1. GROUP OVERVIEW

The Konica Minolta Group consists of Konica Minolta Holdings, Inc. (the Company), 122 consolidated subsidiaries, 33 unconsolidated subsidiaries and 9 affiliates.

A chart detailing the business structure follows:

Konica Minolta Holdings, Inc

Business Technologies Businesses: 87
(Consolidated Subsidiaries: 63, Unconsolidated Subsidiaries: 20, Affiliates: 4)

Production: 12
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Konica Minolta Technoproducts Co., Ltd.
- Sankei Precision Products Co., Ltd.
- Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (H.K.)
- Other Companies: 8

↓

Konica Minolta Business Technologies, Inc.

↓

Sales: 74
- Konica Minolta Business Solutions Japan Co., Ltd. *3
- Konica Minolta Business Solutions U.S.A., Inc. (U.S.)
- Konica Minolta Business Solutions Europe GmbH (Germany)
- Konica Minolta Business Solutions (UK) Ltd. (U.K.)
- Konica Minolta Business Solutions France S.A.S. (France)
- Konica Minolta Business Solutions Australia Pty. Ltd. (Australia) *4
- Other Companies: 68

Optics Businesses: 6
(Consolidated Subsidiaries: 6)

Production: 5
- Konica Minolta Opto Products Co., Ltd.
- Konica Minolta Opto (DALIAN) Co., Ltd. (China)
- Other Companies: 3

↓

Konica Minolta Opto, Inc.

Photo Imaging Businesses: 44
(Consolidated Subsidiaries: 32, Unconsolidated Subsidiaries: 9, Affiliates: 3)

Production: 14
- Konica Minolta Packaging Co.,Ltd.
- Konica Minolta Chemical Co.Ltd.
- Konica Minolta Manufacturing U.S.A., Inc.(U.S.)
- Konica Minolta Optical Products(SHANGHAI) Co.,Ltd. (China)
- Konica Minolta Precision Engineering Malaysia Sdn.Bhd. (Malaysia)
- Other Companies: 9

↓

Konica Minolta Photo Imaging, Inc. *5

↓

Sales: 29
- Konica Minolta Marketing Corporation
- Konica Minolta Photo Solutions Co.,Ltd.
- Konica Minolta ID System Co.,Ltd.
- Konica Minolta ID Imaging Co.,Ltd.
- Konica Minolta Planetarium Co.,Ltd.
- Konica Minolta Camera Service Co., Ltd.*8
- Konica Minolta Photo Imaging U.S.A.,Inc.(U.S.)
- Konica Minolta Photo Imaging Europe.GmbH(Germany)
- Konica Minolta Photo Imaging France S.A.S (France)
- Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd.(Singapore)
- Konica Minolta Photo Imaging Australia Pty.Ltd.(Australia) *4
- Other companies:17

Medical and Graphic Imaging Businesses: 12
(Consolidated Subsidiaries: 9, Unconsolidated Subsidiaries: 2, Affiliates: 1)

Production: 2
- Konica Minolta Repro Co., Ltd.
- Other Company: 1

↓

Konica Minolta Medical & Graphic , Inc.

↓

Sales: 9
- Konica Minolta Medical Co.,Ltd.
- Konica Minolta Medical & Graphic Technosupport Co., Ltd.
- Konica Minolta Medical Imaging U.S.A., Inc. (U.S.)
- Konica Minolta Graphic Imaging Japan Co., Ltd.
- Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.)
- Other Companies: 4

Other Businesses: 14
(Consolidated Subsidiaries: 11, Unconsolidated Subsidiaries: 2, Affiliates: 1)
- Konica Minolta IJ Technologies,Inc.*9
- Konica Minolta Business Expert, Inc.
- Konica Minolta Technology Center, Inc.
- Konica Minolta Logistics Co., Ltd.
- Konica Minolta Sogo Service Co., Ltd.
- Konica Minolta Engineering Co., Ltd.
- Konica Minolta Information System Co., Ltd *7
- Konica Minolta Technosearch Co., Ltd.
- Other Companies: 6

Sensing Business: 1
(Consolidated Subsidiary: 1)
- Konica Minolta Sensing , Inc.

Notes: *1: Organization chart is as of March 31, 2005.
*2: Only major consolidated subsidiaries are shown.
*3: Konica Minolta Business Solutions Japan Co.,Ltd.,merged with Konica Minolta Techno System Co.,Ltd., on July 1,2004.
*4: Konica Minolta Photo Imaging Australia Pty.Ltd. split off from Konica Minolta Business Solutions Australia Pty.Ltd. on April 1,2004.
*5: Konica Minolta Photo Imaging, Inc. merged with Konica Minolta Camera, Inc. on April 1, 2004..
*6: On April 1, 2004, Konica Medical Inc. and Kyoritsu Medical Co., Ltd. merged, and Konica Minolta Medical Co., Ltd. was established.
*7: On April 1, 2004, Konica Information Systems Co., Ltd. and FAMOUS Co.,Ltd. merged, and Konica Minolta Information System Co., Ltd was established.
*8. On October 1, 2004, Konica Service Co., Ltd. And Minolta Camera Service merged, and Konica Minolta Camera Service Co., Ltd. was established. Konica Service Co., Ltd., and Minolta Camera Service Co., Ltd., merged October 1, 2004, and the new company was named Konica Minolta Camera Service Co., Ltd.
* 9. On January 4, 2005, Konica Minolta IJ Technologies, Inc. was established.

2. MANAGEMENT POLICY

(1) Basic Policy

The Group, headed by the holding company Konica Minolta Holdings, Inc., operates under the management philosophy "Creation of new value" in line with the aim of achieving "The essentials of imaging" and backed the dual management vision of being "an innovative corporation that continues to create impressions in the field of imaging" and "a global market leader that offers advanced technology and reliability," a position it has earned by continually delivering fresh surprises and creating lasting impressions through original products and services in its core technologies of materials, optics, nano-processing, and image data processing.

Management philosophy:	"Creation of new value"
Management vision:	"An innovative corporation that continues to create impressions in the field of imaging" "A global market leader that offers advanced technology and reliability"
Corporate message:	"The essentials of imaging"

(2) Medium- and Long-Term Management Strategies and Pending Issues

In accordance with this basic policy, the Company will seek to be an innovative corporate group that generates a new emotional impact with its products in the area of imaging input and output and will steer its operations on a global scale with the objective of expanding the value of the Group to the greatest possible extent.

The Group's business domains span a wide range—with products and services targeting consumers as well as business and industry—in a myriad of fields, including office equipment, optical devices, photography, medical, printing, and industrial measuring. The current pace of technological change due to the advancement of digitization, networking, and colorization continue to be rapid, and the competitive environment is intensifying on a global level.

Responding to this environment, the Company formulated the Medium-Term Management 0Plan (hereafter referred to as the V-5 Plan). The V-5 Plan, which will run for the four business years from April 2005 through March 2009, aims to ensure quick and appropriate business management able to respond to these changes and strengthen the Group through the further selectivity and concentration of business operations.

Basic Policies of the V-5 Plan:
(1) Stricter management of its business portfolio
(2) Execution of a corporate governance system with high transparency
(3) Enhancement of technical and brand strategies in the imaging field
(4) Use of an achievement-driven personnel system
(5) Intensified focus on corporate social responsibilities

Under these basic policies, the Company will dedicate itself to business portfolio management and promote high-efficiency group management in all areas of business. In particular, the Business Technologies Business, which is a core enterprise, and the strategic Optics Business will receive at least 80% of capital investment, R&D spending, and other management resources and will drive business growth through increased business competitiveness. However, the Company also intends to complete structural reform measures that include downsizing the Photo Imaging and Camera Business, which is facing severe competition, to an appropriate level.

While fully implementing this strategic allocation of corporate resources, Konica Minolta will watch for opportunities to cultivate new businesses, create new business alliances, and conduct new M&A, with the aim of achieving net sales of ¥1,410 billion, operating income of ¥145 billion, and net income of ¥70 billion, on a consolidated basis, by fiscal year March 31, 2009, the final year of the V-5 Plan. To achieve our goals, we will work for complete success amid ever intensifying competition and endeavor to improve shareholder value.

Accordingly, we will carry out the following priority policies in each business as described below.

Business Technologies Business:	Concentrate on color products and strengthen its business structure
Optics Business:	Strengthen technological competitiveness and continue on an expansion track
Photo Imaging Business:	Downsize the business scale and return to profitability
Medical and Graphic Imaging Business:	Expand operations in the medical field
Sensing Business:	Maintain stable revenues and profits

In the Business Technologies Business, the Company will promote its genre top strategies and work to consolidate its steadfast position in the markets for multi-functional peripherals (MFPs), high-speed MFPs and color printers by concentrating management resources in these areas, for which the market is expected to grow particularly well. To this end, we will actively pursue capital investment aimed at strengthening R&D and marketing capabilities, set up a platform to increase the production of hardware and consumables, and strengthen cost-competitiveness.

In the Optics Business, we will expand liquid crystal film production capacity, move forward with technological development in the cutting edge areas of optics technologies and nano-processing, and seek to create new device business in which we enjoy an overwhelming technological advantage and market share like that enjoyed by our optical pickup lens business.

With the Photo Imaging Business, the Company will seek to break free from two consecutive periods of losses by scaling back photosensitive materials and camera operations to an appropriate business scale and to accelerating further business reforms.

In the Medical and Graphic Imaging Business, we will channel efforts to the medical field in anticipation of market growth as well as strive to expand sales of X-ray image processing units, network products, and other digital devices.

In the Sensing Business, the Company will work to expand sales of 3D digitizers, particularly for industrial applications.

(3) Basic Policy Regarding Distribution of Profits

With regard to profit sharing, the Company's medium-to-long-term basic policy is to provide stable dividends to its shareholders, giving thorough consideration to such issues as the state of consolidated earnings and the payout ratio and the enhancement of internal reserves for future business expansion.

From the perspective of upholding stable dividends, we have made an annual dividend of ¥10 per share a rough standard, which we have been able to maintain. Regarding the issue of increasing dividends, we have set a target payout ratio of 15% or better on a consolidated earnings basis. We intend to raise dividends as much as possible in light of the anticipated impact of growth on the Business Technologies Business and the Optics Business on Group earnings as the V-5 Plan takes effect, and we wish to reward our shareholders for their continued understanding and support.

(4) Views and Policies Regarding Lowering of Minimum Investment Unit

To bolster its stock liquidity and expand the shareholder base, the Company obtained approval at its general shareholders meeting in June 2003 to reduce the number of shares in its trading unit from 1,000 to 500. This took effect in August 5, 2003 on the occasion of the establishment of the current holding company structure. As a result of this move, in addition to such initiatives as the regular publication of quarterly business reports on our website from fiscal year ended March 31,2005, the number of shareholders rose approximately 6%, to 42,780 as of March 31, 2005, compared with 40,288 at the previous fiscal year-end.

(5) Views and Policies Regarding Corporate Governance

1. Views

Konica Minolta regards the strengthening of corporate governance as a crucial management issue, and the Company has endeavored to reform its various business structures accordingly. In addition, since the merger of Konica Corp. and Minolta Co., Ltd., we have moved forward with the separation of business oversight and execution via a board-with-committees system and have sought to enhance business transparency and efficiency.

1) Introduction of the Holding Company System

In April 2003, all operations conducted up to that point were spun off and the Company changed to a holding company system. This move was made for the purpose of strengthening the overall Group's competitiveness by drawing clear divisions between Group management decision-making and the administration of each business, as well as by transferring responsibility and authority for operations to each business company.

In August of the same year, Konica merged with Minolta, and in October, reformed its organization to create a system with five business companies and two common function companies under a pure holding company. In its capacity as the holding company, the Company formulates Group management plans and strategies, implements strategic alliances, cultivates new businesses, promotes business portfolio management, and carries out other activities. Together with determining the optimal distribution of human resources, finances, technology, and other Group management resources, and promoting Group management via activities related to compliance, brand management, environment preservation, product quality, IT capabilities, earnings assessments, and other issues, the Company will strive to maximize the corporate value of the entire group through the reinforcement of corporate governance. Furthermore, Group business companies and common function companies will conduct operations in their respective fields in close contact with their customers and fortify market competitiveness by clearly establishing business responsibility and demonstrating quick decision making.

2) Adoption of the Board-with-Committees System

In conjunction with the management integration of Konica and Minolta, the Company changed to a board-with-committees system including the Auditing Committee, the Nomination Committee, and the Compensation Committee. In addition to cleaving the roles of management oversight and administration and enhancing clarity and impartiality, substantial authority was granted to executive officers for the purpose of expediting decision-making.

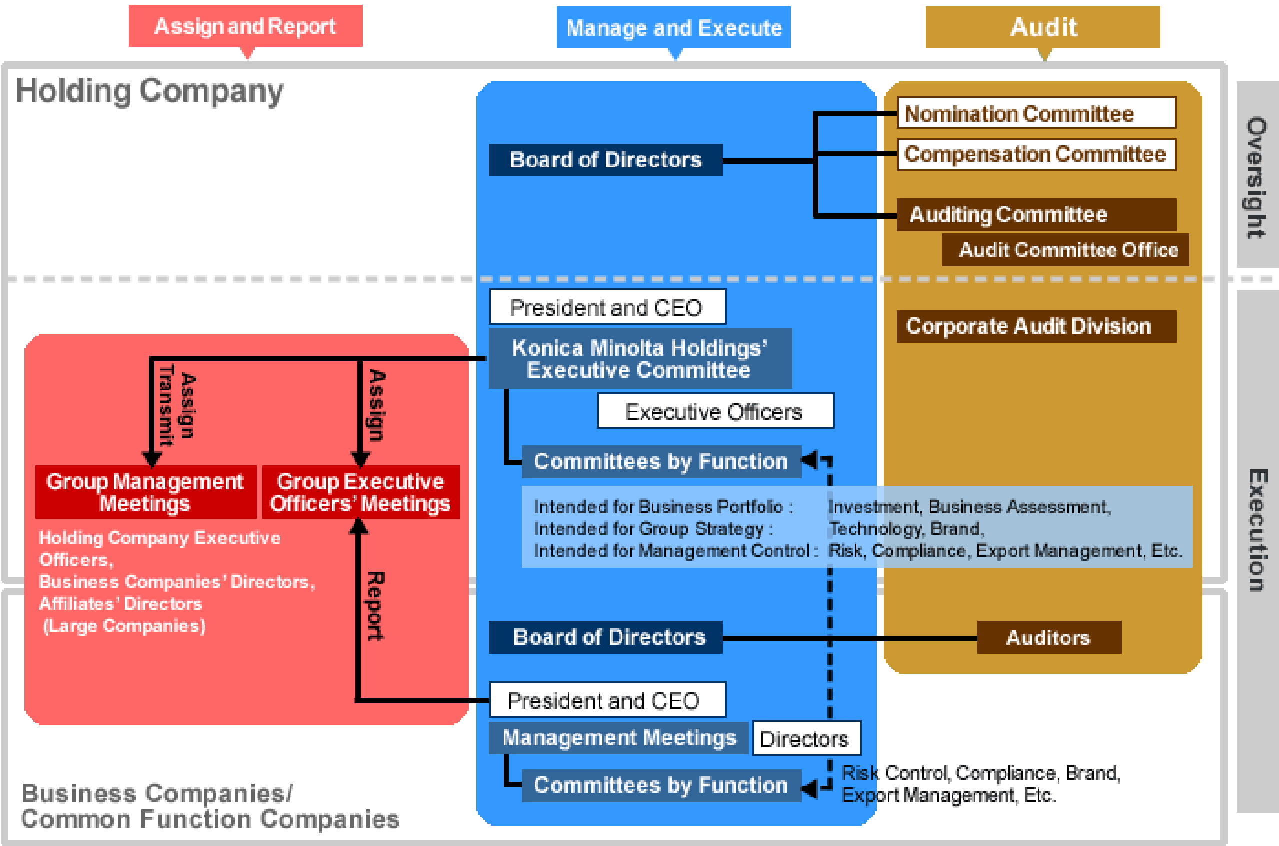
At the same time, in fiscal year ended 2003, the number of outside directors was increased from two to four. Committee chairpersons are all outside directors and these directors have no direct vested interests in Konica Minolta. The Company has constructed the most forward-looking and transparent corporate governance system in the industry, and representative executive officers are not permitted to be members.

In Japan, the number of companies that have simultaneously adopted a holding company structure and a board-with-committees system is still small, but see it as the most appropriate business structure to enhance our corporate value.

2. Description of Company Institutions and the Status of Internal Control Systems, Risk Management Systems

1) Basic Description of Company Institutions

The Company employs a board-with-committees system whereby the Board of Directors dedicates itself to management oversight functions and significant management policy decisions without engaging in the ordinary affairs of the Company in accordance with the Company's philosophy of separation of business oversight and business administration to ensure appropriate and efficient operational management.



a. Holding Company's Board of Directors

This is the Group's highest decision-making body and is responsible for the oversight of business execution. Of the twelve directors, one-third is outside board members with no vested interest in the Company. In addition, seven board members, including the board chairperson and the four outside directors, do not concurrently serve as executive officers, providing the Group with a clearer functional division between management oversight and execution.

b. Auditing Committee, Nomination Committee, and Compensation Committee

The Auditing Committee, Nomination Committee, and Compensation Committee exist as part of the Board of Directors. Each of the Company's three committees is composed of five directors, and the majority of committee members in each of the three are outside directors.

c. Holding Company Executive Committee

The president and representative executive officer of the holding company makes decisions related to the execution of business within the bounds of power granted by the Board of Directors. The Executive Committee deliberates on matters critical to Group management to support the president in making decisions. With the representative executive officers and the senior executive officers as standing members, it meets twice a month in principle.

d. Committees

With regard to the handling of matters affecting business throughout the Group, the Company maintains a system of committees that submits reports to the Executive Committee.

The Company constantly monitors the position of its operations to ensure optimal performance and promotes business portfolio management as its basic policy for Group management to achieve sustainable and stable growth for the entire Group. To ensure the effective execution of these initiatives and to strengthen them, the Company has established the Investment Assessment Committee and the Business Assessment Committee to monitor the efficient use of capital entrusted to the Company by its shareholders for the purpose of maximizing returns.

To strengthen Group competitiveness, Konica Minolta has established the Group Technology Strategy Council and the Brand Management Committee to provide a Companywide perspective on Group strategy. In addition, to enhance management auditing and supervisory functions, Konica Minolta has set up a fixed organization with a full-time staff to support the Auditing Committee. Furthermore, the Company has established the Risk Management Committee and the Compliance Committee and installed the Corporate Audit Division as an internal auditing body. Through these and other measures, the Company has augmented its Group internal control systems and configured its Auditing Committee into an organization fully capable of effective and appropriate auditing functions.

2) Internal Auditing, Audits by the Auditing Committee, and the Status of Account Auditing

a. Auditing Committee

The Company employs a board-with-committees system and, pursuant to this policy, it has established an Auditing Committee in lieu of an auditing officer. The Company has also established the Audit Committee Office to assist the Auditing Committee as an independent administrative bureau with two full time staff.

The Auditing Committee is responsible for overseeing the legality and appropriateness of the management decisions of directors and executive officers, reviews of internal control systems, reviews of accounting auditors, and decisions on the appointment and dismissal of accounting auditors.

b. Internal Auditing

The Company, under the direct jurisdiction of the president and representative director of the holding company, has established the Corprate Audit Division to support the internal auditing functions of the entire Group. The Corprate Audit Division consists of eight members, headed by the general manager who concurrently serves as a senior executive officer, and includes two certified internal auditors (CIA) and three qualified internal auditors(QIA).

The Corprate Audit Division drafts auditing plans and administers audits using a risk-based approach focusing on the reliability of financial reports, the efficiency and effectiveness of operations, and compliance with regulations in accordance with Internal Auditing Rules.

Previously, ordinary audits of business companies and common function companies (including their subsidiaries), as well as the parent company had all been carried out at the Corprate Audit Division, but now we are currently conducting follow up audits to confirm that matters raised in audits are addressed, as well as local visiting audits of principal overseas subsidiaries by personnel from the Corprate Audit Division.

After completing the audit at each company, the Corprate Audit Division then compiles its findings in an auditing report, which it submits to the president and CEO of the Company, as well as the Auditing Committee.

c. Mutual Cooperation in Audits by the Auditing Committee, Internal Audits, and Accounting Audits

The Company established the Auditing Committee in line with its board-with-committees organizational structure, and the business companies, common function companies, and their subsidiaries that operate under this system all have auditing officers. The Company and other major companies under its umbrella rely on external accounting auditors for accounting audits, and work together in mutual cooperation with the Accounting Committee (and its adjunct office), the Corprate Audit Division, accounting auditors, as well as the auditing officers of business companies, common function companies, and their subsidiaries, to enhance the efficiency and effectiveness of their auditing operations while maintaining their independence as individual auditing bodies.

To cite some specific examples, the Auditing Committee (and its adjunct office), the Corprate Audit Division, and auditing officers always attend accounting auditors' report briefings and receive copies of audit reports. Moreover, copies of auditing reports drafted by the Corporate Audit Division are distributed to accounting auditors and auditing officers as needed, in addition mandatory reports to the Auditing Committee.

Furthermore, the Auditing Committee, the Corprate Audit Division, and auditing officers hold a Konica Minolta Group Auditing Liaison Conference every three months to share information, expertise, and experience in an effort to improve the precision of auditing operations.

d. CPAs Executing Operations

The Company has entered into a contract with ChuoAoyama PricewaterhouseCoopers for auditing services related to commercial and securities trading laws. The names of CPAs that executed operations and their assistants for the period under review are listed below.

(CPAs that executed operations)

Designated Employee	Managing Partner	Koichi Suzuki
Designated Employee	Managing Partner	Kazuo Suzuki
Designated Employee	Managing Partner	Yoshitaka Odawara

Furthermore, Kazuo Suzuki has conducted auditing related operations (auditing related operations stipulated by Article 24, Paragraph 3 of the Certified Public Accountant Law) regarding the Company's financial documents for 11 consecutive accounting periods.

(Composition of auditing assistants)

There was a total of 30 people, 16 CPAs and 14 others.

3) Compliance

Konica Minolta does not limit its compliance activities to conformity to laws and regulations. In addition to adhering to applicable ordinances, the Company works to conduct business activities in compliance with corporate ethics, meaning directors' and employees' observance of moral and social codes imposed by society with regard to corporate activities, and internal rules, meaning rules formulated for the governance of Group activities. Specifically, the Company has formulated the Charter of Corporate Behavior and the Conduct Guideline for the Group and seeks to improve corporate value through strict observance to ensure the trust of shareholders and others with a stake in the Company. In addition, the Board of Directors has designated an executive officer to be in charge of compliance, selected a department to promote and support compliance, and established the Compliance Committee. Through these initiatives, directors and executive officers have taken the lead in constructing a system to strengthen Group compliance. Furthermore, the Company has also established a compliance help center to respond to inquiries related to the entire Group.

3. Personal Relations Between Outside Directors and the Company, as well as Capital, Dealings, and Other Vested Interests—Nothing to report

4. Activities Conducted by the Board and Committees in the Period Under Review

Directors (including outside directors) maintained a committee and Board meeting attendance rate exceeding 95% in the period under review, and efforts are underway to improve individual activities. In monthly board meetings, management oversight was conducted through reports on significant business operations throughout the year, numerous deliberations were held for decisions on important management policies (medium-term management plans, etc.), and it served as a forum for the CEO and outside directors

to exchange views.
The Auditing Committee met once a month with the mandate to: (1) audit the legality and appropriateness of decisions of directors and executive officers, (2) review internal control systems and recommend corrective action if needed, and (3) review accounting auditors' audits.

The Nomination Committee selected next term candidates for directorship based on director selection standards requiring independence in the selection of outside directors and received and checked reports on the process of selection of executive officers and the reasons for selection ahead of the vote by the Board.

The Compensation Committee reexamines and seeks to improve the compensation structure before determinations for the salaries of individual officers are made. In the period under review, the Compensation Committee confirmed the move toward eliminating severance compensation and considered the adoption of a stock option system to incorporate long-term incentives.

The aforementioned activities were intended to augment the transparency of the corporate governance system, and the Company will continue management efforts to use these activities to improve corporate value.

5. Executives' Compensation

1) Policies related to Determining Compensation, Etc. Received by Directors and Executive Officers

The companies executive compensation system is designed to motivate executives to work to improve sustainable, long-term business performance to respond to shareholders' expectations and to keep a level that enables it to secure and maintain human resources unsurpassed in the industry for the purpose of bolstering the value of the entire group in line with the Company's management policies. Pursuant to the intention of this policy, the Compensation Committee conducted a review of remuneration systems for directors and executive officers. The purpose of this review was to reexamine performance-based compensation as a short-term incentive, introduce stock options as a long-term incentive, eliminate severance bonuses, and abolish performance-dependent compensation for directors. By doing away with severance compensation and introducing stock options, the Company seeks to direct executives' attention to the stock price and medium and long-term consolidated performance, as well as to ensure that they share in the risks and benefits of stock price fluctuations and, in turn, to strengthen their resolve to improve its corporate value and boost the stock price. The Compensation Committee determined its policies related to deciding individual compensation for directors and executive officers as follows, pending acceptance of its proposal, "New Stock Warrants to Be Issued as Stock Options for Equity-Based Compensation" at the general meeting of shareholders.

The Compensation Committee determines the compensation directors and executive officers are to receive according to the policies described below.

a. Compensation System

For the purpose of redirecting the management priorities of directors, compensation will no longer include remuneration for short-term business performance. Compensation shall consist of fixed compensation and stock options for equity-based compensation, which can reflect medium and long-term business outlook. Outside directors shall only receive fixed compensation. With regard to executive officers, payment is to be composed of fixed compensation, as well as performance compensation that reflects short-term Group performance and the performance of business operations overseen and stock options for equity-based compensation to reflect medium and long-term business prospects.

b. Fixed compensation shall be set an appropriate level by executive grade utilizing objective, external data, assessment data, and other information.

c. Performance-based compensation shall be set according to the extent to which short-term (annual) performance targets are achieved. For the time being, profit shall be the principal factor for performance targets.

d. In addition to the elimination of conventional monetary severance compensation, stock options for equity-based compensation are designed to better reflect performance from a medium and long-term perspective and provide a compensation system that is based on the stock price to allow executives to view the Company from the perspective of shareholders. Only in house directors and executive officers are eligible to receive stock option rights, and the number of rights to be granted shall be determined individually in consideration of the extent to which targets related to Group performance and performance in the business relevant to each eligible executive.

e. The relationship among fixed compensation, performance-based compensation, and stock options for equity-based compensation for executive officers shall be approximately 60:20:20 as a general rule.

Furthermore, the Company shall revise compensation levels and composition in response to changes in the management environment in an appropriate and timely manner.

With regard to the severance compensation, which is slated to end, the Compensation Committee shall decide individual amounts within a reasonable range, according to fixed Company standards, and the Company plans to pay that amount when executives leave their posts.

*In chart "(2) Compensation for directors and executive officers," below, compensation recorded is based on the current system and do not reflect the above policies.

2) Compensation for directors and executive officers for fiscal year ended March 31, 2005 is as follows.

Category		Personnel Paid	Payment (millions of yen)			Summary
				Fixed Compensation	Variable payment	
Directors	Outside	5	31	28	3	The Compensation Committee determines compensation on an individual basis pursuant to "Policies Related to Determining Compensation and Other Disbursements to be Received by Directors and Executive Officers."
	Internal	3	131	122	9	
	Total	8	163	151	12	
Executive Officers	With title	17	450	396	54	
	Other	*17	206	170	35	
	Total	29	657	566	90	

Notes:

1. Of the above personnel, one director and nine executive officers (five with titles, four other) stepped down from their posts in the period under review. As of the last day of the fiscal year ended March 31, 2005, the Company employed seven directors (four internal, three outside) and 20 executive officers (12 with titles, eight other).
   *Of the 17 other executive officers, five were promoted to executive officer with title level during the period.
2. The Company employs five internal directors in addition to the three noted above (who all concurrently serve as executive officers with titles), but they do not receive compensation as directors.
3. In addition to the above disbursements, the following retirement allowances shall be paid in line with the resolution passed by the Compensation Committee.
   - Directors Severance Compensation (one director) ¥ 3 million
   - Executive Officers Severance Compensation (nine executive officers) ¥177 million

6. Auditors' Compensation

Compensation and other disbursements that the Company and its consolidated subsidiaries are to pay its accounting auditor, ChuoAoyama PricewaterhouseCoopers, are as follows.

[Millions of yen]

	Payment
(1) Total compensation and other disbursements the Company and its subsidiaries are to pay accounting auditors.	120
(2) Total compensation and other disbursements the Company and its subsidiaries are to pay accounting auditors for the administration of the Certified Public Accountant Law, Article 2, Paragraph 1 (Audit Certification Operations), as a part of (1) above	113
(3) Compensation and other disbursements that the Company is to pay accounting auditors, as a part of (2) above for accounting auditor services	42

Note: With regard to (3) in the above chart, the distinction between compensation for audits by accounting auditors according to the special law in the commercial code and compensation for audits according to securities trading laws is not clearly defined. Thus, the Company has recorded the total of the two.

3. OPERATING RESULTS AND FINANCIAL CONDITION

(1) Operating Results

(1) Summary

In fiscal year ended March 31, 2005, the global economy was supported by robust consumer spending thanks to strong demand for durable goods, vigorous private-sector capital investment centered on the IT industry, and other positive factors, while the U.S. economy continued to enjoy solid performance. Euro-zone economies, which had been on a recovery track driven by U.S. economic vitality, began to feel the effects of high crude oil prices and appreciation of the euro, and the pace of growth slowed in the second half of the year. The Chinese economy continued to perform well, but its export-led high growth rate showed some signs of flagging. The pace of growth in Asia's newly industrializing economies has also gradually slackened.

Turning to the Japanese economy, sentiment in the manufacturing sector clearly deteriorated, with the production of digital appliances—previously the market driver—scaling back production, among other negative factors. In addition, positive signs that would allay concerns regarding employment and salary stagnation were too few to spark a turnaround in personal consumption, and the outlook for the economy remained opaque.

Operating in this environment in its second year since the merger, the Company designated fiscal year ended March 31, 2005 as the year in which it would upgrade its management foundation and, in addition to the speedy resolution of business reorganization, Konica Minolta worked to integrate IT systems, consolidate human resources systems, and other measures to adjust and expand management infrastructure. At the same time, the Company aggressively invested in a advertising campaign in major cities in Japan and abroad to increase public awareness of the new "Konica Minolta" brand. The Company also upgraded its management foundation in line with its plans, implementing of various initiatives, including the virtual achievement of personnel rationalization targets primarily by indirect departments and other operations made redundant by the merger.

In terms of business, the Company strove to complete the implementation of its business portfolio management program with the aim of quickly realizing the benefits of the merger. In particular, Konica Minolta strengthened its operations through the strategic concentration of management resources on select business areas. As a part of this program, in the Business Technologies Business, the Company's core enterprise, Konica Minolta strengthened color product operations, while in the Optics Business; the Company dynamically expanded its liquid crystal materials operations. However, in the Photo Imaging Business, the Company responded to waning demand for color film, intensified price competition in the market for digital cameras, and other negative factors contributing to a general malaise in business environment with reform of the business structure, including measures to cut fixed expenses and paring the number of camera models to maximize its unique technologies. Regarding new business development, we established Konica Minolta IJ Technologies, Inc., in January 2005 to leverage our ink-jet technologies and other unique chemical- and ink-related technologies developed in the photosensitive materials field as it manufactures and markets printer heads for high-definition industrial inkjet printers.

Consequently, fiscal year ended March 31, 2005 net sales were ¥1,067.4 billion, operating income was ¥67.5 billion, and recurring profit was ¥53.6bllion on a consolidated basis.

As a result of extraordinary losses of ¥21.3 billion due to structural reform expenses related to the Photo Imaging Business, expenses connected to the comprehensive amortization of goodwill in the camera business incurred from the business integration, and rationalization and other expenses from business integration, net income was ¥7.5 billion.

Furthermore, the average U.S. dollar/yen exchange rate was ¥108, reflecting a 5% stronger yen compared with fiscal year ended March 31, 2004, and the euro/yen rate was ¥135, reflecting a 2% weaker yen.

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Sales	1,067,447	860,420	1,123,591	(56,143)	(5.0%)
Operating Income	67,577	57,530	73,213	(5,635)	(7.7%)
Recurring profit	53,617	43,186	52,538	1,079	2.1%
Net income	7,524	12,548	19,343	(11,819)	(61.1%)

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

(2)Segment Information

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

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Net sales to outside customers	564,837	431,118	625,753	(60,915)	(9.7%)
Operating income	55,832	46,408	62,856	(7,025)	(11.2%)

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

In the Business Technologies Business, the Company is pursuing "genre- top strategies," a policy of channeling management resources to promising markets and areas to establish Konica Minolta as the top brand for them. Accordingly, we have defined the scope of this plan to target color and high-speed MFPs, for which the market is forecast for sharp growth, as well as color printers. Focusing on its own polymerized toner, which is technologically most advanced in the industry and adopts to both color and black and white units, as well as with all output speeds, the Company endeavored to expand its market share for these products particularly in Europe and North America.

In the market for MFPs, which stands out for its ever-increasing pace of growth, the Company has customarily worked to cultivate customer demand for color document applications in the office equipment market. In March 2004, the worldwide introduction of our new bizhub line—the jewel of our MPF product group—and the newly launched the bizhub C350 color MFP (22 pages –per- minute (ppm) in color, 35 ppm in black and white) received plaudits from customers for their superiority in image quality, reliability, ease of operation, and other cost-performance factors, and sales were strong, particularly in Europe and North America. In addition, in February 2005 the Company launched the new bizhub C450 color MFP (35 ppm in color, 45 ppm in black and white) in Japan. With the dual aims of improving customer satisfaction and strengthening product competitiveness, this product is Konica Minolta's first MFP equipped with the newly constructed integrated firmware (control structure) and facsimile functions, which have received particular attention in the domestic market, and sales are booming. The market launch of these products has led to an impressive 84% jump in volume sales of color MFPs.

With regard to high-speed MFPs, in December 2004 we launched we introduced the bizhub PRO1050 black and white MFP capable of a printing speed of 105 ppm. The Company also tried to provide customers with services and products incorporating Konica Minolta's high standards of quality and reliability, targeting major corporations' in-house central reprographic departments, print-on-demand (POD) operations—for which we anticipate substantial growth—and light production printing.

In printer operations, new market entrants have aggravated price competition, especially for color units. The magicolor 2400 series, launched last summer with a color output of 5 ppm, has received broad public support for its exceptional cost performance and high image quality achieved through our polymerized toner, and sales have been strong in Europe, North America, and other regions. In the second half of fiscal year ended March 31, 2005, we added two products to the magicolor 5400 high-speed color printer series leveraging the Company's inherent strengths in tandem technology to achieve an output of 20 ppm or better. Konica Minolta is looking to defend its number two rank in the color printer market by expanding its lineup of high value-added products in the high-speed segment, as well as by growing sales in the low-speed segment, and the Company is also working to improve earnings in its consumables business.

Furthermore, in anticipation of future growth in mainstay color and high-speed black and white MFP and color printer operations, the Company started construction of an assembly plant financed with its own funds in Wuxi, China to bolster equipment production. At the same time, the Company is proceeding with arrangements to increase its production of polymerized toner in response to forecasts of substantial acceleration in demand for consumables resulting from increased sales of machines. All facilities are scheduled to be up and running by the end of March 2006.

As a result, external customer sales were ¥564.8 billion, and operating income was ¥55.8 billion in the Business Technologies Business.

2. Optics Business [optical devices, electronics materials, etc]

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Net sales to outside customers	91,705	76,711	85,825	5,879	6.9%
Operating income	16,001	16,168	15,281	720	4.7%

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

In the core optical pickup lenses segment, inventory adjustments of consumer digital products have dragged since last summer, leading to somewhat lackluster performance both in terms of volume and sales; however, the Company has completed the development of its next-generation DVD technologies including blue laser technologies, and preparations for mass production in fiscal year ending March 31, 2006 are under way. Furthermore, lens units for digital and video cameras and other products in the component business, based on the Company's unrivaled expertise in optical technologies, failed to significantly extend orders from domestic manufacturers, who are the principal customers, due to sluggish market growth, and actual results were virtually unchanged from fiscal year ended March 31, 2004.

However, sales of high-value-added products for high image quality microcameras for mobile phones grew steeply, and in the area of liquid crystal materials, customers have supported us with robust demand for TAC film, wide-view film, and other high function products. Thus, sales grew soundly. In addition to growth in the market for liquid crystal televisions and monitors, the trend for larger screen sizes and other factors point to continued strong demand growth for liquid crystal materials, and Konica Minolta is responding with the construction of a third production line scheduled to start operations in October 2005. Moreover, in glass hard disk substrate operations, sales of both conventional 2.5-inch units as well as 1.8-inch units for portable audio players and other mobile products have been brisk.

As a result, external customer sales in this business were ¥91.7 billion, and operating income was ¥16 billion.

3. Photo Imaging Business [photosensitive materials, digital cameras, inkjet media, etc]

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Net sales to outside customers	268,471	223,962	277,693	(9,221)	(3.3%)
Operating income	(8,651)	(5,372)	(6,644)	(2,007)	—

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

In the area of photosensitive materials, the earnings mainstay color film business continued its sharp decline in Japan, North America, Europe, and other areas amid the increase in the use of digital cameras. The Company responded by strengthening its market strategies in China, India, Russia, Middle East, Africa, and other regions where digital cameras have not yet taken hold. Consequently, declines in volume sales were pared to 10% compared with the previous fiscal year.

However, sales of the new R2 Super digital mini-lab launched in May 2004 are healthy in Japan. The Company is working to bolster the sales and earnings of the photographic paper business by actively encouraging retailers who have purchased Konica Minolta mini-labs to offer digital printing services. In addition, sales of inkjet paper, ID photograph systems, and other young operations are steadily improving, reflecting necessary structural reforms, but has not yet reached the point where these operations can significantly contribute to earnings in the Photo Imaging Business.

The digital camera business, in which earnings substantially deteriorated in fiscal year ended March 31, 2004, the Company revised its business objective to underscore earnings rather than scale of business. Accordingly, we pared the number of digital camera models offered and undertook a shift to high-value-added products. The high-end digital single lens reflex (SLR) α-7 Digital* released November 2004 incorporates our exclusive anti-shake system in the camera body, a design concept that enables this function to be used with any existing Konica Minolta α/Maxxam/Dynax-lens. This feature has won broad support from users, and sales were strong. However, the international decline in compact camera prices has been even more precipitous than expected, and year-end sales battles were vicious. Konica Minolta carried out a raft of structural reform initiatives to reduce fixed expenses, but we did not achieve notable improvements in operating losses.

As a result, sales to external customers were ¥268.4 billion and operating loss was ¥8.6 billion in the Photo Imaging Business.

*Marketed as Maxxum 7D in North America and Dynax in other regions.

4. Medical and Graphic Imaging Business [medical and graphic products]

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Net sales to outside customers	129,872	120,871	120,871	9,001	7.4%
Operating income	6,656	7,906	7,906	(1,249)	(15.8%)

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

In the medical field, the trend toward the increased use of digital technologies and networks is advancing at major hospitals and other healthcare facilities in Japan and abroad. To respond to the digitization of hospital operations, the Company has channeled its energies into the marketing of its REGIUS series of digital radiography units, the DRYPRO series of laser imagers, the NEOVISTA series of network products, and other digital equipment. In addition, in February 2005, the Company launched the Phase Contrast Mammography (PCM) system, a digital x-ray mammography system boasting the world's highest level of digital image quality due to Konica Minolta's own phase contrast method, which was created in answer increased demand for breast cancer examination equipment, as well as other measures to strengthen its operations in digital imaging.

However, in the area of graphics (printing), the digitization of the printing process in Japan and other countries has brought about diminished sales in our mainstay printing film business. To mold the operations structure to respond to market trends toward filmless photography and the increase in digital printing, the Company has directed its efforts to the domestic marketing of Digital Consensus Pro, a digital color proofing system; proof sheets for this system; domestic and overseas marketing of the Pagemaster Pro, a digital color printer that excels in small lot printing, and other digital equipment.

As a result, external sales in this business amounted to ¥129.8 billion, and operating income was ¥6.6 billion.

5. Sening Business [colorimeters, 3D digitizers, and others]

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)	% change
Net sales to outside customers	5,293	2,657	8,030	(2,736)	(34.1%)
Operating income	1,593	801	1,774	(180)	(10.2%)

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31,2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

In the principle colorimeter business, Konica Minolta concentrate its focus on the automotive and flat panel display industries, and the Company has expanded sales by leveraging the development of operating activities concentrated on leading manufacturers in these industries. Furthermore, in the 3D digitizer business, which the Company is fostering as an area of focus, we are accelerating business expansion by concentrating management resources on the development of products and applications and are working to develop new customers.

At the same time, we worked to reduce product development time, improve productivity, and other production cost cutting measures as a part of structural reforms, and thereby enhanced business profitability.

As a result of our efforts, sales to external customers in the Sensing Business totaled ¥5.2 billion, and operating income was ¥1.5 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 previous fiscal year have simply been totaled without integrating the two approaches to business classification.

The Sensing Business was the most significantly affected by the differing classification approach, resulting in a substantial decline compared with the first half of the previous fiscal year. If reexamined using the fiscal year ended March 31, 2005 business classification, fiscal year ended March 31, 2004 sales to external customers would amount to ¥5.2 billion, and operating income would be ¥1.5 billion.

(3) Dividends

In fiscal year ended March 31,2005, integration expenses to fortify the management base and restructuring expenses for Photo Imaging Business had a one-time impact on Group earnings, and the Company expects the challenging management environment to linger; however, the Company has set fiscal year-end dividends at ¥5 per share, unchanged from fiscal year ended March 31,2004 and in line with "(3) Basic Policy Regarding Distribution of Profits" under "2. Management Policy" above.

. (In December 2004, the Company paid an interim dividend payment of ¥5 per share, for a full-year dividend payment of ¥10.)

(4)Outlook for the fiscal year ending March 31, 2006

A sense of a slowdown in the driver of the global economy, the United States, has emerged, and the skyrocketing price of crude oil, fluctuations in foreign exchange rates, and other factors are contributing to an uncertain outlook. In Japan, the economy is being squeezed by inventory adjustments in the area digital information appliances, the protracted slump in personal consumption, and other negative factors. Consequently, the overall management environment is expected to remain difficult in the coming period.

To respond to this environment, the Company has quickly moved to integrate its management and worked steadily to implement the various measures formulated as a part of its V-5 medium-term management plan. Konica Minolta will continue to seek to reap the benefits of its merger in the coming fiscal term.

Konica Minolta's outlook for consolidated earnings in the fiscal year ending March 31, 2006, is as follows.

[Millions of yen]

	Fiscal year ending March 31,2006		Fiscal year ended March 31,2005		Increase (Decrease)	
	Interim	Full year	Interim	Full year	Interim	Full year
Net sales	5,300	11,300	5,351	10,674	(51)	625
Operating income	340	900	325	675	14	224
Recurring profit	290	800	281	536	8	263
Net profit	70	230	82	75	(12)	154

These projections are premised on the following exchange rates in the fiscal year ending March 31,2006:

US$ ¥105

Euro ¥ 133

*The above forecasts are estimates and incorporate elements of risk and uncertainty. Actual results may differ due to various significant factors.

(5) Dividends for fiscal year ending March 31, 2006

In full consideration of the expenses projected to be incurred amid efforts to accelerate structural reform in photo operations as well as reserves needed to strengthen business areas of focus and future enterprise development for continued growth, the Company intends to maintain stable dividend payments, and plans to pay ¥5 per share for both the interim period and fiscal year as a whole for a full-year total of ¥10 per share.

(6) Financial Position

1. *Fiscal year ended March 31, 2005*
Overview

	As of March 31, 2005	As of March 31, 2004	Increase (Decrease)
Total assets (millions of yen)	955,542	969,589	(14,047)
Shareholders' equity (millions of yen)	339,729	335,427	4,301
Shareholders' equity per share (yen)	639.80	631.54	8.26
Equity ratio (%)	35.6	34.6	1.0

As a result of ongoing efforts to reduce interest-bearing debt in the period under review, the balance of interest-bearing debts at the end of the period fell ¥21.6 billion from the end of the previous fiscal year, to ¥246.3 billion. This led to total assets being ¥14 billion lower than the previous fiscal year end, at ¥955.5 billion on March 31, 2005.

Shareholders' equity increased ¥4.3 billion from the end of last period, to ¥339.7 billion thanks to net income totaling ¥7.5 billion. Shareholders' equity per share was ¥639.80 and the equity ratio was 35.6%.

Cash Flows

[Millions of yen]

	Fiscal year ended March 31,2005	Fiscal year ended March 31,2004	Fiscal year ended March 31,2004 (Including 1st half Minolta figures)	Increase (Decrease)
Cash flows from operating activities	55,680	55,957	86,137	(30,458)
Cash flows from investing activities	(49,343)	(28,784)	(31,924)	(17,419)
Total (Free cash flow)	6,336	27,173	54,213	(47,878)
Cash flows from financing activities	(31,614)	(33,149)	(55,317)	23,703

Note: For purposes of comparison with the previous fiscal year, Minolta data for the first half of fiscal year ended March 31, 2004 is included in "Fiscal year ended March 31, 2004 (Including 1st half Minolta figures)." Combined totals of Konica and Minolta cash flows are calculated on a gross basis and do not include consolidation adjustments.

Cash flows from operating Activities

Despite income before income taxes of ¥35.4 billion and depreciation and amortization amounting to ¥52.9 billion, net cash provided by operating activities totaled ¥55.6 billion, largely reflecting a ¥23.1 billion increase in working capital that resulted from increases in accounts receivable and decreases in accounts payable, in addition to income tax payments of ¥31.4 billion.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥49.3 billion. This was primarily due to ¥46.5, billion used in the acquisition of tangible fixed assets such as dies for new products, aspherical plastic lenses for optical disks, liquid crystal TAC film, polymerization toner, and other investments to bolster production capacity as well as the construction of materials research facilities to conduct state-of-the-art material technology development.

As a result, free cash flows, computed from the total of cash flows from operating activities and cash flows from investing activities, amounted to ¥6.3 billion.

Cash flows from financing activities

Net cash used in financing activities totaled ¥31.6 billion. This was mainly due to ¥24.8 billion for the redemption of bonds and other interest-bearing debt.

As a result of net cash used in financing activities far exceeding free cash flows, cash and cash equivalents at the end of fiscal year ended March 31, 2005 was ¥24.2 billion lower than the end of fiscal year ended March 31, 2004, at ¥59.4 billion.

Cash Flow Indicators

	Fiscal year ended March 31,2001	Fiscal year ended March 31,2002	Fiscal year ended March 31,2003	Fiscal year ended March 31,2004	Fiscal year ended March 31,2005
Shareholders' equity ratio (%)	30.9	32.5	35.1	34.6	35.6
Market price-based shareholders' equity ratio (%)	53.1	55.5	65.0	81.5	60.2
Debt redemption period (years)	3.6	3.7	2.3	3.1	4.4
Interest coverage ratio	5.5	7.1	14.3	11.1	10.1

Notes: Shareholders' equity ratio: Shareholders' equity to total assets

Market price-based shareholders' equity ratio: Market capitalization to total assets

Debt redemption period: Interest-bearing debt to net cash flows from operating activities (omitted in interim data)

Interest coverage ratio: cash flows from operating activities to interest payments

The above ratios are calculated based on the figures at the end of the previous interim period

1. Each of these indicators is calculated based on consolidated financial data.
   The above figures through the fiscal year ended March 31, 2003 are those of pre-merger Konica Corp. Fiscal 2004 data related to cash flows from operating activities and interest payments incorporate Minolta's share for the first half of the fiscal year.
2. Market capitalization is calculated as share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
3. Net cash flows from operating activities are those stated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows.

2. Outlook of Cash Flows for the fiscal year ending March 31,2006

Konica Minolta projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥4 billion.

-- Recorded monetary values omit amounts less than one single unit.