1. GROUP OVERVIEW

The Group comprises the parent company, 122 consolidated subsidiaries, 27 non-consolidated subsidiaries, and 10 affiliates. A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Businesses: 81
(Consolidated Subsidiaries: 60, Unconsolidated Subsidiaries: 16, Affiliates: 5)

Production: 9
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Toyohashi Precision Products Co., Ltd.
- Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
- Other Companies: 6

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Konica Minolta Business Technologies, Inc.

↓

Sales: 71
- 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: 65

Optics Businesses: 8
(Consolidated Subsidiaries: 8)

Production: 6
- Konica Minolta Opto Products Co., Ltd.
- Konica Minolta Opto (DALIAN) Co., Ltd. (China)
- Konica Minolta Optical Products (SHANGHAI) 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)

Medical and Graphic Imaging Businesses: 19
(Consolidated Subsidiaries: 14, Unconsolidated Subsidiaries: 3, Affiliates: 2)

Production: 4
- Konica Minolta Technoproducts Co., Ltd.
- Konica Minolta Repro Co., Ltd.
- Other Companies: 2

↓

Konica Minolta Medical & Graphic , Inc.

↓

Sales: 14
- Konica Minolta Medical Co., Ltd.
- Konica Minolta ID System 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: 9

Sensing Business: 4
(Consolidated Subsidiaries: 4)

Konica Minolta Sensing, Inc.

Sales: 3
- Konica Minolta Sensing Europe B.V. (Netherlands)
- Konica Minolta Sensing America, Inc. (U.S.A)
- Other Companiy: 1

Photo Imaging Businesses: 33
(Consolidated Subsidiaries: 24, Unconsolidated Subsidiaries: 7, Affiliates: 2)

Production: 8

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Konica Minolta Photo Imaging, Inc.

↓

Sales: 24

Other Businesses: 14
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 1, 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: 5

Notes:
*1: Organization chart is as September 30, 2006.
*2: Only major consolidated subsidiaries are shown.
*3: Konica Minolta Optical Products (SHANGHAI) Co., Ltd. was re-categorized from the Photo Imaging Business to the Optics Business along with the transfer of the shares (sale) on August 31, 2006,
*4: On July 1, 2006, Konica Minolta ID Imaging Co., Ltd., was transferred to a third party.

2. MANAGEMENT POLICY

(1) Basic Management Policy

With its sights set on becoming an innovative corporate group that generates new excitement in the area of imaging input/output the Konica Minolta Group is developing its business globally under the business philosophy "Creation of new value."

Management philosophy: "Creation of new value"
Management vision: "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-to Long-Term Management Strategies and Pending Issues

Medium-Term Business Plan "FORWARD 08"

The Konica Minolta Group's fields of business are wide ranging and include office equipment, optical devices, LCD materials, and medical and graphic printing products, all of which are undergoing increasingly rapid technological changes, including greater digitization, the ever more widespread use of color, and the increasing use of broadband networks. In addition, the industry is experiencing fierce competition for survival amongst companies due to steady corporate restructuring that transcends national boundaries. At the same time, after we withdraw from the photo-related business, which has been the driver of our brand image in a business area that has existed since the company's inception, we will make additional rigorous structural changes and work to raise employee awareness in ongoing businesses that we must transform ourselves into a corporate group that pursues growth by leveraging collective Group resources to win.

For the Group to successfully compete globally and achieve sustained growth in such an environment, we instituted "FORWARD 08," a new medium-term business plan that covers the three-year period from Aplil 2006 through 2009, and are off to a new start. In light of our summary review and reflection on matters that have transpired over the period since the business integration, the Group will define the future direction of Group companies and prioritize the challenges they are to address, as well as increase the value added by Group businesses and optimize Group corporate value through the implementation of this plan. An overview of the plan follows.

<u>Basic Strategies and Numerical Targets of the New Medium-Term Business Plan "FORWARD 08"</u>

- Basic Strategies:
  1. Promote growth by leveraging collective Group resources
  2. Build a new corporate image
  3. Promote world-class corporate social responsibility (CSR) programs
- Numerical Targets (Consolidated targets for the fiscal year ending March 31, 2009)
  1. Net Sales: ¥1,100 billion
  2. Operating Income: ¥110 billion (operating profit margin: 10%)
  3. Net Income ¥57 billion

We consider the pursuit of business synergies beyond the Group's current framework and the increase in the added value of our businesses to be of critical importance to the improvement of our growth potential. We will accelerate Group growth in the equipment and services business group, which include the multifunctional peripherals (MFPs), laser printers (LBPs) and digital printing, and medical imaging businesses, as well as in the component business group, which comprises optical components and display materials.

To ensure that we are viewed by customers as a company that fully integrates the Group's core technologies, namely, optical, image processing, materials, and nano fabrication technologies, and provides innovative products and a professional level of service that contribute to our customer's business success, we will constantly maintain a customer perspective and continuously work to improve our technical capabilities in all our business fields.

In addition, to sustain corporate value it is important that we will be a company that society trusts. We will strengthen our global development not only economically but also socially and environmentally and continue to improve internal Group controls, including compliance, ensure highly transparent management, and fulfill our corporate social responsibilities.

In addition, Konica Minolta terminated business activities pertaining to cameras and minilabs on March 31, 2006, pursuant to the decision made at the Board of Directors' Meeting held in January 2006 to exit the Photo Imaging Business.

As for our film and photographic paper businesses, our offices in Japan and overseas are retreating from these businesses in line with plans to gradually scale back these operations with the goal of terminating all such business and related activities by September 30, 2007. Konica Minolta has sales bases in 23 countries engaged in film and photographic paper operations, and has already successively brought operating activities to a close in 19 countries, Meanwhile, we are making concerted efforts to effectively utilize our film and photographic paper businesses' assets and facilities through relocations and transfers to other business areas within the Group as well as third parties. For instance, we transferred the operations of our domestic sales organization for these businesses to Dai Nippon Printing Co., Ltd. (DNP), in July 2006, and transferred the operations of the Odawara site, where photographic paper is manufactured, to DNP on October 31, 2006.

(3) Basic Policy Regarding Distribution of Profits

Regarding the return of a portion of profits to shareholders, the Company has set a medium- to long-term basic policy of continuing to pay stable dividends taking comprehensive account of progress toward business objectives on a consolidated basis, the Company's dividend propensity, and the improvement in retained earnings needed to support business expansion.

From the perspective of paying stable dividends, the Company has established ¥10 per share as a benchmark dividend and, from the perspective of dividend growth, has set a goal for its dividend payout ratio of 15% on a consolidated basis. To the extent possible, the Company aims to pay dividends linked to Group performance to reward shareholders for their ongoing understanding and support.

We regret that we are unable to provide dividends for the first half of the current fiscal year due to the recording of a significant extraordinary loss in the previous fiscal year associated with the aforementioned termination of the Photo Imaging Business. However, structural reforms in preparation for the termination of these operations are on schedule. In addition, the steps that we have been taking since the business merger to strengthen operations, primarily the Business Technologies Business and the Optics Business, are steadily producing results. Furthermore, thanks to these initiatives, our performance in the interim period under review exceeded our initial projections. Thus, we plan to resume the payment of dividends at the end of the current fiscal year, assuming that various factors—notably, major economic fluctuations—do not impact Konica Minolta's business operations in Japan, Europe, and the United States.

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

To improve the liquidity of Konica Minolta shares in the stock market and broaden our investor base, especially among individual investors, from August 5, 2003, the date that the Group holding company was established as a result of the business integration, the Company reduced the number of shares in a single investment unit from 1,000 to 500.

3. OPERATING RESULTS AND FINANCIAL POSITION

(1) Summary of the interim fiscal period

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
Sales	493,950	517,598	(23,647)	-4.6 %
Gross profit	237,819	239,138	(1,318)	-0.6
Operating Income	46,260	39,408	6,,852	17.4
Recurring profit	44,854	35,245	9,609	27.3
Net income before income taxes and minority interests	47,880	7,231	40,649	562.1
Net income (loss)	22,508	(3,482)	25,991	-
Net income per share (yen)	42.40	(6.56)	48.96	- %
Capital expenditure	33,761	31,404	2,357	7.5 %
Depreciation	24,618	25,380	(761)	-3.0
R&D expenses	34,826	32,171	2,655	8.3
Exchange rates (yen)				%
US dollar	115.38	109.48	5.90	5.4
Euro	145.97	135.65	10.32	7.6

Looking back at the world economy in the first half of the fiscal year ending March 31, 2007, domestic demand made for a generally strong U.S. economy despite signs of a slowing in the economy's sustained expansion marked by a downturn in housing investment growth. In Europe, exports were robust and the economy headed gradually toward recovery. In addition, Asian economies generally fared well with China and India sustaining high rates of growth.

In Japan, although concerns pertaining to soaring raw material prices as typified by crude oil prices persisted, the overall economy remained on track toward recovery with improvements in the employment environment supporting an upturn in household consumption and the currency exchange position created by a strong euro and weak yen providing a boost to exporting companies that, in turn, contributed to marked improvements in corporate performance in a wide range of industries and continued expansion in capital investment.

Against this backdrop, Konica Minolta has given paramount importance to "promoting growth by leveraging collective Group resources with the aim of enhancing new businesses' added-value" in line with its medium-term business plan "FORWARD 08," which was established in May 2006. Accordingly, we are taking steps to bolster and enhance operations, focusing on the Group's core business, namely the Business Technologies Business, and strategic business, namely the Optics Business. At the same time, the entire Group is taking part in the largest and most extensive structural reform since the business merger, moving forward with preparations for a complete and rapid exit form the Photo Imaging Business.

Net sales for the first half of the current fiscal year were ¥493.9 billion. Although overall sales for the Group declined 4.6% year on year, owing primarily to lower sales from the Photo Imaging Businessas it goes through the process of being terminated, sales of color MFPs, particularly of new products, were strong as was the performance of protective film for polarizing plates used in LCDs (TAC film), which is seeing continuing growth in demand. In addition, other continuing operations, excluding the Photo Imaging Business, are on solid ground with increases in revenue. The gross profit margin improved 1.9 percentage points, from 46.2% to 48.1%, thanks to Groupwide cost-cutting efforts and increased sales volume, primarily of new products, which offset the impact of lower prices stemming from fiercer competition, as well as the exchange rate benefits of a weaker yen. Despite an increase in R&D spending in the Business Technologies Business, which is in the midst of a shift from black and white to color MFPs, selling, general and administrative (SG&A) expenses fell ¥8.1 billion from the same period of the previous fiscal year, owing to a significant reduction in Photo Imaging Business expenses reflecting the reinforcement of the Company's focus on select operations. As a result, operating income in the first half of the current fiscal year was ¥46.2 billion, up 17.4%, or ¥6.8 billion, from the same period of the previous fiscal year. In addition, the operating profit margin improved 1.8 percentage points, from 7.6% to 9.4%.

Recurring income increased ¥9.6 billion, or 27.3%, year on year, to ¥44.8 billion, owing mainly to a reduction in the loss on disposal of inventory assets in non-operating income. In addition, net income before income taxes recorded ¥47.8 billion, net income in the interim period under review improved a marked ¥22.5 billion, as a result of such factors as the absence of the impairment loss that was posted in the same period of the previous fiscal year.

Capital investments came to ¥33.7 billion, up ¥2.3, owing to the aggressive strengthening of production capacity in such growth areas as polymerized toner, for which demand is expected to increase in tandem with expanded sales of color MFPs, and TAC film, for which demand continues to rise. In addition, although a write-off of fixed assets was recorded in the previous fiscal year, mainly in the Photo Imaging Business, depreciation increased due to the establishment of new TAC film production facilities and an office equipment assembly plant in Wuxi, China. As a result, depreciation and amortization amounted to ¥24.6 billion.

(2) Segment Information

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

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	309,539	283,517	26,022	9.2 %
(2) Intersegment sales	1,767	1,160	607	52.3 %
Total sales	311,307	284,678	26,629	9.4 %
Operating expenses	277,210	256,610	20,600	8.0 %
Operating income	34,097	28,067	6,029	21.5 %

Anchored in the Company's "genre-top strategy" of becoming the dominant player in each of its market segments by focusing its business resources on specific markets and business areas and securing the top brand position, the Business Technologies business is focusing on expanding its operating base with regard to color MFPs, which are continuing to see growth in the domestic and overseas general office markets. We have enhanced our product lineup in the medium- to high-speed MFP market with the bizhub C250 (25 ppm output capacity for color and black and white), the bizhub C351 (35 ppm color and black and white), and the bizhub C450 (35 ppm color, 45 ppm black and white), and in May 2006, we rolled out two new models—the bizhub C352 (35 ppm color and black and white) and the bizhub C300 (30 ppm color and black and white)—to strengthen product appeal. The bizhub C (bizhub color) series sold well, mainly in Europe, winning over customers with high-quality images achieved through our industry-leading polymerized toner and image technologies as well as excellent cost performance afforded by tandem engines that realize high productivity, outstanding reliability, and great operability. In the first half of the fiscal year, unit sales of color MFPs soared 55% from the same period of the previous fiscal year, causing the share of MFP unit sales in segment 2—which refers to MFPs with an output capacity of 21 ppm or higher, an area where we have given priority to bolstering sales—as a percentage of color MFP sales to rise from 33% in the first half of the previous fiscal year to 41%. In addition, in September 2006, we added the bizhub PRO C6500 (65 ppm color and black and white) to our bizhub PRO series of high-speed MFPs, which includes bizhub PRO 920 (92 ppm black and white), bizhub PRO 1050 (105 ppm black and white), and bizhub PRO C500 (51 ppm color and black and white). This series is designed for the light production print market, for which growth is expected from in-house printing departments of major corporations, data centers, and major franchise copy shops. In this field, we are working to provide products and services that showcase Konica Minolta's superior levels of quality and reliability by reinforcing dedicated sales teams while moving forward with the formation of strategic alliances with external companies. Thanks to these key initiatives as well as our thorough response to strong demand for black and white MFPs, total unit sales of MFPs in the first half of the fiscal year climbed 13% from the same period of the previous fiscal year.

In LBP operations, we made the shift toward sales strategies that place greater emphasis on profitability a priority task and are striving to bolster sales of high-value-added, medium- to high-speed tandem color LBPs, including magicolor 5400 series (25.6 ppm color and black and white) and magicolor 7400 series (25 ppm color and black and white) products, focusing on the general office market for which print volume is expected.

As a result, sales to external customers rose 9% year on year, to ¥309.5 billion, and operating income jumped 22%, to ¥34.0 billion.

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

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	67,675	51,546	16,128	31.3 %
(2) Intersegment sales	769	1,002	(232)	-23.2 %
Total sales	68,444	52,548	15,896	30.3 %
Operating expenses	57,779	44,633	13,145	29.5 %
Operating income	10,664	7,914	2,750	34.7 %

. In the Optics Business, we fully leveraged our strengths in optical technology, coating technology, materials technology, and nano fabrication technology, anticipated market and technological trends, and took steps to expand our scale of business.

In displays, sales of TAC film—both regular products and such functionally sophisticated products as retardation film—were robust, supported by strong demand for use in large LCD TVs. Unit sales were up 50% year on year, thanks to greater production capacity due to the coming on stream of a third and fourth manufacturing line in September 2005 and September 2006, respectively.

As for memory-related products, unit sales of optical pickup lenses struggled to gain ground despite the start of the mass production of next-generation DVD products, including the Blue-ray Disc (BD),and the HD-DVD, for which the digital consumer electronics industry has great expectations, as production cutbacks for objective lenses for current CDs and DVDs dragged on longer than expected. In contrast, unit sales of glass hard disk substrate jumped 40% year on year, buoyed by stable growth in the notebook PC market and the expansion of such new applications for hard disk substrate as use in information appliances with built-in hard disc drives (HDDs).

Turning to image input/output components, sales of lens units for digital cameras were sluggish due to intensifying competition in the finished products market; however, unit sales of micro cameras and micro lenses nearly doubled year on year, owing to a shift in components for camera-equipped mobile phones from the 1.3 megapixel class to the 2 and 3 megapixel classes that has spurred rising demand for high-end micro cameras, an area in which Konica Minolta excels.

As a result, sales to outside customers in this segment grew 31% year on year, to ¥67.6 billion, and operating income jumped 35%, to ¥10.6 billion.

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

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	76,046	68,333	7,712	11.3 %
(2) Intersegment sales	8,441	16,548	(8,107)	-49.0 %
Total sales	84,487	84,882	(394)	-0.5 %
Operating expenses	79,317	78,611	706	0.9 %
Operating income	5,170	6,271	(1,100)	-17.6 %

In the medical segment, we took steps to expand sales of digital input/output equipment, including the REGIUS series of digital radiography systems and the DRYPRO series of imaging output equipment, as well as x-ray film in response to the growing trend toward digitization and the networking of products in diagnostic and medical settings, especially in large hospitals overseas and in Japan. In the first half of the current fiscal year, although sales of equipment in Europe and the United States were strong, sales in Japan were lackluster due to sluggish demand for equipment for hospitals stemming from revisions to the payment system for medical services. In contrast, sales of film were robust, mainly in Europe, the United States, China, and other overseas markets.

In the graphic (printing) segment, the move to filmless imaging is accelerating as digital printing processes take root. Against this backdrop, unit sales in the first half of the current fiscal year edged up from the same period of the previous fiscal year, thanks to strong performance in the Middle East, Asia, and other overseas markets. Meanwhile, in the area of equipment sales, where we are taking steps to bolster operations with the aim of moving to a business structure suitable for a filmless market, we managed to generate unit sales of the digital color proofing system Digital Consensus PRO in line with those in the same period of the previous fiscal year.

As a result, sales to outside customers in this segment increased 11% from the same period of the previous fiscal year, to ¥76.0 billion. Operating income, however, declined 18%, to ¥5.1 billion, owing in part to the soaring price of silver, which is used in coating emulsion for such products as medical film and printing film, as well as National Health Insurance price revisions.

4. Others Business

Sensing Business [Colorimeters, 3D digitizers, and other measurement devices]

This segment leverages Konica Minolta's expertise in optical technology to supply customers in Japan and overseas with measurement devices to perform a variety of measurements, including light-source color, object color, luminance, illuminance, medical, and shape measurements. In the first half of the current fiscal year, sales in the photo and temperature measurement areas declined due to the termination of these operations in the interest of focusing on select businesses; however, sales in the area of color measurement were solid, supported by demand for capital investment related to flat-panel displays (FPDs). As of the current fiscal year, sales in the United States and Europe have been included in the consolidated earnings of this segment due to the establishment of new independent sales companies, and, as a result, sales to outside customers surged 62% year on year, to ¥4.5 billion. Operating income, however, declined 19%, to ¥700 million, due to such factors as higher start up costs associated with the establishment of the sales companies.

Industrial Inkjet Printer Business [Industrial inkjet printer heads, large inkjet printers, etc.]

This segment sells high-definition printer heads to major printer manufacturers and large inkjet printers for textile use as well as various ink consumables for these printers that leverage our proprietary inkjet, chemical, and ink-related technologies. Established in January 2005, this business corporation has entered its second year of full-fledged operations. Thanks to proactive initiatives during the first half of the current fiscal year aimed at developing new customers, sales to outside customers in this business were rose 45% year on year, to ¥2.8 billion, and operating income surged 69%, to ¥600 million.

Photo Imaging Business [Film, photographic paper, etc.]

In the Photo Imaging Business, as mentioned previously, Konica Minolta terminated its camera and minilab businesses on March 31, 2006, and plans to terminate the color film and photographic paper business by September 30, 2007. As a result of this policy, sales to outside customers in the first half of the current fiscal year amounted to ¥29.9 billion, reflecting a substantial year-on-year decline of 72%, and an operating loss of ¥600 million was recorded.

(3) Outlook for the fiscal year ending March 31, 2007

Although there are signs of some slowdown in the U.S. economy, which has been driving the world economy, the economic outlook is generally bright both overseas and in Japan as expansion is expected to continue; however, we recognize that conditions remain unpredictable due to an uncertain future with respect to intensifying price competition in the area of digital-related products; skyrocketing raw material prices as exemplified by high crude oil prices; fluctuations in the exchange rates for the yen against the dollar, euro, yuan, and other currencies; and the political climates in the Middle East and Northeast Asia.

In the Business Technologies Business, we believe that the willingness of the average company to invest in IT equipment remains on an expansionary track thanks to the rebound in corporate earnings and that we will continue to experience strong demand for high-function, high-performance color MFPs that are adapted to office networks. On the other hand, although we expect demand for color LBPs to continue to grow, we are concerned about the deterioration of business profits due to intensifying price competition among manufacturers. The demand for TAC film and other LCD materials in the Optics Business is expected to continue on an upswing, and, with the release of next-generation DVD products and the gathering momentum in overseas markets for mobile phones equipped with high-resolution cameras, as well as other factors, the market environment for optical devices and components for use in digital appliances is expected to improve.

Nevertheless, price softening in the finished products market is putting more intense price pressure on parts manufacturers and unit prices could fall further depending on inventory adjustments following the year-end shopping season.

As discussed previously, sales of Konica Minolta’s mainstay products, primarily in the Business Technologies Business and the Optics Business, have thus far been in line with plans. Moreover, in addition to weaker than expected yen exchange rates, initiatives to pick up the pace of preparations for the termination of the Photo Imaging Business and the effects of these initiatives have fallen within the realm of our assumptions. Thus, sales, operating income, recurring profit, and net income for the first half of the current fiscal year have exceeded forecasts. In light of this performance, we have revised our forecasts for the full fiscal year as presented below, taking into consideration projections for the latter half of the current fiscal year for each business.

<Consolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced August 3, 2006	Increase (Decrease)
Net sales	10,060	9,800	260
Operating income	965	800	165
Recurring profit	900	700	200
Net income (loss)	460	300	160

<Non-consolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced August 3, 2006	Increase (Decrease)
Net sales	580	590	(10)
Operating income	280	270	10
Recurring profit	290	270	20
Net income (loss)	350	260	90

Please note that the following foreign currency exchange rates have been assumed in this outlook:

U.S. dollar: ¥115 (Previous performance forecast ¥115)

Euro: ¥140 (Previous performance forecast ¥135)

(4) Financial Position

I. Interim Fiscal Period ended September 30, 2006

Overview

		Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)
Total assets	(millions of yen)	925,180	944,054	(18,873)
Shareholders' equity	(millions of yen)	318,335	293,817	-
Shareholders' equity per share	(yen)	595.25	553.50	41.75
Equity ratio	(%)	34.2	31.1	3.1

Note: Total shareholders' equity was used for the figure for net assets at the end of the previous fiscal year.

Compared with the end of the previous fiscal year, total assets declined ¥18.8 billion, to ¥925.1 billion, partially due to downscaling in preparation for the termination of the Photo Imaging Business.

In addition, net assets totaled ¥318.3 billion due to a rise in retained earnings, owing to such factors as the posting of net income of ¥22.5 billion in the interim period under review. Net assets per share came to ¥595.25, and the equity ratio was 34.2%, up 3.1 percentage points from the end of the previous fiscal year.

Cash Flows

	As of September 30, 2006	As of September 30, 2005	Increase (Decrease)
Cash flows from operating activities	26,898	37,213	(10,315)
Cash flows from investing activities	(26,745)	(25,707)	(1,037)
Total (Free cash flow)	152	11,505	(11,353)
Cash flows from financing activities	(9,268)	(7,505)	(1,763)

Cash flows from operating activities

Despite an increase in cash flow reflecting income before income taxes of ¥47.8 billion, depreciation and amortization amounting to ¥24.6 billion, and a ¥22.0 billion upturn in working capital, net cash provided by operating activities totaled ¥26.8 billion, mainly owing to a reduction in income tax payments and the reversal of the allowance for losses stemming from the withdrawal from the Photo Imaging Business posted at the end of the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities totaled ¥26.7 billion. This was primarily due the acquisition of tangible fixed assets amounting to ¥29.6 billion, consisting primarily of dies for new products, TAC film, and polymerization toner, to bolster production capacity.

As a result, free cash flows, calculated from the total of cash flows from operating activities and cash flows from investing activities, amounted to ¥100 million as cash flows from operating activities and investing activities basically cancelled each other out.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥9.2 billion. Thanks to further reductions in interest-bearing debt, mainly through the redemption of bonds in the amount of ¥6.4 billion, the balance of interest-bearing debt at the end of the first half of the current fiscal year was ¥230.4 billion, down ¥6.0 billion from the end of the previous fiscal year.

As a result of the above, cash and cash equivalents at the end of the first half of the current fiscal year declined ¥8.8 billion, including a foreign currency translation adjustment of ¥200 million. In addition, cash and cash equivalents at the end of the first half of the current fiscal year came to ¥72.2 billion on

September 30, 2006, including an increase of ¥200 million attributable to newly consolidated companies.

Cash Flow Indicators

	FY ended March 31, 2003	FY ended March 31, 2004	FY ended March 31, 2005	FY ended March 31, 2006	Six months ended September 30, 2006
Shareholders' equity ratio (%)	35.1	34.6	35.6	31.1	34.2
Market price-based shareholders' equity ratio (%)	65.0	81.5	60.2	84.5	90.8
Debt redemption period (years)	2.3	3.1	4.4	3.0	4.3
Interest coverage ratio	14.3	11.1	10.1	14.4	9.8

Notes:

Shareholders' equity ratio:	(Net assets – subscription warrants – minority interest/total assets) / 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, 2007

Konica Minolta projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥20 billion.

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