

Konica Minolta Group Financial Results and Medium Term Plan

October 2004
Konica Minolta Holdings, Inc.

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Cautionary Statement:

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

IN THIS MATERIAL....

In order to provide a comparison with the previous fiscal year's results, former Minolta's first-half performance for the fiscal year ended March 31, 2004 has been included.

Furthermore, to facilitate year-on-year comparison, financial figures for the fiscal years ended March 31, 2002 and 2003 in this material are the total of former Konica and former Minolta.

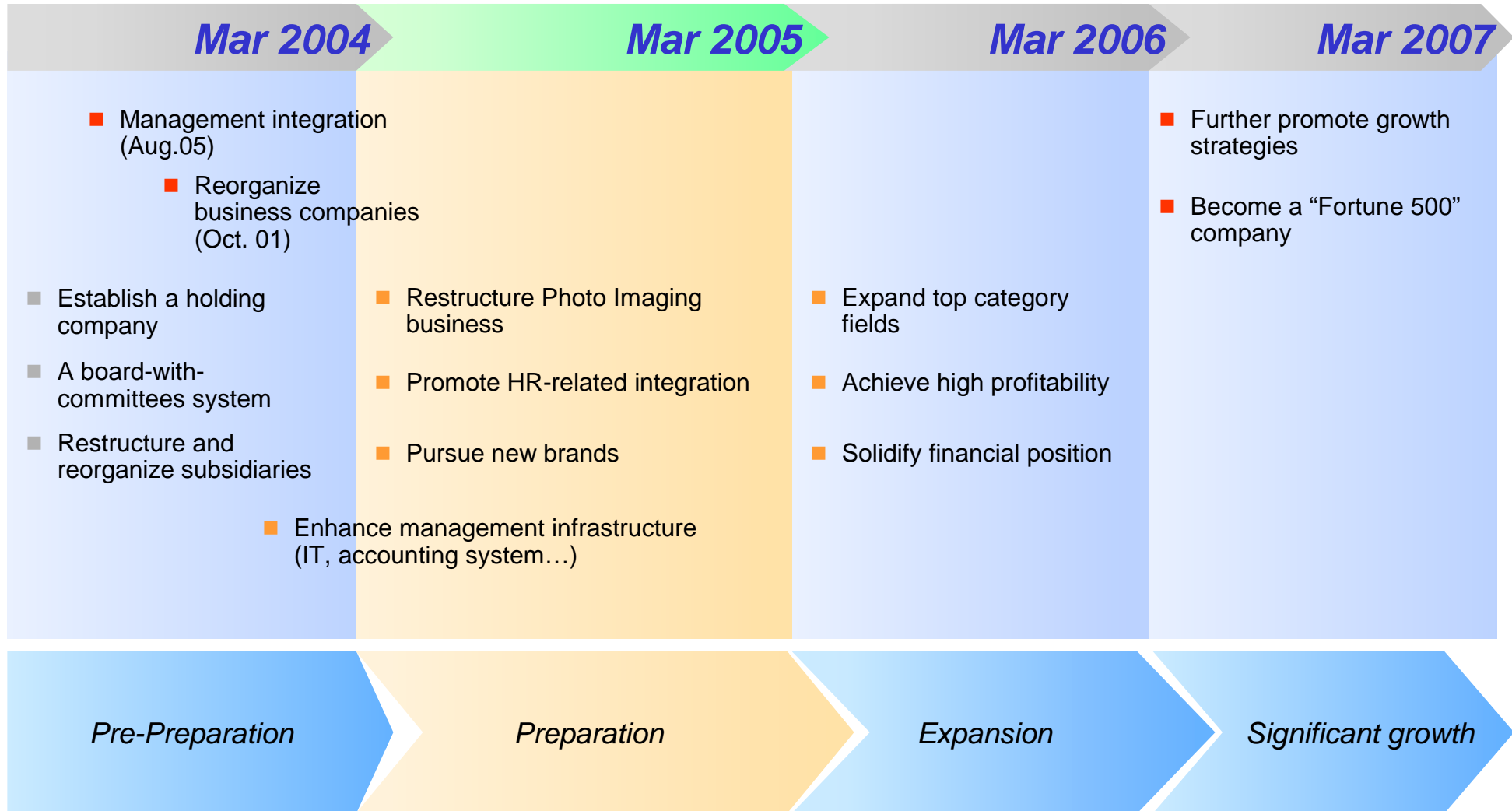
Section 1

Konica Minolta Group Medium Term Plan -- Integration Phase -- From April 2004 through March 2007

Announced in March 2004

**Financial results for FY ended March 2004 and forecasts for FY ending March 2005 have been updated.*

Management Benchmarks



1. Promote business portfolio management

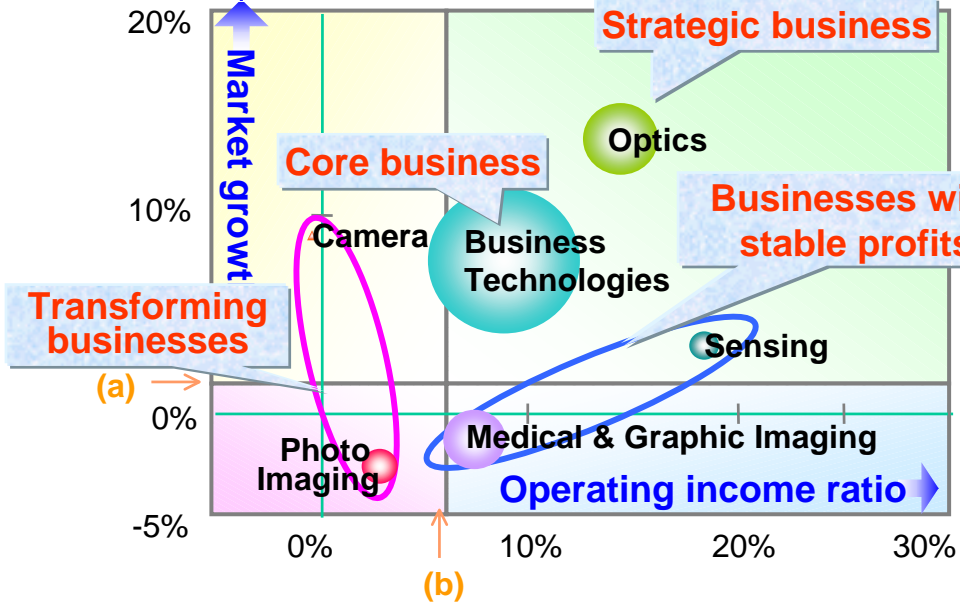
- Concentrate management resources on Business Technologies and Optics businesses
- Restructure Photo Imaging business

2. Promptly realize management integration effects and promote employee relations

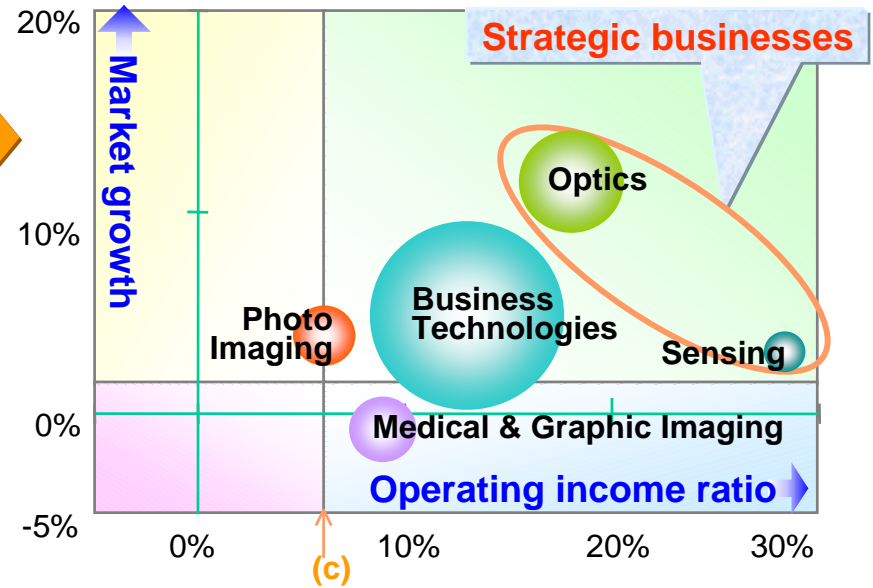
- Realize synergy effects and integration benefits
- Create a new corporate culture through human resources integration

Business Portfolio Management

March 2004



March 2007



- (a): Worldwide market growth → 2.25% (Source:the UN's statistics 2002)
- (b): Group's operating income ratio March 2004 → 6%
- (c): Group's operating income ratio March 2007 → 12%

- **Business Technologies:** Reinforcing profitability in the core business technologies business
- **Optics:** Intensively allocating management resources to accelerate growth in addition to Business Technologies business
- **Photo Imaging and Medical & Graphic Imaging:** Promoting earnings-centric structural reform. Shifting from film-based to digital products and services in an effort to secure earnings.

Group's Management Targets

(Billions of yen)

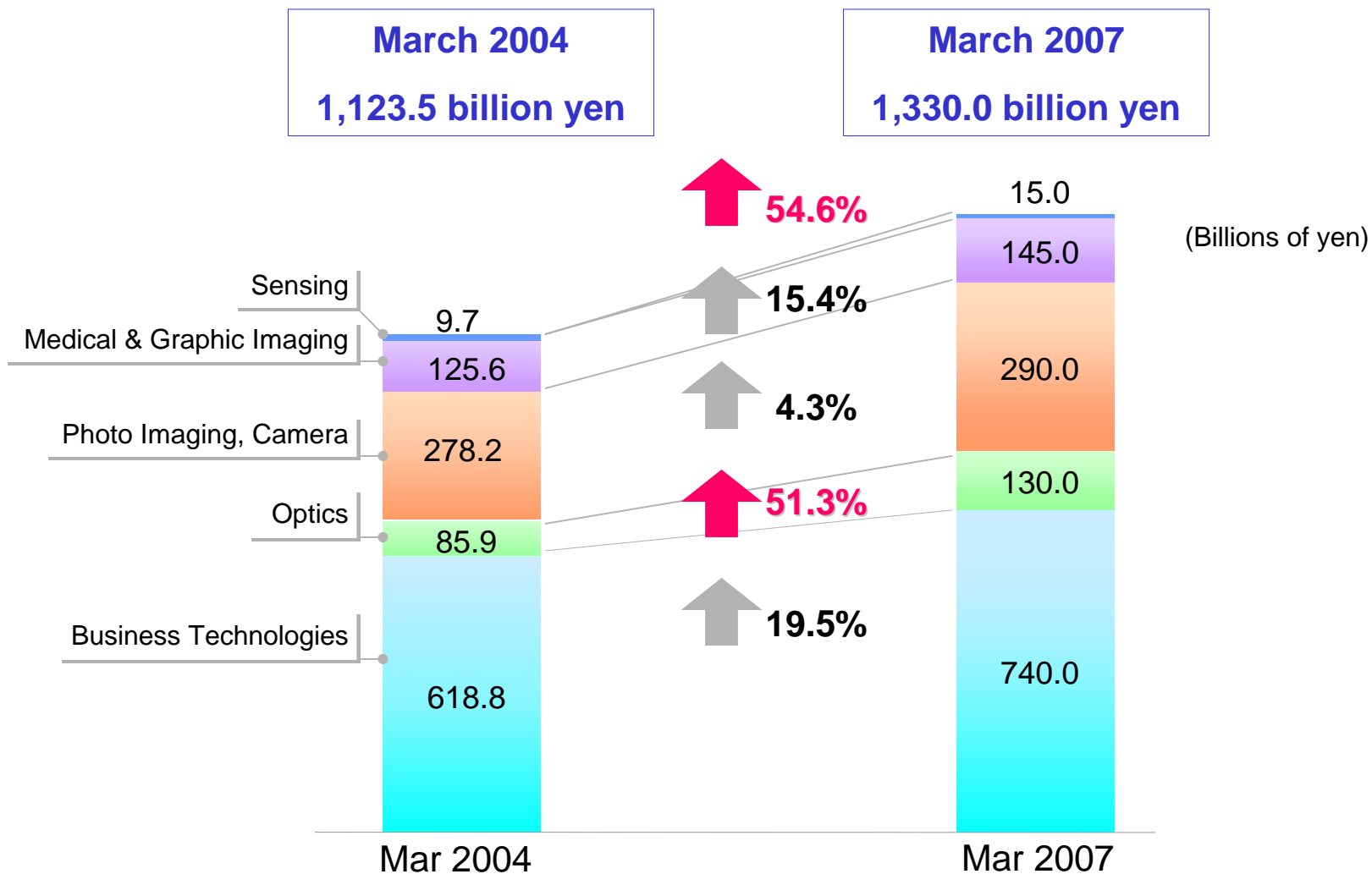
	Results Mar 2003	Results Mar 2004	Forecasts Mar 2005	Plan Mar 2006	Plan Mar 2007
Net sales	1,087.2	1,123.5	1,150.0	1,230.0	1,330.0
Operating income	77.2	73.2	85.0	145.0	160.0
Operating income ratio (%)	7.1	6.5	7.4	11.8	12.0
Net income	29.1	19.3	30.0	65.0	80.0
ROE (%)	12.2	5.8	8.1	15.1	15.8
FCF	92.9	54.2	20.0	33.0	55.0
Interest-bearing debts	322.8	268.0	255.0	240.0	175.0
Investments	45.4	58.2	85.0	80.0	65.0

1USD=113JPY 1Euro=133JPY	1USD=105JPY 1Euro=127JPY	1USD=110JPY 1Euro=130JPY
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Note: Goodwill amortization

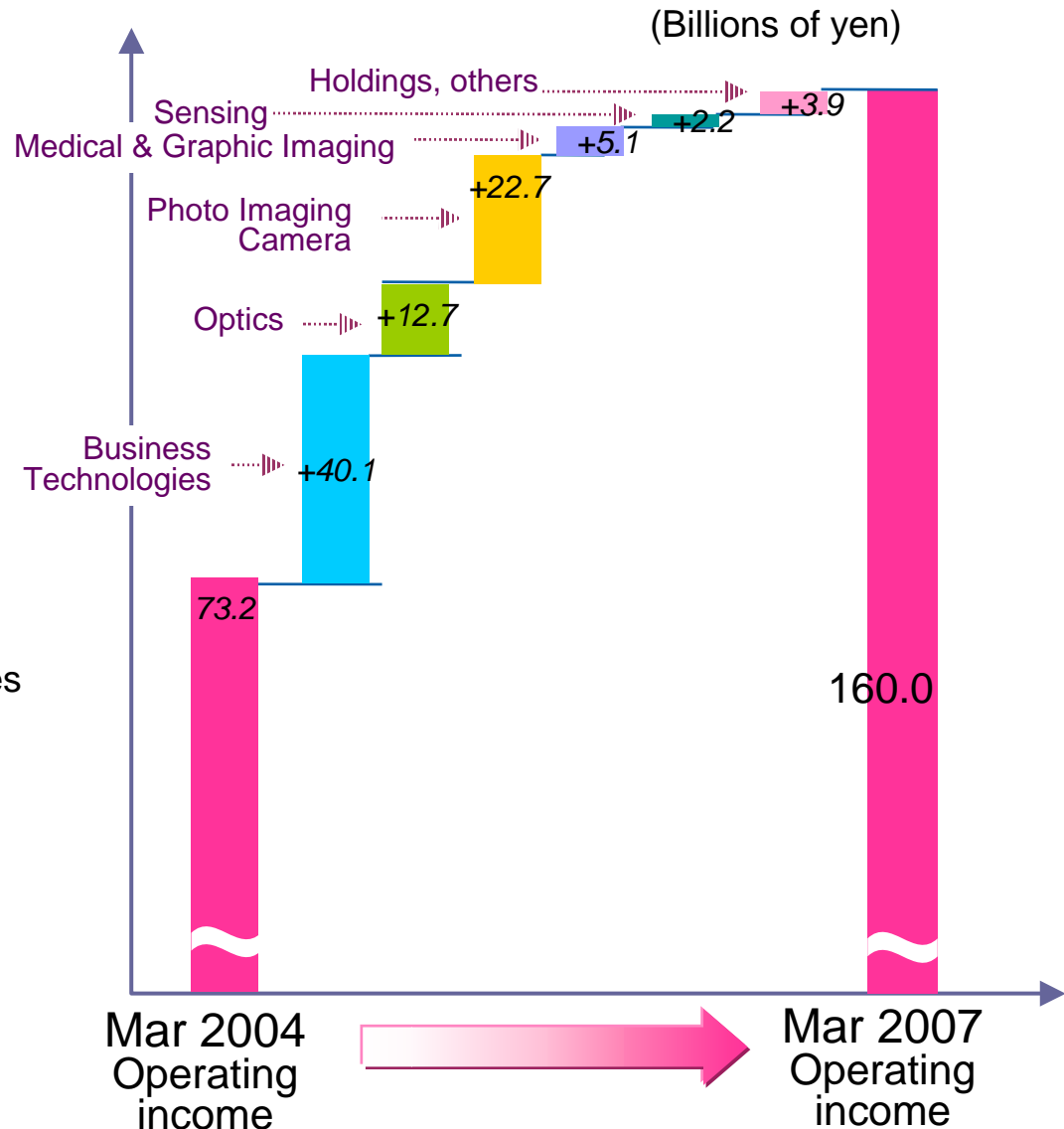
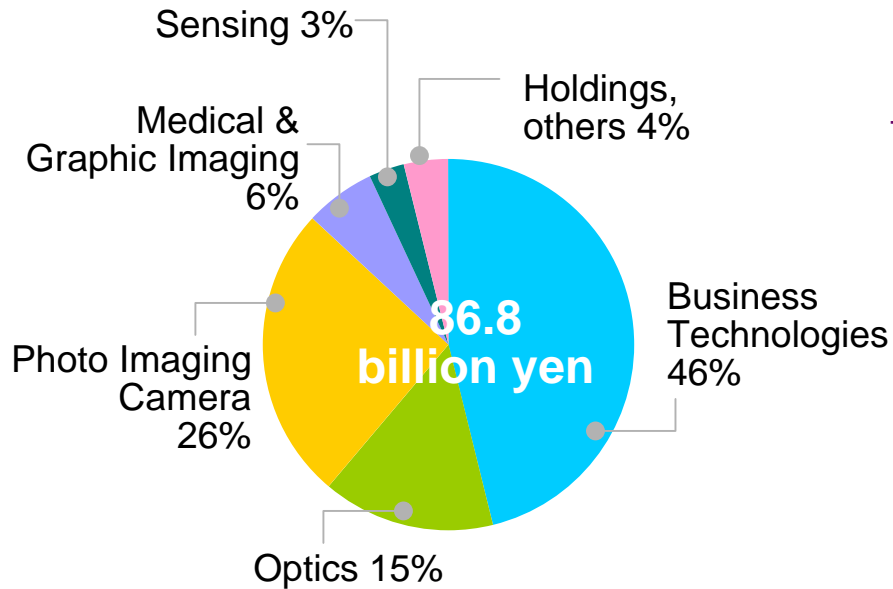
- Fiscal year ended March 2004 : 2.4 billion yen
- Fiscal years ending Mar 2005, 2006 and 2007 : 4.9 billion yen each year

Growth of Net Sales (Breakdown by company)



Growth of Operating Income (Breakdown by company)

Mar 2004 => Mar 2007 :
 Aim to increase group-wide operating income by 86.8 billion yen





Business Companies' Management Targets

(Billions of yen)		Results Mar 2003	Results Mar 2004	Forecasts Mar 2005	Plan Mar 2006	Plan Mar 2007
Business Technologies	Net sales	594.7	618.8	600.0	680.0	740.0
	Operating income	52.6	62.9	60.0	90.0	103.0
Optics	Net sales	54.1	85.9	100.0	120.0	130.0
	Operating income	12.4	15.3	18.5	25.0	28.0
Photo Imaging, Camera	Net sales	280.7	278.2	304.0	270.0	290.0
	Operating income	10.4	-6.7	0.0	11.0	16.0
Medical & Graphic	Net sales	117.4	125.6	135.0	140.0	145.0
	Operating income	9.3	7.9	8.5	12.0	13.0
Sensing	Net sales	9.7	9.7	11.0	13.0	15.0
	Operating income	2.0	1.8	2.0	3.0	4.0
Hodings, others	Net sales	30.6	5.4	0.0	7.0	10.0
	Operating income	-9.5	-7.9	-4.0	4.0	-4.0
Total	Net sales	1,087.2	1,123.5	1,150.0	1,230.0	1,330.0
	Operating income	77.2	73.2	85.0	145.0	160.0

1USD=113JPY
1Euro=133JPY

1USD=105JPY
1Euro=127JPY

1USD=110JPY
1Euro=130JPY

Note: Goodwill amortization

- Fiscal year ended March 2004 : 2.4 billion yen
- Fiscal years ending Mar. 2005, 2006 and 2007 : 4.9 billion yen each year

Business Technologies - #1

CORE BUSINESS

Expand operations, and generate profits and cash flows

Key strategies

1. Enhance “Category Top Strategy”, obtaining a leading position in the specified categories such as color MFP, color LBP and high-speed MFP
2. Improve profit margin by promptly realizing integration effects
3. Develop production-printing business by strengthening colorization and network connectivity
4. Further strengthen competitiveness in polymerized toner with advantages in producing high image quality and low cost
5. Expand operations by propelling strategic alliances

Targets

	Results	Plan
(billions of yen)	Mar 2004	Mar 2007
Net sales (a)	618.8	740.0
Operating income (b)	62.9	103.0
(b) / (a) %	10.2	13.9

Focusing areas

1. Color MFP, color LBP
2. Digital high-speed MFP, production-printing
3. polymerized toner and low-cost image chemicals
4. R&D and marketing: Network solutions

Targets in focusing areas

Color MFP

Mar. 2004

Market share: 11%



Mar 2007

20%

- Widest product lineups in the industry
- High image quality
- Competitive TCO, including hardware and software

Color LBP

Mar. 2004

Market share: 23%



Mar 2007

30%

- Strengthen own sales channels
- Enhanced product lineups
- Accomplish new OEM deals

POD

Mar. 2004

Sales: 11.0 billion yen



Mar 2007

60.0 billion yen

- Further strengthen color and high-speed monochrome models
- Expand European marketing operation
- Effectively utilize printing sales channels

Optics- #1

STRATEGIC BUSINESS

Become the world mightiest optical devices manufacturer

Key strategies

1. **Optical pick-up lens:** Invest in the next-generation technologies and sustain the overwhelming market share
2. **Lens/camera units for digital cameras and mobile phones with camera function:** Magnify business and improve profitability
3. **Electronic materials:** Focus on high value-added products and accelerate business expansion in the growing large-size LCD market
4. **Prisms for optical pick-up and glass hard disk substrates:** Increase sales opportunities by leveraging the advantage of management integration as well as improve profitability
5. Increase production and manpower corresponding to the expansion of business (Relocate production sites and enhance production in China)

Targets

	Results	Plan
	Mar 2004	
(billions of yen)		
Net sales (a)	85.9	130.0
Operating income (b)	15.3	28.0
(b) / (a) %	17.8	21.5

Focusing areas

1. Next-generation pick-up lenses adoptable for Blu-ray and HD-DVD
2. Micro-camera lens units responding to the advancing functions and pixels
3. Special-function films for large-size LCDs

Targets in focusing areas

Micro-lens units / micro-camera units for mobile phones with camera function

Mar. 2004

Sales: 15 billion yen



Mar 2007

40 billion yen

- Sustain the top market share by accomplishing speedy production start-up
- High functions including AF, power zoom and anti-shake
- Enhance alignment technology, and glass mold and plastic lenses adoptable for high resolution

Lens units for digital still cameras and digital video cameras

Mar. 2004

Sales: 15 billion yen



Mar 2007

23 billion yen

- Strengthen alliance with major consumer-electronics manufacturers
- Improve cost competitiveness by increasing production in China
- Generate synergies by collaborating with camera business

Electronic materials

Mar. 2004

Sales: 10 billion yen



Mar 2007

23 billion yen

- Increase production capacity responding to LCD market's growth
- Strengthen special-function films and thin TAC films

Photo Imaging and Camera

Promote fundamental restructuring, focusing on digital cameras and digital printing as core businesses

Key strategies

Photo Imaging


1. Drastic shift from film-oriented operation to digital network-related business structure
 - Meet customers' diverse needs, making full use of a diverse range of technologies --
 - Digital printing sales of all Photo Imaging sales: 20% (Mar. 2004) => 40% (Mar. 2007)
2. Strengthen and expand Inkjet media business. Expand Photo Imaging business including digital printing business, from lab printing to at-home printing field
3. Establish an optimum business structure to respond to decreasing demand in photosensitive materials

Camera

1. Implement a "Profit First" policy by concentrating on high-quality images and high value-added products
2. Strengthen optical components business with emphasis on the R&D of key devices including optical lenses
3. Streamline entire operations including production and marketing in order to establish a profit-oriented mechanism

Targets

(billions of yen)	Results	Plan
	Mar 2004	Mar 2007
Net sales (a)	278.2	290.0
Operating income (b)	-6.7	16.0
(b) / (a) %	-2.4	5.5





Medical & Graphic Imaging

Create new business models, moving away from the film-oriented business models, while actively developing digital products and solution businesses to secure profits

Key strategies

Medical

- 1. Expand digital X-ray image input/output devices sales and increase their market share
- 2. Expand solution business
- 3. Expand contrast media business

Graphic

- 1. Expand color-proofing systems business in Japan and increase the market share of films overseas
- 2. Increase entire sales focusing on computer-to-plate systems and small-lot printers

Targets

	Results	Plan
	Mar 2004	
(billions of yen)		
Net sales (a)	125.6	145.0
Operating income (b)	7.9	13.0
(b) / (a) %	6.3	9.0

Focusing areas

- 1. Strengthen hardware and software development
- 2. Penetrate the small-lot printer market



Sensing

Sustain high profitability and promote business alliances with other companies to expand business size

Key strategies

1. Reinforce 3D product lineups and increase sales by strengthening software/solutions
2. Sustain superiority in the color measurement field for industrial use. Increase loyal customers by providing products of de facto standards
3. Sustain high market shares and profitability as well as develop new businesses in the medical field.
4. Promote strategic alliances with other corporations

Targets

	Results	Plan
	Mar 2004	Mar 2007
(billions of yen)		
Net sales (a)	9.7	15.0
Operating income (b)	1.8	4.0
(b) / (a) %	18.6	26.7



Focusing areas

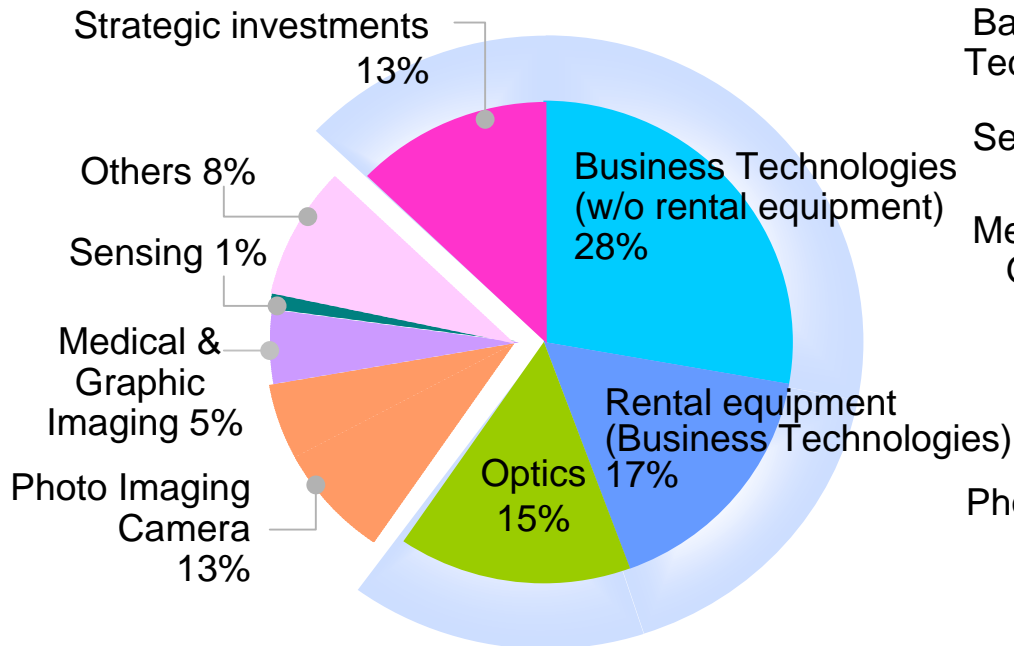
1. Establish sales channels in China
2. Develop new businesses

Business Portfolio Management

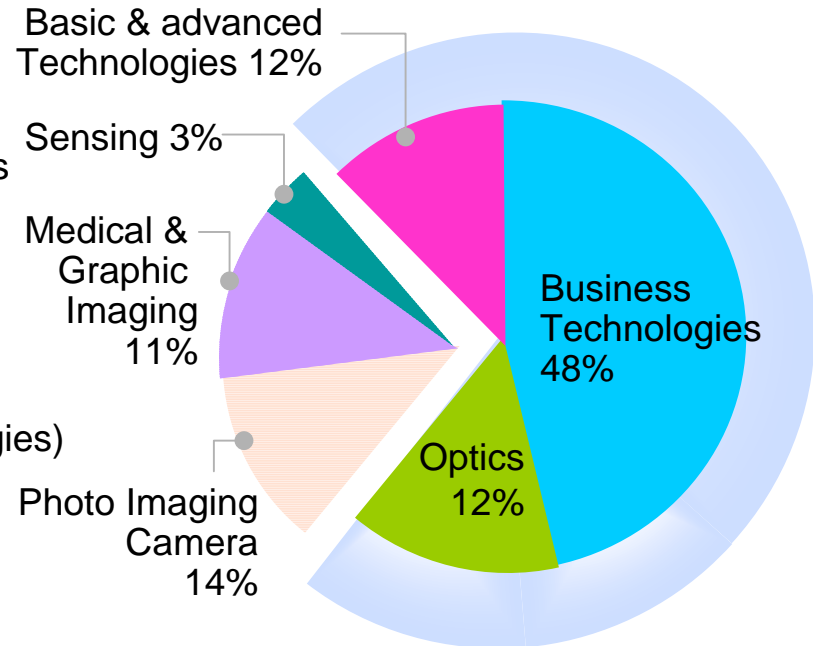
-- Allocation of Management Resources --



Investments



R&D expenditures



Apr 2004 – Mar 2007

Total investments: 230.0 billion yen

Apr 2004 – Mar 2007

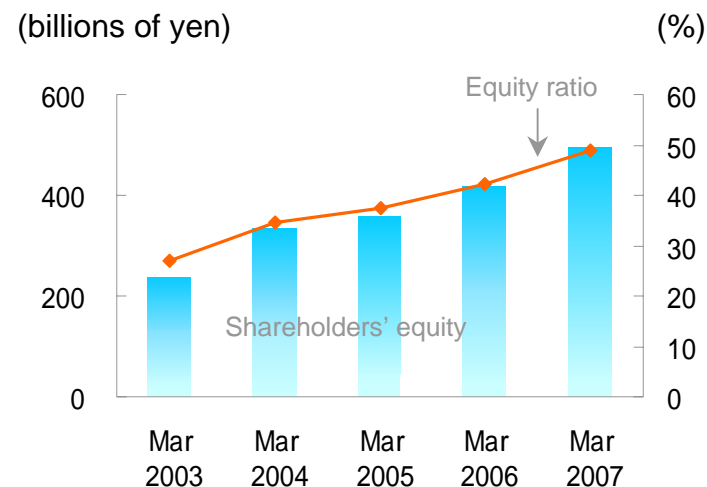
Total R&D expenditures: 220.0 billion yen

More than 70% of management resources are allocated to Business Technologies and Optics businesses.

Strengthen Financial Position

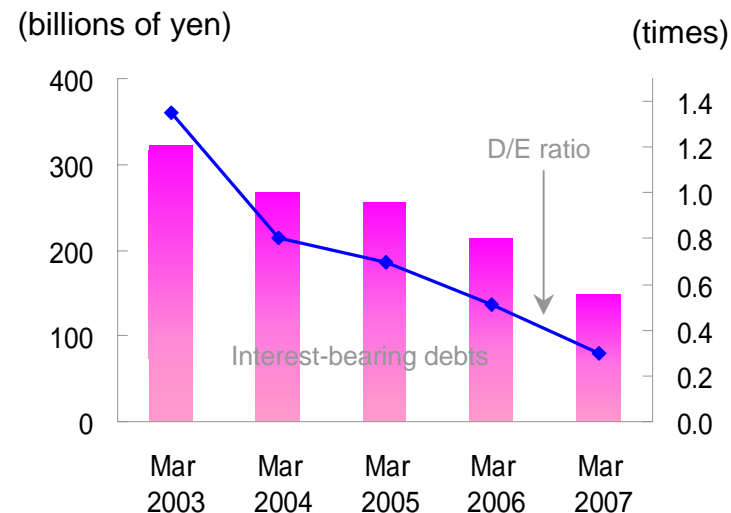
Shareholders' equity & Equity ratio

(billions of yen)	Results	Results	Forecasts	Plan	
	Mar 2003	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Shareholders' equity	239.0	335.4	370.0	430.0	505.0
Equity ratio (%)	27	35	37	42	49



Interest-bearing debts & D/E ratio

(billions of yen)	Results	Results	Forecasts	Plan	
	Mar 2003	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Interest-bearing debts	322.8	268.0	255.0	240.0	175.0
D/E ratio (times)	1.35	0.8	0.71	0.56	0.35



Costs for integration and operating income

[Comparison with March 2003 results]

(Billions of yen)

		Results	Plan		Total
		Mar 2004	Mar 2005	Mar 2006	Mar04-Mar06
(1) Costs	SG&A (1)	8.8	8.4	8.0	25.2
	Other non-operating and extraordinary losses	8.9	9.3	2.0	20.2
	Total	17.6	17.7	10.0	45.4
(2) Effects	Rationalization (<i>Downsizing, reduction of purchasing costs, reorganizaition of operating sites</i>)	3.0	13.0	32.0	
	Increase of operating income (<i>including synergies</i>)	7.5	14.0	30.8	
	Total	10.5	27.0	62.8	
(3) Increase of operating income due to the increase of net sales		2.6	4.5	10.5	
(4) Foreign exchange impact		8.8	-4.9	1.9	
<i>Negative factor:</i>					
(5) Decrease of operating income in Photo Imaging		-17.1	-10.4	0.6	
Impact to operating income (2)+(3)+(4)+(5)-(1)		-4.0	7.8	67.8	
		Mar 2003	Mar 2004	Mar 2005	Mar 2006
Operatign income		77.2	73.2	85.0	145.0

Operating income analysis: March 2005 vs. March 2006

(Billions of yen)	Business Technologies	Optics	Photo Imaging	Medical & Graphic	Others	Group
Rationalization <i>(Downsizing, reduction of purchasing costs, reorganization of operating sites)</i>	15.0	0.0	1.3	0.0	2.7	19.0
Increase of operating income <i>(Including synergies)</i>	4.0	2.8	*13.0	3.1	5.3	28.2
Increase of operating income due to the increase of net sales	8.0	3.7	-6.3	0.6	---	6.0
Foreign exchange effects	3.0	0.0	3.0	0.8	0.0	6.8
Total	30.0	6.5	11.0	4.5	8.0	60.0

* The initiatives for comprehensive structural reform will be implemented to achieve the goal.

Quick Realization of Integration Effects

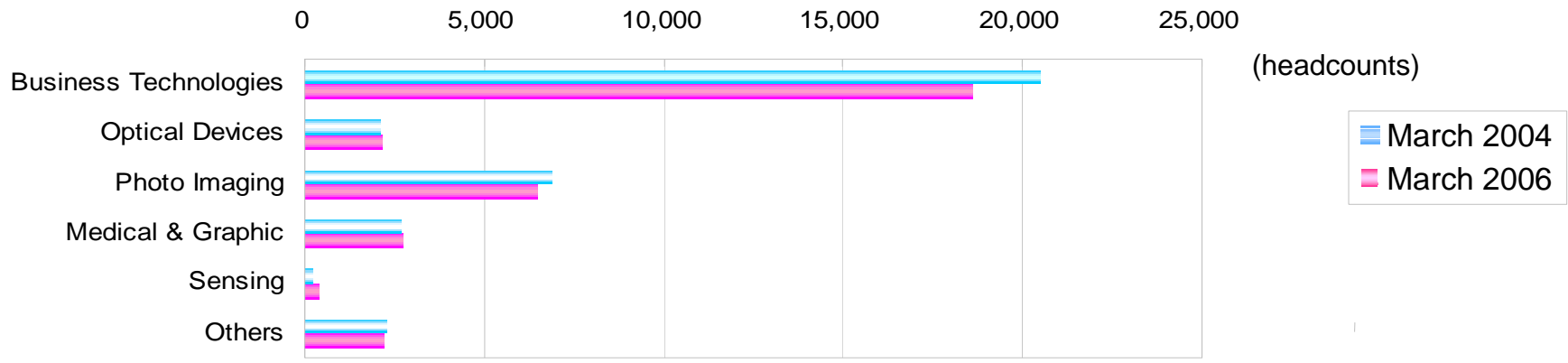
-- Manpower Rationalization --



Group-wide manpower plan

	September 2002	March 2004	March 2005	March 2006	
Plan	37,300	35,200	33,600	32,600	Comparison with Sep. 30, 2002
		-2,100	-4,190	-4,700	
Results		34,710			
		-2,590			

A new headcount tabulation system was implemented in September 2003. Headcounts for September 2002 before applying the new system was 38,300.



Progress of subsidiaries' integration in Business Technologies

- **North America:** Direct sales offices will be organized stepwise. (90 => 60 locations)
 Warehouse at direct sales offices will be consolidated by the end of March 2005.
- **Europe:** Direct sales offices will be reorganized by the end of March 2005.
 Germany: 27 => 19 locations, UK: 25 => 17 locations, France: 36 => 27 locations

Section 2

Konica Minolta Group Consolidated Financial Highlight, FY ended March 31, 2004 Forecasts for FY ending March 31, 2005

Announced in May 21, 2004

Highlight



[Billions of yen]

	Mar 2004			Mar 2003	[A] - [B]	Plan as of Nov 14	
	Minolta 1st half (a)	Konica Minolta Full year (b)	[A] (a) + (b)	Konica + Minolta Full year [B]		Konica Minolta Full year [C]	[A] - [C]
Net sales	263.2	860.4	1,123.5	1,087.2	36.3	1,133.2	-9.7
Gross income	117.3	361.5	478.7	472.7	6.0	---	---
Operating income	15.7	57.5	73.2	77.2	-4.0	66.7	6.5
Ordinary income	9.4	43.1	52.5	54.4	-2.0	51.0	1.5
Income before taxes	8.2	32.4	40.5	40.0	0.5	42.0	-1.5
Net income	6.8	12.5	19.3	29.1	-9.8	23.8	-4.5
EPS [Yen]	24.27	26.48	36.39*				

* Net income [A] / Average shares issued and outstanding at the end of Mar 2004

- Tax effects could not be posted due to the deficit in Photo Imaging and Camera companies. This severely affected the bottom line. (Impact to the bottom: 10.9 billion yen)

Foreign exchange rates

	P/L		Change	[Yen]
	Mar 2004	Mar 2003		
US\$	113.1	122.0	-8.9	Yen appreciation
Euro	132.6	121.0	11.6	Yen depreciation

Highlight - Business segment



Net sales

[Billions of yen]

	Mar 2004	Mar 2003	Change	Paln as of Nov 14
Business Technologies	618.8	594.7	24.1	624.6
Optics	85.9	54.1	31.8	79.1
Photo Imaging	146.9	163.1	-16.2	147.0
Camera	131.3	117.6	13.7	146.2
Medical & Graphic	125.6	117.4	8.2	120.0
Sensing	9.7	9.7	0.0	10.4
Holdings, others	5.4	30.6	-25.2	5.8
Total	1,123.5	1,087.2	36.4	1,133.2

Operating income

[Billions of yen]

	Mar 2004	Mar 2003	Change	Paln as of Nov 14
Business Technologies	62.9	52.6	10.3	52.4
Optics	15.3	12.4	2.9	12.7
Photo Imaging	-0.3	8.3	-8.6	4.0
Camera	-6.4	2.1	-8.5	0.0
Medical & Graphic	7.9	9.3	-1.4	9.0
Sensing	1.8	2.0	-0.2	1.9
Holdings, others	-7.9	-9.5	1.6	-13.3
Total	73.2	77.2	-4.0	66.7

Note: Classification of segment information used in this material is slightly different from that of "Kessan-Tanshin".

Impact of foreign exchange -- Business segment

Comparison with the previous year

[Billions of yen]

	Net sales	Operating income
Business Technologies	-3.6	8.5
Optics	-1.0	-0.8
Photo Imaging	-2.7	-1.8
Camera	-0.5	3.6
Medical & Graphic	-2.7	-0.6
Sensing	-0.1	-0.1
Holdings, others	0.0	0.0
Total	-10.6	8.8

Impact to operating income if changing 1 JPY

US\$	approx. 0.7 billion yen
Euro	approx. 1.1 billion yen

Note: Exchange rates used for calculation -- Average annual forex for FY ended March 2004

Business Technologies

Overview

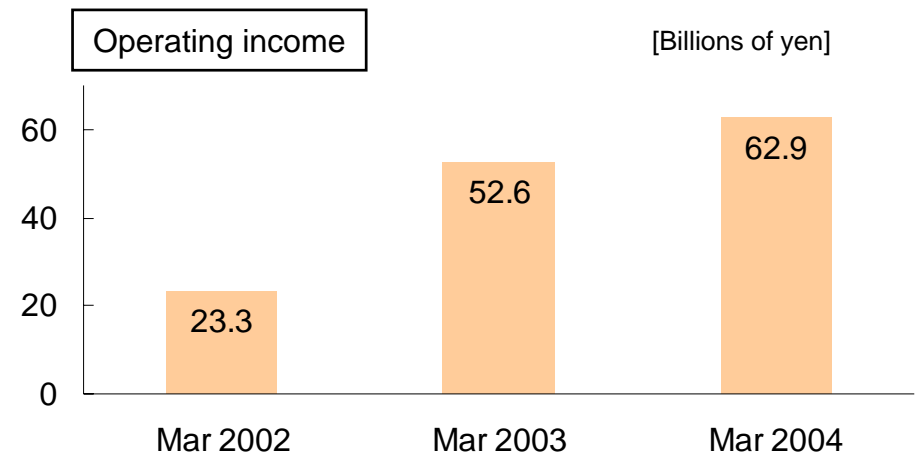
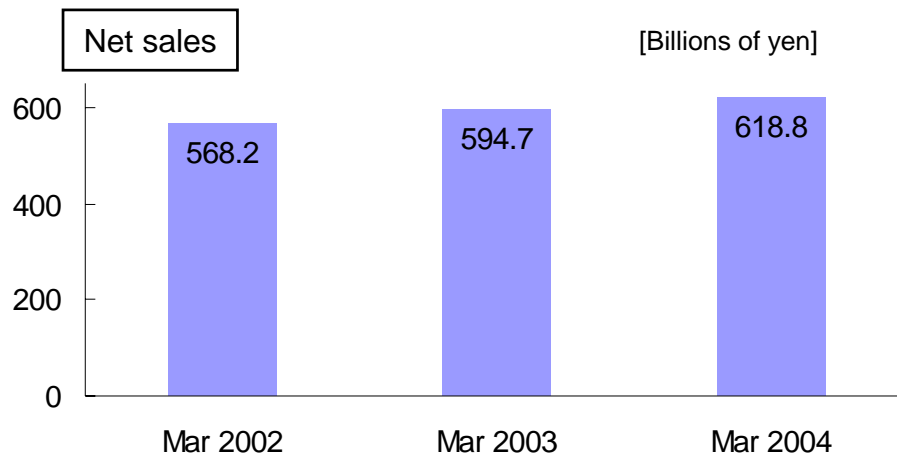
MFP and LBP businesses expanded due to the improved product-mix by adding color and high-speed models.

MFP

- **Color MFP:** Sales increased by strengthening product lineup in mid- and high-speed segments. (Y-O-Y : approx. 80% points up, unit base)
- **B/W MFP:** Profit increased due to the accelerating shift to high-speed segments. (Y-O-Y: approx. 10% points up in Seg.4 and above, unit base)

LBP

- **Low-speed desk-top (A4 size) color LBP:** Sales remained strong, especially OEM. (Y-O-Y: approx. 40% points up, unit base)
- **Consumables:** Began to generate profits resulting from the increasing number of machine in the field.



Overview

Almost all businesses showed considerably favorable performance compared with the previous year thanks to the advantages brought by the integration.

Optical pick-up lenses

- Favorable performance, especially lenses for DVD
(Y-O-Y: approx. 20% points up, unit base)

Lens units for digital cameras

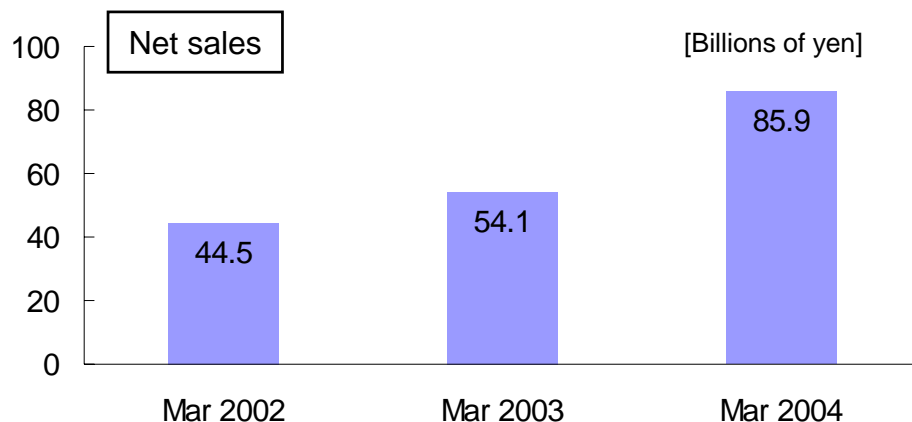
- Significant sales increase by developing new major accounts
(Y-O-Y: approx. 35% points up, unit base)

Lens units and camera units for mobile phones

- Sales of lens units for high-resolution / high-value-added models for Japanese manufactures steadily increased.

Films for LCD

- Sales of thin films for lap-top PCs increased. (Y-O-Y: approx. 50% points up, unit base)



The essentials of imaging

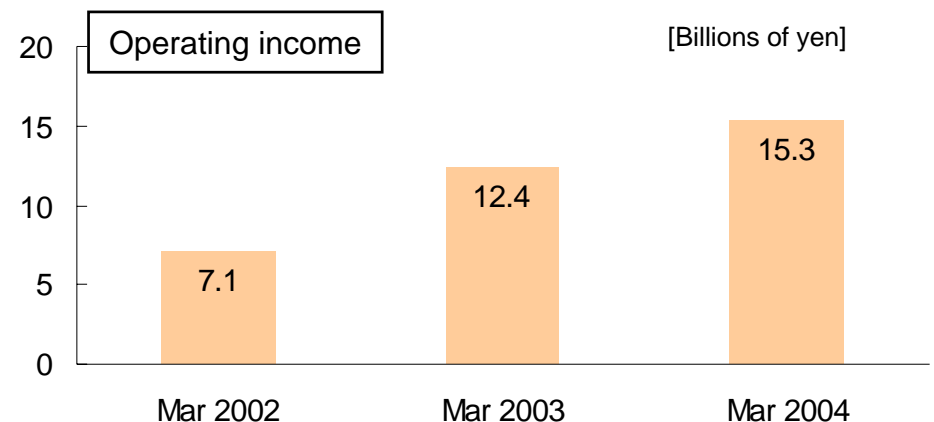




Photo Imaging and Camera

Overview

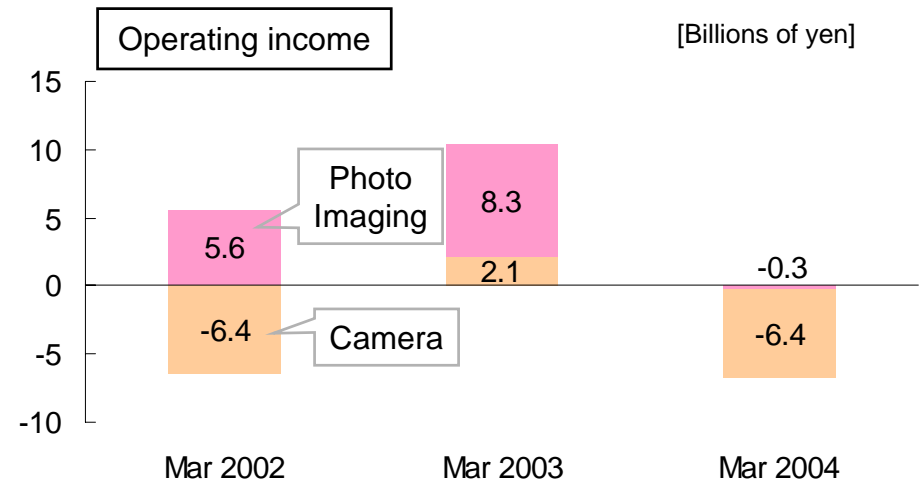
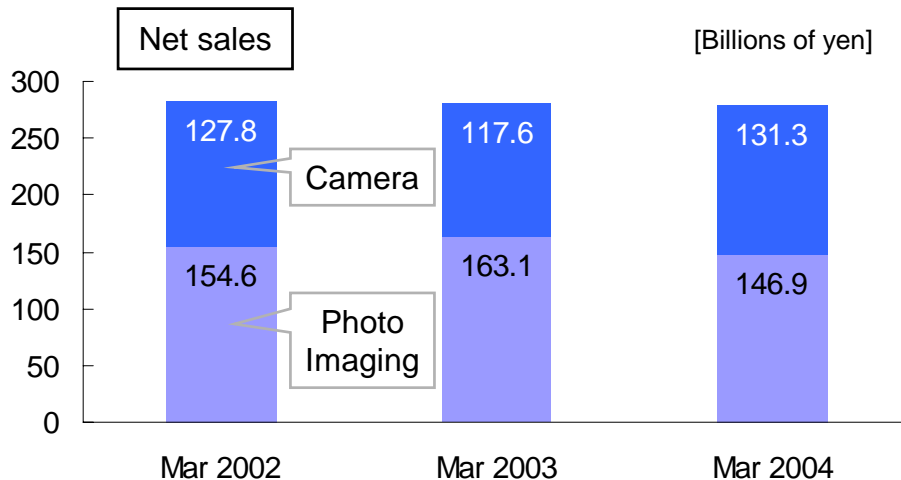
Overall business deteriorated due to the intensified price competition and the drastic change of the market. Aim for recovery by undertaking fundamental restructuring in 2004.

Photo Imaging

- **Color films:** Sales declined by 20% points due to the falling demand in Japan, US and Europe. Overall photo imaging business performance declined.
- **Photo paper:** Sales steadily increased thanks to the expansion of digital lab sales
- **Inkjet paper:** Sales, especially in high-quality paper, increased more than the market growth rate.

Camera

- **Digital cameras:** Sales doubled Y-O-Y on unit base, however, profitability drastically declined due to the severe price competition in the market.



Medical & Graphic and Sensing

Overview

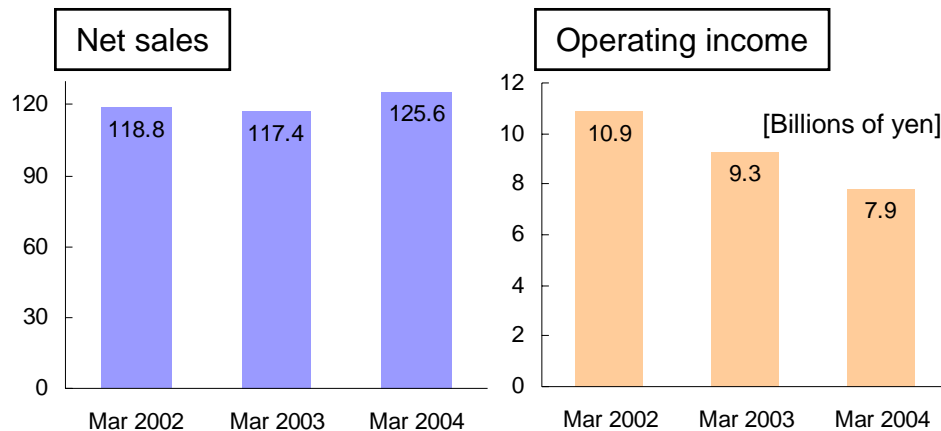
Medical & Graphic

- **Medical:** Generated stable profit. Sales of digital X-ray imaging systems remained strong. Sales of dry-film type systems increased.
- **Graphic:** Sales as well as profit in films and paper declined due to the falling demand in the market.

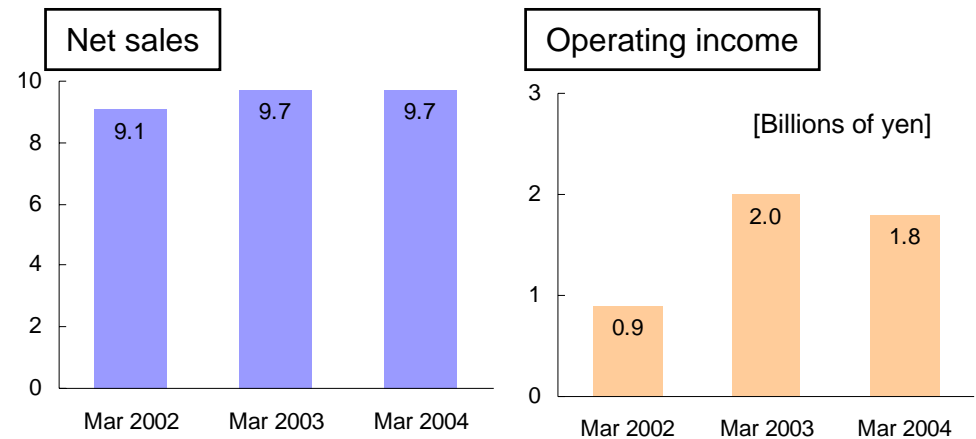
Sensing

- **Light source color measurement systems used for lap-top PC's display:** Sales continued to show steady growth.

Medical & Graphic



Sensing



Integration costs – March 2004

	[Billions of yen]		
	1st half	2nd half	Full year
SG&A	1.5	7.3	8.8
Non-operating expenses	2.0	1.1	3.1
Extraordinary losses	0.1	5.6	5.8
Total	3.6	14.0	17.6

Relocation of operational sites, moving subsidiaries, integration of IT, advertising, other

Due to the change of accounting policy

Rationalization of human resources, other

	Plan as of Mar 19
SG&A	12.6
Non-operating expenses / Extraordinary losses	5.4
Total	18.0

Note: Goodwill amortization of 2.4 billion yen is not included in the above charts.

Key actions for the year

Fiscal Year ending March 2005



Consolidate Management Foundation

1. Expand business and strengthen profitability by concentrating management resources on Business Technologies and Optics businesses
2. Undertake fundamental business restructuring in Photo Imaging and Camera businesses to restore profitability
3. Promote human resources integration and generate rationalization effects and management integration synergies.
4. Promote new Konica Minolta brand

Forecasts March 2005



- Projected foreign exchange rates for fiscal year ending March 2005

US\$	105 yen
Euro	127 yen

	Forecasts -- Mar 2005			Results
	1st half	2nd half	Full year	Mar 2004
Net sales	550.0	600.0	1,150.0	1,123.5
Operating income	33.5	51.5	85.0	73.2
Net income	9.5	20.5	30.0	19.3
Investments (excluding lease equipment in Business Technologies)	63.0			
Depreciation and Amortization	58.0			
R&D	71.0			

Forecasts March 2005 – Actions by business segment



Business Technologies

- Promptly materialize management integration effects
- Strengthen marketing, especially direct sales, and launch timely new color / mid- to high-speed MFPs.

Optics

- Solidify the top market share in pick-up lens for DVD
- Expand lens unit and micro lens unit businesses
- Expand electric material business and increase profitability by strengthen the marketing of special-function films

Photo Imaging / Camera

- **Film / photo paper business** – Drastic cost reduction by improving production efficiency. Expand inkjet paper sales
- **Digital cameras** – Shift to high-value added products and reduce costs
- Reduce sales costs by taking advantage of the integration of Photo Imaging and Camera companies

Medical & Graphic

- **Medical** – Promote dry film sales by expanding digital X-ray imaging systems sales
- **Graphic** – Promote digital proofing systems business and magnify overseas market share
- **Overall** – Promote overseas sales (Marketing company in China: Established Mar. 2004, Marketing company in Europe: Established Apr. 2004)

Sensing

- **3D digitizers** --Expand business in the industrial measurement field
- **Color measurement:** Promote sales in the car and FPD industries

Forecasts March 2005 – Breakdown by business segment

	Forecasts - Mar 2005			Results
				[Billions of yen]
	1st half	2nd half	Full year	Mar 2004
Net Sales				
Business Technologies	285.0	315.0	600.0	618.8
Optics	45.0	55.0	100.0	85.9
Photo Imaging*	150.0	154.0	304.0	278.2
Medical & Graphic	65.0	70.0	135.0	125.6
Sensing	5.0	6.0	11.0	9.7
Holdings, others	0.0	0.0	0.0	5.4
Total	550.0	600.0	1,150.0	1,123.5
Operating income				
Business Technologies	24.0	36.0	60.0	62.9
Optics	8.5	10.0	18.5	15.3
Photo Imaging*	-1.5	1.5	0.0	-6.7
Medical & Graphic	3.5	5.0	8.5	7.9
Sensing	1.0	1.0	2.0	1.8
Holdings, others	-2.0	-2.0	-4.0	-7.9
Total	33.5	51.5	85.0	73.2

*"Photo Imaging" = Photo Imaging + Camera

Forecasts March 2005 – Integration costs

	Forecasts - Mar 2005			[Billions of yen]
	1st half	2nd half	Full year	Plan As of Mar 19
SG&A	4.6	3.8	8.4	12.0
Non-operating expenses	2.5	2.5	5.0	} 8.0
Extraordinary losses	2.2	2.1	4.3	
Total	9.3	8.4	17.7	20.0

Note: Goodwill amortization 4.9 billion yen will be posted separately.

Section 3

Konica Minolta Group Consolidated 1Q March 2005 Financial Results Three months ended June 30, 2004

Announced in August 4, 2004

Highlight

[Billions of yen]

	Results			Plan	
	[a] 1Q / Mar05	[b] 1Q / Mar04	[a] / [b] Growth	[c] 1Q / Mar05	[a] / [c] vs. Plan
Net sales	262.0	255.7	102.5%	263.4	99.5%
Gross income	116.7	116.3	100.3%	---	---
Operating income	17.0	19.6	86.7%	16.0	106.3%
Ordinary income	17.1	20.5	83.4%	12.5	136.8%
Income before taxes	16.1	20.3	79.3%	9.0	178.9%
Net income	7.2	11.3	63.7%	4.5	160.0%
EPS [Yen]	13.64				

■ Foreign exchange rates for P/L

[Yen]

	Results			Plan	
	1Q / Mar05	1Q / Mar04	Change	1Q / Mar05	Change
US\$	109.8	118.5	-8.7	105.0	4.8
Euro	132.3	134.7	-2.4	127.0	5.3

JPY appreciation

JPY depreciation

Factor analysis -- Business segment



KONICA MINOLTA

[Billions of yen]							
Net sales	1Q /	1Q /	[a]	[b]	[c]	[d]	a-(b+c+d)
	Mar05	Mar04	Change	Forex impact	Change of accounting term	Elimination*	Actual change
Business Technologies	137.0	144.0	-7.0	-4.8	0.0	-6.2	4.0
Optics	22.3	17.2	5.1	-0.3	0.0	0.0	5.4
Photo Imaging	71.9	63.6	8.3	-1.1	13.8	0.0	-4.4
Medical & Graphic	28.1	27.8	0.3	-0.7	0.0	0.0	1.0
Sensing	1.2	2.3	-1.1	0.0	0.0	0.0	-1.1
Holdings, others	1.5	0.8	0.7	0.0	0.0	0.0	0.7
Total	262.0	255.7	6.3	-7.0	13.8	-6.2	5.7

Operating income	1Q /	1Q /	[a]	[b]	[c]	[d]	a-(b+c+d)
	Mar05	Mar04	Change	Forex impact	Integration costs	Goodwill amortization	Actual change
Business Technologies	14.9	14.0	0.9	-0.7	-0.4	-1.0	3.1
Optics	3.9	3.0	0.9	-0.3	-0.1	-0.1	1.4
Photo Imaging	-2.0	1.4	-3.4	-1.0	-0.1	-0.1	-2.3
Medical & Graphic	1.2	2.4	-1.2	-0.3	0.0	0.0	-0.8
Sensing	0.3	0.4	-0.1	0.0	0.0	0.0	-0.1
Holdings, others	-1.3	-1.6	0.3	0.0	-0.1	0.0	0.3
Total	17.0	19.6	-2.6	-2.3	-0.7	-1.2	1.6

*Elimination: Trade between Konica and Minolta before management integration.

- **Impact to operating income if changing 1 JPY (full year basis)**

US\$	approx. 0.7 billion yen
Euro	approx. 1.1 billion yen

SG&A analysis – Yr/Yr

[Billions of yen]

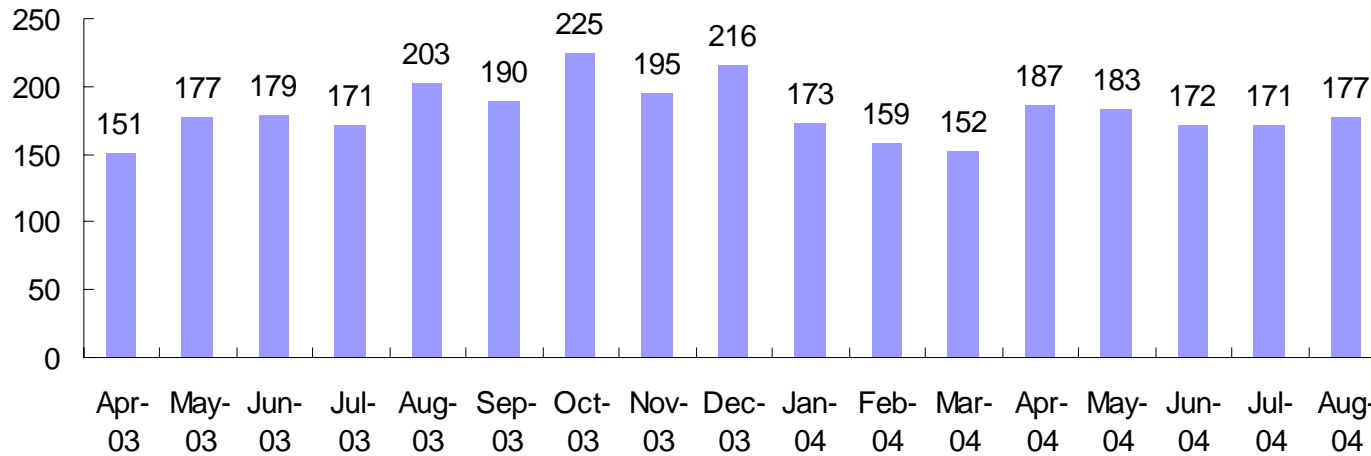
	Results 1Q / Mar05	Results 1Q / Mar04	increase/ decrease
	99.8	96.7	3.1
Sales promotion	7.2	5.0	2.2
Salaries and wages	38.7	42.0	-3.3
R&D	15.8	14.1	1.7
Goodwill amortization	1.5	0.2	1.3
Othes	36.6	35.4	1.2

Impact of foreign exchange to SG&A: 0.2 billion yen.
 SG&A actually increased by 3.3 billion yen.

Supplementary information

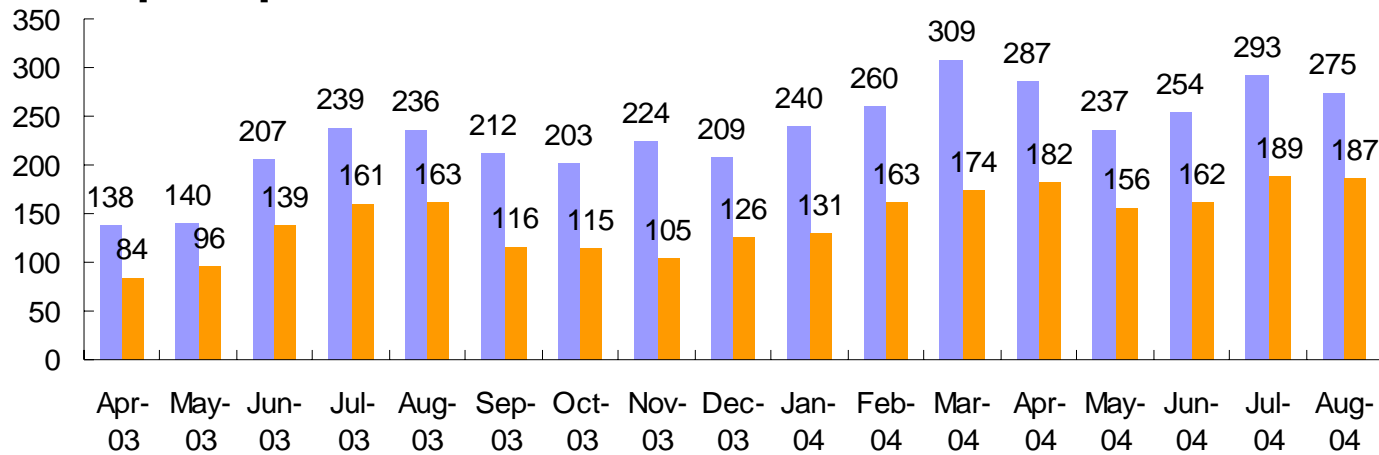


■ [Index] Unit sales of Optical pick-up lens



*Basing point:
April 2002 as 100

■ [Index] Unit sales of TAC film for LCD



*Basing point:
Total TAC sales April 2002 as 100

■ TAC total ■ Thin/high-value added film



KONICA MINOLTA

Section 4

Konica Minolta Group Business Technologies Strategies

May 21, 2004

Medium term business targets

● CORE BUSINESS

Expand operations, and generate profits and cash flows while establishing a solid position in the top group of the industry

[Billions of yen]

Targets	Result	Plan		
	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Net sales	618.8	600.0	680.0	740.0
Operating income	62.9	60.0	90.0	103.0

Concentrate management resources [2004 – 2006]

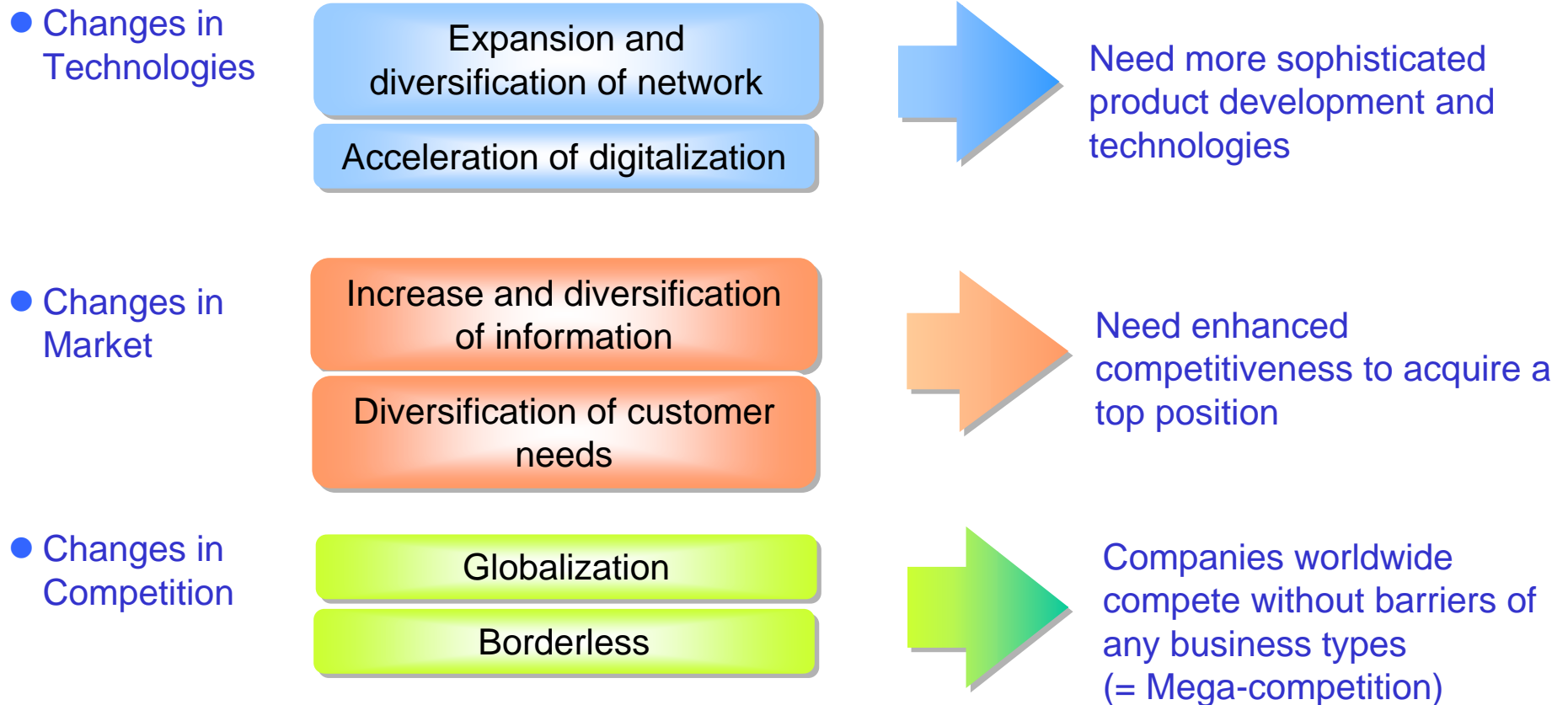
Approx. 50% of Group's management resources

- **Investments** – Approx. 100 billion yen for strengthening sales channels, installing new polymerized toner facilities, and reinforcing production in China
- **IT investments** – Preferentially allocate Group's resources to Business Technologies to promptly establish the integrated manufacturing-marketing IT system
- **R&D investments** – Approx. 100 billion yen for enhancing polymerized toner development, strengthening solution development capabilities, and developing next-generation color models



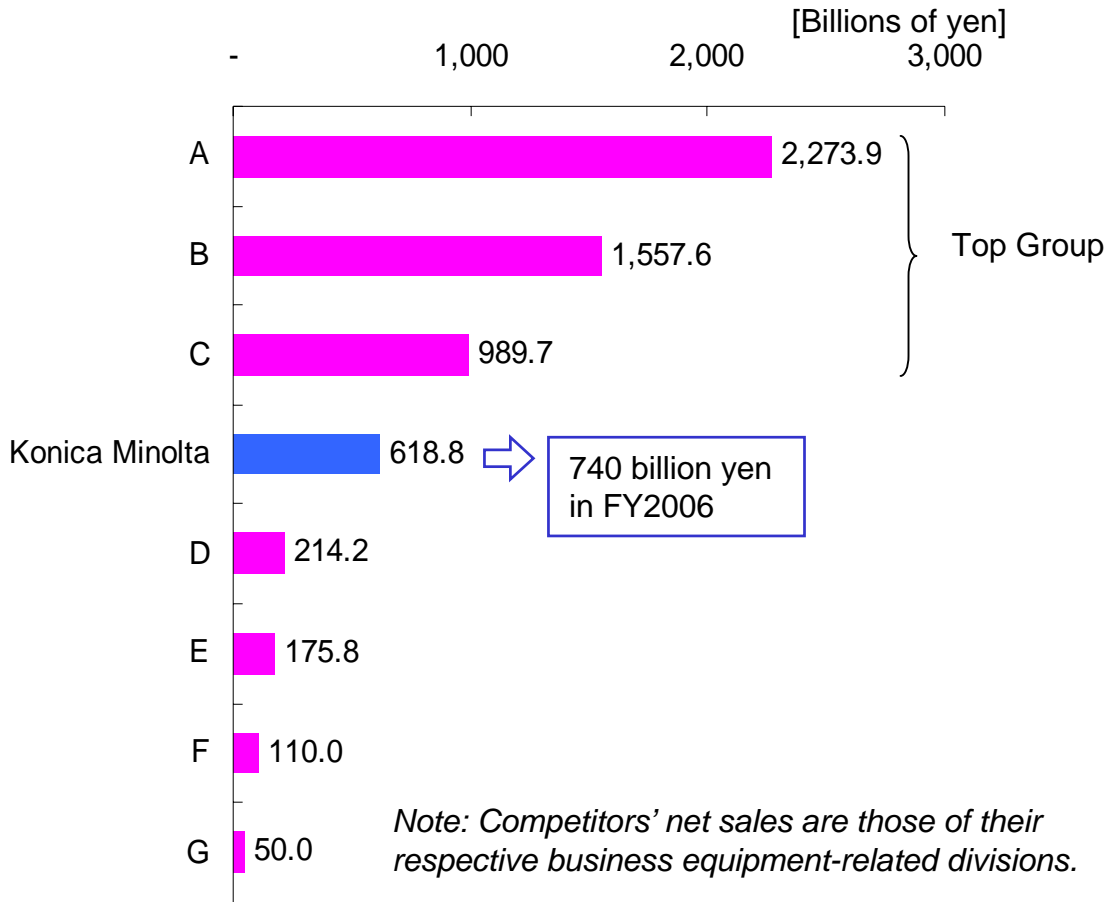
Business environment

The competition in the business technologies field is anticipated to intensify due to the acceleration of technology innovations and the diversification of customer needs.

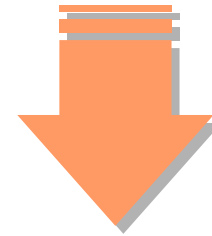


Competitors (positioning in the industry)

Sales comparison with competitors
Fiscal year ended March 2004

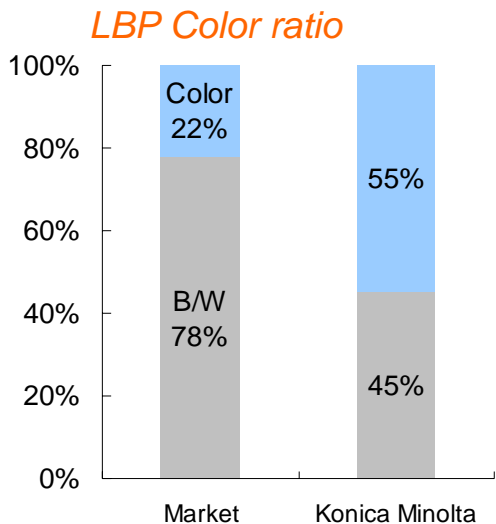


Konica Minolta broke out of the lower group, however, there remains significant gap between Konica Minolta and the top group.



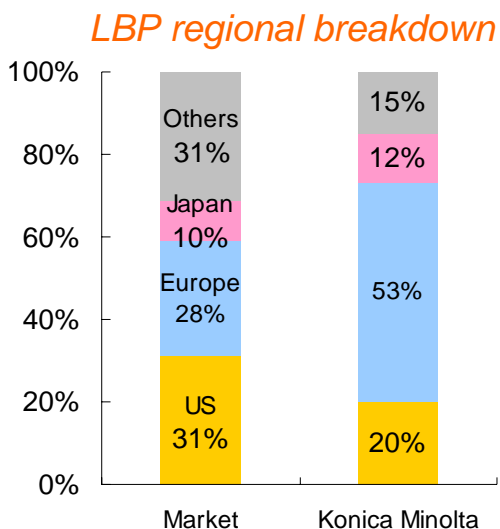
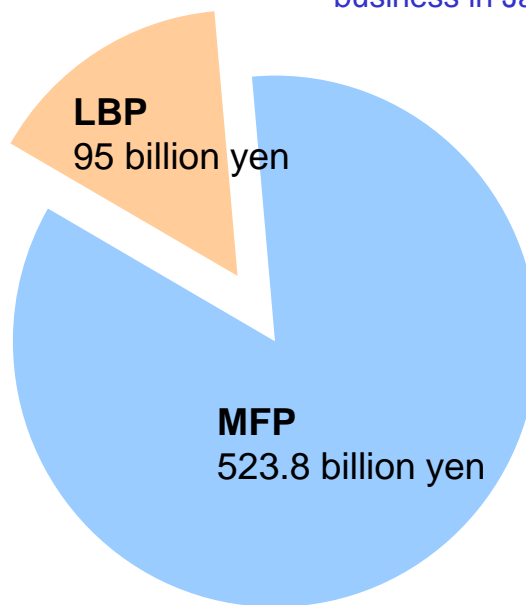
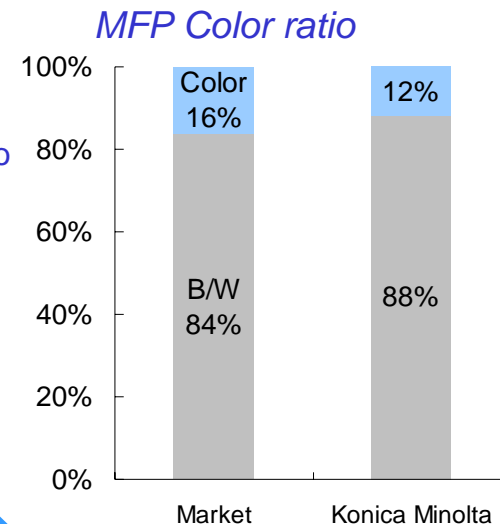
- ◆ Concentrate on Konica Minolta's strength
- “Category top” categories / fields:
Color MFP, high-speed MFP, color LBP...
- ◆ Magnify operations by propelling strategic alliances

Konica Minolta's profile



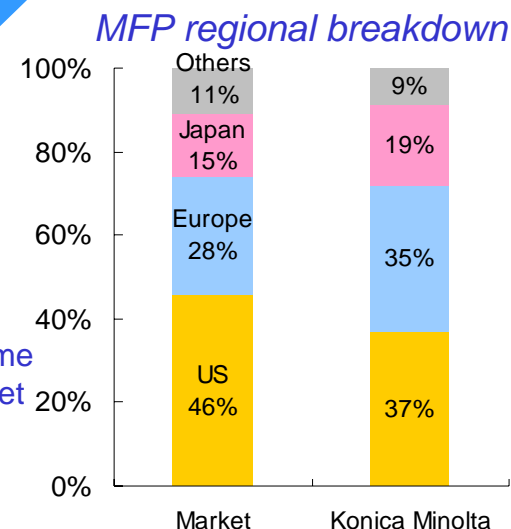
Konica Minolta is far advanced in colorization.

Below the market colorization level due to the relatively small business in Japan



Larger sales in Europe including OEM

Exhibits almost the same proportion as the market

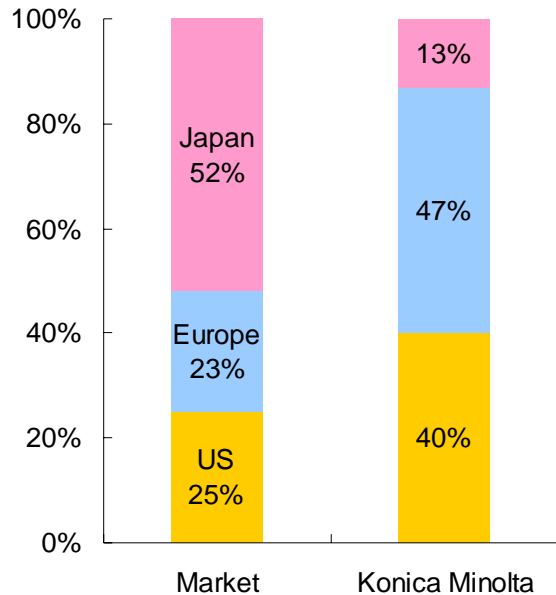


Note: Konica Minolta = Results fiscal year ended March 2004
Market = Source by Konica Minolta

“Category top” strategy - Primary business areas for growth

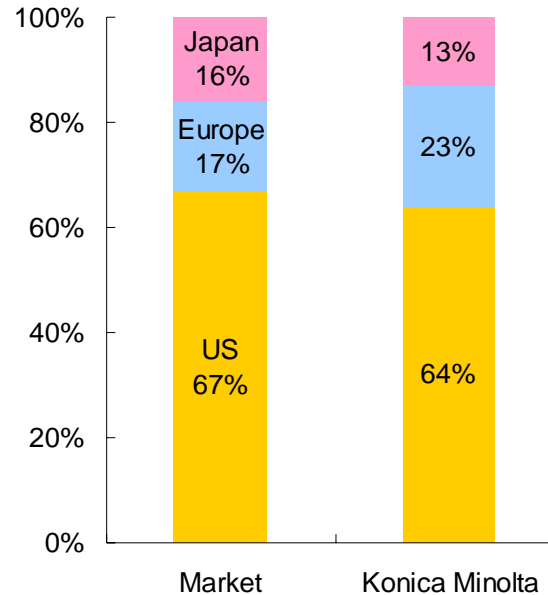


Color MFP



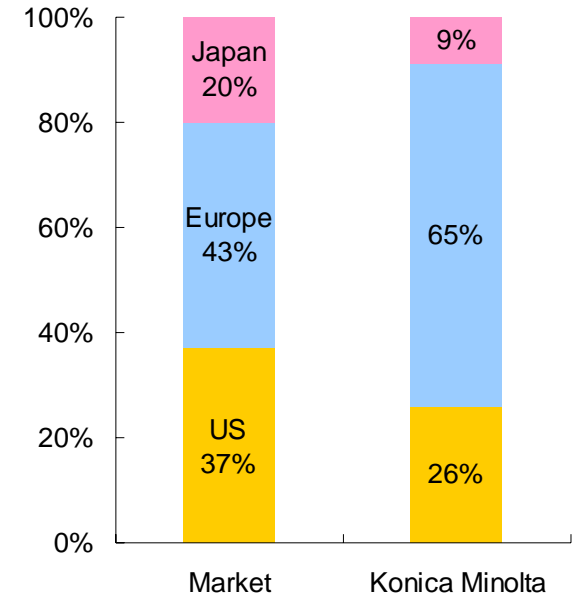
Strong sales in US and Europe

High-speed MFP
for production printing
B/W Seg.5 and above, Color Seg. 4



Increasing sales including OEM in US

Color LBP



Strong sales including OEM in Europe

Note: Konica Minolta = Results fiscal year ended March 2004, unit base
Market = Source by Konica Minolta, unit base

“Category Top” strategies

Concentrate management resources on the promising areas and establish a solid position there

Color MFP

Become one of the players in the top group

- Market share target for fiscal year ending March 2007: 20%

High-speed MFP

Establish a solid position in the production printing field by reinforcing high-speed MFP (color, B/W) business

- Sales target for fiscal year ending March 2007: 60 billion yen

Color LBP

Solidify the leading position in the desk-top color LBP field

- Market share target for fiscal year ending March 2007: 30%

“Category Top” strategies – Market share development

		FY 2001		FY 2002		FY 2003		
Color MFP	Japan	3.9%	4th	2.2%	5th	2.0%	5th	✕ Large gap between Konica Minolta and the top group
	US	10.8%	3rd	12.0%	3rd	12.7%	4th	△ Aim for the top
	Germany	18.3%	2nd	29.2%	1st	23.4%	1st	◎ Further expand market share
B/W MFP Seg. 4	Japan	8.5%	4th	9.6%	4th	13.9%	4th	△ Efforts to expand market share
	US	14.7%	2nd	14.6%	2nd	15.0%	2nd	○ Further expand market share
	Germany	24.3%	1st	29.7%	1st	30.3%	1st	◎ Consolidate the #1 market share
Desk-top Color LBP	Japan	9.7%	3rd	19.7%	2nd	21.9%	2nd	◎ #1 market share in low- to mid-speed models. Expand market share by launching tandem machine
	Western Europe	22.0%	2nd	28.8%	2nd	30.8%	2nd	

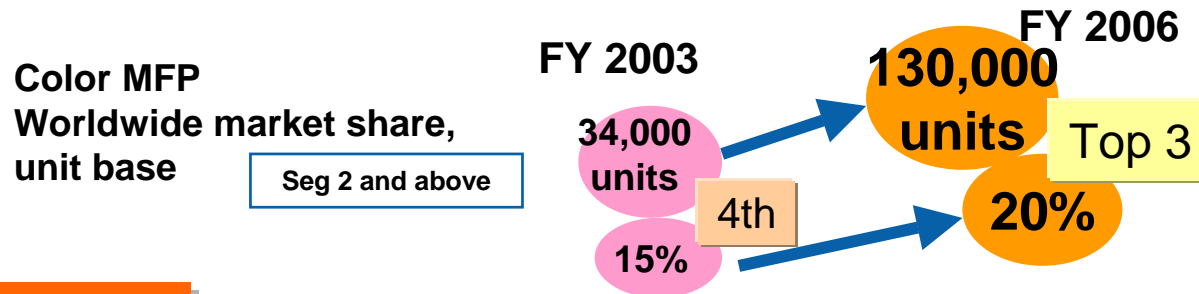
Note: Color LBP --- European markets include OEM

Color MFP – Mission and strategies

Mission

Become one of the top three players in the color MFP field

Sales target of Color MFP for fiscal year ending March 2007: More than 130,000 units



Strategies

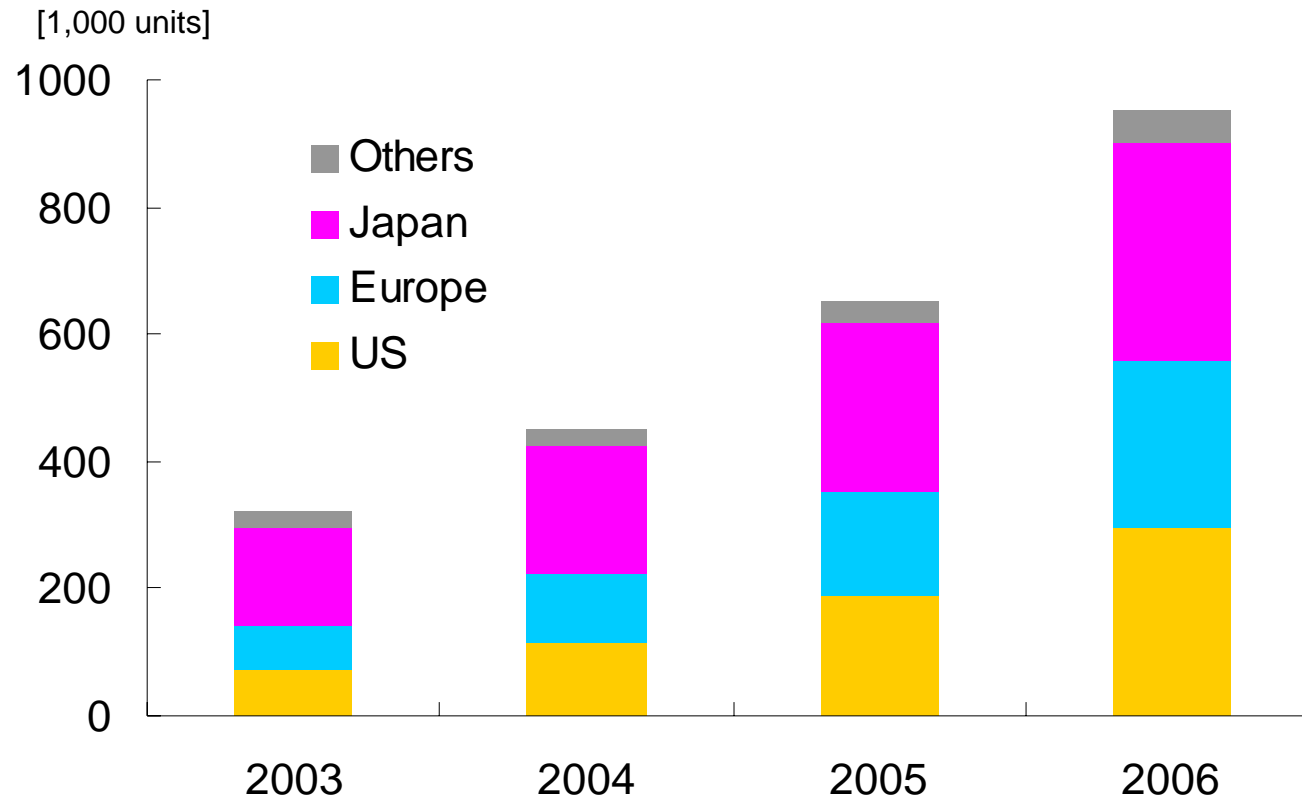
- **Promote replacement of B/W with Color and achieve “big share revolution” in the industry**
 - Enhance high image quality with polymerized toner and color image processing technologies. Expand sales by promoting TOC advantages
 - Provide the most enhanced product lineup in the industry including color products with substantial features, equivalent to B/W models
- **Provide solutions and promote services**
 - Provide document work flow tailored to the customers’ individual needs by enhancing both input/output hardware and software
- **Promote comprehensive cost reduction**
 - Achieve efficiency in R&D, procurement and purchasing by taking advantages of the integration, and develop cost-effective new products

[Reference] Development of Color MFP market



Projection of worldwide Color MFP market

Colorization will rapidly advance against the slow growth of the MFP market including B/W MFPs.



Source: Konica Minolta

High-speed MFP – Mission and strategies

Mission

Establish a solid position in the light production printing field

Sales target for fiscal year ending March 2007: More than 60 billion yen

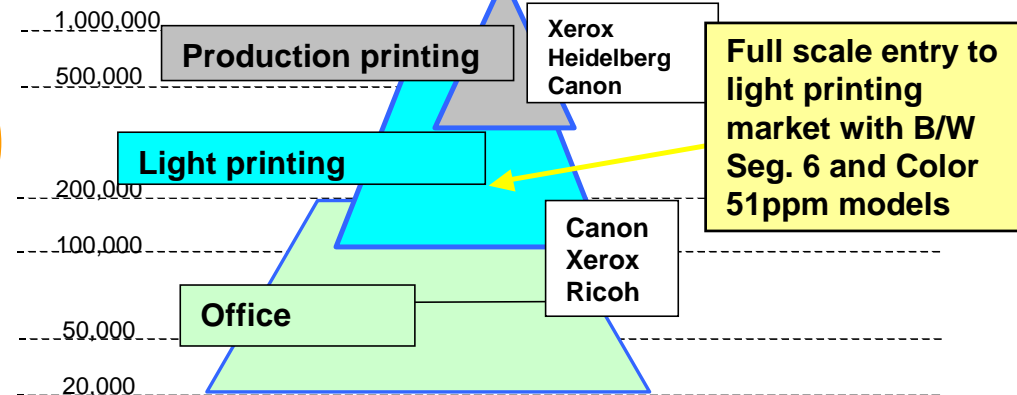
FY ended
Mar 2004
● Net sales
10 billion yen
● Operating income
3 billion yen



FY ending Mar 2007

● Net sales
60 billion yen
● Operating income
12 billion yen

Monthly copy volume



Strategies

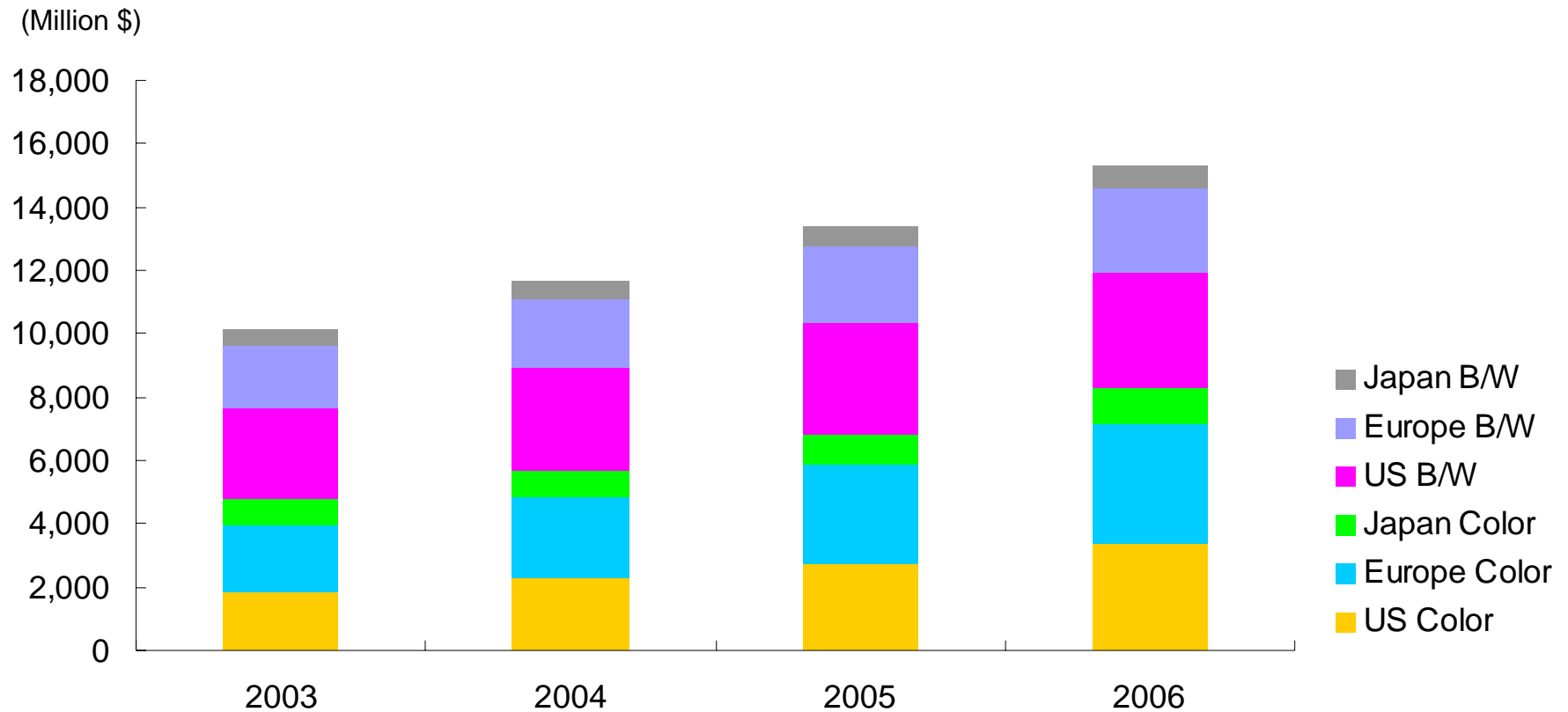
- **Full-scale entry with high-speed color models and B/W Seg.6 models**
 - Enhanced product lineup suitable for professional use
- **Expand light production printing sales in US and Europe followed by the sales expansion in Japan**
 - Establish dedicated sales force in the major overseas marketing companies to strengthen sales solutions
- **Magnify sales by utilizing Business Technologies and Medical & Graphic companies through their respective sales channels**
- **Cultivate sales channels by aggressively developing OEM business**

Development of light production printing (POD) market



Projection of light production printing market, value base

Significant growth of light production printing in high-speed B/W and Color fields



Note: Values include hardware, consumables and service

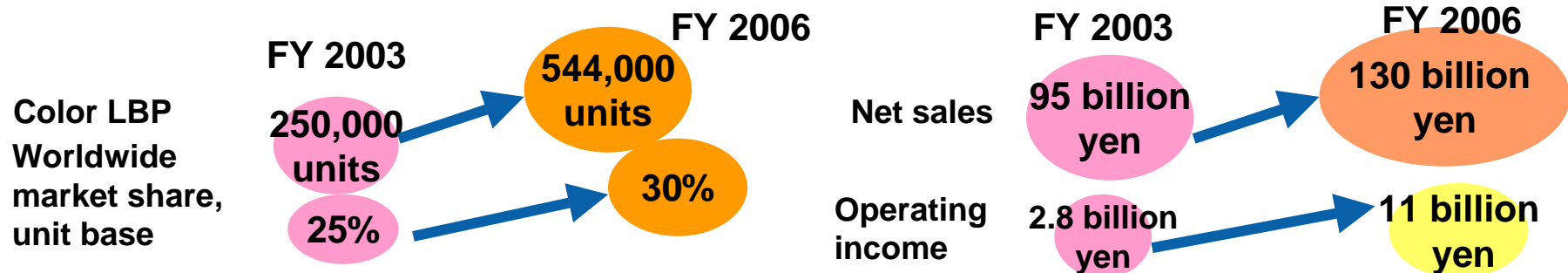
Color LBP – Mission and strategies

Mission

Increase profits on a consolidated basis by solidifying the top position in the desk-top (A4 size) color LBP filed

Generate greater profits in consumables business by increasing the number of LBPs in the field

Operating profit target for fiscal year ending March 2007: Aim for more than 10 billion yen



Strategies

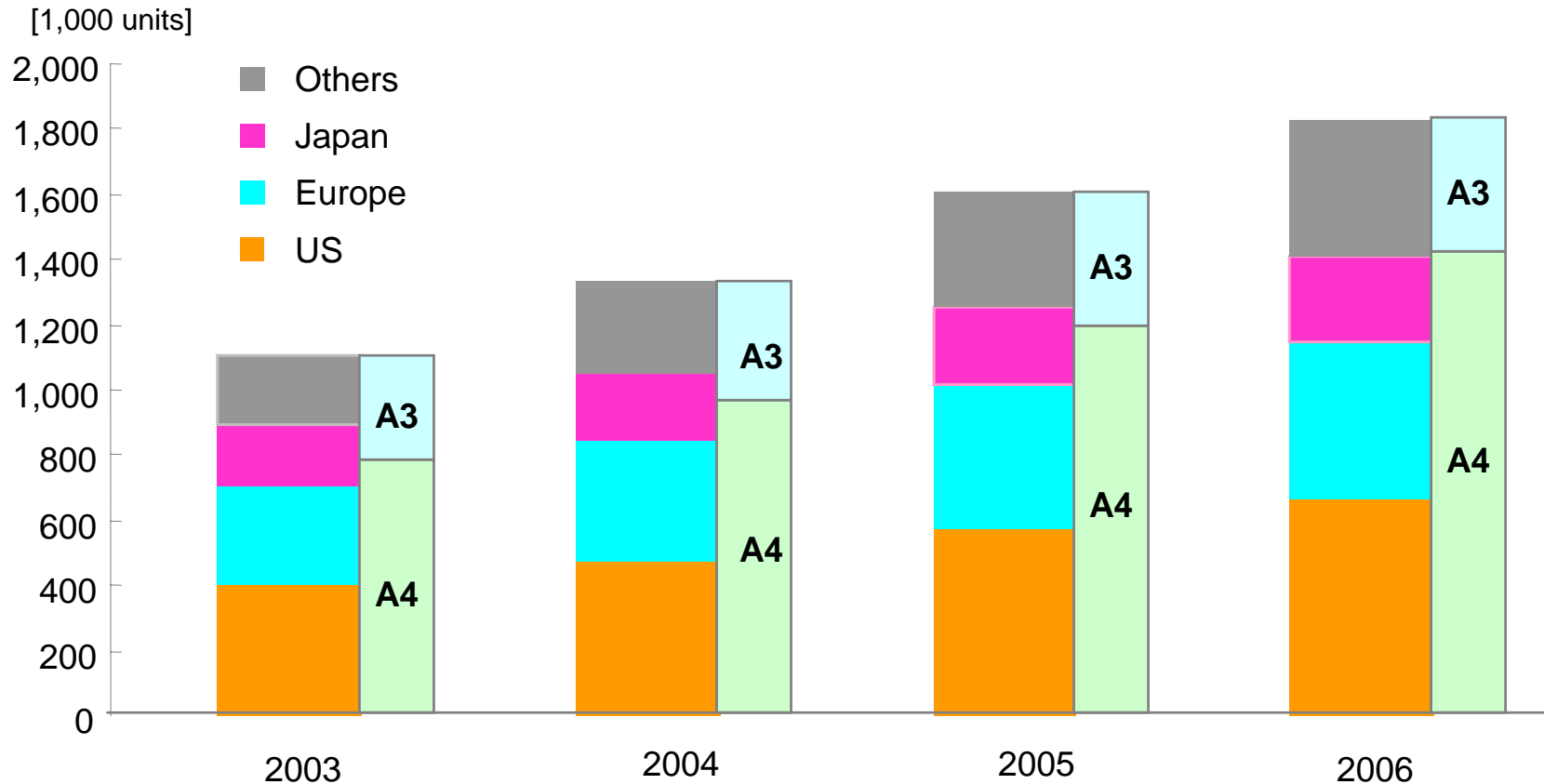
- **Strengthen and expand own brand business**
 - Strengthen retailed outlets (IT distributors, e-commerce, MFP sales channels)
 - Reinforce business in China, Japan and Eastern Europe
- **Increase profits in consumables by expanding products with polymerized toner**
 - Strategies focusing on consumables marketing
- **Introduce color products with enhanced features and increase competitiveness by continuous cost reduction**
 - (1) Low-speed color LBPs (2) LBPs with tandem engine (3) All-in-one LBPs

[Reference] Development of color LBP market



Color LBP market

Continuous growth is anticipated in Color LBP market, especially in desk-top (A4 size) segment



Source: Konica Minolta

Distinctive advantages of Konica Minolta's polymerized toner

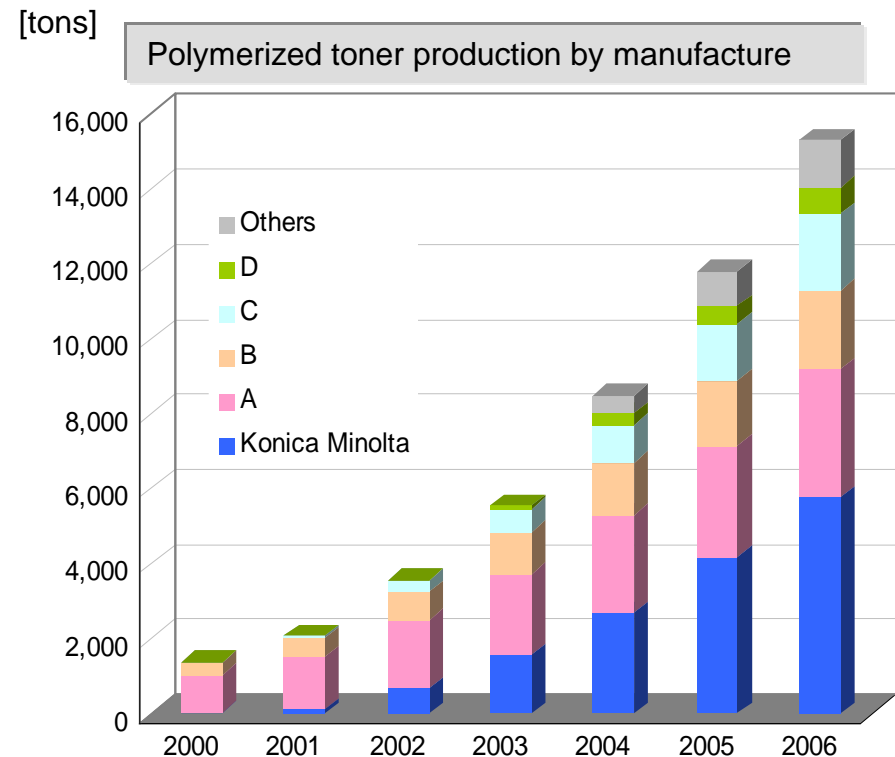


By March 2006, achieve #1 position in the polymerized toner industry by leveraging technological advantages and loading aggressively polymerized toner into products

- Realize high-definition and high-quality printing, especially in color
- Overwhelming number of patent (approx. 660 cases)
- Largest production in the industry reinforced by the new plant that will be established in 2005. (Anticipated production : 8,000 tons per year)
- Widest product lineups in the industry in various categories; MFP and LBP, in B/W and color, from mid-&low-speed to high-speed

Polymerized toner has a number of technological advantages. MFPs and LBPs, especially color models loaded the toner can be greatly differentiated from other products.

Advantages	Benefits
Small particles	High definition Low cost
Highly uniform size and shape	Low volatility in image quality Easy to control
Possibility for applying unique layers to particles	Low glare, easy to write on, improved machine reliability, longer product life
Low heat fixing	No curling, short start-up time, downsizing of heaters and cooling fans, low noise, energy- saving, low cost



Enhancement of power by management integration

-- R&D, manufacturing, and marketing --



R&D

- Gather R&D teams at Atsugi Site in the first half of fiscal year ending March 2005 to develop software tailored to customers
- ➡ Eliminate duplicated functions caused by the geographically dispersed labs, and improve R&D power and speed in order to promptly respond to customer needs
- ➡ Strengthen production printing business -- Establish flexible software development system to provide individually tailored software to customers

Manufacturing and procurement

- Increase production efficiency by commencing operation at the new polymerized toner plant in 2005
 - Generate the economy of scale by centralizing procurement and review vendors
 - Expand in-house production of key devices
 - Strengthen production in China
- ➡ Aim to reduce costs by more than 20 billion yen in 2005 (Comparison with 2003)

Marketing

- Establish enhanced direct sales system by completing management integration at the major marketing companies in Japan, US and Europe
- Rationalize back-office function by integrating sales offices and IT systems
- Introduce the new brand of MFP product line, "bizhub"

Enhancement of power by management integration

-- Comprehensive strength --



Establishment of business foundation that realizes flexible and prompt response to the borderless customer needs between MFP and LBP

Growth in both MFP and LBP

- Marketing of all products with “OWN brand” through “OWN worldwide sales network” without relaying on OEM sales channels
- LBP and MFP controller development enhanced by the management integration
- Knowledge that realizes low-cost product development for LBPs and high reliability in high-speed MFPs
- Wide-ranging sales channels from volume retailers, business equipment dealers, IT-related products dealers to production printing

Market-leading polymerized toner

- Rapidly increase profits in the consumables business by providing a wide range of products loaded polymerized toner
- Intensive investment in R&D and manufacturing of polymerized toner aiming for further improvement of production efficiency

OEM business in strategic areas

- Expand business opportunities by promoting strategic alliance with major OEM customers

New product brand

Konica Minolta's new brand for MFPs

bizhub

“business + hub”

A compound word of “biz” from business and “hub”.

“Hub” means a center of activity, interest or networks -- a focal point.

“bizhub puts you at the hub of your business”

The concept of “bizhub” is to put business people at the hub of their business.

- *Start launching new products with “bizhub” in Spring 2004 worldwide*
- *Introduce 20 models with “bizhub” from 2004 to 2006*



bizhub C350 

Color: 22 ppm
B/W: 35 ppm



bizhub 7235

B/W: 35 ppm