

Konica Minolta Group

Consolidated Interim Financial Results

Six months ended September 30, 2004

November 12, 2004

Konica Minolta Holdings, Inc.

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.....

- *To facilitate Y-O-Y comparison, yen amounts for fiscal year ended March 31, 2004 are the total of Konica and Minolta.*
- *Yen amounts are rounded to the nearest 0.1 billion.*

Section 1

Interim financial results and forecasts for fiscal year ending March 2005

Masanori Hondo
Senior Executive Officer

Highlight

	Actual			[Billions of yen] Previous forecast [as of May 21]	
	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Sep 04	Sep 03	Growth	Sep 04	vs. Plan
Net sales	535.1	541.6	98.8%	550.0	97.3%
Gross income	234.6	243.1	96.5%	---	---
Operating income	32.5	40.0	81.3%	33.5	97.1%
Ordinary income	28.2	28.4	99.0%	26.0	108.3%
Income before taxes	23.2	24.9	93.4%	---	---
Net income	8.2	15.2	53.9%	9.5	86.3%

EPS [Yen]	15.44
ROE [Annual, %]	4.84

■ FOREX: P/L	Change			[Yen] Change	
USD	109.86	118.04	-8.18	105.00	4.86
Euro	133.32	133.46	-0.14	127.00	6.32

JPY appreciation



JPY depreciation





Summary of business performance

Overview

- Yen appreciation and integration-related factors pushed down revenues and profits Y-O-Y. Outside of those negative factors, overall 1H performance maintained the same level in revenues and operating income Y-O-Y.
- Profits generated by Business Technologies offset the losses in Photo Imaging.
- Due to inventory adjustment at digital consumer electronics manufactures, Optics business lost momentum in 2Q, coming short of the target revenues and profits. Consequently, that made an impact on the Group performance.

FOCUS

- ◆ **Business Technologies:** Overall business sustained favorable performance due to increasing demand in color MFPs and color LBPs.
- ◆ **Optics:** Revenues and profits increased Y-O-Y due to the growth in films for LCD plates, covering short fall caused by optical pickup lenses and lenses for digital camera (DSC) resulting from production adjustment.
- ◆ **Photo Imaging:** DSC business remained in negative growth in terms of profits in the worsening business environment where DSC prices continued to fall. Comprehensive business restructuring measures are underway, particularly by narrowing the product line and rationalization of inventories.
- ◆ **Corporate taxes:** Income taxes increased due to the non-recognition of Photo Imaging's losses for taxation purposes. (Effective income tax rate: Mar04 => 38%; Mar05 => 65%) With Japan's introduction of the consolidated taxation system, a large part of tax effects will be realized in FY/Mar06.

Progress of integration

- IT integration and manpower rationalization in the group companies proceeded smoothly.
- In Business Technologies, consolidation of warehouses was completed in 1H/Mar05. In addition, reorganization of overseas sales offices will start in 2H/Mar05.

Highlight - Business segment



	Net sales					Operating income				
				[Billions of yen]					[Billions of yen]	
	Actual			Previous forecast [as of May 21]		Actual			Previous forecast [as of May 21]	
	[a]	[b]	[a]/[b] %	[c]	[a]/[c] %	[d]	[e]	[d]/[e]%	[f]	[d]/[f] %
	Sep 04	Sep 03	Growth	Sep 04	vs. Plan	Sep 04	Sep 03	Growth	Sep 04	vs. Plan
Business Technologies	281.4	298.3	94.3	285.0	98.7	26.7	29.5	90.5	24.0	111.4
Optics	44.0	39.2	112.3	45.0	97.8	7.2	6.5	110.6	8.5	84.7
Photo Imaging	142.8	137.8	103.7	150.0	95.2	-4.0	1.8	---	-1.5	---
Medical & Graphic	60.9	58.8	103.7	65.0	93.7	4.3	4.7	92.3	3.5	123.2
Sensing*	2.6	4.9	---	5.0	---	0.9	1.0	---	1.0	---
Holdings, others	3.3	2.6	---	0.0	---	-2.6	-3.4	---	-2.0	---
Total	535.1	541.6	98.8	550.0	97.3	32.5	40.0	81.3	33.5	97.1

*Business unit categorization has been changed since this fiscal year. 1H/Mar05 results for Sensing if calculated with the previous categorization are 2.6 billion yen and 0.8 billion yen in net sales and operating income, respectively.

Factor analysis -- Business segment



KONICA MINOLTA

[Billions of yen]

Net sales	Sep 04	Sep 03	[a]	[b]	[c]	[d]	a-(b+c+d)
			Y-O-Y	Forex impact	Change of accounting term	Elimination*	Actual Y-O-Y
Business Technologies	281.4	298.3	-16.9	-8.2	0.0	-12.5	3.8
Optics	44.0	39.2	4.8	-0.6	0.0	0.0	5.4
Photo Imaging	142.8	137.8	5.0	-3.2	13.8	0.0	-5.6
Medical & Graphic	60.9	58.8	2.1	-1.3	0.0	0.0	3.4
Sensing	2.6	4.9	-2.3	0.0	0.0	0.0	-2.3
Holdings, others	3.3	2.6	0.7	0.0	0.0	0.0	0.7
Total	535.1	541.6	-6.5	-13.3	13.8	-12.5	5.5

Operating income	Sep 04	Sep 03	[a]	[b]	[c]	[d]	a-(b+c+d)
			Y-O-Y	Forex impact	Integration expense	Goodwill amortization	Actual Y-O-Y
Business Technologies	26.7	29.5	-2.8	-1.1	-1.4	-2.1	1.7
Optics	7.2	6.5	0.7	-0.5	-0.3	-0.1	1.6
Photo Imaging	-4.0	1.8	-5.8	-0.9	-0.3	-0.1	-4.5
Medical & Graphic	4.3	4.7	-0.4	-0.4	0.0	0.0	0.1
Sensing	0.9	1.0	-0.1	0.0	0.0	-0.1	0.0
Holdings, others	-2.6	-3.4	0.9	0.0	-0.2	0.0	1.1
Total	32.5	40.0	-7.5	-2.9	-2.1	-2.4	0.0

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

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

USD: Approx. 0.7 billion yen

Euro: Approx. 1.1 billion yen

SG&A analysis – Y-O-Y

			[Billions of yen]
	Sep 04	Sep 03	Y-O-Y
	202.1	203.1	-1.0
Sales-related costs	43.9	42.1	1.8
Salaries and wages	76.7	82.5	-5.7*
R&D	32.3	30.3	2.0
Goodwill amortization	3.0	0.3	2.6
Othes	46.2	47.9	-1.7

* Including production-related costs : -6.7billion yen

FOREX impact to SG&A: 2.7 billion yen
 Actual SG&A increase: 1.7 billion yen.

Non-operating income / expenses analysis Y-O-Y

	[Billions of yen]		
	Sep 04	Sep 03	Y-O-Y
	-4.4	-11.6	7.2
Interest and dividend income	0.7	0.7	0.0
Foreign exchange gain	2.9	0.0	2.9
Others	3.9	5.8	-2.0
Non-operating income	7.5	6.6	0.9
Interest expenses	2.8	4.2	-1.4
Disposal/valuation losses of inventories	2.5	3.8	-1.2
Foreign exchange loss	0.0	3.0	-3.0
Others	6.5	7.1	-0.6
Non-operating expenses	11.9	18.1	-6.3

Overview

Overall business sustained favorable performance due to increasing demand in color MFPs and color LBPs.

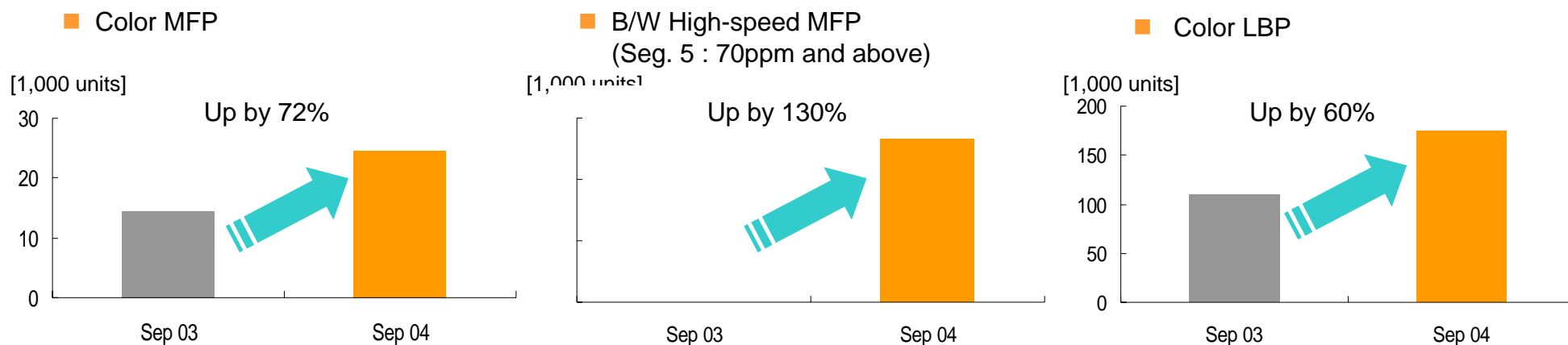
MFP

- **Color** : Sales significantly increased Y-O-Y benefited from the excellent sales of the new 'bizhub C350'.
- **B/W** : Solid sales growth as a whole, up by 7% Y-O-Y. Seg.5 high-speed MFPs boosted sales.

LBP

- **Color and B/W**: Consumables business increased, boosting overall profits resulting from the increased number of machine in the field.

Unit sales





Optics

Overview

Revenues and profits increased Y-O-Y due to the growth in films for LCD plates, covering short fall caused by optical pickup lenses and lenses for DSC resulting from production adjustment.

Optical pickup lenses

➤ Sales declined in quantity Y-O-Y, influenced by the customers' inventory adjustment.

Lens units for DSC/VCR

➤ Sales of lens units for DSC declined Y-O-Y. Sales of lens units for VCR remained stagnant.

Lens units and camera units for mobile phones

➤ Revenues significantly increased on value base, but decreased in quantity Y-O-Y resulting from the shift to high-function items with high profitability.

Films for LCD plates

➤ Strong sales in the regular and high-function films boosted overall revenues and profits.

Unit sales

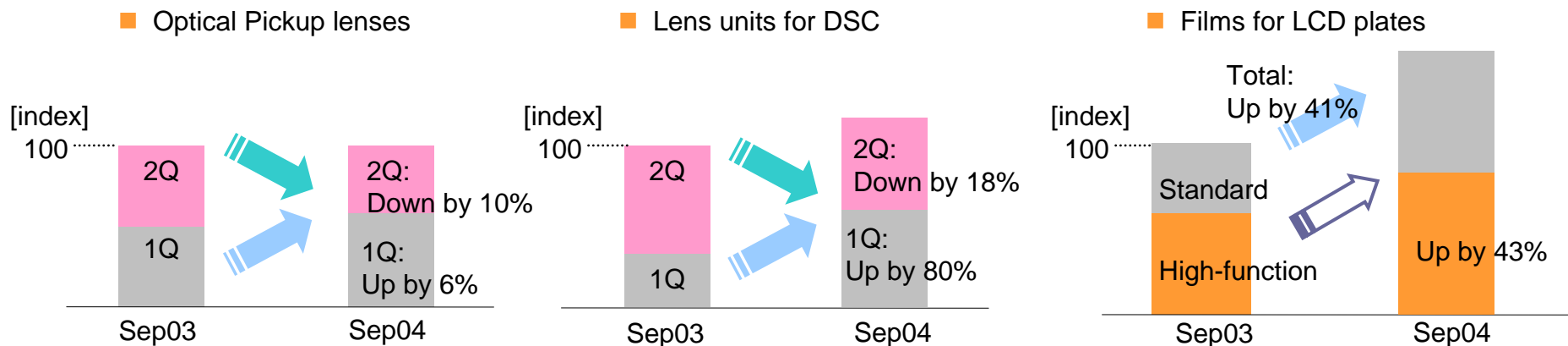




Photo Imaging

Overview

While film business maintained steady performance against the backdrop of severe market conditions, DSC business pushed down the overall profits in the worsening business environment where DSC prices continued to fall.

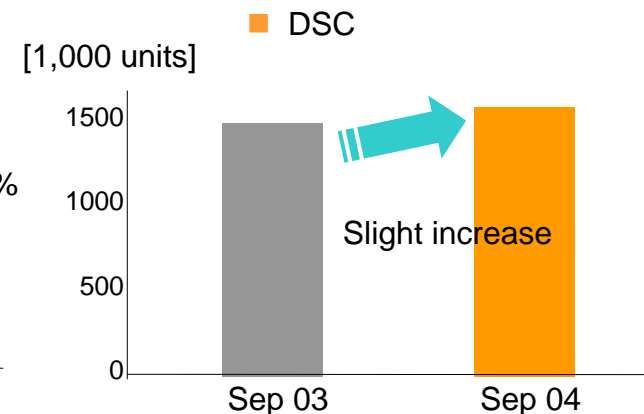
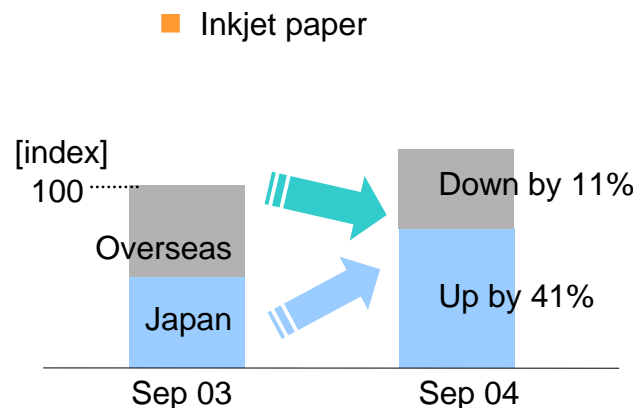
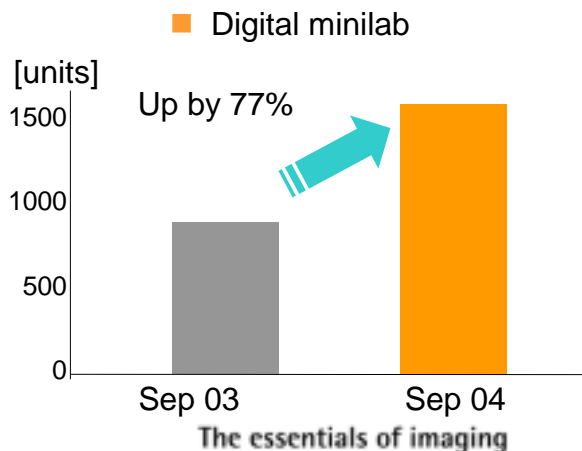
Photo Imaging

- **Color film:** In the midst of decreasing worldwide demand, sales declined no more than 9% in quantity Y-O-Y resulting from the positive performance in Russia, Asia, and the Middle East as well as the upturn in private brand business.
- **Digital minilabs:** The “R2 SUPER” minilab system was in good demand. Sales of photo paper increased Y-O-Y.
- **Inkjet paper (producing photo-like finishing):** Sales significantly increased Y-O-Y in Japan, but decreased in overseas Y-O-Y due to intensified price competition.

Camera

- **DSC:** Profits declined due to falling prices and clearing inventories despite the efforts to create the “profit-oriented” business structure.

Unit sales



Medical & Graphic Imaging and Sensing

Overview

Medical & Graphic

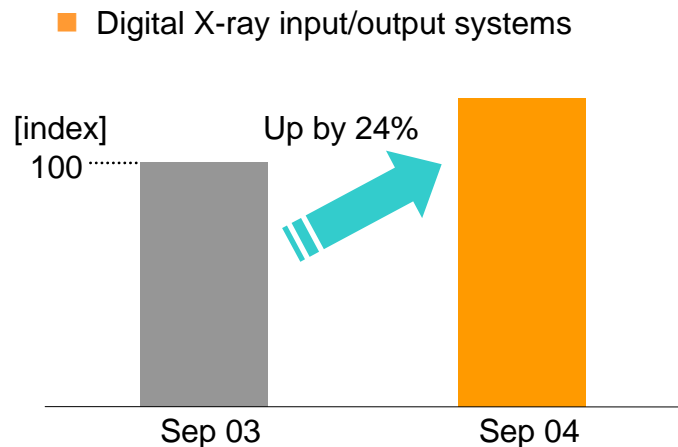
- **Medical:** Sales steadily increased both in digital X-ray input/output systems and dry film.
- **Graphic:** Business focus will shift to proofers and CTP systems responding to decreasing demand in film.

Sensing

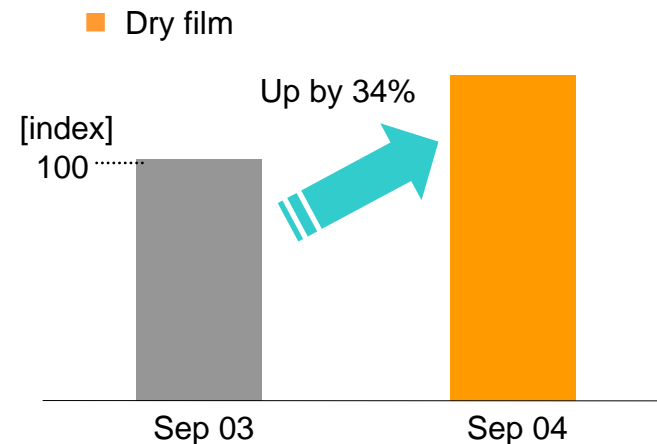
- **Light source color measurement systems used for flat panel displays:** Sales steadily increased.

Unit sales

Medical & Graphic

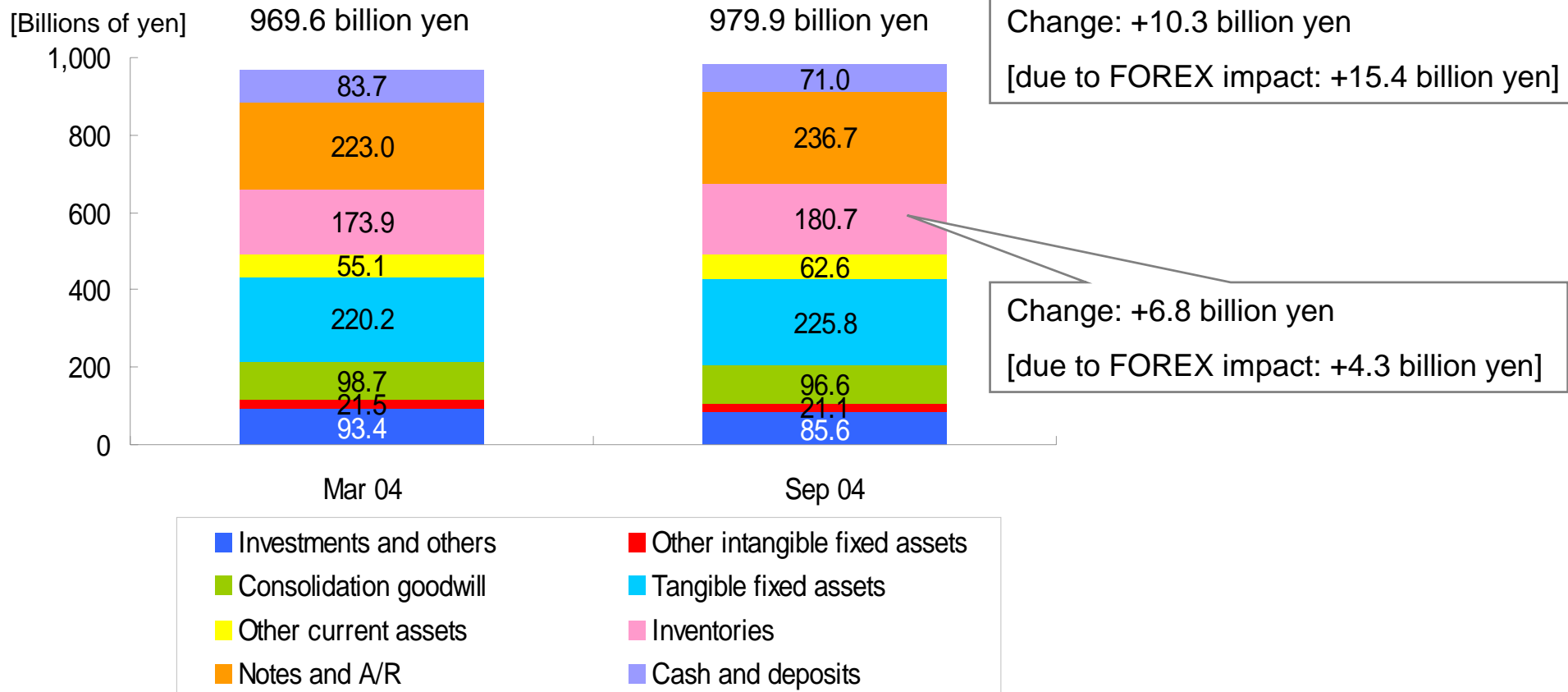


The essentials of imaging



B/S - Assets

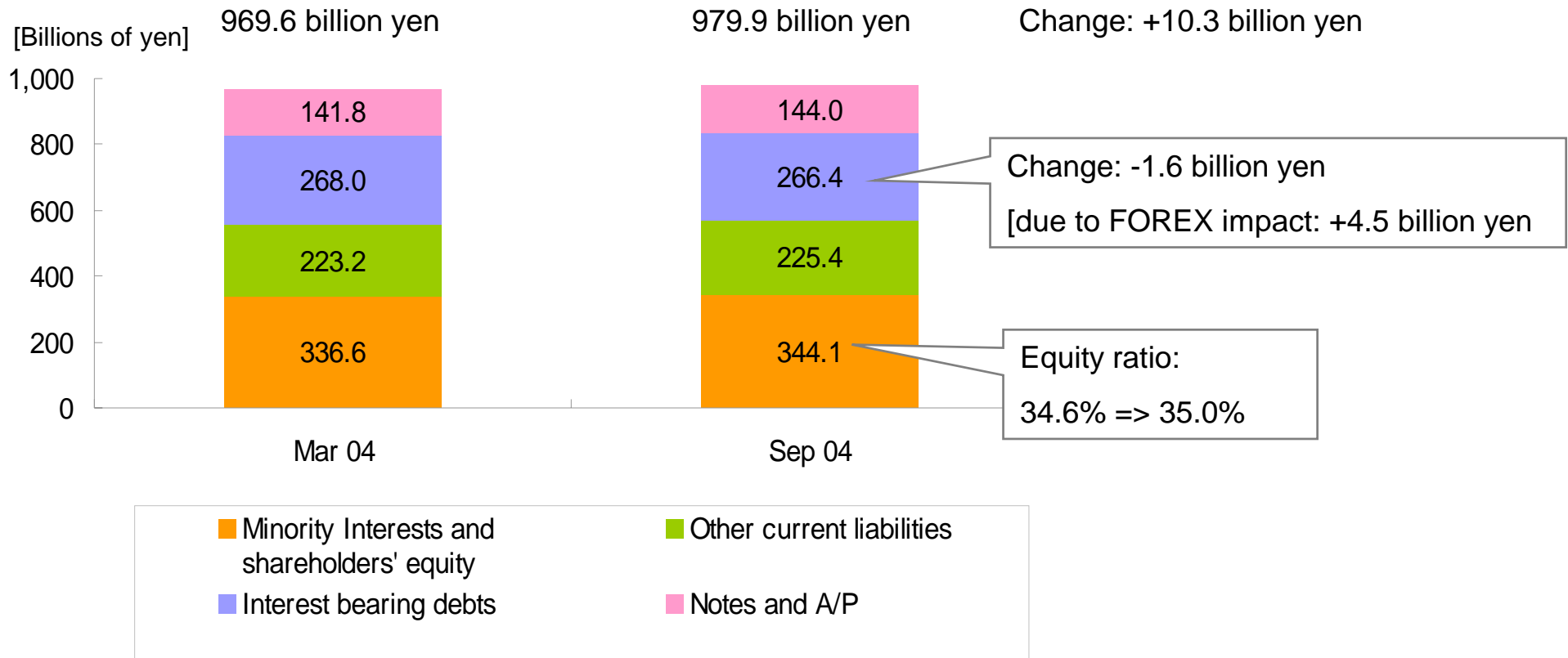
FOREX: B/S			[Yen]	
	Mar04	Sep04	Change	
USD	105.69	111.05	5.36	JPY depreciation
Euro	128.88	137.04	8.16	JPY depreciation



B/S – Liabilities and shareholders' equity



FOREX: B/S		[Yen]		
	Mar04	Sep04	Change	
USD	105.69	111.05	5.36	JPY depreciation
Euro	128.88	137.04	8.16	JPY depreciation



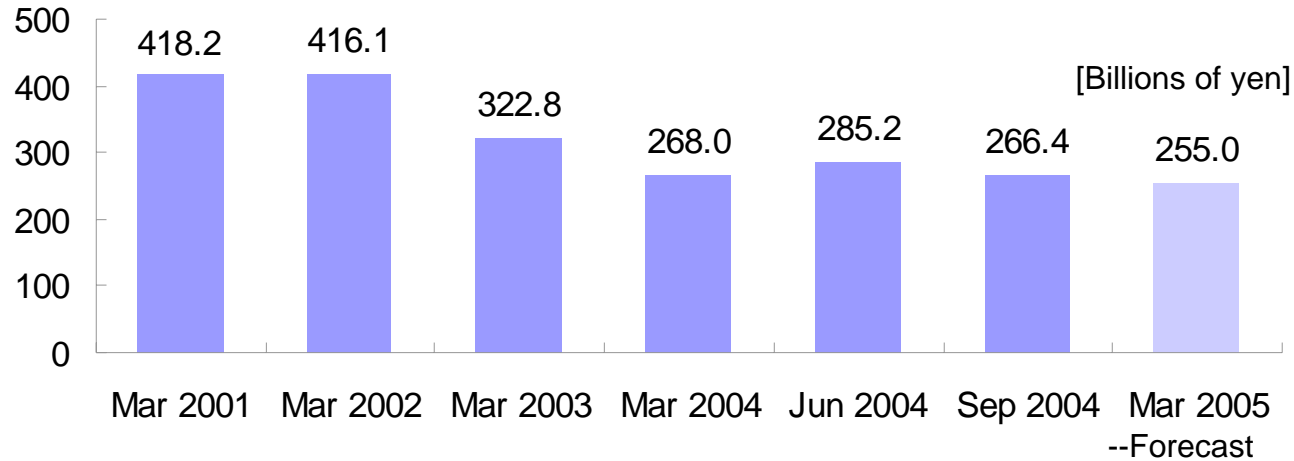
Cash flows

	[Billions of yen]		
	Sep 04 YTD	Sep 03 YTD	Y-O-Y
Income before income taxes	23.2	24.9	-1.7
Depreciation and amortization	25.2	24.9	0.3
Increase (decrease) of working capital	-25.9	-11.4	-14.5
I. Net cash from operating activities	22.5	38.3	-15.8
II. Net cash used in by investment activities	-27.3	-11.9	-15.4
I.+ II. Free cash flow	-4.8	26.4	-31.2
Increase (decrease) in debts and bonds	-6.5	-18.6	12.0
Dividends paid	-2.7	-2.6	0.0
Others	-0.1	-1.7	1.6
III. Net cash used in by financing activities	-9.3	-22.9	13.6

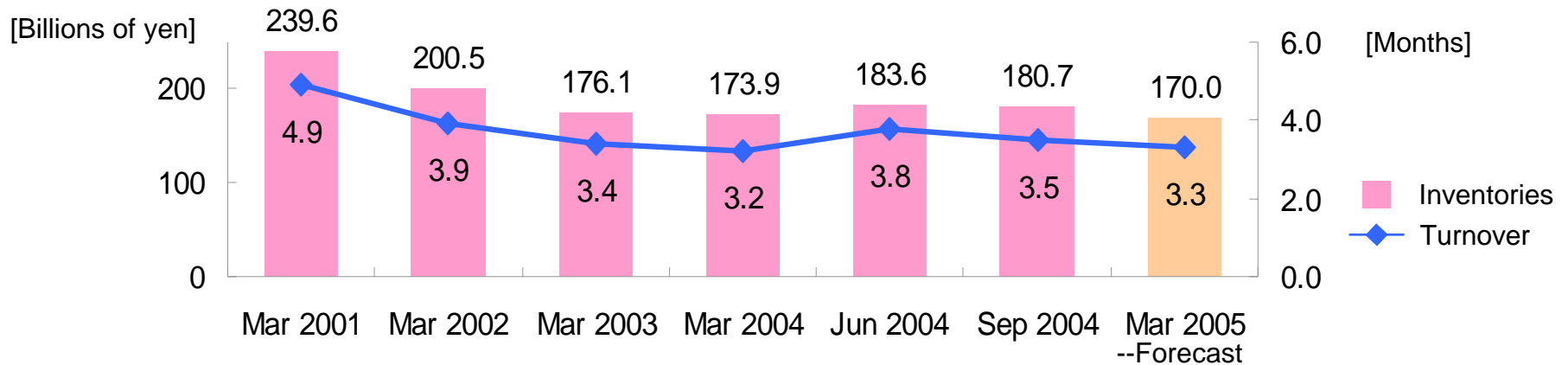


Interest-bearing debts and inventories

Interest-bearing debts



Inventories and inventory turnover



$$\text{Inventory turnover (months)} = \text{Average inventories} / \text{Cost of sales per month}$$



Progress of integration

Group-wide manpower plan

[Medium-term plan: announced Mar 2004]

(Number of employees)	Sep. 30 2002	Sep2004 YTD	Mar2004 YTD	Sep2004 YTD	Mar2005 YTD	Mar2006 YTD
Plan	37,300	35,400	35,200		33,600	32,600
		-1,900	-2,100		-3,700	-4,700
Results: YTD		35,391	34,710	34,033		
		1,909	-2,590	-3,267		

Of which, nearly 60% are from domestic companies.

Business Technologies: Reorganization of group companies

- IT integration at sales offices: Japan and Europe – Completed in Oct. 2004.
Main systems (accounting, logistics) in US – Completed in Jun. 2004.
- Consolidation of overseas central warehouse: Completed in 1H/Mar05

Integration expenses

[Billions of yen]	Mar 2005			Major purposes
	Actual	Forecast		
	1H	2H	Full year	
SG&A	2.1	1.7	3.8	Relocation, IT, sales promotion
Non-operating exp.	0.2	0.0	0.2	Desposal of unnecessary product packages
Extraordinary losses	2.7	0.7	3.4	Manpower rationalization
Total	5.0	2.4	7.4	

Forecasts March 2005



[Billions of yen]
[Announced May 21]

	Mar 2005			Mar 2004	[a] - [b]	Mar 2005
	Actual 1H	Current forecast		Actual Full year [b]		Previous forecast Full year [c]
		2H	Full year [a]			
Net sales	535.1	564.9	1,100.0	1,123.6	-23.6	1,150.0
Operating income	32.5	47.5	80.0	73.2	6.8	85.0
Ordinary income	28.2	41.8	70.0	52.5	17.5	70.0
Net income	8.2	16.8	25.0	19.3	5.7	30.0
FOREX: USD	109.86	107.00		113.07		105.00
Euro	133.32	130.00		132.61		127.00

■ **Reference**

Capital expenditure	26.8	36.2	63.0
Depreciation	25.2	32.8	58.0
R&D	32.3	38.7	71.0
FCF	-4.8	19.8	15.0

Forecasts – Business segment



[Announced May 21]

— [Billions of yen]

Net sales	Mar 2005			Mar 2004	Mar 2005	
	Actual	Current forecast		Actual	Previous forecast	
	1H	2H	Full year [a]	Full year [c]	[a] - [c]	Full year [b]
Business Technologies	281.4	308.6	590.0	625.8	-35.8	600.0
Optics	44.0	52.0	96.0	85.8	10.2	100.0
Photo Imaging	142.8	129.2	272.0	277.7	-5.7	304.0
Medical & Graphic	60.9	69.1	130.0	120.9	9.1	135.0
Sensing	2.6	2.9	5.5	8.0	-2.5	11.0
Holdings, others	3.3	3.2	6.5	5.4	1.1	0.0
Total	535.1	564.9	1,100.0	1,123.6	-23.6	1,150.0

Operating income	Mar 2005			Mar 2004	Mar 2005	
	Actual	Current forecast		Actual	Previous forecast	
	1H	2H	Full year [a]	Full year [c]	[a] - [c]	Full year [b]
Business Technologies	26.7	36.3	63.0	62.9	0.1	60.0
Optics	7.2	9.3	16.5	15.3	1.2	18.5
Photo Imaging	-4.0	-1.5	-5.5	-6.6	1.1	0.0
Medical & Graphic	4.3	4.7	9.0	7.9	1.1	8.5
Sensing	0.9	1.1	2.0	1.8	0.2	2.0
Holdings, others	-2.6	-2.4	-5.0	-8.0	3.0	-4.0
Total	32.5	47.5	80.0	73.2	6.8	85.0

Section 2

Key topics in major businesses

- Business Technologies, Optic, and Photo Imaging --

Fumio Iwai
President and CEO

Overview – 1st half / March 2005



- Business Technologies : Achieved the target.
- Optics : Profits fell short of the target resulting from decreasing demand in optical pickup lenses for DVD.
- Photo Imaging : Profits deteriorated due falling DSC's prices

		Actual			Plan [Billions of yen]	
		1Q	2Q	[a] 1H / Mar05	[b] 1H / Mar05	[a] - [b] vs. Plan
Business Technologies	Net sales	137.0	144.4	281.4	285.0	-3.6
	Op. income	14.9	11.8	26.7	24.0	2.7
	Op. income ratio	10.9%	8.2%	9.5%	8.4%	
Optics	Net sales	22.3	21.7	44.0	45.0	-1.0
	Op. income	3.9	3.3	7.2	8.5	-1.3
	Op. income ratio	17.5%	15.2%	16.4%	18.9%	
Photo Imaging	Net sales	71.9	70.9	142.8	150.0	-7.2
	Op. income	-2.0	-2.0	-4.0	-1.5	-2.5
	Op. income ratio	-2.8%	-2.8%	-2.8%	-1.0%	
Medical & Graphic	Net sales	28.1	32.8	60.9	65.0	-4.1
	Op. income	1.2	3.1	4.3	3.5	0.8
	Op. income ratio	4.3%	9.5%	7.1%	5.4%	
Sensing	Net sales	1.2	1.4	2.6	5.0	-2.4
	Op. income	0.3	0.6	0.9	1.0	-0.1
	Op. income ratio	25.0%	42.9%	34.6%	20.0%	
Others	Net sales	1.5	1.8	3.3	0.0	3.3
	Op. income	-1.3	-1.3	-2.6	-2.0	-0.6
	Op. income ratio					
Total	Net sales	262.0	273.1	535.1	550.0	-14.9
	Op. income	17.0	15.5	32.5	33.5	-1.0
	Op. income ratio	6.5%	5.7%	6.1%	6.1%	

Business Technologies – Forecasts--

Results and forecasts - Breakdown by product group

		[Billions of yen]						
		Actual	Forecast	Forecast	Plan		Plan	
		[a]		[b]	[c]	[a] - [c]	[d]	[b] - [d]
		1H	2H	Full year	1H		Full year	
Total	Net sales	281.4	308.6	590.0	285.0	-3.6	600.0	-10.0
	Op. income	26.7	36.3	63.0	24.0	2.7	60.0	3.0
	Op. income ratio	9.5%	11.8%	10.7%	8.4%		10.0%	
MFP	Net sales	235.5	257.5	493.0				
	Op. income	23.0	33.0	56.0				
	Op. income ratio	9.8%	12.8%	11.4%				
Printer	Net sales	45.9	51.1	97.0				
	Op. income	3.7	3.2	7.0				
	Op. income ratio	8.1%	6.3%	7.2%				

Achievements

- **Color MFP:** The “buzhub C350” was in good demand. Annual unit sales are projected to achieve a 20% increase vs. Plan, catching up the back orders by boosting production in 2Q.
- **B/W high-speed MFP:** Sales in Seg.5 achieved the target - a double of the previous year.
- **Color LBP:** Profits in consumables business increased resulting from the increased number of machine in the field.

Tasks

- **Color MFP:** Ensure sufficient product supply by reinforcing production to meet high demand.
- **Color LBP:** Develop strategies to compete in the Intensified market.

Business Technologies – “Genre-top” strategy--



Market shares and rankings

		2003		Jan-Jun 2004			
		Market share (%)	Ranking	Market share (%)	Ranking		
Color MFP	Japan	2.0	5	3.3	5	✗	Market share improved but the ranking remained low.
	US	14.4	4	13.5	3	△	Close contest with the ranking #2 (13.9%)
	Germany	22.4	1	18.5	2	○	Close on the top runner's tail (19.2%)
B/W MFP Seg.5	Japan	4.8	4	12.9	3	◎	Market share significantly improved, obtaining the ranking #3.
	US	7.9	4	9.1	4	△	Market share increased, but still behind the top three players.
	Germany	12.7	3	22.1	1	◎	Market share significantly improved, solidifying the top position.
Color printer	Japan	21.9	2	16.1	2	△	Market share slightly declined due to severe price competition.
	Western Europe	30.8	2	34.2	2	◎	Market share increased due to strong sales in both own and OEM businesses.

Source: Dataquest for MFP, IDC for printer

Color printer's market shares and rankings are based on the total of own brand and OEM products.

Business Technologies – Progress of integration --

IT system integration

[Completion schedule]

- SCM system between HQ ⇔ sales offices: 2H/Mar05 - Scheduled
- Sales offices in Japan: Oct. 2004
- US: Main systems (accounting and logistics): Jun. 2004
Marketing related systems: 2H/Mar06 - Scheduled
- Europe: UK & Italy: 1H/Mar05
Germany & France: Oct. 2004

Downsizing

- Achieved 50% of the target. Consolidation of direct sales offices will accelerate downsizing.

[Number of employees]	Sep 02	Oct 03	Mar 04	Sep 04
Number of employees YTD	21,500	20,790	20,523	20,096
Reduction YTD	---	-710	-977	-1,404

Consolidation of central warehouses

- Completed in 1H/Mar05

	Integration Oct 03	[Number of locations] Sep 04	Target Mar 05
US	5	3	3
Germany	2	1	1
UK	2	1	1
France	2	1	1

Reorganization of direct sales offices

- Direct sales offices will be reorganized in 2H/Mar05 in accord with the IT integration schedule.

[Plan]

- US: 90 locations => 60 locations
- Europe: Germany 27 locations => 19 locations
- UK 25 locations => 17 locations
- France 36 locations => 27 locations

Business Technologies –Strategies to expand sales --

Product strategies

- Enhance product lineup of the focusing product categories.
 - **Color MFP:** Strengthen office use color models. Expand the “bizhub” series color MFP lineup in 2005.
 - **B/W high-speed MFP:** Seg. 6 (105ppm) B/W MFP => Nov. 2004.
 - **Color printer:** Expand and strengthen the product lineup covering low-to high-speed.
 - [Marketing schedule]
 - High-speed A4 (letter size) color printer, 21ppm => Sep. 2004
 - Low-speed A4 (letter size) color printer, 5ppm => Dec. 2004



New digital high-speed MFP
bizhub pro 1050
B/W 105ppm

Investment strategies in production

- Continued investment in the focusing areas to further strengthen cost competitiveness
 - **The 3rd plant for polymerized toner:** Start operations in 2H/Mar06 – scheduled.
(Total production volume: 8,000 tons/year)

Sales channel strategies

- Strengthen direct sales channels for color products and POD systems.
- Reorganization of direct sales channels in US and Europe: 2H/Mar05 - scheduled.

Optics – Forecasts --

Forecasts

[Billions of yen]

	Actual	Forecast		Plan	[a] - [c]	Plan	
	[a]	[b]		[c]		[d]	[b] - [d]
	1H	2H	Full year	1H		Full year	
Net sales	44.0	52.0	96.0	45.0	-1.0	100.0	-4.0
Op. income	7.2	9.3	16.5	8.5	-1.3	18.5	-2.0
Op. income ratio	16.4%	17.9%	17.2%	18.9%		18.5%	

Achievements

- **Films for LCD plates:** Strong sales both in standard and high-function films, achieving a 12% growth in 1H/Mar05 and a 16% growth for full year, unit base.

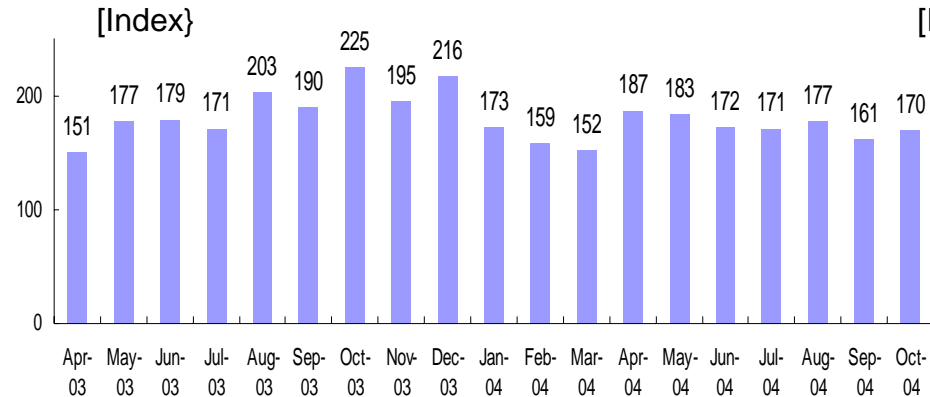
Tasks

- **Optical pickup lenses:** Revenues fell short of the target in 1H/Mar05 due to the slow market, particularly in pickup lenses for DVD influenced by the market's inventory adjustment. In view of such business environment, we revised down the unit sales target for full year by 10% while developing specific measures to solidify profits.
- **Lens units for DSC and VCR:** For DSC – Lost momentum in 2Q/Mar05; For VCR – Fell short of the target due to declining demand. We revised down the unit sales target for full year by 10%.
- **Micro-lenses & micro-camera units for camera-equipped mobile phones:**
 - ✓ **Japan:** Oversupply in 1H/Mar05 due to the changeover period of mobile phone market. This market standstill is anticipated to be corrected in 2H/Mar05 as upgraded mobile phones are marketed.
 - ✓ **Overseas:** Delayed start-up is anticipated, falling behind the original schedule.

Optics – Sales development of main products --

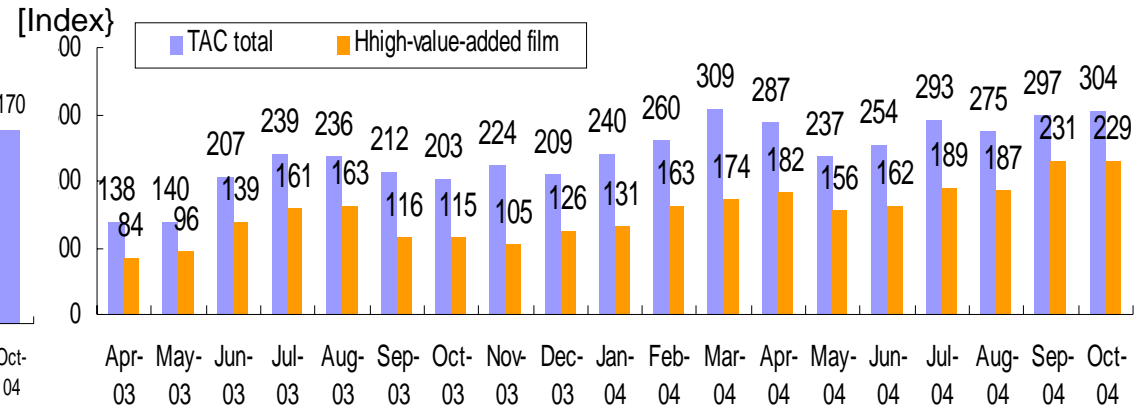
Optical pickup lens

*Basing point: April 2000 as 100



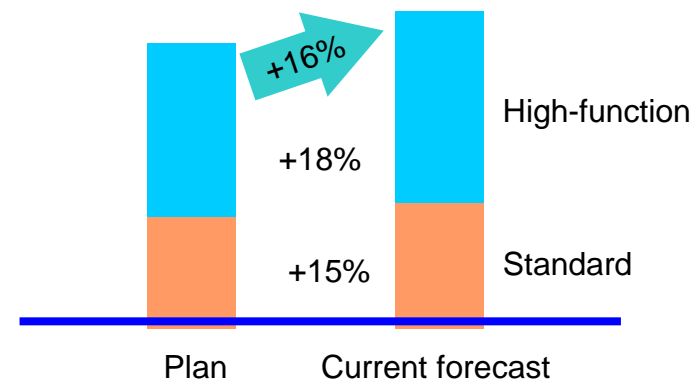
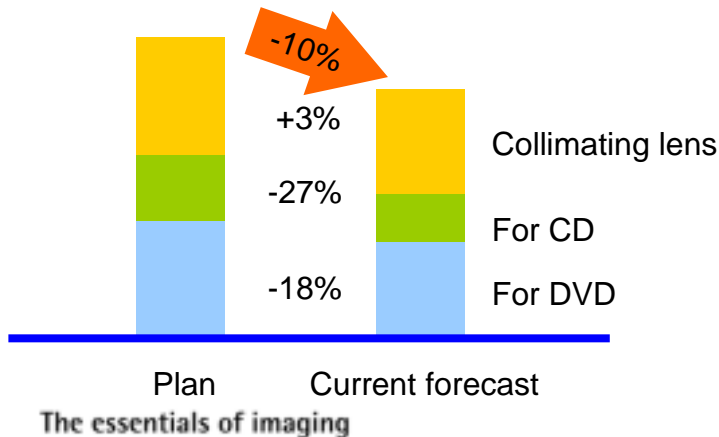
- From July 2004 and onward, optical pickup lenses for DVD entered the adjustment period.

Film for LCD plates



- Revenues continued to increase in 2Q due to expanded demand in high-function films.

Reference: Plan vs. current forecasts comparison FY ending Mar 2005 (quantity base)



Business policies for main business units

■ Optical pickup lenses:

- ✓ Our optical technologies have been established for the next-generation blue laser and HD-DVD formats.
- ✓ Continued cost reduction for the current products must be conducted.

■ Films for LCD plates:

- ✓ Production capacity will increase by 50% with the 3rd plant's operation in Oct. 2005.
- ✓ Further expand high-function products sales.

■ Micro-lenses and micro-camera units for camera-equipped mobile phones:

- ✓ Provide unique products with differential technologies featuring high-resolution, auto-focus and zoom functions to manufactures in Japan.
- ✓ Further promote marketing to overseas manufactures.

■ Lens units for DSC / VCR:

- ✓ Further increase competitiveness by strengthening our unique technologies. (high-resolution, power zoom, and high-function)
- ✓ Provide new products sequentially to manufactures of end products in Japan and overseas.

■ Glass substrates for hard disks:

- ✓ Start manufacturing smaller diameter products in addition to the current 2.5 inch and 1.8 inch products.
- ✓ Improve profitability by aggressively using glass raw materials of our own.

Photo Imaging – Forecasts--

Forecasts

		Actual	Forecast	Forecast	Plan		Plan	
		[a]		[b]	[c]	[a] - [c]	[d]	[b] - [d]
		1H	2H	Full year	1H		Full year	
Total	Net sales	142.8	129.2	272.0	150.0	-7.2	304.0	-32.0
	Op. income	-4.0	-1.5	-5.5	-1.5	-2.5	0.0	-5.5
	Op. income ratio	-2.8%	-1.2%	-2.0%	-1.0%		0.0%	
Photo	Net sales	80.5	76.5	157.0	80.0	0.5	160.0	-3.0
	Op. income	1.1	0.0	1.1	1.5	-0.4	2.0	-0.9
	Op. income ratio	1.4%		0.7%	1.9%		1.3%	
Camera	Net sales	62.3	52.7	115.0	70.0	-7.7	144.0	-29.0
	Op. income	-5.1	-1.5	-6.6	-3.0	-2.1	-2.0	-4.6
	Op. income ratio	-8.2%	-2.8%	-5.7%	-4.3%		-1.4%	

■ Management policies against the downturn in Photo Imaging business

■ Photo:

- For color film business, structural reform will be conducted in the medium term range by promoting rationalization and efficiency while maintaining profitability.

■ Camera:

- Considering the fundamental structural reform is imperative, the comprehensive restructuring measures will be carried out in 2H/Mar05, quickly transforming from “expansion of business” to “profit-oriented business” structure.

Photo Imaging – Achievements and tasks--

Photo business

Achievements

- **Color film:** Favorable sales in the specific regions, notably Asia and the Middle East, mitigated the negative impact caused by declining world total demand.
- **Minilabs:** Overseas sales were favorable. The new R2 Super contributed to profitability. (Up by 20% vs. Plan, unit base)
- **Photo paper:** Sales in overseas particularly in Asia were favorable, achieving the target.

Tasks

- **Color film:** Continuing pressure on profits due to the decreasing demand in the developed countries, notably in Europe.
- **Wholesale labs:** Profitability continued to decline due to the declining printing volume in Japan. Re-focusing on high-value-added digital print field is urgently required.
- **Inkjet paper:** Sales in Japan were favorable, achieving the target, whereas revenues in overseas sales hit the wall due to rapid price decline. Total revenues fell short of the target.

Camera business

Achievements

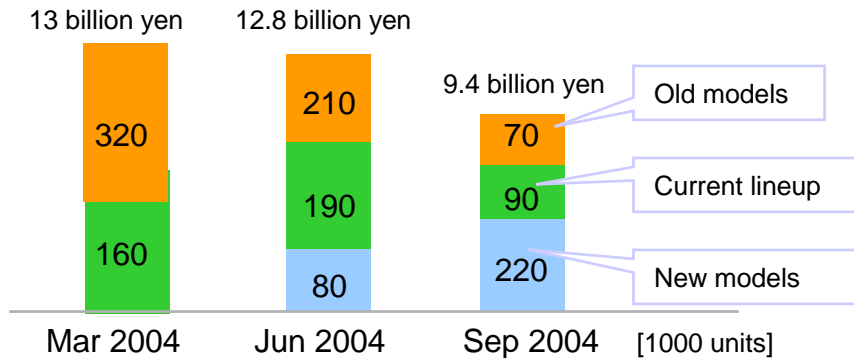
- **DSC:** Against the adverse business environment that DSC inventories in the market were piled up, we aggressively cleared not only old but new inventories and realized the fair inventory level in 1H/Mar05. In 2H/Mar05, the structural reform and the new digital SLR will contribute to improving profitability.

Tasks

- **DSC:** Due to the rapid fall of retail prices of not only old but new models, the sales loss became far greater than expected.

Photo Imaging – Digital camera sales 1H / March 2005 --

● Smooth inventory reduction



● Solid start in new product sales under the new business policy

[Billions of yen]	Unit sales [1,000 units]	Revenues	Gross income change vs. Plan
Old models <i>from Apr03 to Mar04</i>	530	11.0	-1.7
Current lineup <i>from Apr04 untill Summer04</i>	590	14.0	-2.3
New models <i>from Summer04 and after</i>	470	15.0	0.0
Total	1,590	40.0	-4.0

■ Reference: An example of retail price change in Europe

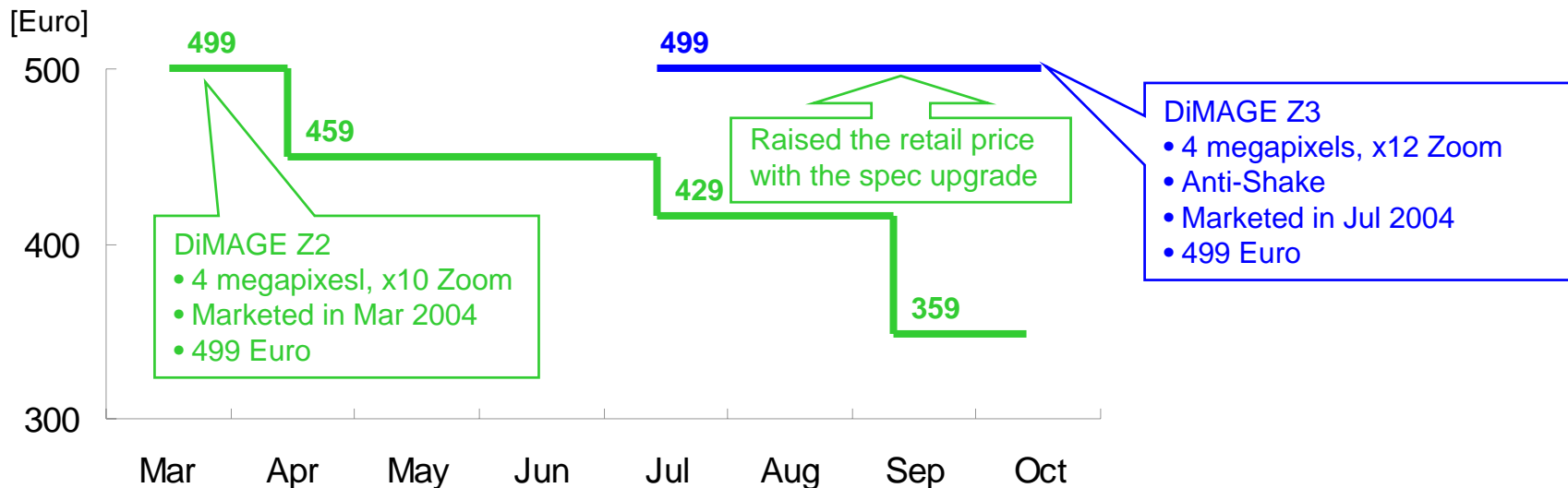


Photo Imaging – Strategies to improve profitability --

Product strategies

- Produce highly differential products by fully capitalizing Konica Minolta's unique high technological advantages. (Optical, Anti-Shake, and image processing technologies)
- Improve gross margins by narrowing the product line focusing on high-end products.
 - **Compact DSC**
 - ✓ Specification upgrade: 3 megapixels => 5 megapixels; x10 zoom => x12 zoom
 - ✓ Unique Anti-Shake function
 - ✓ Raise retail prices
 - **Digital SLR**
 - ✓ Body-integral Anti-Shake technology
 - ✓ Enter the high-end market



KONICA MINOLTA
Digital SLR
Dynax7D / Maxxum7D

Structural reform measures

- Reduce fixed and variable costs drastically to achieve break-even in FY/Mar06
 - **Relocation of personnel in the Group**
 - ✓ Plan: Reduce by 40% of the total number of employees in R&D, production, sales, and indirect sections in Japan.
 - ✓ Effects: Approx. 0.5 billion yen and 2.0 billion yen in 2H/Mar05 and FY/Mar06, respectively.
 - **Fixed cost rationalization in overseas sales offices**
 - ✓ Effects: Approx. 0.9 billion yen and 1.7 billion yen, in 2H/Mar05 and FY/Mar06, respectively.
 - **Accelerated cost reduction in production and procurement**
 - ✓ Effects: Reduce approx. 0.5 billion yen in 2H/Mar05
 - **Accelerated fixed cost reduction in overseas production**
 - ✓ Target: Reduce approx. 1.5 billion yen in FY/Mar06 - scheduled

Forecasts fiscal year ending March 2005



Forecasts vs. Plan

Full year forecasts have been revised due to the larger loss in Photo Imaging, offsetting the increase in Business Technologies.

		Actual	Forecast	Forecast	Plan	
		1H	2H	[a] Full year	[b] Full year	[a] - [b] vs. Plan
Business Technologies	Net sales	281.4	308.6	590.0	600.0	-10.0
	Op. income	26.7	36.3	63.0	60.0	3.0
	Op. income ratio	9.5%	11.8%	10.7%	10.0%	
Optics	Net sales	44.0	52.0	96.0	100.0	-4.0
	Op. income	7.2	9.3	16.5	18.5	-2.0
	Op. income ratio	16.4%	17.9%	17.2%	18.5%	
Photo Imaging	Net sales	142.8	129.2	272.0	304.0	-32.0
	Op. income	-4.0	-1.5	-5.5	0.0	-5.5
	Op. income ratio	-2.8%	-1.2%	-2.0%	0.0%	
Medical & Graphic	Net sales	60.9	69.1	130.0	135.0	-5.0
	Op. income	4.3	4.7	9.0	8.5	0.5
	Op. income ratio	7.1%	6.8%	6.9%	6.3%	
Sensing	Net sales	2.6	2.9	5.5	11.0	-5.5
	Op. income	0.9	1.1	2.0	2.0	0.0
	Op. income ratio	34.6%	37.9%	36.4%	18.2%	
Others	Net sales	3.3	3.2	6.5	0.0	6.5
	Op. income	-2.6	-2.4	-5.0	-4.0	-1.0
	Op. income ratio					
Total	Net sales	535.1	564.9	1,100.0	1,150.0	-50.0
	Op. income	32.5	47.5	80.0	85.0	-5.0
	Op. income ratio	6.1%	8.4%	7.3%	7.4%	

Medium term plan -- March 2006 operating income target

Scenario to realize medium term operating income target

	Business Technologies	Optics	Photo Imaging	Medical & Graphic + Sensing	Others	Group
Rationalization related to integration <i>(Downsizing, reduction of purchasing)</i>	15.0	0.0	1.3	0.0	2.7	19.0
Increase of operating income <i>(Including synergies)</i>	3.0	4.5	*15.2	3.0	6.3	32.0
Increase of operating income due to revenues increase	9.0	4.0	0.0	1.0	0.0	14.0
Foreign exchange impact	0.0	0.0	0.0	0.0	0.0	0.0
Total	27.0	8.5	16.5	4.0	9.0	65.0
Forecasts:						
Operating income Mar05	63.0	16.5	-5.5	11.0	-5.0	80.0
Target:						
Operating income Mar06	90.0	25.0	11.0	15.0	4.0	145.0

*Including effects from business structure reforms

Difference between FY/Mar05 and FY/Mar06
▶ 65 billion yen

Promising areas

- **Business Technologies and Optics:** Further increase in revenues and profits by aggressively invest management resources.
- **Rationalization effects:** The comprehensive measures including downsizing and reorganization of operating sites are carried out as planned.

Tasks to achieve the target

- **Photo Imaging:** Realize profitability improvement by promoting the restructuring measures.
- **HD and others:** Realize benefits from comprehensive cost reduction by establishing the group purchasing system.