Konica Minolta Group
Consolidated Financial Results
Fiscal year ended March 31, 2005

May 13, 2005
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.

Remarks:

• 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.
Consolidated Financial Results
Fiscal year ended March 31, 2005

May 13, 2005

Masanori Hondo
Senior Executive Officer
Konica Minolta Holdings, Inc.

The essentials of imaging
# Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>[a]</th>
<th>[b]</th>
<th>[a] / [b] Y-O-Y, %</th>
<th>[c] Forecast as of Mar. 17</th>
<th>[a] / [c] vs. Forecast, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,067.4</td>
<td>1,123.6</td>
<td>95%</td>
<td>1,060.0</td>
<td>101%</td>
</tr>
<tr>
<td>Gross income</td>
<td>469.6</td>
<td>478.7</td>
<td>98%</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Operating income</td>
<td>67.6</td>
<td>73.2</td>
<td>92%</td>
<td>70.0</td>
<td>97%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>53.6</td>
<td>52.5</td>
<td>102%</td>
<td>55.0</td>
<td>97%</td>
</tr>
<tr>
<td>Net income before tax</td>
<td>35.4</td>
<td>40.5</td>
<td>87%</td>
<td>39.0</td>
<td>91%</td>
</tr>
<tr>
<td>Net income</td>
<td>7.5</td>
<td>19.3</td>
<td>39%</td>
<td>7.0</td>
<td>107%</td>
</tr>
</tbody>
</table>

| EPS [Yen]                      | 14.11 |
| ROE [Full year, %]             | 2.2   |

**FOREX: P/L**

<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>[Yen]</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>107.55</td>
<td>113.07</td>
</tr>
<tr>
<td>Euro</td>
<td>135.19</td>
<td>32.61</td>
</tr>
</tbody>
</table>
### Overview

**Group revenues decreased Y-O-Y. Profits slightly increased on an actual basis*.**

*Actual base: Adjusted amounts taking into account integration-related and other factors.

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Technologies</td>
<td>Revenues maintained the same level Y-O-Y on an actual basis*</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>Revenues and profits declined due to digital camera’s severe price drop.</td>
</tr>
<tr>
<td>Optics</td>
<td>Revenues and profits increased. Strong sales of LCD film.</td>
</tr>
</tbody>
</table>

### Business Technologies
- Color MFP: Drastic sales increase due to new products’ launching
- B/W MFP: Total unit sales edged up slightly. Mid-speed units sales were stagnant.
- Color LBP: Hardware’s severe price competition

### Optics

**Revenue ➔ UP**

**Operating profits ➔ Up**

- LCD film and glass substrates for HD sales were strong.
- Lens-related businesses were stagnant due to inventory adjustments among digital home appliances industry.

### Photo Imaging

**Worsening operating results**

- Continuous efforts to improve profitability by reducing fixed cost and launching the new digital SLR camera
- Significant negative impact caused by shrinking color film and photo paper markets, and digital camera’s price drop

### Extraordinary losses: Total 21.4 billion yen

- Rationalization expenses related to integration
- Photo Imaging’s restructuring expenses
- Comprehensive amortization of Photo Imaging’s goodwill due to integration

### Increase of corporate taxes:

- No adaptation of consolidated taxation system for FY Mar/05
- Limited tax effects due to non-recognition of Photo Imaging’s losses for taxation purposes.

Effective corporate tax rate:

- Mar/05 ➔ 77%
- Mar/04 ➔ 52%
### Summary - Business segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Net sales</th>
<th>[Billions of yen]</th>
<th>Operating income</th>
<th>[Billions of yen]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[a]</td>
<td>[b]</td>
<td>[a] / [b]</td>
<td>[c]</td>
</tr>
<tr>
<td></td>
<td>Actual Mar/05</td>
<td>Actual Mar/04</td>
<td>Growth</td>
<td>Forecast as of Mar 17 vs. Forecast</td>
</tr>
<tr>
<td>Business Technologies</td>
<td>564.8</td>
<td>625.8</td>
<td>90%</td>
<td>560.0</td>
</tr>
<tr>
<td>Optics</td>
<td>91.7</td>
<td>85.8</td>
<td>107%</td>
<td>90.0</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>268.5</td>
<td>277.7</td>
<td>97%</td>
<td>267.0</td>
</tr>
<tr>
<td>Medical &amp; Graphic</td>
<td>129.9</td>
<td>120.9</td>
<td>107%</td>
<td>130.0</td>
</tr>
<tr>
<td>Sensing</td>
<td>5.3</td>
<td>8.0</td>
<td>---</td>
<td>5.0</td>
</tr>
<tr>
<td>Holdings, others</td>
<td>7.2</td>
<td>5.4</td>
<td>---</td>
<td>8.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,067.4</td>
<td>1,123.6</td>
<td>95%</td>
<td>1,060.0</td>
</tr>
</tbody>
</table>
## Factor analysis -- Business segment

### Net sales

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
<th>Forex impact</th>
<th>Change of accounting term</th>
<th>Eliminations*</th>
<th>Segment reclassification</th>
<th>Actual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Technologies</td>
<td>564.8</td>
<td>625.8</td>
<td>-61.0</td>
<td>-7.6</td>
<td>-33.7</td>
<td>-12.5</td>
<td>-7.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>Optics</td>
<td>91.7</td>
<td>85.8</td>
<td>5.9</td>
<td>-0.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>268.5</td>
<td>277.7</td>
<td>-9.2</td>
<td>-2.5</td>
<td>17.1</td>
<td>0.0</td>
<td>5.0</td>
<td>-28.8</td>
</tr>
<tr>
<td>Medical &amp; Graphic</td>
<td>129.9</td>
<td>120.9</td>
<td>9.0</td>
<td>-2.1</td>
<td>3.4</td>
<td>0.0</td>
<td>4.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Sensing</td>
<td>5.3</td>
<td>8.0</td>
<td>-2.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-2.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Holdings, others</td>
<td>7.2</td>
<td>5.4</td>
<td>1.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,067.4</td>
<td>1,123.6</td>
<td>-56.1</td>
<td>-13.1</td>
<td>-13.2</td>
<td>-12.5</td>
<td>0.0</td>
<td>-17.3</td>
</tr>
</tbody>
</table>

### Operating income

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
<th>Forex impact</th>
<th>Change of accounting term</th>
<th>Eliminations*</th>
<th>Segment reclassification</th>
<th>Actual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Technologies</td>
<td>55.8</td>
<td>62.9</td>
<td>-7.0</td>
<td>-0.9</td>
<td>-1.0</td>
<td>-2.1</td>
<td>0.0</td>
<td>-3.0</td>
</tr>
<tr>
<td>Optics</td>
<td>16.0</td>
<td>15.3</td>
<td>0.7</td>
<td>-0.8</td>
<td>-0.6</td>
<td>-0.1</td>
<td>0.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>-8.7</td>
<td>-6.7</td>
<td>-2.0</td>
<td>0.2</td>
<td>-0.1</td>
<td>-0.1</td>
<td>0.2</td>
<td>-2.1</td>
</tr>
<tr>
<td>Medical &amp; Graphic</td>
<td>6.7</td>
<td>7.9</td>
<td>-1.2</td>
<td>-0.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-0.6</td>
</tr>
<tr>
<td>Sensing</td>
<td>1.6</td>
<td>1.8</td>
<td>-0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Holdings, others</td>
<td>-3.9</td>
<td>-7.9</td>
<td>4.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>67.6</td>
<td>73.2</td>
<td>-5.6</td>
<td>-2.2</td>
<td>-1.7</td>
<td>-2.4</td>
<td>0.0</td>
<td>0.7</td>
</tr>
</tbody>
</table>

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

  - USD: Approx. 0.7 billion yen
  - Euro: Approx. 1.1 billion yen

The essentials of imaging
### SG&A Analysis

**FOREX Impact to SG&A:** 
-2.0 billion yen  
(Mar/05 – Mar/04 Y-O-Y actual: -1.5 billion yen)

<table>
<thead>
<tr>
<th>Component</th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A total</td>
<td>402.1</td>
<td>405.5</td>
<td>-3.4</td>
</tr>
<tr>
<td>Sales promotion</td>
<td>84.5</td>
<td>88.7</td>
<td>-4.2</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>159.7</td>
<td>171.6</td>
<td>-11.9*</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>65.8</td>
<td>63.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>5.9</td>
<td>3.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>86.2</td>
<td>79.0</td>
<td>7.2</td>
</tr>
</tbody>
</table>

* Including production-related labor costs, Y-O-Y: -14.1 billion yen
## Non-operating income / expenses

<table>
<thead>
<tr>
<th></th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-operating income/expenses</td>
<td>-14.0</td>
<td>-20.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>1.4</td>
<td>1.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>0.7</td>
<td>--</td>
<td>0.7</td>
</tr>
<tr>
<td>Other</td>
<td>6.9</td>
<td>10.8</td>
<td>-3.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-operating income</td>
<td>9.0</td>
<td>12.1</td>
<td>-3.2</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>5.5</td>
<td>7.6</td>
<td>-2.0</td>
</tr>
<tr>
<td>Disposal/valuation losses of inventories</td>
<td>8.7</td>
<td>8.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>--</td>
<td>5.0</td>
<td>-5.0</td>
</tr>
<tr>
<td>Other</td>
<td>8.7</td>
<td>12.2</td>
<td>-3.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>22.9</td>
<td>32.8</td>
<td>-9.9</td>
</tr>
</tbody>
</table>
## Extraordinary profits / losses

<table>
<thead>
<tr>
<th></th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary profits/losses</td>
<td>-18.2</td>
<td>-12.0</td>
<td>-6.2</td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>2.5</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Extraordinary profits</td>
<td>3.2</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Photo Imaging restructuring expenses</td>
<td>4.9</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Comprehensive goodwill amortization of camera business</td>
<td>5.4</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Management integration expenses</td>
<td>4.0</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>4.6</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>Extraordinary losses</td>
<td>21.4</td>
<td>13.7</td>
<td>7.6</td>
</tr>
</tbody>
</table>
Business Technologies - Overview

**Revenues:** Maintained the same level Y-O-Y (Actual base*)

**MFP:** Total unit sales: Up 9% (Color 86%, B/W 1%)
- Mid-speed B/W: Declined partly due to temporary business disruption in the integration process

**LBP:** Total unit sales: Up 8% (Color 24%, B/W 3%)
- Downward pressure on color LBP hardware prices

**Operating profits:** Down 3 billion yen Y-O-Y (Actual base*)

**MFP:** Worsening gross profit margins primarily due to intensified competition

**LBP:** Favorable consumables business
- Increasing machine-in-the-field (MIF) resulting from aggressive color products marketing
- Stagnant profits due to severer price competition in 3Q and 4Q

**SG&A:** Down 2 billion yen (actual base*)
- R&D expenses for color products development increased 4 billion yen
- Effects from cost-cutting efforts

*Actual base:
Amounts adjusted against the Y-O-Y change taking into account FOREX and integration-related factors.
MFP

Color:
- Solid start of the new facsimile-equipped “bizhub C450” in 4Q, making favorable sales in Japan

High-speed B/W:
- Brisk sales of “bizhub Pro1050” (105 pages-per-minute) since its launching in Nov. 2004, well received by light production printing market
- Unit sales increased by 106% Y-O-Y in Seg.5 and above

B/W total:
- Slight increase in total sales due to solid sales of Seg.1 models
- Decreasing sales in mid-speed models. Worsening product mix. 

**Unit sales**

- Color MFP: +86%
- B/W high-speed MFP (Seg. 5 : 70ppm and above): +106%
- B/W MFP total: Total +1%, Other than Seg. 2-4 -13%, Seg. 2-4
Business Technologies - LBP

**LBP**
- Color:
  - New “magicolor 2400” series boosted total unit sales
  - Severer price competition due to new entrants
  - Stagnant profit margins in 3Q and 4Q
- B/W:
  - Slight increase in total unit sales
  - Steady growth of own brand business

**Own brand business**

**Marketing reinforcement:**
- North America >> Mega stores
- Europe >> Value-added-retailers and system integrators

**[Own brand ratio of total unit sales]**
- Color: 54%, Mar/04 → 65%, Mar/05
- B/W: 34%, Mar/04 → 37%, Mar/05

**Unit sales**

- **Color LBP**
  - Total +24%
  - Own +48%
- **B/W LBP**
  - Total +3%
  - Own +12%
Optics

Optical pickup lens
- For DVD: Solid growth in high-value-added lenses for read-and-write systems. Continuing inventory adjustments since last summer against lenses for read-only systems. Stagnant sales in total.

Lens units for DSC/VCR
- Sales in quantity significantly declined Y-O-Y. Decreasing orders due to fierce competition among finished products manufactures.

Lens units and camera units for mobile phones
- Upward trend in camera units – Up 36% Y-O-Y.
- Lens units sales in quantity – Down 17% Y-O-Y. Slowdown in Japan’s market growth.

Film for LCD

Unit sales
- Optical Pickup lens
- Lens unit for DSC/VCR
- Film for LCD plate
**Photo Imaging**

**Revenues:** Down 28.8 billion yen Y-O-Y (Actual base*)

**Operating losses:** Down 2.4 billion yen Y-O-Y (Actual base*)

Worsening profit margins in photo paper, inkjet paper, and digital cameras

### Photo Imaging

**Color film:** Profits remained the same level Y-O-Y.
- Strong sales in Asia and Middle East contributed to 10% decline in unit sales. Cost reduction worked effectively.

**Digital minilab:** New “R2 SUPER” sold well. Increasing digital printing demand in Europe and Asia.

**Photo paper:** Revenues and profits declined Y-O-Y.
- Down 9% in volume Y-O-Y. Severe price competition.

**Inkjet paper:** Profits declined due to severe price competition. Sales volume increased, notably in Japan.

### Camera

**DSC:** Digital SLR camera boosted revenues in some degree, but profit margins declined after the Christmas season due to compact digital camera’s price down.

#### Unit sales

- **Inkjet paper**: +26%
- **Digital minilab**: +59%
- **DSC**: Compact -8%
Medical & Graphic

Revenues ➔ Up  Profits ➔ Down

Medical: Solid sales in hardware and film
Dry film sales increased, boosted by increasing sales of digital X-ray input/output systems

Graphic: Downturn in film sales
Profit margins declined due to shrinking film market in Japan. Strengthening marketing of digital input/output systems.

Sensing

Revenues and profits: Maintained the same level Y-O-Y
Solid sales of 3D digitizers and color measurement.

Unit sales

- Dry film
- Digital X-ray input/output systems

[Graphs showing sales comparison]
B/S - Assets

Change: -14.0 billion yen
[FOREX impact: 11.5 billion yen]
Actual: -25.5 billion yen

Forex: B/S
<table>
<thead>
<tr>
<th></th>
<th>Mar/04</th>
<th>Mar/05</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>107.39</td>
<td>105.69</td>
<td>+1.70</td>
</tr>
<tr>
<td>Euro</td>
<td>138.87</td>
<td>128.88</td>
<td>+9.99</td>
</tr>
</tbody>
</table>

+ 20.1 billion yen
[FOREX impact: 5.1 billion yen]
Business Technologies  +12.4 billion yen
Photo Imaging  +5.2 billion yen

+ 3.6 billion yen
[FOREX impact: 3.3 billion yen]
Business Technologies  +6.2 billion yen
Photo Imaging  -2.7 billion yen

The essentials of imaging
Change: -14.0 billion yen  
[FOREX impact: 11.5 billion yen]  
Actual: -25.5 billion yen

<table>
<thead>
<tr>
<th>Forex: B/S</th>
<th>Mar/04</th>
<th>Mar/05</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>107.39</td>
<td>105.69</td>
<td>+1.70</td>
</tr>
<tr>
<td>Euro</td>
<td>138.87</td>
<td>128.88</td>
<td>+9.99</td>
</tr>
</tbody>
</table>

-21.6 billion yen  
[FOREX impact: 4 billion yen]  
Actual: -25.6 billion yen

Equity ratio: Mar/04 34.6%  Mar/05 35.6%  
BPS: Mar/04 632 yen  Mar/05 640 yen  
D/E ratio: Mar/04 0.8 times  Mar/05 0.73 times
## Cash flows

<table>
<thead>
<tr>
<th></th>
<th>Mar/05</th>
<th>Mar/04</th>
<th>Y-O-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>34.5</td>
<td>40.5</td>
<td>-5.1</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>53.0</td>
<td>55.6</td>
<td>-2.7</td>
</tr>
<tr>
<td>Increase (decrease) of working capital</td>
<td>-32.7</td>
<td>-10.0</td>
<td>-22.7</td>
</tr>
</tbody>
</table>

I. **Net cash from operating activities** 55.7 86.1 -30.5

II. **Net cash used in by investment activities** -49.3 -31.9 -17.4

I.+ II. **Free cash flow** 6.3 54.2 -47.9

| Increase (decrease) in debts and bonds          | -26.1  | -48.2  | 22.1  |
| Dividends paid                                  | -5.3   | -5.3   | 0.0   |
| Other                                          | -0.2   | -1.8   | 1.6   |

III. **Net cash used in by financing activities** -31.6 -55.3 23.7
Interest-bearing debts and inventories

- **Interest-bearing debts**

  ![Graph showing interest-bearing debts from Mar 2001 to Mar 2006.]

- **Inventories and inventory turnover**

  ![Graph showing inventories and inventory turnover from Mar 2001 to Mar 2006.]

*Inventory turnover (months) = Average inventories / Cost of sales per month*
## Progress of integration

### Consolidated number of employees

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan</strong></td>
<td>37,300</td>
<td><img src="#" alt="Plan changes" /></td>
<td><img src="#" alt="Plan changes" /></td>
<td>34,100</td>
<td>35,200</td>
</tr>
<tr>
<td><strong>Actual</strong></td>
<td><img src="#" alt="Actual changes" /></td>
<td><img src="#" alt="Actual changes" /></td>
<td>34,710</td>
<td>34,033</td>
<td>33,388</td>
</tr>
<tr>
<td><strong>Change since Sep02</strong></td>
<td><img src="#" alt="Plan changes" /></td>
<td><img src="#" alt="Actual changes" /></td>
<td>-2,100</td>
<td>-3,200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-2,590</td>
<td>-3,267</td>
<td>-3,912</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Integration expenses

<table>
<thead>
<tr>
<th></th>
<th>1H Mar/05</th>
<th>2H Mar/05</th>
<th>Full year Mar/05</th>
<th>Major purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A</td>
<td>2.1</td>
<td>0.7</td>
<td>2.8</td>
<td>Relocation, IT, sales promotion</td>
</tr>
<tr>
<td>Non-operating exp.</td>
<td>0.2</td>
<td>0.5</td>
<td>0.7</td>
<td>Desposal of unnecessary product packages</td>
</tr>
<tr>
<td>Extraordinary losses</td>
<td>2.7</td>
<td>1.3</td>
<td>4.0</td>
<td>Manpower rationalization</td>
</tr>
<tr>
<td>Total</td>
<td>5.0</td>
<td>2.5</td>
<td>7.5</td>
<td></td>
</tr>
</tbody>
</table>

---

*The essentials of imaging*
Forecasts
Fiscal year ending March 31, 2006

May 13, 2005

Fumio Iwai
President
Konica Minolta Holdings, Inc.

The essentials of imaging
Management policy for Mar/06

**Basic Management Policy**

Mar/06 as the first year of the V-5 PLAN Operation through the enhanced “Selection and Concentration” policy

1. Prioritize resources to Business Technologies and Optics businesses
2. Scale down Photo Imaging business
3. Growth strategies through new business development and M&A
## Forecasts Mar/06

<table>
<thead>
<tr>
<th></th>
<th>1H Mar/06</th>
<th>2H Mar/06</th>
<th>Full year Mar/06 [a]</th>
<th>Actual Full year Mar/05 [b]</th>
<th>Change [a] - [b]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>530.0</td>
<td>600.0</td>
<td>1,130.0</td>
<td>1,067.4</td>
<td>62.6</td>
</tr>
<tr>
<td>Operating income</td>
<td>34.0</td>
<td>56.0</td>
<td>90.0</td>
<td>67.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>29.0</td>
<td>51.0</td>
<td>80.0</td>
<td>53.6</td>
<td>26.4</td>
</tr>
<tr>
<td>Net income</td>
<td>7.0</td>
<td>16.0</td>
<td>23.0</td>
<td>7.5</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>FOREX USD</strong></td>
<td></td>
<td></td>
<td></td>
<td>105.00 JPY</td>
<td>107.55 JPY</td>
</tr>
<tr>
<td><strong>Euro</strong></td>
<td></td>
<td></td>
<td></td>
<td>133.00 JPY</td>
<td>135.19 JPY</td>
</tr>
</tbody>
</table>

### Ref.

<table>
<thead>
<tr>
<th></th>
<th>Full year Mar/06</th>
<th>Full year Mar/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>100</td>
<td>56.4</td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>59</td>
<td>53.0</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>75</td>
<td>65.8</td>
</tr>
<tr>
<td>FCF</td>
<td>4</td>
<td>6.3</td>
</tr>
</tbody>
</table>

The essentials of imaging
### Forecasts Mar/06 -Segment

#### Net sales

<table>
<thead>
<tr>
<th></th>
<th>1H Mar/06</th>
<th>2H Mar/06</th>
<th>Full year Mar/06</th>
<th>Actual Full year Mar/05</th>
<th>Change [a] - [b]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Technologies</td>
<td>290.0</td>
<td>330.0</td>
<td>620.0</td>
<td>564.8</td>
<td>55.2</td>
</tr>
<tr>
<td>Optics</td>
<td>52.0</td>
<td>68.0</td>
<td>120.0</td>
<td>91.7</td>
<td>28.3</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>115.0</td>
<td>115.0</td>
<td>230.0</td>
<td>268.5</td>
<td>-38.5</td>
</tr>
<tr>
<td>Medical &amp; Graphic</td>
<td>66.0</td>
<td>74.0</td>
<td>140.0</td>
<td>129.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Sensing</td>
<td>3.0</td>
<td>3.0</td>
<td>6.0</td>
<td>5.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Holdings, others</td>
<td>4.0</td>
<td>10.0</td>
<td>14.0</td>
<td>7.2</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>530.0</td>
<td>600.0</td>
<td>1,130.0</td>
<td>1,067.4</td>
<td>62.6</td>
</tr>
</tbody>
</table>

#### Operating income

<table>
<thead>
<tr>
<th></th>
<th>1H Mar/06</th>
<th>2H Mar/06</th>
<th>Full year Mar/06</th>
<th>Actual Full year Mar/05</th>
<th>Change [a] - [b]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Technologies</td>
<td>29.0</td>
<td>42.0</td>
<td>71.0</td>
<td>55.8</td>
<td>15.2</td>
</tr>
<tr>
<td>Optics</td>
<td>8.0</td>
<td>13.0</td>
<td>21.0</td>
<td>16.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Photo Imaging</td>
<td>-3.0</td>
<td>-1.0</td>
<td>-4.0</td>
<td>-8.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Medical &amp; Graphic</td>
<td>4.0</td>
<td>5.0</td>
<td>9.0</td>
<td>6.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Sensing</td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Holdings, others</td>
<td>-5.0</td>
<td>-4.0</td>
<td>-9.0</td>
<td>-3.8</td>
<td>-5.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34.0</td>
<td>56.0</td>
<td>90.0</td>
<td>67.6</td>
<td>22.4</td>
</tr>
</tbody>
</table>
Mar/06 Growth initiatives - segment - #1

Business Technologies

Increase revenues and profits with enhanced new product lineup and cost-cutting

- **MFP:**
  - Enhance profitability by reinforcing hardware and consumables sales along with the marketing of new products (Color and mid/high-speed B/W models)
    - Enhance “bizhub” series lineup – Integrated models
    - New integrated firmware installed
  - Achieve cost reduction target ➔ -8 billion yen

- **LBP:**
  - Expand own brand color products sales

![Graph showing MFP unit sales comparison between Mar/05 and Mar/06 Plan, with a +5% increase.]

![Graph showing LBP unit sales comparison between Mar/05 and Mar/06 Plan, with a +15% increase.]

The essentials of imaging
Mar/06 Growth initiatives - segment - #2

Optics

Enhance profitability by boosting revenues

- Optical pickup lens: Promote cost reduction and maintain profitability
- Film for LCD: Strengthen production capacity and expand sales
- Micro camera/lens units: Develop new customer base and expand sales
Photo Imaging

Accelerate restructuring and reduce operating deficit

Photo – Rationalization with the aim of better adopting to the business environment
Camera – Concentrate on high-value-added products

◆ Film and photo paper:
  ✓ Strictly define non-profitable businesses and deals
  ✓ Transform core technologies to other businesses

◆ DSC: Concentrate on high-value-added products. Narrow down product lineup.

◆ Overall: Reduce fixed costs by reallocating personnel to other operations (Implemented Jan. 05)

* Extraordinary losses Mar/05: 24 billion yen (For quick realization of restructuring)
Mar/06 Growth initiatives - segment - #4

**Medical and Graphic**

Expand hardware business and promote cost reduction to enhance earnings

- **Medical:** Expand hardware business. Strengthen dry film business.
- **Graphic:** Strengthen digital printing equipment business

**Sensing**

3-D digitizer: Concentrate on industrial-use measurement markets

The essentials of imaging
Part 2

“Genre-top Strategies”
Business Technology’s Medium-term plan

May 13, 2005

Fumio Iwai
President
Konica Minolta Holdings, Inc.

The essentials of imaging
## Business Technologies in V-5 PLAN

### Mar/05

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Business Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,067.4</td>
<td>564.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>67.6</td>
<td>55.8</td>
</tr>
</tbody>
</table>

### Mar/09

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Business Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,410.0</td>
<td>860.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>145.0</td>
<td>107.0</td>
</tr>
</tbody>
</table>

**Outer circle:** Revenues  
**Inner circle:** Operating profit

---

**Medical & Graphic**  
25%  
12%  
10%  
24%  
12%  
9%  
Business Technologies  
84%  
53%  

---

**Photo Imaging**  
11%  
21%  
12%  
3%  
13%  
8%  
Business Technologies  
74%  
61%  

---

**Optics**  
11%  
21%  
12%  
3%  
13%  
8%  
Business Technologies  
74%  
61%  

---

**Primary driver for the V-5 PLAN**

---

"Business Technologies -- Group’s core business --"
Future outlook of hardcopy volume

- Paper consumption demonstrates an upward trend.
- MFP is used as a printer much more than as a copier.
- Color output surpasses B/W output in terms of growth rate.

- Outlook of paper consumption in North America

<table>
<thead>
<tr>
<th>[1,000 tons]</th>
<th>CY2001</th>
<th>CY2011</th>
<th>CY2021</th>
<th>Growth per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production printing</td>
<td>23,642</td>
<td>27,031</td>
<td>30,246</td>
<td>1%</td>
</tr>
<tr>
<td>Office</td>
<td>4,622</td>
<td>5,963</td>
<td>7,145</td>
<td>2%</td>
</tr>
<tr>
<td>Printing at home</td>
<td>119</td>
<td>233</td>
<td>288</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: CAPV
Comparison with competitors

Challenges to compete with the top three players

-- Scale-up through the integration is not enough --

- Top three companies vs. Konica Minolta
  - ✓ R&D expenses for office equipment ➔ 2x to 6x more than Konica Minolta
  - ✓ MFP Sales volume ➔ 1.2x to 3x more than Konica Minolta
  - ✓ KM’s color MFP lineup ➔ Rather small

Execute

“Genre-top strategies”
Ongoing “Genre-top” strategies

“Selection and Concentration”

Establish the No. 1 position in the 3 defined genres

Concentrate resources on potential growth markets

Establish “genre-top” positions by leveraging the advantages of polymerized toner

1. Color MFP (Seg. 2 and above)
   Shift from B/W MFP

2. High-speed B/W MFP (Seg. 5 and above)
   Shift from mid/low-speed B/W MFP

3. Color LBP
   Shift from B/W LBP
## Initiatives for “genre-top” strategies

>> Polymerized toner’s competitiveness

<table>
<thead>
<tr>
<th><strong>Technological advantages</strong></th>
<th><strong>Customer benefits</strong></th>
<th><strong>Cost competitiveness</strong></th>
<th><strong>Our benefits</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Small particles</td>
<td>- High definition</td>
<td>✓ Small particle: Low</td>
<td>30% lower cost</td>
</tr>
<tr>
<td></td>
<td>- High image quality</td>
<td>toner consumption</td>
<td>compare to</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>conventional</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Polymerization</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>process: Low cost</td>
<td></td>
</tr>
<tr>
<td>Oilless fixing</td>
<td>- Low glare</td>
<td>✓ Load polymerized</td>
<td>Industry-leading</td>
</tr>
<tr>
<td></td>
<td>- Longer life cycle</td>
<td>toner to all color and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of fixing components</td>
<td>B/W models</td>
<td>production</td>
</tr>
<tr>
<td>Low-heating fixing</td>
<td>- Use of various paper size</td>
<td>✓ Significant increase of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Low curling</td>
<td>production volume</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overwhelming number of patent (660 cases)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Differentiation in color and light production printing markets

High profitability

The essentials of imaging
“Genre-top” strategies #1: Strengthening color MFP

Concentrate management resources on color products

-- Take full advantage of the rapid growth of color MFP market
-- Solid sales of strategic “bizhub” series

1. Concentrate product development power on color products
2. Reinforce R&D capability
3. Strengthen cost competitiveness
4. Increase sales force and expand dealer networks
Initiative 1: Concentrate product development power on color products

Product lineup with sophisticated functions and strong cost competitiveness

- Established new integrated firmware
  - New security function
  - Seamless function
  - Custom function (Open API)

- Increase of color MFP lineup
  Timely launching of new products meeting market needs

bizhub series
Initiative 2: Reinforce R&D capability

Enhance color MFP lineup and strengthen unique technology development that promotes product differentiation

- **Increase R&D budget**
  - ✓ Budget for Mar/06 will increase 40% compared to the pre-integration level.
  - * Maintain the same budget level in Mar/07 and onward

- **Increase R&D manpower**
  - ✓ Increase manpower by 20% from now through Mar/07

- **Promote efficient R&D process**
  - ✓ Streamline R&D process by promoting standardization

  - Re-allocate manpower generated by streamlining R&D process to the development fields of element and advanced technologies.
  - Strengthen technology differentiation
Initiative 3: Strengthen cost competitiveness

- Achieve cost reduction target for new products
  - Cost cut target: -20% (Color MFP)

- Reinforce procurement cost reduction
  - Strengthen local procurement in the vicinity of Shanghai and reduce procurement costs
  - Cost cut target: -8 billion yen (Mar/06)

- Establish new plants to strengthen cost competitiveness
  - New assembly plant in Wuxi, China
  - Increase production capacity of polymerized toner (Kofu, Yamanashi)
New plants to strengthen cost competitiveness

- **Assembly Plant**
  - Wuxi, China
  - Lot area: 132,000 sq.m
  - Total floor area: 74,000 sq.m (1st phase)

- **Toner production**
  - Kofu, Yamanashi
  - Lot area: 53,900 sq.m
  - Employees: 210

- Full-scale production at a solely-owned plant
- Establish procurement base in the vicinity of Shanghai
- 100% hardware production in overseas

**The essentials of imaging**
Initiative 4: Increase sales force and expand dealer networks

Strengthen sales force in the key markets (Japan, US, Europe) to increase color MFP sales

- **Direct sales**
  - Sales force: + 40% (Mar/05 vs. Mar/09)
  - Intensive reinforcement for US operation
  - Strengthen direct sales targeting major accounts and CRD

- **Dealers**
  - Number of dealers: + 20% (Mar/05 vs. Mar/09)
  - Strengthen support for dealers

- **Service**
  - Strengthen after-service and increase customer satisfaction

**Actions By region**

- **North America:** Expand direct sales network. Expand color products marketing capacity
- **Europe:** Establish No.1 position in major countries in color MFP
- **Japan:** Reinforce direct sales and solution business tailored to business categories
North America and Europe
1st half CY2004 ➔ Declined
Missed sales opportunities due to delayed product launching in rapidly growing color market

2nd half CY2004 ➔ Recovered
Smooth introduction of strategic “bizhub C350”

Japan ➔ Declined
Slow sales of “bizhub C350” – a model without fax function. New “bizhub C450” holds a key to recovery.

Source: Detaquest
Solid position in the principal tandem engine-based color MFP market

[Remarks]
- Segment shares data provided by Konica Minolta from InfoSource.
- InfoSource provides market share data covering European market.
- Color MFP research base – All color models excluding some models (e.g. 4-cycle engine models, rather slow when printing in color because of its mechanism)
- 4-cycle models are alternatively categorized in B/W as “color-capable”.

C350’s launching realized….
- No. 1 position
- Overwhelming market share

High-speed C500 realized….
- No. 2 rank
MFP market outlook: Total vs. Konica Minolta (B/W, color)

- Market share target for Mar/09:
  17% market share of total color MFP market
- Seg. 2 and above office-use color MFP:
  20%+ market share → "Genre-top"

Illustration of MFP market growth

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mar/05</th>
<th>Mar/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>B/W</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>B/W -60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Color Seg.2 and above</td>
<td>9%</td>
<td>20% or over</td>
</tr>
<tr>
<td>Color Seg.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market share targets

- B/W: Shift to mid/high speed models
  - Mar/05 12% → Mar/09 Approx. 10%
    (Mar/06 12%)

- Office-use color: “Genre-top”
  - Mar/05 9% → Mar/09 20% or over
    (Mar/06 14%)

- MFP total: Slight increase
  - Mar/05 12% → Mar/09 Approx. 15%
    (Mar/06 12%)
“Genre-top” strategies #2: High-speed MFP

- Reinforce marketing: Major accounts’ CRD* and production printing
  - Introduce “bizhub Pro 1050” – B/W, 105 copies-per-minute
  - Strengthen marketing by establishing dedicated sales force
  - Develop marketing networks by promoting OEM business, e.g. HP

- Leverage intra-group marketing channels
  - Printing and graphics channels: “Pagemaster pro”
    “bizhub C500” (51 color copies-per-minute) -based, with unique color management software for industrial printing
  - Photo channel: Introduce “bizhub C500” to digital DEP shops

*CRD: Central reproduction department

bizhub Pro 1050
“Genre-top” strategies #3: Color LBP

- Further strengthen cost competitiveness
  - Own-developed controller
  - Extremely compact design
  - Maintain the second top position in A4(letter-size) low-speed segment market

- High definition and low cost with polymerized toner

- Expand own-brand business

---

```
<table>
<thead>
<tr>
<th>Lineup</th>
<th>Mar/05</th>
<th>Mar/06</th>
<th>Mar/07</th>
<th>Mar/08</th>
<th>Mar/09</th>
</tr>
</thead>
</table>
```

Add two new models
Konica Minolta’s color LBP sales/market share outlook

- Enhance product lineup in higher speed segments
- Increase color LBP market share
Multiplied strength: Combination of MFP and LBP businesses

**Hardware**
- ✔ Common use of A3 tandem engine
- ✔ Common concept in operability

**Network**
- ✔ Standardized controller
  (Use of Emperon controller, achieving high-speed processing and high definition)
- ✔ Standardize printer drivers for PC users

**Marketing channels**
- ✔ Worldwide own-brand marketing networks
- ✔ Mutual use of channels

**Consumables**
- ✔ Install polymerized toner to all models
- ✔ Mass distribution of polymerized toner

**ONE STOP SHOP for outputting**

**Enhance profitability by increasing consumables sales**

The essentials of imaging