1. GROUP OVERVIEW

The Group comprises the parent company, 123 consolidated subsidiaries, 31 non-consolidated subsidiaries, and 9 affiliates. A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Businesses: 84
(Consolidated Subsidiaries: 63, Unconsolidated Subsidiaries: 17, Affiliates: 4)

Production: 10
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Toyohashi Precision Products Co., Ltd. *3
- Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
- Other Companies: 7

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Konica Minolta Business Technologies, Inc.

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Sales: 73
- Konica Minolta Business Solutions Japan Co., Ltd.
- Konica Minolta Business Solutions U.S.A., Inc. (U.S.A)
- 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)
- Other Companies: 67

Optics Businesses: 7
(Consolidated Subsidiaries: 7)

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

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Konica Minolta Opto, Inc.

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Sales: 1
- Konica Minolta Opto (SHANGHAI) Co., Ltd. (China) *4

Photo Imaging Businesses: 41
(Consolidated Subsidiaries: 29, Unconsolidated Subsidiaries: 9, Affiliates: 3)

Production: 12
- Konica Minolta Packaging Co., Ltd.
- Konica Minolta Chemical Co., Ltd.
- Konica Minolta Manufacturing U.S.A., Inc. (U.S.A)
- Konica Minolta Optical Technologies (SHANGHAI) Co., Ltd. (China) *5
- Konica Minolta Precision Engineering Malaysia Sdn. Bhd. (Malaysia)
- Other Companies: 7

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Konica Minolta Photo Imaging, Inc.

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Sales: 28
- Konica Minolta Marketing Corporation
- Konica Minolta Photo Solutions Co., Ltd.
- Konica Minolta ID System Co., Ltd.
- Konica Minolta ID Imaging Co., Ltd.
- Konica Minolta Camera Service Co., Ltd.
- Konica Minolta Photo Imaging U.S.A., Inc. (U.S.A)
- Konica Minolta Photo Imaging Europe. GmbH (Germany)
- Konica Minolta Photo Imaging (UK) Ltd. (U.K.)
- 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)
- Other Companies: 17

Medical and Graphic Imaging Businesses: 15
(Consolidated Subsidiaries: 11, Unconsolidated Subsidiaries: 3, Affiliates: 1)

Production: 5
- Konica Minolta Technoproducts Co., Ltd.
- Konica Minolta Repro Co., Ltd.
- Other Companies: 3

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Konica Minolta Medical & Graphic , Inc.

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

Other Businesses: 15
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 2, Affiliates: 1)

- Konica Minolta IJ Technologies, Inc.
- 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.
- Konica Minolta Technosearch Co., Ltd.
- Konica Minolta Planetarium Co., Ltd.
- Other Companies: 6

Sensing Business: 1
(Consolidated Subsidiaries: 1)

- Konica Minolta Sensing, Inc.

Notes
*1: Organization chart is as of September 30, 2005.
*2: Only major consolidated subsidiaries are shown.
*3: Toyohashi Precision Products Co., Ltd. merged with Sankei Precision Products Co., Ltd. on October 1, 2005.
*4: Konica Minolta Opto (SHANGHAI) Co., Ltd. was established on July 15, 2005.
*5: On April 1, 2005, Konica Minolta Optical Technologies (SHANGHAI) Co., Ltd. merged with Konica Minolta Optical Products (SHANGHAI) Co., Ltd.

2. MANAGEMENT POLICY

(1) Basic Management Policy

The Konica Minolta Group has adopted an underlying principle of "creation of new value" as its management philosophy, and by offering innovative products and services aims to be a company regarded by its clients as indispensable (= The essentials of imaging).

Management philosophy:	"Creation of new value"
Management vision:	"Innovative corporation that continues to create impressions in the field of imaging"
Corporate message:	"The essentials of imaging"
Policy focus:	"Maximize Group corporate value"

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

I. Medium-Term Management Plan

Based on the aforementioned fundamental policies, Konica Minolta Holdings, Inc.(the Company) works to expand its business globally and maximize the corporate value of the Group. The Group's business domains are diverse, encompassing office equipment, optical devices, photographic products, medical equipment, printing equipment, and measuring equipment. In every field, the Company works to create business structures capable of winning out over the competition in a business environment characterized by the acceleration of technical change in terms of a shift toward digital, networked, and color-capable products, and by escalating competition, especially on pricing.

Under this operating environment, the Company embarked on a new medium-term management plan (the "V-5 Plan"), which will serve as the Group's road map for the four years from fiscal 2005 through fiscal 2008.

Fundamental Policies of the Medium-Term Management Plan ("V-5 Plan)

1) Implementation of thorough business portfolio management
2) Implementation of highly transparent Group governance
3) Promotion of strategic Group technologies and establishment of the Konica Minolta brand in the imaging business domain
4) Implementation of ability-centered personnel policies based on the Group's personnel philosophy.
5) Implementation of CSR-focused management

Based on these fundamental policies, the Company pursues thorough business portfolio management and highly efficient Group management in all business domains. In particular, the Business Technologies business, which is a core enterprise, and the strategic Optics business have been designated areas of focus, and more than 80% of capital investments, R&D spending, and other management resources have been allocated to them, with the objective of further strengthening competitiveness and thereby driving growth for the overall Group. Under this plan, the Company aims to create a stronger corporate group by swiftly and accurately responding to shifts in its operating environment and pursuing greater selectivity and focus in its business portfolio, while also cultivating new businesses and considering alliances and M&A.

To achieve these objectives, the Company is implementing the following key strategies in individual business domains.

Business Technologies:	Focus on color products, strengthen business framework
Optics:	Enhance technical competitiveness and continue on expansion track
Photo Imaging:	Scale back operational size, eliminate losses
Medical and graphic imaging:	Expand businesses in healthcare field
Sensing:	Sustain stable profits

In the Business Technologies business, the Company is concentrating management resources in specific markets and domains and pursuing a "genre-top" strategy aimed at establishing Konica Minolta as the top brand in these areas. The Company is especially targeting the color MFP (multi functional peripheral), high-speed MFP multi functional peripheral), and color LBP (laser beam printer) markets, which are expected to demonstrate significant growth, and it is working to establish solid positions in these domains. To realize this “genre-top” strategy, the Company is carrying out aggressive investment aimed at enhancing its development and sales capabilities, while upgrading production capacity for equipment and consumables and improving cost-competitiveness.

In the Optics business, the Company is expanding its LCD-use film production capacity while pursuing technology in advanced fields, with optical technologies and nano-fabrication technologies at the core. At the same time, the Company is working toward new businesses in devices where it holds dominant technical capabilities and market share, such as optical pickup lenses.

In the Medical and Graphic Imaging business, the Company is focusing on the healthcare field, which is expected to grow, and it is working to expand sales of digital-related equipment, including digital X-ray imaging equipment and networked products.

In the Sensing business, the Company is working to expand sales of three-dimensional sensing equipment, especially in industrial-related fields.

II. Restructuring of the Photo Imaging Business

The effects of the shift to digital imaging haves accelerated the decline in demand for color film, photo paper, mini-labs, and other products in the photosensitive materials-related products field, while, at the same time, the business environment for digital cameras remains harsh, with fierce price competition among manufacturers showing no signs of abating. In response, Konica Minolta has undertaken a range of restructuring measures designed to eliminate losses in the business, including scaling back the size of its business, narrowing its product lineup, streamlining and reassigning personnel, and cutting expenses. The changes in the market, however, have proceeded at a pace that exceeds the effectiveness of these measures, and we have, unfortunately, continued to record operating losses since the merger in 2003.

The Company forecasts that conditions will become even more difficult in the future, and, faced with changes in the market environment, we have revised our business restructuring plan, pushing forward measures to significantly reduce the scale of business operations. A reduction in the scale of operations in the Photo Imaging business will lessen the impact on overall Group performance, and is aimed at transforming the Company’s business structure to focus on new growth. The Company will proactively shift management resources from the Photo Imaging business will be to other Group companies, develop new businesses with high expectations for growth, such as display films and life sciences, as well as strengthen and expand existing businesses. The main aspects of this program, including the extensive reduction in the business scale and streamlining of personnel, are expected to generate restructuring expenses of around ¥90 billion in the full term, including interim period costs of ¥22.8 billion from impairment accounting for fixed assets.

The main aspects of the implementation plan for business restructuring are as follows:

1) Simplification of functions and procedures, internal group reorganization (simplification), and other restructuring measures will be undertaken in all divisions, including development, production, and sales.
2) Technology resources in the Photo Imaging business will be shifted to other Group companies, and used to spur development of new businesses, as well as strengthen and expand existing ones.
3) As a result of these measures, the Group will reduce the size of its workforce by somewhat more than 10% from 33,000 at present.

(3) Basic Policy Regarding Distribution of Profits

The Company's medium- to long-term basic policy on profit sharing is to continually provide stable dividends to its shareholders in comprehensive consideration of such issues as the state of consolidated earnings and the payout ratio, and the enhancement of the internal reserve for future business expansion.

Konica Minolta would like to compensate its shareholders for their support up to this point. The Company expects a recovery in earnings in the fiscal year ending March 31, 2007, and beyond, at which point it will aim to resume its basic policy of dividend payouts of at least ¥10 per share, set a payout ratio of over 15% on a consolidated earnings basis as a growth dividend, and intends to increase dividends as much as possible in conjunction with Group performance, which is expected to improve, particularly with the growth areas of the business technologies and optics business.

However, the Company expects costs in the Photo Imaging business to be generated in the year under review, and with expectations of heavy losses in the interim and full fiscal year to March 31, 2006, the Company regrets that it will have to suspend both interim and year-end dividends.

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

To increase stock liquidity and broaden its shareholder base, the Company reduced its minimum stock trading unit to 500 shares, from 1,000 shares. The new trading unit was approved at the annual General Meeting of Shareholders in June 2003, becoming effective on August 5, 2005, the date of the establishment of the holding company through business merger. Additionally, to provide disclosure to a wider investor base, in the previous fiscal year, the Company started issuing a quarterly business report, available on its corporate website. As of September 30, 2005, the number of shareholders totaled 45,126, an approximately 12% increase from 40,316 at the time of the business merger (as of September 30, 2003).

(5) Views and Policies Regarding Corporate Governance

I. Basic Concept

Having made strengthened corporate governance a key management issue, the Company is working to reform several existing management mechanisms. Additionally, following the business integration of Konica and Minolta, the Company adopted a board-with-committees system to separate executive and supervisory functions and to further improve management transparency and efficiency. Based on these tenants, three committees (the Auditing Committee, Nominating Committee, and Compensation Committee) are working to complement the function of the Board of Directors, with the aim of further strengthening Konica Minolta's corporate governance structure, address major issues, and implement various policies.

1) Introduction of holding company system

In April 2003, Konica spun off its operations and shifted to a holding company system. This was done to clarify responsibility for decision making for Group operations and responsibility for the execution of business policy for each business. In conjunction, operating responsibility and authority was substantially devolved to the individual business segments, with the aim of enhancing the competitiveness of the Group as a whole.

The current pure holding company, created through business integration with Minolta in August 2003 and subsequent business reorganization in October of the same year, consists of five business companies and two common function companies. The Company (i.e., the holding company) formulates Group business plans and strategies, carries out strategic alliances; optimally allocates Group management resources, including personnel, funds, and technologies; and promotes Group management through compliance, brand management, and the evaluation of environmental policies, quality control, IT, and performance evaluation. Simultaneously, the Company works to maximize corporate value for the Group as a whole by continually strengthening corporate governance. Meanwhile, the operating companies and common function companies separate pursue customer-oriented business operation in their respective domains and work to improve their market competitiveness through speedy decision making and clearly defined business responsibilities.

2) Adoption of board-with-committees system

The Company (i.e., the holding company for the Group) has adopted a board-with-committees system under which an Auditing Committee, a Nominating Committee, and a Compensation Committee have been established. In addition to separating executive and supervisory roles and increasing management transparency and fairness, the system substantially devolves executive authority to executive officers, with the aim of speeding up decision making.

The three committees are all chaired by outside directors, who have no direct interests in the Company. Additionally, no representative executive officers are appointed to these committees. As such, the Company has constructed a highly advanced and transparent corporate governance system.

II. Update of corporate organs, internal management system, and risk management system

1) Basic overview of corporate organs
The Company has adopted a committee-based corporate governance system, and based on the principle of separating executive and supervisory roles, the Board of Directors does not execute daily business operations. Rather, the Board sets important business policies and plays a supervisory function to ensure that policies are appropriately and efficiently carried out.

a) Board of Directors
As the supreme decision-making body, the Board of Directors oversees the implementation of business policy. Out of the 12 members, one-third are outside directors with no direct interests in the Company. Additionally, the Chairman of the Board of Directors and six other directors, including the four outside directors, are prohibited from serving concurrently in an executive role. Thus, this system more clearly separates executive and supervisory functions.

b) Auditing Committee, Nominating Committee, and Compensation Committee
There are three committees (the Auditing, Nominating, and Compensation committees) within the Board of Directors. Each committee has five members, the majority of which are outside directors.

c) Executive Committee
President, Representative Executive Officer makes decisions on the execution of business policy within the scope of authority conferred by the Board of Directors. The Executive committee functions as a decision-making support body for the President. As such, it deliberates important matters related to the management of the Group. The committee comprises the 2 representative officers and 10 executive officers and meets twice per month.

d) Other committees
Various other committees have been established to address issues across the Group as a whole. These committees report to the Executive Committee.

To continually optimize the positions of the individual businesses and to achieve sustainable growth for the Group as a whole, the Company pursues business portfolio management based on the fundamental management policies of the Group. The Investment Assessment Committee and the Business Assessment Committee have been established to enhance and strengthen these policies to ensure that capital entrusted by shareholders is used efficiently, and to monitor these investments from the perspective of the maximization of returns.

Additionally, the Group’s Technology Strategy Council and the Brand Management Committee have been established, with the aim of enhancing the Group’s competitiveness by promoting Group strategy from a firm-wide perspective. Also, to enhance management auditing and supervisory functions with respect to Group management, the Company has made its audit committee office a standing body composed of appointed staff. Moreover, the Company has established a Risk Management Committee and a Compliance Committee in addition to the installation of Corporate Audit Division 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) Status of Implementation of Measures
Konica Minolta’s risk management structure up to this point has centered on a Crisis Control Committee

established at the parent and each Group company. The Crisis Control Committee, whose principal objective is to protect against crisis situations and to minimize losses, sets basic guidelines and establishes management structures to develop a risk management system, and focusing on crisis management develops and expands the structures to respond to risk. The scope of this committee has recently been expanded as part of a strengthening of internal control systems, establishing the Risk Management Committee with a structure that allows for more wide-ranging management of the various risks related to the business activities of the Konica Minolta Group.

At the same time, a new Information Disclosure Committee was established to handle the disclosure of corporate information, which, until now, has been managed through the cooperation of numerous associated departments. This structure helps guarantee that all important announcements and disclosures regarding the Konica Minolta Group are implemented in a timely, appropriate, and fair manner.

3. OPERATING RESULTS AND FINANCIAL POSITION

(1) Summary of the interim fiscal period

In the global economy during the interim fiscal period, there were concerns about impressions of economic stagnation arising in the United States and lingering into the second half as a result of the damage caused by successive hurricanes, but, overall, the economy retained its basic tone of expansion on the back of robust consumer spending. Strong growth also continued in China and the rest of Asia, despite concerns over the impact of the appreciation of the yuan. Conditions in Europe, however, remained difficult as employment issues in Germany remained unresolved, and the overall economy showed signs of stagnation, such as poor internal demand.

In Japan, the effect on the economy of rising prices for crude oil and other raw materials has caused some concern, but expansion of private capital investment following a marked improvement in corporate earnings resulted in economic growth. The stock market also began to rise as a reflection of this recovery in corporate performance, and the domestic economy showed signs of a slight recovery, including the beginnings of a mild pickup in individual consumption.

Operating in this environment during the first year of the “V-5 Plan,” a medium-term business plan implemented in March 2005, the Group focused on strengthening and expanding of the mainstay Business Technologies and strategic Optics businesses, while the Photo Imaging business undertook a restructuring program designed to quickly eliminate operating losses, including scaling back the business to a more appropriate level, along with other measures.

As a result of these measures, consolidated sales totaled ¥517.6 billion, buoyed by strong sales of color multifunctional peripherals (MFPs) and other new products as well as continued robust demand for liquid crystal materials. This total is a decline of ¥17.5 billion (3%) from the same period of the previous fiscal year, with the most significant impact resulting from an external sales decline of ¥37.1 billion in the Photo Imaging business, due to efforts noted previously to scale back the business. Excluding this factor, sales in other businesses rose, in general. The gross profit margin in the first half improved 2.4 percentage points, from 43.8% to 46.2%. This was due to Company-wide cost reduction efforts and an improved product mix on the back of new product launches, offsetting rising prices for crude oil and other raw materials, and falling prices for such consumer products as color laser printers (LBPs), digital cameras, and color film. Selling, general and administrative (SG&A) expenses, despite an increase in R&D spending mainly for software development in the Business Technologies business, which is in the midst of a shift from black and white to color products, declines a total of ¥2.4billion overall from the same period of the previous fiscal year, as a result of selection and concentration efforts, including significant reductions in expenses in the Photo Imaging business, which is scaling back its operations. As a result, operating income in the first half was up 21%, or ¥6.9 billion, to ¥39.4 billion. The operating profit margin also improved 1.5 percentage point, from 6.1% to 7.6%. Non-operating income and expenses were roughly on par with the same period of the previous year, resulting in recurring profit of ¥35.2 billion, an increase of ¥7.1 billion (25%) from a year earlier.

However, due the Company posted an impairment loss of ¥23.3 billion on idle assets and production equipment in the Photo Imaging business due to application of new impairment accounting standards, and an extraordinary loss of ¥28.7 billion mainly from restructuring of this business. As a result, net profit before income tax amounted to ¥7.2 billion, a 69% decrease year on year. Further, because the Company had not recognized a portion of the tax effect from overseas subsidiaries, tax expenses exceeded net profit before income tax for the interim period under review, resulting in a net loss for the period of ¥3.5 billion.

Average currency exchange rates for the first half were ¥109 to the U.S. dollar and ¥136 to the euro, with the yen against the dollar equivalent level of the same period of the previous fiscal year and falling ¥2 (2%) against the euro compared with the same period of the previous fiscal year.

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
Sales	517,598	535,115	(17,517)	-3.3%
Operating Income	39,408	32,524	6,883	21.2%
Recurring profit	35,245	28,166	7,078	25.1%
Net income (loss)	(3,482)	8,200	(11,682)	-

(2) Segment Information

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

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
(1) External sales	283,517	281,394	2,123	0.8%
(2) Intersegment sales	1,160	14,500	(13,339)	-92.0%
Total sales	284,678	295,894	(11,216)	-3.8%
Operating expenses	256,610	296,161	(12,550)	-4.7%
Operating income	28,067	26,733	1,334	5.0%

The Business Technologies business, in accordance with its “genre-top strategies” noted previously, is narrowing its focus to the three areas where potential market growth is high—color MFPs, black and white, high-speed MFPs, and color LBPs—and taking steps to expand its market share by differentiating itself from competitors and leveraging its industry-leading polymerized toner.

In the MFP business, 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 launched a concerted effort to expand color MFP sales in the Japanese and key overseas markets, especially for the bizhub C450, a new color MFP launched in February 2005. The bizhub C450, based on new integrated firmware developed by Konica Minolta, is a color MFP designed for office use with an output capacity of 35 color pages per minute (ppm) (45 ppm black and white) and is equipped with a wide range of network, security, and other functions. The bizhub C450 has an excellent reputation for superb cost performance and reliability, and since its launch has enjoyed strong sales in every market where it is sold. In June, the Company introduced the bizhub C351, an MFP with 35 ppm output capacity for both color as well as black and white copies that is based on the same firmware platform as the bizhub C450, and in July launched the bizhub C250 (25ppm for both color and black and white). The addition of these new products expands the Company’s color MFP product lineup to five models. All of these products have a competitive market edge resulting from such features as high image quality made possible through our industry-leading polymerized toner, and the high productivity afforded by tandem engines. Unit sales of color MFPs were brisk during the first half, jumping 82% year-on-year from the same period a year earlier. The Company ’s proportion of sales of color MFPs in category 2 or greater (products with output capacity of 21 ppm or more), a segment it has particularly emphasized, increased substantially from 21% to 33%, underscoring the ongoing shift to color products.

In addition, in the promising production print market, we added in July the bizhub PRO 920 (92 ppm black and white) to the high-speed MFP lineup (bizhub PRO C500 and bizhub PRO 1050 (105 ppm black and white)) which has impressed the market with its reliability. With this powerful product lineup, we were able to increase sales in the high-speed domain by 34% year on year.

The bizhub PRO C500 (51 ppm color and black and white), in particular, has been highly regarded for such advanced features as high throughput, good image quality, and flexible expandability to a variety of applications, and the Company has received a large-scale order from a major business services chain in the United States.

In LBP operations, fierce price competition continues, mainly in the market for color LBPs. The Company took steps to expand its product lineup, introducing in the low-speed segment the magicolor 2400 series (5 ppm color, 20 ppm black and white), and in the high-speed segment a tandem engine-based magicolor 5400 series with an output speed of over 20 ppm color and black and white, and continued its efforts to consolidate and expand its market share, particularly in Europe and the United States. Unit sales of color LBPs under the Konica Minolta brand rose 51% from a year earlier amid an increasingly competitive environment brought on by newly emerging competitors and other factors, while dropped 33% overall due to sales in the OEM business declined substantially.

As a result, sales to external customers and operating income in this segment totaled ¥283.5 billion and ¥28.1 billion, respectively. Sales were nearly flat with the previous period, but operating income rose 5% from a year earlier.

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

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
(1) External sales	51,546	44,008	7,537	17.1%
(2) Intersegment sales	1,002	2,418	(1,416)	-58.6%
Total sales	52,548	46,427	6,121	13.2%
Operating expenses	44,633	39,226	5,407	13.8%
Operating income	7,914	7,200	713	9.9%

The optical pickup lenses business finally began to appear to be on a recovery track after undergoing a prolonged adjustment that began last summer, particularly for digital consumer electronics. Meanwhile, in the wake of continued strong demand, the LCD-use materials business including LCD protective film for polarizing plate (TAC film) fared well, thanks mainly to sales of wide viewing angle film and other highly sophisticated products, with unit sales for the first half up 32% from a year earlier. In the glass hard disk substrate business, unit sales were up substantially 54% on the back of strong demand for personal computers.

In the lens units business, demand for lenses for digital cameras and video cameras recovered, The component business for camera-equipped mobile phones performed strongly, due mainly to high-value-added products employing the Company's superior technology, such as in growing use of its micro-cameras in new models.

As a result, sales to external customers and operating income in this segment totaled ¥51.5 billion and ¥7.9 billion, respectively. Sales rose 17% from a year earlier, and operating income was up 10%.

Photo Imaging Business [photographic materials, digital cameras, ink-jet media, etc.]

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
(1) External sales	105,731	142,824	(37,092)	-26.0%
(2) Intersegment sales	5,601	6,433	(831)	-12.9%
Total sales	111,332	149,257	(37,924)	-25.4%
Operating expenses	112,052	153,262	(41,209)	-26.9%
Operating income (loss)	(719)	(4,004)	3,284	-

Demand for color film continued to fall due to greater use of digital cameras, especially in the developed markets of Japan, North America, and Europe. Konica Minolta continued to work to maintain its sales volume primarily in markets where, until now, the impact of the digital revolution was comparatively small, such as Asia, India, Russia, and the Middle East. During the interim fiscal period, however, inventory adjustments in these markets and accelerating digitalization in North America and Europe led to a substantial drop in unit sales of color film of 22% from a year earlier. Unit sales in the digital mini-lab business were down 48% from the same period of the previous year due to increasingly fierce price competition. Unit sales in the photographic paper business were down 22% due to increased focus on the businesses that boost profitability, resulting in sluggish sales overall for mainstay products in the photosensitive materials-related products field.
In the camera business, as the ongoing decline in prices shows no sign of abating, the Company narrowed the focus of its product offerings to such high-value-added products as digital single lens reflex cameras, shifting its focus from expansion of scale in terms of unit sales and market share, and scaling back operations to a more appropriate size, focusing on profitability. As a result of this policy, first-half unit sales of compact digital cameras were down 32%, but strong sales of the general-use digital single lens reflex camera α Sweet Digital, launched in August 2005 has helped drive steady improvement in earnings and inventory reduction in this business.

As a result, sales to external customers and operating loss in this segment totaled ¥105.7 billion and ¥0.7

billion, respectively. Revenue was down significantly compared with the same period of the previous fiscal year due to the previously noted ongoing efforts to downsize operations to stop the losses. The amount of loss was narrowed by ¥3.3 billion from a year earlier, due to improvements in product range composition and a big drop in fixed costs, including SG&A expenses.

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

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
(1) External sales	68,333	60,900	7,433	12.2%
(2) Intersegment sales	16,548	10,302	6,246	60.6%
Total sales	84,882	71,202	13,679	19.2%
Operating expenses	78,611	66,890	11,720	17.5%
Operating income	6,271	4,311	1,959	45.4%

In the medical field, domestic and overseas sales of digital input/output equipment, including the REGIUS series of computed radiography units and DRYPRO imaging output equipment were strong during the first half. Unit sales of this equipment grew 58% from a year earlier, promoting a shift to the dry film compatible with digital equipment. With this strong demand, the unit sales of film were also strong, reflecting the shift to dry film. Also, rising concern about breast cancer in Japan, along with proactive sales efforts, led to an increase in the number of installations of the PCM System, a mammography system launched in February 2005 that incorporates world-class high-definition digital imaging using phase contrast technology developed by Konica Minolta.

In the graphic business, demand for our mainstay graphic imaging film continued to decline in the first half, as the market in Japan has become increasingly filmless. Although the Company continues to take steps to maintain existing sales levels in overseas markets, such as the United States and China, overall sales fell 4% from a year earlier. We have taken proactive steps to increase domestic and overseas sales of the digital equipment that should supplement the falloff in film, such as the digital color proofing system Digital Konsensus PRO and the digital color printer Pagemaster PRO, and have made efforts to improve earnings in this business by reducing costs and cutting fixed expenses.

As a result, sales to external customers and operating income in this segment totaled ¥68.3 billion and ¥6.3 billion, respectively. Sales rose 12% from a year earlier, and operating income was up 45%.

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

(Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)	Change
(1) External sales	2,804	2,643	160	6.1%
(2) Intersegment sales	1,152	1,200	(47)	-4.0%
Total sales	3,956	3,843	112	2.9%
Operating expenses	3,084	2,969	114	3.8%
Operating income	872	873	(1)	-0.2%

Strong sales were recorded for display color analyzers, highly rated as de facto standard devices in the color control process for flat panel displays, such as wide-screen and LCD televisions, and in the object color measuring business for spectrophotometric equipment targeting the automobile industry. The Company also made energetic efforts to increase sales of the 3D digitizer that has been the focus of recent efforts, primarily for industrial use. As a result, sales to external customers and operating income in this segment during the first half totaled ¥2.8 billion and ¥0.9 billion, respectively.

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

The economic outlook for the second half of the fiscal year ending March 31, 2006, remains unpredictable. Strong growth in the United States will likely continue to lead the global economy, and there is a general expectation of recovery, but factors for uncertainty remain, including increasingly fierce competition in the domestic and overseas markets for digital products, rapidly rising raw material prices as typified by the high price of oil, and the impact of the increase in the value of the Chinese yuan. It is understood that anything less than a complete awareness of the situation would not be allowed.

Regarding the market for its own products, the Konica Minolta Group anticipates that, in the Business Technologies business, the recovery in corporate performance will sustain the positive trend toward investing in IT equipment among general corporations and that strong demand for sophisticated high-performance color MFPs compatible with office networks will continue. We expect that a fall in prices for color LBP will increase demand and drive a shift to color, but, at the same time, there are concerns that increasingly fierce price competitiveness will erode profitability. In the Optics business, we expect continued strong demand for LCD-use materials, such as TAC films, but for lens units and components for digital consumer electronics—such as digital cameras, video cameras and camera-equipped mobile telephones—we expect instability to continue, due to fluctuations in the market for end products. In the Photo Imaging business, we expect that the ongoing shift to digital will continue to shrink demand in the market for photosensitive materials. For digital cameras, we foresee no end to the trend in falling prices, and expect that during the Christmas selling season, in particular, price competition will widen significantly to include not only compact-type cameras, but high-value-added products, such as single lens reflex cameras as well.

Although performance in each business segment has been generally strong in line with the Company's business plan, in consideration of our expectations for the business environment during the second half and the effect of bringing forward moves to scale down the Photo Imaging business, we revised our performance forecasts announced on May 12, 2005 for the fiscal year to March 31, 2006. To ensure that we meet these targets, the Company is currently accelerating the various measures being implemented in each business area.

<Consolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced May 12, 2005	Increase (Decrease)
Net sales	1,050	1,130	(80)
Operating income	75	90	(15)
Recurring profit	60	80	(20)
Net income (loss)	(47)	23	(70)

Supplemental Remarks Regarding the Revision

1) Sales In the Business Technologies business, sales plan of color LBP has been revised as part of a policy shift to emphasize profitability over increasing the number of units sold. In the Optics business, risk of downward fluctuations has been incorporated into projections for optical devices and components used in digital consumer electronics, such as pickup lenses and lens units. In the Photo Imaging business, sales forecasts for both photosensitive materials and cameras have been substantially lowered in accordance with the accelerated restructuring program noted previously.
2) Operating income: The forecast for operating income has been revised downward by ¥15.0 billion, mainly in consideration of the effect on profitability resulting from the revision of sales noted above.
3) Recurring profit: In addition to the decrease in operating income noted above, we expect to run down inventory in line with the downsizing of the Photo Imaging business, affecting non-operating expenses.
4) Net income: The revision of net income reflects the estimate of ¥90.0 billion in forecast expenses for restructuring in the Photo Imaging business.

<Unconsolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced May 12, 2005	Increase (Decrease)
Operating revenue	56	40	16
Recurring profit	27	13	14
Net income (loss)	(45)	13	(58)

Supplemental remarks regarding unconsolidated basis forecasts

1) Operating revenues: We expected an increase in dividend income from subsidiaries.
2) Recurring profit: Due to the above change of operating revenues, we expected to increase recurring profit by ¥14 billion.
3) Net income: Due to an expected ¥90 billion expense from restructuring of the Photo Imaging business, and a steep fall of consolidated total assets related to the business, we expect to increase loan-loss reserves to cover loans to Konica Minolta Photo Imaging, Inc., the subsidiary which operates this business.

These projections assume the following exchange rates in the fiscal year ending March 31, 2006:
US$ ¥ 105 (Previous forecast was ¥105)
Euro ¥ 133 (Previous forecast was ¥133)

* The above forecasts are 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 business environment, including economic conditions, market trends, and exchange rate fluctuations may cause actual results to differ materially from these forecasts.

(4) Dividends

Konica Minolta had planned to pay an annual dividend of ¥10 per share (¥5 per share at the interim and ¥5 at the end of the fiscal year) but, in consideration of the aforementioned circumstances, we will regrettably have to suspend both interim and year-end dividends, by resolution of a Board of Directors meeting of November 4, 2005.

(2) Financial Position

I. Interim Fiscal Period ended September 30, 2005

Overview

		Six months ended September 30, 2005	Six months ended September 30, 2004	Increase (Decrease)
Total assets	(millions of yen)	949,949	955,542	(5,592)
Shareholders' equity	(millions of yen)	336,862	339,729	(2,867)
Shareholders' equity per share	(yen)	634.50	639.80	(5.30)
Equity ratio	(%)	35.5	35.6	(0.1)

Total assets fell ¥5.6 billion, to ¥949.9 billion, compared with the end of the fiscal year ended March 31, 2005, due adoption of fixed asset impairment accounting.
Shareholders' equity fell ¥2.9 billion, to ¥336.9 billion. Despite smaller foreign currency translation losses in the shareholders' equity section of the balance sheet due to weakening of the yen, the interim net loss reduced retained earnings. Shareholders' equity per share was ¥634.50, and the equity ratio was 35.5%, down 0.1 percentage points from the end of the fiscal year ended March 31, 2005.

Cash Flows

	As of September 30, 2005	As of September 30, 2004	Increase (Decrease)
Cash flows from operating activities	37,213	22,543	14,670
Cash flows from investing activities	(25,707)	(27,325)	1,617
Total (Free cash flow)	11,505	(4,781)	16,287
Cash flows from financing activities	(7,505)	(9,278)	1,773

Cash flows from operating activities

Despite an increase in cash flow reflecting income before income taxes of ¥7.2 billion, depreciation and amortization amounting to ¥25.4 billion, and an impairment loss of ¥23.3 billion, net cash provided by operating activities totaled ¥37.2 billion, largely reflecting a ¥400 million decline in accounts receivable, increased inventory, and reduced accounts payable (working capital). In addition, income tax payments totaled ¥17.4 billion.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥25.7 billion minus. This was primarily due to ¥26.5 billion used in the acquisition of tangible fixed assets such as dies for new products, polymerization toner and LCD-use film, and other investments to bolster production capacity.
As a result, free cash flows, computed from the total of cash flows from operating activities and cash flows from investing activities, amounted to ¥11.5 billion.

Cash flows from financing activities

Net cash used in financing activities totaled ¥7.5 billion minus. In addition to dividend payments of ¥2.7 billion, the Company paid ¥11.3 billion toward reductions in interest-bearing debt, mainly through the redemption of bonds. As a result, the balance of interest-bearing debt at the end of the interim period was ¥241.9 billion, down ¥4.5 billion from the end of the fiscal year ended March 31, 2005.

As a result of the above, cash and cash equivalents at the end of the interim period increased by ¥4.7 billion, including a foreign currency translation adjustment of ¥0.7 billion. As a result, cash and cash equivalents totaled ¥64.2 billion on September 30, 2005.

Cash Flow Indicators

	FY ended March 31, 2002	FY ended March 31, 2003	FY ended March 31, 2004	FY ended March 31, 2005	Six months ended September 30, 2005
Shareholders' equity ratio (%)	32.5	35.1	34.6	35.6	35.5
Market price-based shareholders' equity ratio (%)	55.5	65.0	81.5	60.2	57.7
Debt redemption period (years)	3.7	2.3	3.1	4.4	3.3
Interest coverage ratio	7.1	14.3	11.1	10.1	13.1

Notes:

Shareholders' equity ratio:	Shareholders' equity divided by total assets
Market price-based shareholders' equity ratio:	Market capitalization divided by total assets
Years of debt redemption:	Interest-bearing debt divided by cash flow from operating activities (for the interim period, cash flows from operating activities multiplied by two)
Interest coverage ratio:	Cash flow from operating activities divided by interest payments

1. Each of these indicators is calculated based on consolidated financial data.
2. Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
3. Net cash flow 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.

II. Cash Flow Outlook 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 ¥18 billion.

*Figures given in the text as billions of yen have been rounded off to the nearest hundred million.