Overview of Performance

(1) The 1st Quarter Summary

In March 2005, Konica Minolta Holdings, Inc., formulated the “V-5 Plan,” a medium-term business plan covering the four business years from April 2005 to March 2009 and serving as a Group roadmap. The goal of this plan is to improve the Group’s speed in responding to various changes in the operating environment and taking appropriate action as well as to ensure a stronger corporate Group through selectivity and focus.

In the current fiscal year, the first year of the plan, we have rigorously implemented business portfolio management and steps to increase Group profitability. Above all, we have concentrated management resources in strategic fields and strengthened operations by taking aggressive measures to enhance our color products business in the core Business Technologies Business and expand our liquid crystal materials business in the strategic Optics Business. In contrast, the Photo Imaging Business has suffered two consecutive periods of loss. To remedy this situation, we have taken steps to immediately scale back our photosensitive materials and camera businesses to a more appropriate size and restructure our business so that we are able to reverse the deficit condition as quickly as possible.

As a result of the above actions, consolidated net sales for the first quarter were ¥244.0 billion, thanks mostly to favorable new product sales of color multifunctional peripherals (MFPs) and continuing demand-driven sales growth for liquid crystal materials. The Company scaled back the size of the Photo Imaging Business to eliminate its operating deficits, resulting in a 6.9% year-on-year reduction in sales on a consolidated basis, which was largely on target. The gross profit margin in the first quarter improved 3.5 percentage points from 44.5% to 48.0%, as cost reduction efforts and an improved product mix on the back of new product launches, primarily in the Business Technologies and Optics businesses, offset soaring raw materials prices, including those for oil, as well as the effects of intense price competition for such consumer products as digital cameras and color film. Meanwhile, despite higher R&D spending in the Business Technologies Business, which is in the midst of a shift from black and white to color products, selling, general and administrative (SG&A) expenses fell ¥0.8 billion thanks to efforts to streamline the overall business and not spending part of the budget. As a result, operating income in the first quarter was up 7.3%, or ¥1.2 billion, to ¥18.1 billion. The operating profit margin also improved 1.0 percentage point, from 6.5% to 7.5%.

Non-operating income and expenses fell ¥0.5 billion from the same period of the previous year due to a ¥0.4 billion loss on disposal of inventories and other factors. Accordingly, recurring profit climbed 3.7%, or ¥0.6 billion, to ¥17.7 billion. The Company posted an extraordinary loss of ¥3.9 billion by applying asset-impairment accounting to unitilized assets and the production equipment for color photographic paper in the Photo Imaging Business, which resulted in an overall extraordinary loss of ¥4.2 billion. Thus, net profit before tax amounted to ¥13.5 billion, a 16.3% decrease year on year. From fiscal year ending March 31,2006, total taxes, including corporate taxes, were ¥2.8 billion less than in the same period of the previous year due to the fact that Konica Minolta and its consolidated subsidiaries introduced the consolidated taxation system. Accordingly, net income was ¥7.3 billion, up 1.0% from thesame period of the previous year.

Currency exchange rates for the first quarter were ¥107.69 to the U.S. dollar and ¥135.57 to the euro, with the yen rising ¥2.08 (1.9%) against the dollar and falling ¥3.29 (2.5%) against the euro compared with the same quarter of the previous fiscal year. The exchange rates had a negligible effect on sales and operating income, with the appreciation and depreciation of the yen against each of the currencies more or less offsetting each other. The Company appears to have gotten off to a good first quarter start on the road to achieving fiscal year ending March 31, 2006 Group targets.

(2) Overview by Segment

1. Business Technologies Business [multifunctional peripherals (MFPs), laser printers (LBPs)etc.]

(Millions of yen)

	Three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)	Three months ended June 30, 2004 (April 1, 2004 - June 30, 2004)	Increase (Decrease)	Change (%)
(1) Net sales to outside customers	137,198	136,975	223	0.2
(2) Intersegment net sales	585	7,089	(6,503)	(91.7)
Total net sales	137,784	144,064	(6,280)	(4.4)
Operating expenses	123,459	129,184	(5,724)	(4.4)
Operating income	14,324	14,880	(556)	(3.7)

The Business Technologies Business is taking steps to expand its market share, primarily in North America and Europe, based on the Company's "genre-top strategies" of becoming the dominant player in each of its market segments focusing business resources on specific markets and areas and securing the top brand position. Konica Minolta is narrowing its focus to the three areas where potential market growth is high— color MFPs, black and white, high-speed MFPs, and color laser printers(LBPs) printers—and leveraging its industry-leading polymerized toner.

In MFP operations, black and white MFPs are increasingly being replaced with color MFPs, especially in the industrialized markets of Japan, North America, and Europe. In the wake of this trend, the Company began a focused effort to expand color MFP sales, especially for the *bizhub C450*, a new color MFP launched in February 2005, in key Japanese and overseas markets. The *bizhub C450* is designed for office use and based on new integrated firmware developed by Konica Minolta. It has an output capacity of 35 color pages per minute (ppm) (45 ppm black and white) and comes equipped with a rich assortment of network, security, and other functions. The *bizhub C450* has an excellent reputation for superb cost performance and reliability and enjoys strong sales in every market where it is sold. In June, we introduced the *bizhub C351*; a MFP with 35 ppm output capacity for both color and black and white copies that is based on the same firmware platform as the *bizhub C450*. The addition of these two models, along with the *bizhub PRO C500* (51 ppm color and black and white) and the *bizhub C350* (22 ppm color and 35 ppm black and white), brings our color MFP product lineup to four models. With high image quality made possible through our industry-leading polymerized toner and the high productivity afforded by tandem engines, these four models enjoy a competitive market edge. Brisk sales have helped contribute to a 92% year-on-year increase in first quarter color MFP unit sales. The proportion of color MFPs as a part of total MFP sales increased substantially from 9% to 17%, underscoring the ongoing shift to colorproducts. The *bizhub PRO C500* and *bizhub PRO 1050* (105 ppm black and white), high-speed MFPs for the high growth production print market, continued to fare well, posting a steady 36% increase in unit sales. In addition, pre-launch activities for our new MFP products for the current fiscal year are moving steadily ahead. Two new products were announced in June and will be marketed in the second quarter : the color MFP *bizhub C250* (25 ppm color and black and white) for general office use and the high-speed MFP *bizhub PRO 920* (92 ppm black and white) for the print production market.

In laser printer operations, the Company continued its efforts to expand color LBP sales, in Europe and North America especially. It took steps to expand its product lineup to include the low-speed segment, its traditional focus, by introducing such products as the *magicolor 2400* series (5 ppm color) as well as the high-speed segment by launching the *magicolor 5400* series (over 20 ppm color and black and white with a tandem engine) in the second half of the previous fiscal year, thereby consolidating and expanding its market share. Unit sales of color LBPsunder the Konica Minolta brand jumped 80% from the year earlier, nevertheless, unit sales of color LBPs dropped 35% overall due to an increasingly competitive environment brought on by a substantial decline in its OEM business and newly emerging competitors. Meanwhile, unit sales of black and whiteLBPs, including the Konica Minolta brand and OEM were favorable, rising 9%.

As a result, net sales to outside customers and operating income in this segment were ¥137.1 billion and ¥14.3 billion, respectively, nearly flat with the previous period, but in line with our projections.

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

(Millions of yen)

	Three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)	Three months ended June 30, 2004 (April 1, 2004 - June 30, 2004)	Increase (Decrease)	Change (%)
(1) Net sales to outside customers	24,715	22,265	2,450	11.0
(2) Intersegment net sales	430	1,197	(767)	(64.1)
Total net sales	25,146	23,462	1,683	7.2
Operating expenses	21,507	19,554	1,953	10.0
Operating income	3,638	3,908	(269)	(6.9)

In the mainstay optical pickup lenses segment, unit sales were somewhat weak, coming in 7% below the same period of the previous year, suggesting that demand peaked in this market. However, digital consumer electronics in particular finally appear to be on a recovery track after undergoing a prolonged adjustment that began last summer.

Meanwhile, in the wake of continued strong demand, the liquid crystal materials segment including TAC film fared well thanks mainly to sales of retardation film and other highly sophisticated products, with unit sales up 32%. In the glass hard disk substrate segment, unit sales were up 43% on the back of growing demand. Technologically competitive high-value-added products enjoyed solid growth, as there was resurgence in demand for video cameras in the lenses segment and the use of micro-cameras in new camera-equipped mobile phones fueled growth in the component segment.

As a result, sales to external customers were ¥24.7 billion and operating income was ¥3.6 billion. Although sales were up and profits were down from thesame period of the previous year, this was in line with company projections.

3. Photo Imaging Business [photographic materials, digital cameras, Inkjet media, etc.]

(Millions of yen)

	Three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)	Three months ended June 30, 2004 (April 1, 2004 - June 30, 2004)	Increase (Decrease)	Change (%)
(1) Net sales to outside customers	48,220	71,928	(23,708)	(33.0)
(2) Intersegment net sales	2,643	3,289	(646)	(19.7)
Total net sales	50,863	75,218	(24,354)	(32.4)
Operating expenses	51,593	77,178	(25,585)	(33.2)
Operating income	(729)	(1,960)	1,230	-

Demand for color film continued to fall due to digital camera growth, especially in Japan, North America, and Europe. Until now, Konica Minolta had been working to maintain its sales volume primarily in markets that were still relative newcomers to the digital revolution, such as Asia, India, Russia, and the Middle East. Overall, unit sales of color film dropped a substantial 30% in the first quarter as a result of inventory adjustments and the accelerating proliferation of digital media in North America and Europe. Unit sales in the digital mini-lab segment were down 40% from the same period of the previous year due to increasing price competition. First quarter sales of key photosensitive materials-related products were mostly flat and a 26% year-on-year shortfall in the photographic paper segment due to shrinking minilab sales.

In Konica Minolta’s digital camera operations, the Company narrowed down the focus of its product offerings to such high value-added products as digital single lens reflex cameras and undertook drastic restructuring measures, shifting its focus from sales and market share growth, in other words, the expansion of scale, to scaling back operations to a more appropriate size. As a result of this policy, first quarter unit sales for compact digital cameras were down 23%, but there are signs of improving profitability from brisk sales of new products launched this spring.

Consequently, sales to outside customers were ¥48.2 billion and there was an operating loss of ¥0.7 billion. Due to ongoing efforts to scale back the size of the business to eliminate loss, segment sales were down substantially from the previous period; however, the amount of loss was less than in the same period of the previous year.

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

(Millions of yen)

	Three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)	Three months ended June 30, 2004 (April 1, 2004 - June 30, 2004)	Increase (Decrease)	Change (%)
(1) Net sales to outside customers	30,744	28,124	2,619	9.3
(2) Intersegment net sales	7,876	5,153	2,723	52.8
Total net sales	38,621	33,278	5,343	16.1
Operating expenses	36,726	32,036	4,689	14.6
Operating income	1,895	1,241	653	52.6

In the medical segment, domestic and overseas unit sales of digital input/output equipment, including the *REGIUS* series of computed radiography units and DRYPRO imaging output equipment, shot up 71% compared with the same period of the previous year . Unit sales of digital compatible dry film were strong, rising 11%. The Company is moving aggressively in Japan to increase hospital sales of the *PCM System*, a mammography system that incorporates world-class high-definition imaging using phase contrast technology developed by Konica Minolta and launched in February 2005.

In the graphic segment, which in Japan has become increasingly filmless, demand for our mainstay graphic imaging film continued to decline in the first quarter, and, although we continued to take steps to maintain existing sales levels, especially in such overseas markets as the United States and China, overall sales dipped 4% year on year. Meanwhile, equipment sales were sluggish, and unit sales of the digital color proofing system *Digital Consensus PRO,* which enjoys a dominant share of its domestic market segment, slipped 30%. We aggressively promoted sales of our filmless compatible digital color printer, the *Pagemaster PRO*, in Japan and overseas and unit sales are thus increasing substantially.

As a result of the above-mentioned efforts, sales and profits were up in the first quarter, with sales of ¥30.7 billion and operating income of ¥1.8 billion.

5. Sensing Business [colorimeters, 3D digitizers and others industrial meters.]

(Millions of yen)

	Three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)	Three months ended June 30, 2004 (April 1, 2004 - June 30, 2004)	Increase (Decrease)	Change (%)
(1) Net sales to outside customers	1,243	1,162	81	7.0
(2) Intersegment net sales	538	573	(35)	(6.1)
Total net sales	1,782	1,736	46	2.7
Operating expenses	1,440	1,414	26	1.8
Operating income	342	321	20	6.4

Sales of display color analyzers, highly rated as de facto standard devices in the color control process of wide-screen and LCD displays in the flat panel display industry and spectrophotometric equipment for the auto industry in the object color measuring segment were strong, coming in at ¥1.2 billion and operating income at ¥0.3 billion.

Financial position

Total assets were down ¥11.8 billion from the end of the previous fiscal year, to ¥943.7 billion. Accounts receivable decreased ¥16.6 billion, to ¥226.4 billion, and inventories climbed ¥5.8 billion, to ¥183.3 billion. At the same time, interest-bearing debt increased ¥16.5 billion, to ¥262.9 billion.

Shareholders' equity grew ¥5.5 billion from the end of the previous fiscal year, to ¥345.2 billion, thus raising the equity ratio 1.0 percentage points, to 36.6% and raising shareholders' equity per share ¥10.43, to ¥650.23.

With regard to cash flows, although the Company recorded net income before income taxes and minority interests of ¥13.5 billion, depreciation and amortization of ¥12.4 billion and a ¥16.0 billion decrease in accounts receivable in the first quarter, cash used in operating activities amounted to minus ¥3.6 billion as a result of ¥8.7 billion of increases in inventories, and decrease in accounts payable as well as the payment of ¥21.0 billion in corporate income taxes. Cash used in investing activities amounted to ¥11.9 billion, and primarily comprised expenditures for the acquisition of tangible and intangible fixed assets for Business Technologies and Optics segment. Free cash flow thus amounted to an outflow of ¥15.5 billion. Cash provided by financing activities was ¥15.2 billion due primarily to a ¥19.5 billion increase in short-term debt and a dividend payout of ¥2.6 billion. As a result, the balance of cash and cash equivalents at the end of the quarterly period under review ¥59.4 billion, nearly the same level as the period of the previous year.

Earnings forecast

The global economy remains unpredictable from the second quarter of the fiscal year ending March 31, 2006, and beyond due to skyrocketing raw material prices as typified by the high price of oil, concerns over the increase in the Chinese yuan's value, the psychological impact that the multiple terrorist attacks in the United Kingdom had on the European economy, as well as other factors.

With regard to its own standing, the Konica Minolta Group anticipates a persistently harsh business environment surrounding photosensitive materials as the shift toward digitization continues and it predicts that prices will continue to fall in the digital camera market, not only for compact-type cameras, but throughout the entire segment, including single lens reflex cameras. At the same time, as profits recover, corporations are expected to continue to invest in IT and this will be reflected in strong demand for sophisticated high-performance color MFPs and LBPs and other products that increase office productivity. Demand for TAC film and other LCD materials as well as lens and camera units for camera-equipped mobile phones and other digital consumer electronics and IT related optical devices and components is also expected to remain strong.

Although first quarter results were largely in line with projections, given the current business environment, we have left the interim targets announced on May 12, 2005, unchanged. We realize that the achievement of numerical targets is an issue of the highest importance and we will rapidly enforce the various measures that we are now instituting in each of our business segments.

Although there are uncertainties associated with foreign currency exchange rates from the second quarter and beyond in this business forecast, we are maintaining our exchange rate assumptions of ¥105 to the U.S. dollar and ¥133 to the euro.

* The above forecasts are expectations based on predications, outlooks, and plans related to the future at the time of this announcement and, as such, are subject to risks and uncertainties. Various significant factors in the operating environment surrounding the company including economic conditions, market trends, and exchange rate fluctuations may cause actual results to differ materially from these forecasts.