Overview of Performance

(Three months from October 1, 2005 to December 31, 2005)

(1) The 3rd Quarter Summary

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)		Nine months ended Dec. 31, 2005 (Apr. 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (Apr. 1, 2004 – Dec. 31, 2004)	Increase (Decrease)	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Net sales	275,417	263,392	12,025	4.6	793,016	798,507	(5,491)	(0.7)
Gross profit on sales	129,378	119,599	9,778	8.2	368,516	354,245	14,271	4.0
Operating income	26,637	18,523	8,114	43.8	66,045	51,047	14,998	29.4
Recurring profit	29,083	15,794	13,288	84.1	64,328	43,961	20,367	46.3
Net income before tax	29,108	15,508	13,599	87.7	36,339	38,756	(2,416)	(6.2)
Net income	17,430	8,273	9,157	110.7	13,948	16,473	(2,525)	(15.3)
	(yen)	(yen)	(yen)	(%)	(yen)	(yen)	(yen)	(%)
Net Income per share	32.83	15.58	17.25	110.7	26.27	31.02	(4.75)	(15.3)
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Amount of capital investment	17,983	10,123	7,860	77.6	49,388	36,388	12,500	33.9
Allowance for depreciation	12,434	12,698	(263)	(2.1)	37,815	37,865	(50)	(0.1)
Research & development	16,217	15,832	385	2.4	48,389	48,091	297	0.6
Exchange rates	(yen)	(yen)	(yen)	(%)	(yen)	(yen)	(yen)	(%)
US $	117.35	105.96	11.39	10.7	112.11	108.56	3.55	3.3
Euro	139.44	137.16	2.28	1.7	136.91	134.60	2.31	1.7

Consolidated net sales for the third quarter were ¥275.4 billion. The Company achieved year-on-year double-digit sales growth thanks to favorable new product sales, primarily of color multifunctional peripherals (MFPs), in the Business Technologies business, and continuing strong demand for LCD materials and other products in the Optics business. Nevertheless, sales for the entire Group rose only 5% year on year as a result of a substantial sales decline due to restructuring measures taken to scale back the size of the Photo Imaging business. The gross profit margin in the third quarter improved 2.0 percentage points, from 45% to 47%, as cost reduction efforts and an improved product mix on the back of new MFP product launches offset the effects of intense price competition for such consumer products as digital cameras and color film and thanks to the benefits of a depreciating yen. Meanwhile, despite efficiency gains, selling, general and administrative (SG&A) expenses increased ¥1.7 billion due to primarily to a ¥400 million increase in R&D spending, centered on the Business Technologies business and other growth businesses that are in the midst of a shift from black and white to color products. As a result, operating income in the third quarter was up 44%, or ¥8.1 billion, to ¥26.6 billion. The operating profit margin also improved, rising 3.0 percentage points, from 7% to 10%.

Non-operating income and expenses increased ¥5.2 billion from the same period of the previous year due to 5.9 billion yen foreign exchange gains from a depreciating yen. Accordingly, recurring profit climbed 84%, or ¥13.3 billion, to ¥29.1 billion. Net income was ¥17.4 billion, up 111% from corresponding year-earlier period.

The Company has set its sights on further raising Group enterprise value by establishing a fundamental business management policy based on the implementation of business portfolio management and strengthening its business competitiveness through rigorous selectivity and focus. Under this policy, we completed construction of our new plant in December, 2005 with the goal of increasing color MFP production capacity in China (Wuxi). In addition, as a result of aggressive investments in such strategic areas as the new polymerized toner plant in Nagano Prefecture (Tatsuno) due to anticipated growth in demand for consumable materials as a result of a shift from black and white to color MFP products, total capital expenditures in the third quarter rose ¥7.9 billion, to ¥18 billion year on year. Amortization began for the third manufacturing line in Hyogo Prefecture (Kobe City) completed in September 2005 for the purpose of increasing the production capacity of TAC film, which continues to enjoy strong demand. However, due the posting fixed asset impairment losses in the Photo Imaging business and other factors, amortization and depreciation increased ¥0.3 billion, to ¥12.4 billion.

(2) Overview by Segment

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

(Millions of yen)

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)	Nine months ended Dec. 31, 2005 (Apr. 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (Apr. 1, 2004 – Dec. 31, 2004)	Increase (Decrease)
(1) Net sales to outside customers	156,856	135,595	21,261	440,373	416,989	23,384
(2) Intersegment net sales	1,176	7,120	(5,944)	2,336	21,620	(19,283)
Total net sales	158,032	142,715	15,316	442,710	438,610	4,100
Operating expenses	140,314	130,713	9,600	396,924	399,874	(2,949)
Operating income	17,718	12,002	5,715	45,785	38,735	7,050

In the MFP market, the shift from black and white office documents to color documents is causing a rapid changeover from black and white MFPs to color MFPs, especially in the industrialized markets of Japan, North America, and Europe. In the MFP business, the Company's largest, Konica Minolta has been focusing on business expansion in the growing color MFP field since the business merger, basing efforts on its "genre-top strategy" of becoming the dominant player in each of its market segments by focusing business resources on specific markets and areas and securing the top brand position. In the third quarter the Company took aggressive steps to expand sales of its full product lineup with an emphasis on the following medium-to-high-speed products: the *bizhub C250* (25 ppm color and black and white), *bizhub C351* (35 ppm color and black and white), bizhub C450 (35 ppm color and 45 ppm black and white), and the *bizhub PRO C500* (51 ppm color and black and white). With high image quality made possible through our industry-leading polymerized toner and high productivity afforded by tandem engines, these four models enjoy a competitive market edge. Brisk sales in all markets have helped contribute to a 2.3-fold year-on-year increase in third quarter color MFP unit sales. The proportion of color MFPs as a part of total MFP sales increased substantially from 22% to 39%, underscoring the ongoing shift to color products. In addition, the *bizhub PRO C500* and *bizhub PRO 1050* (105 ppm black and white), high-speed MFP for the high growth production print market, continued to fare well, posting a steady 51% year-on-year increase in unit sales. Above all, Konica Minolta's MFP product quality and performance have been highly rated by independent testing organizations. The Company's *bizhub* copier series, which encompasses three models including the *bizhub PRO 1050*, received the "Best Product of the Year" award from Buyers Laboratory, Inc., the foremost quality testing agency in the U.S. office equipment industry. In addition to the expansion of sales in strategic fields for such products as color MFPs and high-speed MFPs, the Company has aggressively launched new products in the black and white MFP field as well for general office use. As a result, third quarter MFP unit sales were up 9% year on year.

Meanwhile, with intense price competition continuing between makers, especially in the color LBP market, the LBP business desperately needs more than ever to shift to a qualitative sales strategy focused on profitability. Based on this change in strategy, Konica Minolta took aggressive measures to strengthen product sales not only in the low-speed product segment, such as the *magicolor 2400* series (5 ppm color and 20 ppm black and white) where we have been focused on product expansion, but also in the high-speed segment with the *magicolor 5400* series (over 20 ppm color and black and white). In addition, leveraging our MFP sales channels, we are taking steps to increase sales of high value-added products containing high-performance controllers for general corporate customers with potentially high print volumes. Moreover, we started to supply color LBPs to new OEM customers, and this, among other factors, has resulted in a 40% year-on-year increase in unit sales.

Consequently, net sales to external customers in this business were ¥156.9 billion and operating income was ¥17.7 billion, increasing 16% and 48%, respectively.

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

(Millions of yen)

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)	Nine months ended Dec. 31, 2005 (Apr. 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (Apr. 1, 2004 – Dec. 31, 2004)	Increase (Decrease)
(1) Net sales to outside customers	29,492	22,511	6,981	81,038	66,519	14,519
(2) Intersegment net sales	447	1,047	(600)	1,449	3,466	(2,016)
Total net sales	29,939	23,559	6,380	82,488	69,986	12,502
Operating expenses	24,824	19,599	5,225	69,458	58,825	10,633
Operating income	5,114	3,959	1,155	13,029	11,160	1,869

Unit sales in the optical pickup lenses segment declined overall despite a slight increase in demand for objective lenses for our mainstay DVD players/recorders. As a result of this and price reductions, business profit was lower than in the corresponding period of the previous fiscal year.

Meanwhile, the liquid crystal materials segment, including TAC film, fared well due mainly to sales of retardation film and other highly sophisticated products. Thanks to aggressive measures taken to enhance production capacity, such as the completion of our third manufacturing line and its achieving full operational status in September, 2005, third quarter unit sales jumped 63% year on year. In the glass hard disk substrate segment, sales were brisk on the back of vigorous demand for PC-related applications as well as mobile digital audio devices and car navigation systems. Unit sales climbed a substantial 71% year on year as the Company moved to upgrade its hard disks to the highly rated next-generation vertical magnetized technology. Performance in the lens unit segment, which targets sales to video and digital cameras, exceeded that of the year-earlier period, while the component segment, targeting camera-equipped mobile phones, experienced significant growth owing to the adoption of our micro-cameras in new models. Konica Minolta enjoyed solid growth thanks mainly to the aforementioned technologically competitive high-value-added products as well as other factors.

As a result, sales to external customers were ¥29.5 billion and operating income was ¥5.1 billion, representing an increase of 31% and 29%, respectively.

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

(Millions of yen)

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)	Nine months ended Dec. 31, 2005 (April 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (April 1, 2004 – Dec. 31, 2004)	Increase (Decrease)
(1) Net sales to outside customers	50,417	73,068	(22,651)	156,149	215,893	(59,744)
(2) Intersegment net sales	3,214	3,620	(405)	8,815	10,053	(1,237)
Total net sales	53,631	76,688	(23,057)	164,964	225,946	(60,981)
Operating expenses	52,120	75,322	(23,201)	164,173	228,584	(64,411)
Operating income	1,510	1,366	144	791	(2,638)	3,429

In the mainstay color film business, the decline in demand is due to the expanding use of digital cameras in the developed markets of Japan, North America, and Europe as well as to a similar emerging downtrend in demand in Asia outside Japan and elsewhere. As a result, the sales volume of color film was down a substantial 41% year on year for the quarter under review. In addition, in the digital minilab equipment field, where price competition is intense, even though the Company began full-scale sales of the new “R3 Super” units worldwide, sales in unit terms fell to half the level for the same quarter of the previous year as the Company adopted a policy selling more selectively to customers based on a policy of emphasizing profitability. In the photographic paper business, the level of sales was virtually the same year on year, but, in the photographic materials business, sales of mainstay products in general fell sharply year on year during the quarter under review.

In the camera business, the Company sharpened the focus of its product line, concentrating principally on digital SLRs and certain other types, with the aim of emphasizing profitability and shrinking this business to an appropriate size instead of seeking to expand the unit volume of sales and market share. During the quarter, sales of the “α Sweet DIGITAL” camera, introduced in August, 2005, continued to be strong. In addition, sales of digital SLRs were up 90% year on year, while unit sales of compact type digital cameras declined 40%, as the Company focused on high-pixel class types in its lineup. Unit sales of digital cameras as a whole were down 33% from the same quarter of the previous fiscal year.

As a result of these various developments, external sales for the quarter under review amounted to ¥50.4 billion, 31% lower than a year earlier. As a result of intensive efforts to reduce costs, cut expenses, and the implementation of other measures, operating income remained at the same level as in the previous year.

Although the aforementioned restructuring benefits and seasonal factors resulted in the temporary elimination of the Photo Imaging business’s operating loss, in light of the operating environment surrounding the business, including shrinking color film demand and falling digital camera prices, we have determined that it will be difficult to continue operating the business at a profit. Thus, as announced on January 19, 2006. Konica Minolta has decided to make a phased withdrawal from all photo imaging business.

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

(Millions of yen)

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)	Nine months ended Dec. 31, 2005 (April 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (April 1, 2004 – Dec. 31, 2004)	Increase (Decrease)
(1) Net sales to outside customers	35,305	29,070	6,235	103,639	89,970	13,668
(2) Intersegment net sales	5,591	4,997	593	22,139	15,300	6,839
Total net sales	40,897	34,068	6,828	125,779	105,270	20,508
Operating expenses	37,631	32,944	4,687	116,242	99,834	16,407
Operating income	3,265	1,124	2,141	9,536	5,435	4,100

In the medical field, sales of digital input/output equipment, including the REGIUS series of computed radiography units and DRYPRO imaging output equipment, were strong. Unit sales of this equipment remained on a growth trend during the quarter, rising 35% from a year earlier. With this strong demand, sales of film, particularly the dry film compatible with digital equipment, were solid, increasing 12% from a year earlier. In the area of digital imaging diagnostic support equipment, Konica Minolta conducted proactive sales efforts, primarily in the domestic market, aimed at increasing the installed base of the PCM System, a mammography system that incorporates world-class high-definition digital imaging using phase contrast technology developed by Konica Minolta.

In the graphic business, the Company worked to maintain the sales volume of our mainstay graphic imaging film amid a shift to filmless graphic imaging, both in Japan and elsewhere, reflecting the increased digitization of printing processes. As a result, overall graphic imaging film sales decreased slightly from the year-earlier period. In equipment sales, where the Company is working to strengthen operations with a view to making the changes to the business structure necessary to deal with the shift to filmless graphic imaging, sales of the digital color proofing system Digital Consensus PRO struggled. However, sales of the digital color printer Pagemaster PRO rose 7% from a year earlier thanks to aggressive efforts both in Japan and overseas to expand sales.

As a result, sales to external customers and operating income in this segment totaled ¥35.3 billion and ¥3.3 billion, respectively. Thus, both sales and profits were up 21% and 190% respectively from a year earlier.

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

(Millions of yen)

	Three months ended Dec. 31, 2005 (Oct. 1, 2005 - Dec. 31, 2005)	Three months ended Dec. 31, 2004 (Oct. 1, 2004 - Dec. 31, 2004)	Increase (Decrease)	Nine months ended Dec. 31, 2005 (April 1, 2005 - Dec. 31, 2005)	Nine months ended Dec. 31, 2004 (April 1, 2004 – Dec. 31, 2004)	Increase (Decrease)
(1) Net sales to outside customers	1,183	1,053	130	3,988	3,697	291
(2) Intersegment net sales	534	556	(21)	1,686	1,756	(69)
Total net sales	1,718	1,609	108	5,674	5,453	221
Operating expenses	1,455	1,422	33	4,539	4,392	147
Operating income	262	187	75	1,135	1,061	73

Konica Minolta's display color analyzers are widely considered the de facto standard devices in the color control process for flat panel displays, such as wide-screen and LCD televisions. Given the heavy capital investment taking place in this industry, the Company worked to increase sales, targeting not only panel manufacturers and set makers, but lamp makers and component manufacturers, as well. Sale of these products, particularly colorimeters and 3D digitizers, were solid during the quarter, with sales to external customers and operating income totaling ¥1.2 billion and ¥0.3 billion, respectively.

(3) Earnings forecast

Fiscal year ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Net sales	Operating income	Recurring profit	Net income (loss)
Full-year	1,050,000	75,000	60,000	(47,000)

(Ref.): Anticipated net income per share: - 88.53 yen.

Although the world economic conditions appear uncertain, the U.S. economy remains on an expansionary track, the European economy continues to make a moderate comeback, and Asia, particularly China, remains solidly in high-growth mode. Despite concerns about the impact of surging prices for oil and other raw materials, the Japanese economy is widely expected to continue recovering slowly, fueled by capital investment, personal spending, and other forms of domestic demand.

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 among general corporations toward investing in IT equipment and that strong demand for sophisticated high-performance color MFPs will continue. In the Optics business, we expect continued strong demand for LCD-use materials, such as TAC films, as well as for digital consumer electronics and IT-related optical devices and components, such as glass substrates for hard disk drives as well as lens units and components for digital cameras and camera-equipped cell phones.

As announced on January 19, 2006, Konica Minolta has decided to make a phased withdrawal from the Photo Imaging business, which has consistently incurred operating losses for some time. The Company plans to end camera and minilab operations by the end of March 2006, cease the production of color film and printing paper by the end of March 2007, and end all sales activities by the end of September 2007. In line with these events, the Company will, in stages, close and withdraw from the marketing and manufacturing bases associated with the Photo Imaging business, both in Japan and elsewhere. Over the same period of time, the Konica Minolta Group will reduce headcount by 3,700 as a means of rationalizing the number of employees. The Company estimates that the costs associated with carrying out this restructuring will amount to around ¥90 billion. These costs were factored into the estimates for the fiscal year ending March 31, 2006.

Although performance in each business segment, particularly Business Technologies and Optics, through the first nine months of the year to March 31, 2006, has been generally strong in line with the Company's business plan, the Company forecasts that in the fourth quarter, it will incur a certain portion of the expenses, associated with the decision to withdraw from the Photo Imaging business. The Company also anticipates that this announcement will have various effects going forward, not only on the Photo Imaging business, but on the Konica Minolta Group as a whole. In light of these conditions, we make no change to the forecasts. To ensure that we meet these targets, the Company is currently accelerating the various measures being implemented in each business area.

These projections assume the following exchange rates in the fiscal year ending March 31, 2006: ¥105/US$ and ¥133/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.

(4) Financial Position

Total assets at the end of the quarter under review rose ¥34.8 billion from the level at the end of the previous fiscal year, to ¥990.3 billion. This was due to the impact of the weakening of the yen and increases in cash and deposits, accounts receivable, inventories, investment securities and certain other items. In addition, interest-bearing debt rose ¥10.2 billion from the end of the previous fiscal year, to ¥256.5 billion.

Shareholders' equity at the end of the quarter under review was ¥22.1 billion higher than at the end of the previous fiscal year and stood at ¥361.8 billion. This rise stemmed from an increase in earned surplus, gains in the value of other securities accompanying the improvement in stock market conditions, and an increase in the adjustment account for foreign exchange translation. The ratio of shareholders' equity to total assets rose 0.9 percentage point, to 36.5%, and shareholders' equity per share increased ¥41.79, to ¥681.59.

Turning to cash flow indicators for the quarter under review, cash flow from operations amounted to ¥48.5 billion. Although the Company reported net income before deferred tax adjustments of ¥36.3 billion, depreciation and amortization of ¥37.8 billion, and impairment losses of ¥23.3 billion, which contributed to operating cash flow, these factors were partially offset by increases in accounts receivable and inventories, and a decline in trade notes and accounts payable, which reduced working capital by ¥18.9 billion, and payments of corporate income and other taxes of ¥29.1 billion.

Cash flow from investing activities amounted to an outflow of ¥38.7 billion as the Company made expenditures to acquire tangible and intangible fixed assets in its core Business technologies business and its strategic Optics business. As a result, free cash flow amounted to ¥9.8 billion.

Cash flow from financing activities amounted to a net inflow of ¥3.2 billion, principally because of an increase in interest-bearing liabilities of ¥5.9 billion, which was partially offset by dividend payments of ¥2.7 billion.

After an adjustment of ¥1.2 billion in the above cash flows reflecting exchange rate changes, cash and cash equivalents at the end of the quarter under review amounted to ¥73.7 billion, ¥14.2 billion higher that at the end of the previous fiscal year.