137	(31,924)	(55,317)	83,704

Total assets as of December 31, 2004 increased ¥14.6 billion from the end of previous fiscal year (March 31, 2004), to ¥984.2 billion. Notes and accounts receivable increased ¥13.9 billion, to ¥236.9 billion, and inventories rose ¥16.8 billion, to ¥190.7 billion. Interest-bearing debt increased ¥5 billion, to ¥273 billion.

Total shareholders' equity increased ¥10.7 billion from the previous fiscal year end, to ¥346.1 billion, and the equity ratio increased 0.6 percentage point, to 35.2%.

For the nine months period ended December 31, 2004, income before income taxes of ¥38.8 billion and depreciation and amortization of ¥37.9 billion contributed substantially to cash flows from operating activities. However, an increase in working capital of ¥26.2 billion, resulting from growth in notes and accounts receivable and inventories and a decrease in notes and accounts payable, as well as ¥27.3 billion in income taxes paid, resulted in net cash provided by operating activities totaling ¥26.8 billion. Net cash used in investing activities was ¥34.3 billion, primarily due to the purchases of property, plant and equipment and payment for acquisition of intangible assets. As a result, free cash flows, computed from the total of cash flows from operating activities and cash flows from investing activities, amounted to an outflow of ¥7.6 billion. Net cash used in financing activities totaled ¥6.7 billion, largely due to dividends paid of ¥5.3 million.

Subsequently, cash and cash equivalents at the end of the third quarter decreased ¥13.4 billion, to ¥70.8 billion.

3. Outlook for Fiscal Year ending March 31, 2005 (April 1, 2004, to March 31, 2005)

(Millions of yen)

	Net sales	Recurring profit	Net income
Full year	1,100,000	70,000	25,000

(Reference) Forecast for full year net profit per share: ¥47.08

With regard to global economic conditions, it is believed that the U.S. and Chinese economies are starting to lose some of their vitality, and it is feared that corporate profits will worsen or growth will taper off, spurring companies to reel in capital spending. This, in turn, would lower consumer confidence, resulting in decreased personal spending and an overall economic downturn.

Anticipating that waning demand for color film and stiff price competition would create challenging conditions in the photography-related business, Konica Minolta prepared ahead of time by steadily implementing structural reform geared to increased profitability, positioning it as the Company's priority management issue. In the Business Technologies business, the Company will promptly fill the backlog of orders for its hot-selling bizhub C350 color MFP while maintaining its current brisk sales and, at the same time, actively promote sales growth of color and high-speed MFPs, color LBPs, and other areas of special focus. In the Optics business, Konica Minolta will focus its energies on expanding sales of optical pickup lenses, TAC film for LCDs, and other optical devices and components.

Turning to the foreign exchange market, concerns are mounting regarding the strengthening yen and weakening U.S. dollar, but in light of the yen's weakness against the euro, surpassing initial forecasts, the effects on profit and loss from currency rate variables are projected to be negligible.

In consideration of the above factors, no changes have been made from the full year performance forecasts announced November 11, 2004. In seeking to achieve established targets, the Company will strive to expedite the implementation of initiatives to secure a reformed management base, promote business portfolio management, and take full advantage of the benefits of its corporate merger.

* The above performance forecasts are based on future assumptions, projections, and plans current to the date of the publication of these materials and include certain risks and uncertainties. Actual performance may differ significantly.