

# **Konica Minolta Group**

## **1Q / March 2006 Consolidated Financial Results**

### **Three months ended June 30, 2005**

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August 3, 2005

Masanori Hondo  
Senior Executive Officer  
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:*

- *Yen amounts are rounded to the nearest 0.1 billion.*

# Financial Summary



[Billions of yen]

	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	1Q / Mar06	1Q / Mar05	[a] / [b]	Plan	[a] / [c]
	Actual	Actual	Y-O-Y, %	1H / Mar06	vs. Plan, %
Net sales	244.0	262.0	93.1%	530.0	46.0%
Gross income	117.1	116.7	100.3%	--	--
Operating income	18.2	17.0	107.1%	34.0	53.5%
Ordinary income	17.8	17.1	103.7%	29.0	61.2%
Net income before tax	13.5	16.1	83.7%	--	--
Net income	7.3	7.2	101.0%	7.0	104.5%
Capital expenditure	11.2	12.7	88.1%		
Depreciation & amortization	12.4	12.0	103.5%		
R&D expenditure	15.6	15.8	99.0%		
EPS [Yen]	13.78	13.64	101.0%		
ROE [Full year, %]	8.48	8.49	99.8%		

## ■ FOREX: P/L

			Change	[Yen]	Change
US\$	107.69	109.77	-2.08	105.00	2.69
Euro	135.57	132.28	3.29	133.00	2.57

# Summary - Business segment

## Net sales

	[Billions of yen]				
	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Actual 1Q / Mar06	Actual 1Q / Mar05	Growth	Plan 1H / Mar06	vs. Plan
Business Technologies	137.2	137.0	100.2%	290.0	47.3%
Optics	24.7	22.3	111.0%	52.0	47.5%
Photo Imaging	48.2	71.9	67.0%	115.0	41.9%
Medical & Graphic	30.7	28.1	109.3%	66.0	46.6%
Sensing	1.2	1.2	107.0%	3.0	41.5%
Holdings, others	1.9	1.6	120.5%	4.0	47.5%
<b>Total</b>	<b>244.0</b>	<b>262.0</b>	<b>93.1%</b>	<b>530.0</b>	<b>46.0%</b>

## Operating income

	[Billions of yen]				
	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	Actual 1Q / Mar06	Actual 1Q / Mar05	Growth	Plan 1H / Mar06	vs. Plan
Business Technologies	14.3	14.5	98.8%	29.0	49.4%
Optics	3.6	3.9	93.1%	8.0	45.5%
Photo Imaging	-0.7	-1.9	---	-3.0	---
Medical & Graphic	1.9	1.7	111.5%	4.0	47.4%
Sensing	0.3	0.3	106.4%	1.0	34.2%
Holdings, others	-1.3	-1.6	---	-5.0	---
<b>Total</b>	<b>18.2</b>	<b>17.0</b>	<b>107.3%</b>	<b>34.0</b>	<b>53.5%</b>

- Net sales amount 1Q/Mar05 of Photo Imaging includes an adjustment of 13.8 billion yen resulting from the change of closing term in affiliated companies.

- Due to the change of business segments among subsidiaries, 1Q / Mar05 amounts have been re-calculated using the same tabulation method used for 1Q / Mar06.

Business Technologies: -4 → Medical & Graphic: +4  
 Photo Imaging: +1 → HD, others: -1

# Operating income factor analysis



[Billions of yen]

	1Q / Mar06	1Q / Mar05	Y-O-Y	Forex impact	Unit price / Sales volume	Cost reduction	Expenses
Business Technologies	14.3	14.5	-0.2	0.4	-0.7	1.4	-1.3
Optics	3.6	3.9	-0.3	-0.1	0.0	0.5	-0.7
Photo Imaging	-0.7	-1.9	1.2	0.3	-5.8	1.1	5.6
Medical & Graphic	1.9	1.7	0.2	-0.0	-0.1	0.4	-0.0
Sensing	0.3	0.3	-0.0	-0.0	-0.0	0.0	-0.0
Holdings, others	-1.3	-1.6	0.3	0.0	0.2	0.1	0.0
<b>Total</b>	<b>18.2</b>	<b>17.0</b>	<b>1.2</b>	<b>0.5</b>	<b>-6.2</b>	<b>3.4</b>	<b>3.6</b>

## Revenue remained flat Y-O-Y; brisk sales of a new color MFP was offset by weak color LBP sales.

### MFP

#### Color:

- Unit sales doubled Y-O-Y. Brisk sales of the new bizhub C450.

#### Production printing:

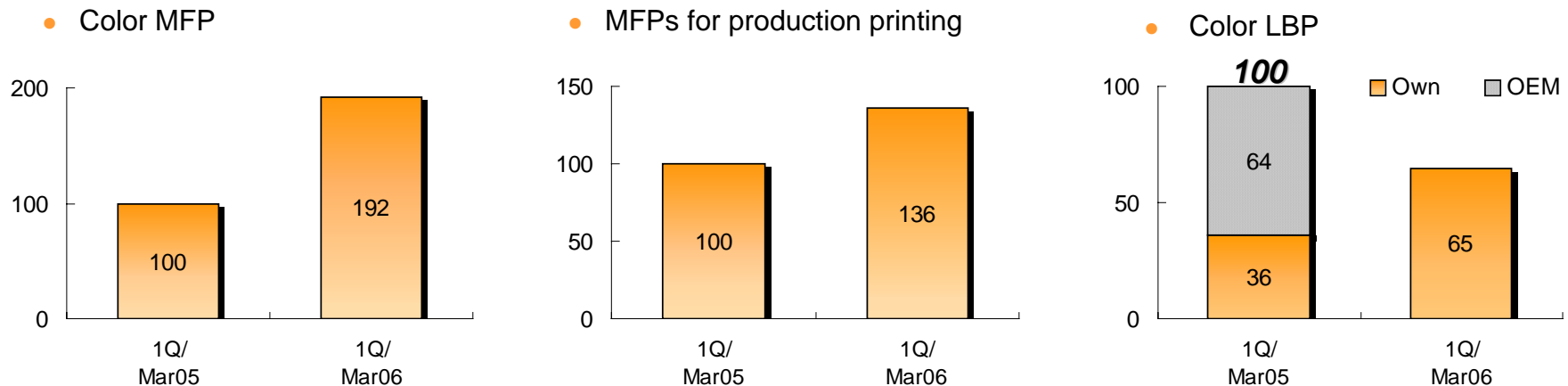
- Unit sales significantly increased Y-O-Y. Inquiries for bizhub PRO C500 / PRO1050 remained strong.

### LBP

#### Color:

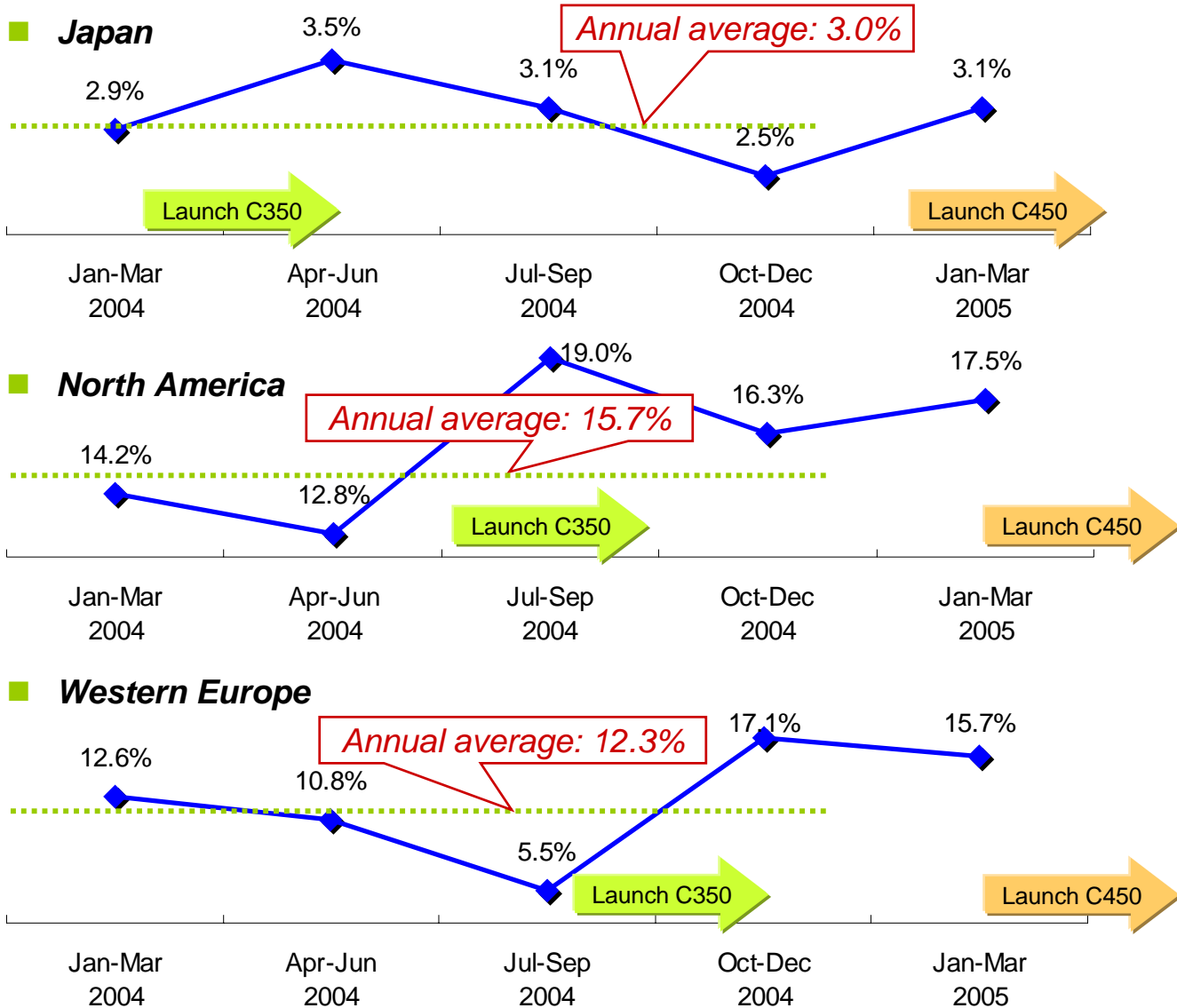
- Total unit sales and revenues decreased. Own brand sales significantly increased but OEM and high-speed models sales decreased.

#### ■ Unit sales (1Q/Mar05 as 100)





# Reference: Color MFP market share



**Japan**

1Q / Mar06 → Slight increase due to the introduction of "bizhub C450" with facsimile capability in Feb. 2005.

2Q and after → Expand market share with new bizhub C351 / C250

**North America and Western Europe**

1Q / Mar06 → Exceed annual average 2004 due to "bizhub C350"'s growth.

2Q and after → Expand market share by adding "bizhub C450" to product lineup.

Source: Detaquest (calendar year data )

## Optics made a solid start in 1Q thanks to steady sales of optical pickup lens and brisk inquiries for TAC film

### Optical pickup lens

- Unit sales decreased compared with 1Q/Mar05 when sales were at the peak. Market started on a recovery trend.

### Film for LCD

- High-function film sales increased thanks to strong inquiries from customers.

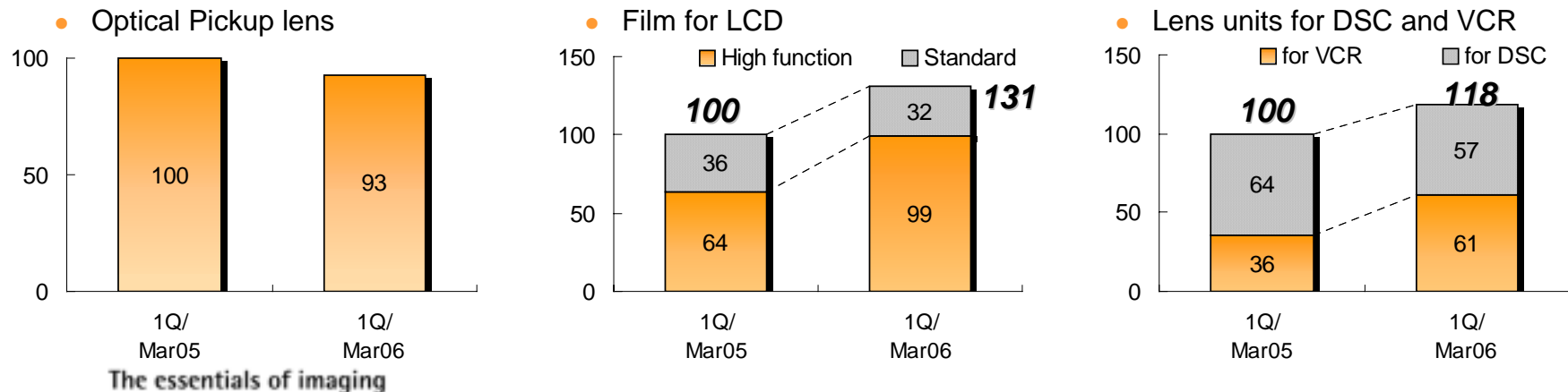
### Lens units

- Lens unit sales for VCR remained strong while DSC-use lens units sales were weak.

### Camera units for mobile phones

- Shifting to sophisticated models boosted sales in value although unit sales unchanged.

#### ■ Unit sales (1Q/Mar05 as 100)





**Operating results of camera business were in line with our projection. Photo business deteriorated due to declining demand.**

## Photo Imaging

**Color film, photo paper:** Sales decreased due to rapidly shrinking markets worldwide.

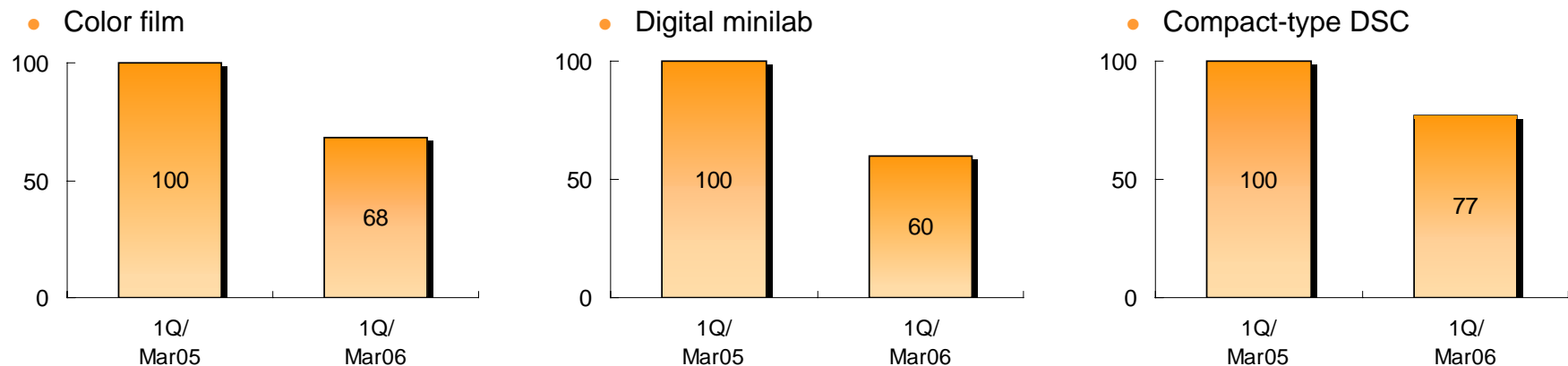
**Digital minilab:** Sales decreased due to intensified price competition.

**Inkjet paper :** Sales significantly declined due to severe price competition in Japan.

## Camera

**DSC:** Steady sales of new products launched in spring 2005.

### ■ Unit sales (March 2005 as 100)



# Medical & Graphic Imaging and Sensing



## Medical & Graphic

**Medical:** Solid sales in digital x-ray input/output systems and dry film

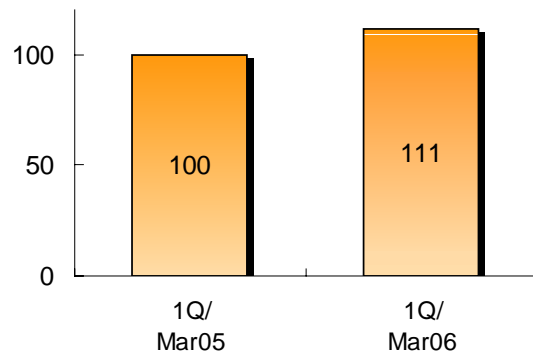
**Graphic :** Downturn in film sales worldwide. Strong sales in special paper for color consensus.

## Sensing

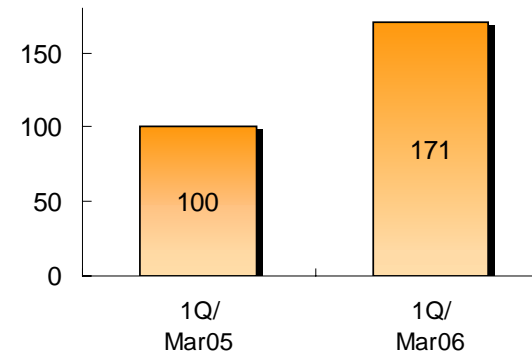
Solid sales in color measurement systems for LCD..

### ■ Unit sales (1Q/Mar05 as 100)

■ Dry film



■ Digital X-ray input/output systems



# Forecasts 1H and full year / Mar06



[Billions of yen]

Mar05 - Actual

	Mar06			Mar05 - Actual	
	1Q Actual	1H Plan	Full year Plan	1H	Full year
Net sales	244.0	530.0	1,130.0	535.1	1,067.4
Operating income	18.2	34.0	90.0	32.5	67.6
Ordinary income	17.8	29.0	80.0	28.2	53.6
Net income	7.3	7.0	23.0	8.2	7.5
Capital expenditure	11.2	37.0	66.0	26.8	56.4
Depreciation & amortization	12.4	26.0	59.0	25.2	53.0
R&D expenditure	15.6	36.5	75.0	32.3	65.8

[Yen]

FOREX	USD	107.69	105.00	109.86	107.55
	Euro	135.57	133.00	133.32	135.19

# Forecasts 1H and full year Mar/06 -Segment



[Billions of yen]

<b>Net sales</b>	Mar06			Mar05 - Actual	
	1Q Actual	1H Plan	Full year Plan	1H	Full year
Business Technologies	137.2	290.0	620.0	281.4	564.8
Optics	24.7	52.0	120.0	44.0	91.7
Photo Imaging	48.2	115.0	230.0	142.8	268.5
Medical & Graphic	30.7	66.0	140.0	60.9	129.9
Sensing	1.2	3.0	6.0	2.6	5.3
Holdings, others	1.9	4.0	14.0	3.4	7.2
<b>Total</b>	<b>244.0</b>	<b>530.0</b>	<b>1,130.0</b>	<b>535.1</b>	<b>1,067.4</b>

<b>Operating income</b>	Mar06			Mar05 - Actual	
	1Q Actual	1H Plan	Full year Plan	1H	Full year
Business Technologies	14.3	29.0	71.0	26.7	55.8
Optics	3.6	8.0	21.0	7.2	16.0
Photo Imaging	-0.7	-3.0	-4.0	-4.0	-8.7
Medical & Graphic	1.9	4.0	9.0	4.3	6.7
Sensing	0.3	1.0	2.0	0.9	1.6
Holdings, others	-1.3	-5.0	-9.0	-2.6	-3.9
<b>Total</b>	<b>18.2</b>	<b>34.0</b>	<b>90.0</b>	<b>32.5</b>	<b>67.6</b>

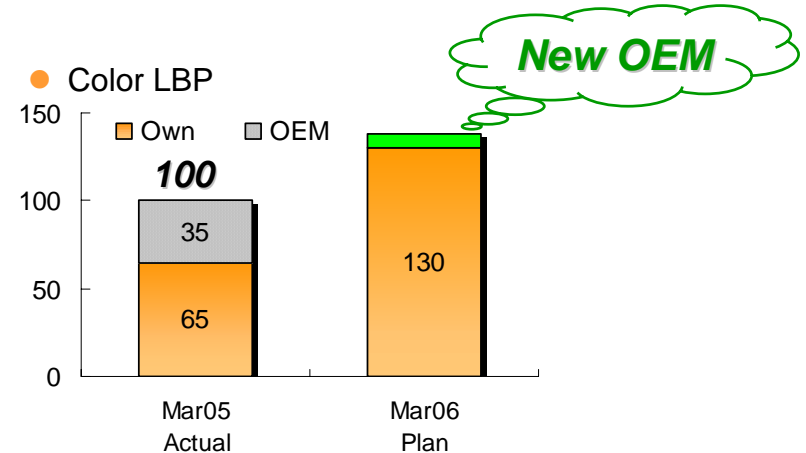
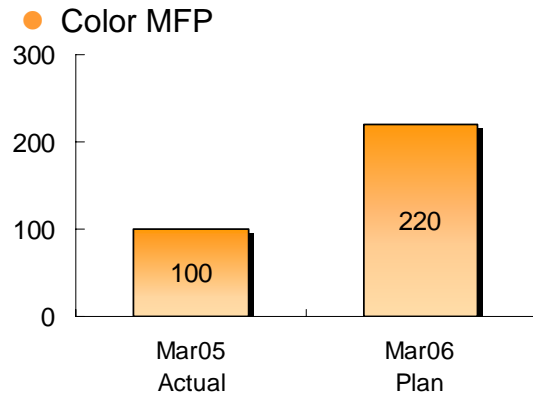


# Growth initiatives – Business Technologies

## Increase revenues and profits with enhanced new MFP lineup and cost-cutting

- ◆ MFP:
  - ✓ Enhance profitability by introducing new products
    - ✓ Launch new color MFPs → “bizhub C351” (35 ppm) and “bizhub C250” (25ppm).
    - ✓ Color MFP unit sales target for Mar06 → More than double of Mar05
  - ✓ Increase polymerized toner production. Accelerate cost-cutting by starting production at Wuxi Plant.
- ◆ LBP:
  - ✓ Enhance product lineup by introducing new products
  - ✓ Expand own brand color LBP sales
  - ✓ Acquire new OEM customers

### ■ Unit sales (1Q/Mar05 as 100)



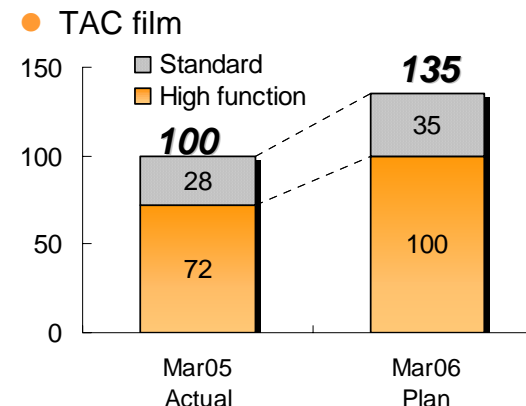
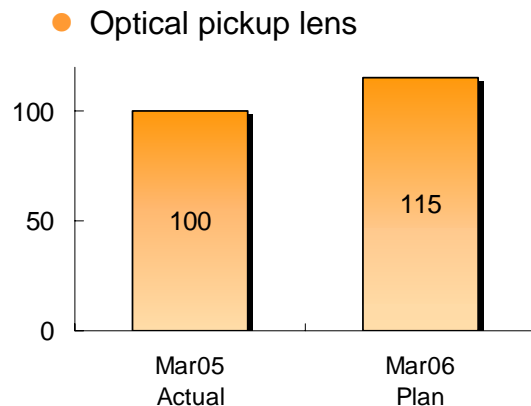


# Growth initiatives - Optics

## *Increase revenues and profits focusing on TAC film and lens units*

- ◆ Optical pickup lens:
  - ✓ Plant to start commercial production of next generation DVD in 3Q
- ◆ TAC film:
  - ✓ The 3<sup>rd</sup> production line will start manufacturing in full swing in 3Q. (Monthly production capacity will increase 50%.)
- ◆ Micro camera/lens units:
  - ✓ Increase unit sales of sophisticated models as mobile phone manufacturers widen their high-functioning product lineup.

### ■ Unit sales (1Q/Mar05 as 100)

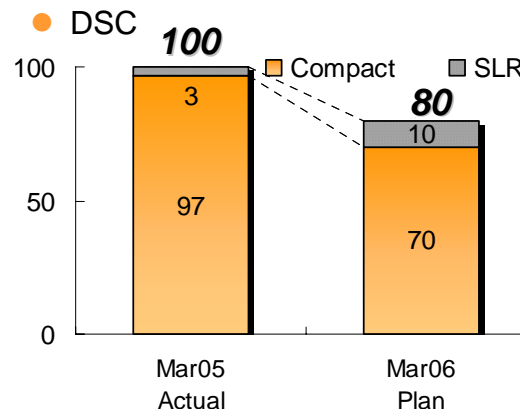
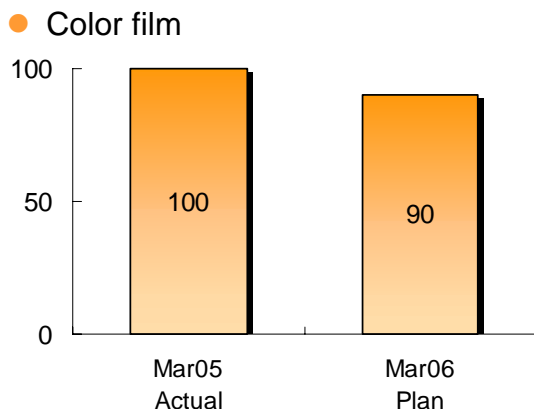


# Growth initiatives – Photo Imaging

## *Accelerate restructuring and reduce operating deficit by scaling back business size*

- ◆ Photo:
  - ✓ Eliminate non-profitable business units and trades in the trend of shrinking markets.
  - ✓ Digital minilabs → Strengthen sales by introducing new products.
  
- ◆ Camera:
  - ✓ DSC → Concentrate on SLR and high-value-added compact models.
  - ✓ Business alliances to accelerate R&D speed and generate synergy effects.

### ■ Unit sales (1Q/Mar05 as 100)

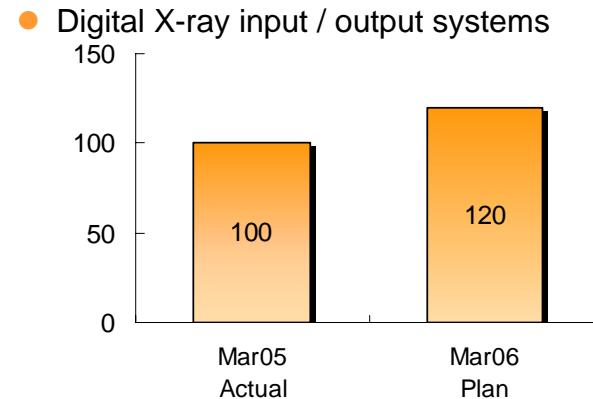
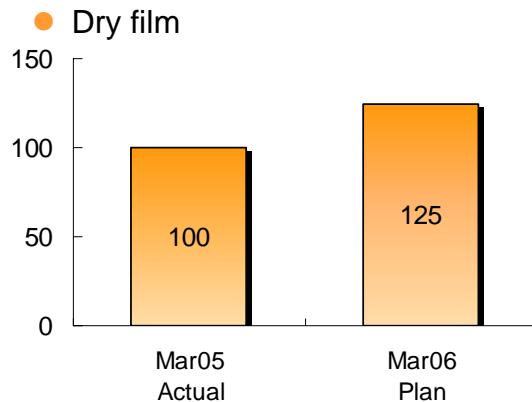


## ■ Medical and Graphic

### *Expand hardware business and promote cost reduction to enhance earnings*

- ◆ Medical: Expand digital input/output systems and dry film businesses.  
Promote sales of PCM system, digital X-ray mammography for breast cancer.
- ◆ Graphic: Strengthen digital printing and color proofing systems business

## ■ Unit sales (1Q/Mar05 as 100)



## ■ Sensing

### *Strengthen 3-D digitizer business concentrating on industrial-use measurement markets*



# Large size investments



		Location	Purpose	Start of operation	Annual production capacity	Investment amount
<b><i>Business Technologies</i></b>						
<i>Enhancement</i>	Kofu Plant	Japan	Polymerized toner	Nov 2005	Add 3,000 tons Total 8,000 tons	3 billion yen
<i>New facility</i>	Tatsuno Plant	Japan	Polymerized toner	Dec 2006	7,000 tons	7.5 billion yen
<i>New facility</i>	Wuxi Plant	China	Assembly	Dec 2005	500K units (FY Mar08)	8 billion yen
<b><i>Optics</i></b>						
<i>New facility</i>	3rd production line	Japan	TAC film	Oct 2005	30,000K sq.m	8 billion yen
<i>New facility</i>	4th production line	Japan	TAC film	Oct 2006	30,000K sq.m	10 billion yen

# SG&A analysis

	[Billions of yen]		
	1Q / Mar06	1Q / Mar05	Y-O-Y
<b>SG&amp;A total</b>	98.9	99.8	-0.8
Sales promotion	18.8	21.1	-2.3
Salaries and wages	40.0	39.8	0.2
R&D	15.6	15.8	-0.2
Other	24.4	23.0	1.4

FOREX impact to SG&A: 0.2 billion yen  
 (Y-O-Y actual: -1.0 billion yen)

# Non-operating income / expenses

	[Billions of yen]		
	1Q / Mar06	1Q / Mar05	Y-O-Y
<b>Non-operating income/expenses</b>	-0.4	0.2	-0.6
Interest and dividend income	0.5	0.4	0.1
Foreign exchange gain	0.0	0.2	-0.2
Other	1.8	2.6	-0.8
<b>Non-operating income</b>	2.3	3.2	-0.9
Interest expenses	1.4	1.5	-0.0
Other	1.3	1.6	-0.3
<b>Non-operating expenses</b>	2.7	3.0	-0.3

## Extraordinary profits / losses

	[Billions of yen]		
	1Q / Mar06	1Q / Mar05	Y-O-Y
Extraordinary profits/losses	-4.3	-1.0	-3.3
Extrarodinary profits	0.0	0.0	-0.0
Loss on tangible assets due to impairm	3.9		
Photo Imaging restructuring expenses	0.4		
Extraordinary losses	4.3	1.0	3.3

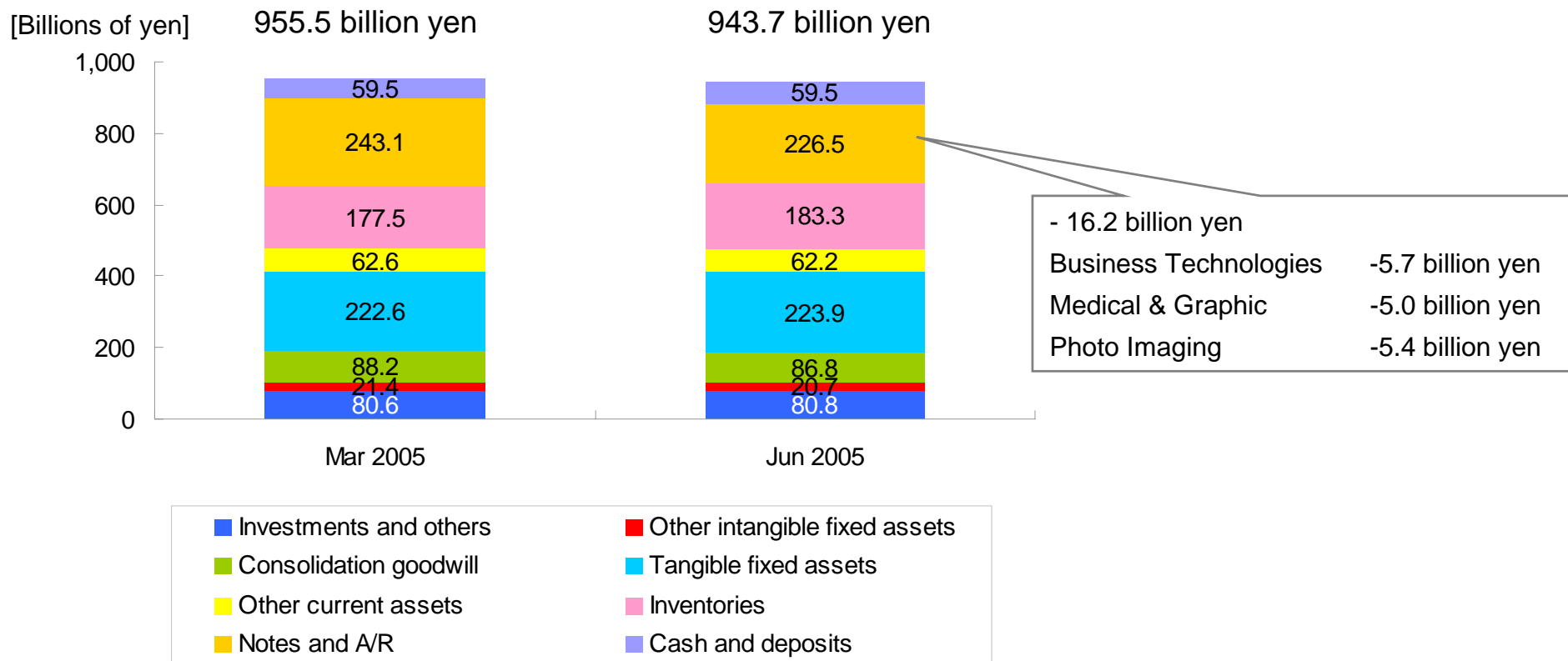
### Loss on tangible assets due to impairment - details

	1Q / Mar06	
	Actual	[Billions of yen]
Manufacturing facilities related to photo paper	3.4	
Other (company housing and dormitories)	0.5	

# B/S - Assets

Change: -11.8 billion yen  
 [FOREX impact: 2.3 billion yen]

Forex: B/S	Mar 05	Jun 05	Change [Yen]
US\$	107.39	110.62	+ 3.23
Euro	138.87	133.63	- 5.24

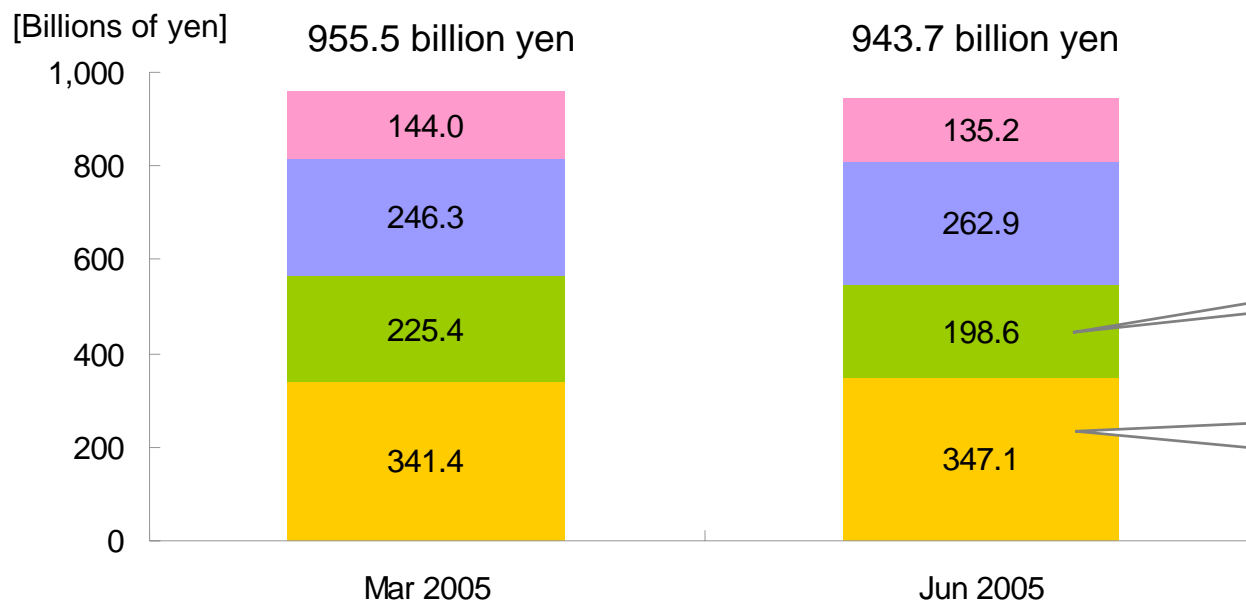


# B/S – Liabilities and shareholders' equity



Change: -11.8 billion yen  
 [FOREX impact: 2.3 billion yen]

Forex: B/S	Mar 05	Jun 05	Change [Yen]
US\$	107.39	110.62	+ 3.23
Euro	138.87	133.63	- 5.24



Accrued income taxes: - 18.0 billion yen  
 Accrued expenses: - 15.1 billion yen

Equity ratio: Mar/05 35.6% Jun/05 36.6%

- Minority Interests and shareholders' equity
- Interest bearing debts
- Other current liabilities
- Notes and A/P

# Cash flows

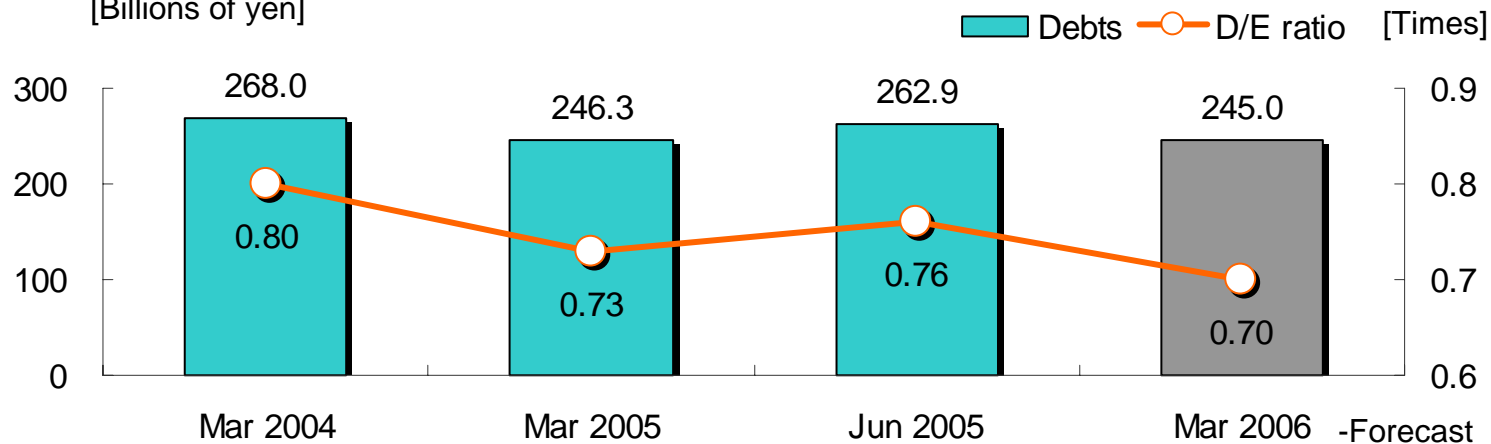


	[Billions of yen]		
	1Q / Mar06	1Q / Mar05	Y-O-Y
Income before income taxes	13.5	16.1	-2.6
Depreciation and amortization	12.4	12.0	0.4
Increase (decrease) of working capital	-29.5	-33.6	4.0
I. Net cash from operating activities	-3.6	-5.4	1.8
II. Net cash used in by investment activities	-12.0	-15.2	3.2
I.+ II. Free cash flow	-15.6	-20.6	5.0
Increase (decrease) in debts and bonds	17.9	15.0	2.9
Dividends paid	-2.7	-2.5	-0.1
Other	-0.0	-0.0	0.0
III. Net cash used in by financing activities	15.2	12.4	2.8

# Interest-bearing debts and inventories

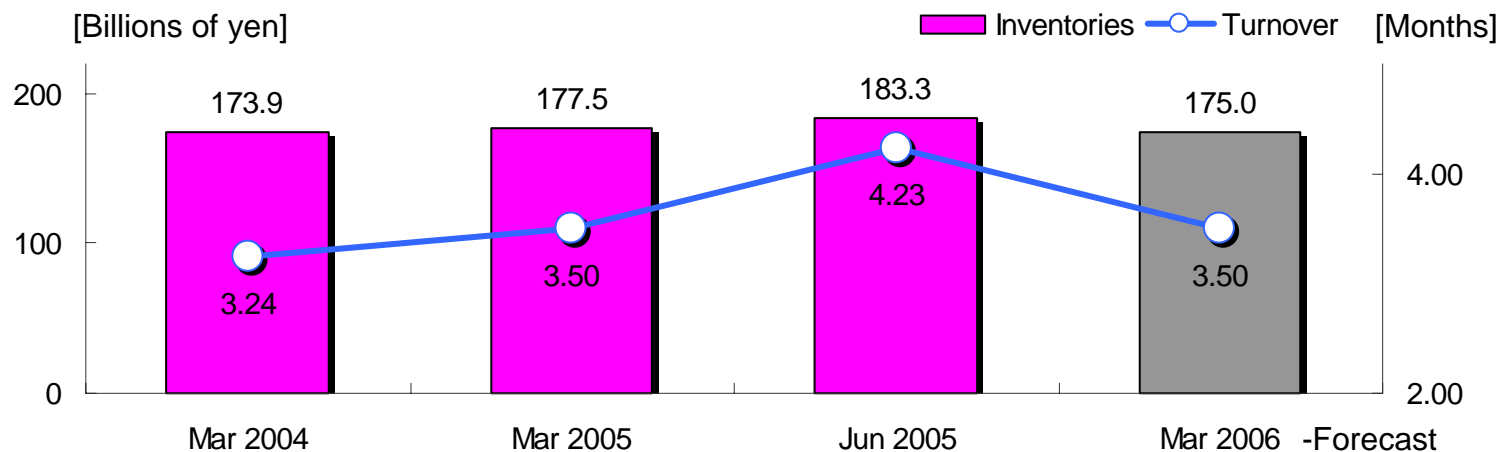
## Interest-bearing debts

[Billions of yen]



## Inventories and inventory turnover

[Billions of yen]



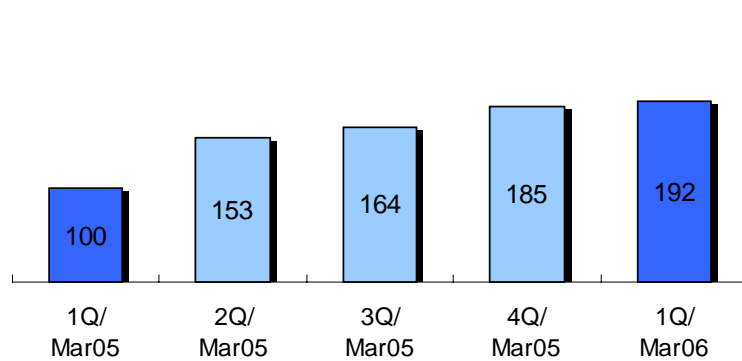
*Inventory turnover (months) = Average inventories / Cost of sales per month*



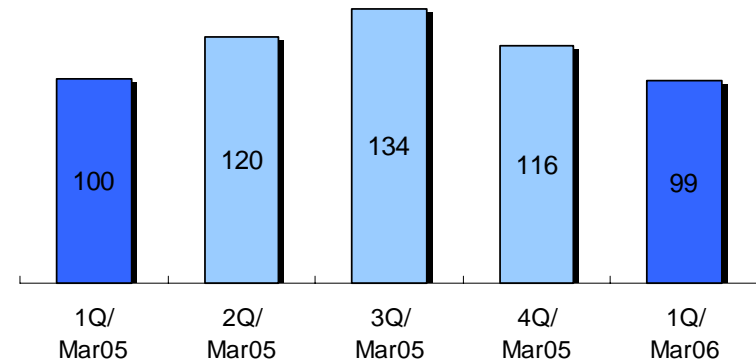
# Trend of unit sales #1 – Business Technologies

\* 1Q / Mar05 as 100

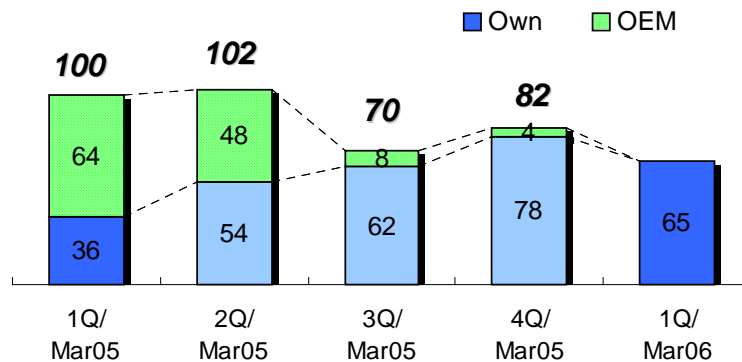
## ■ Color MFP



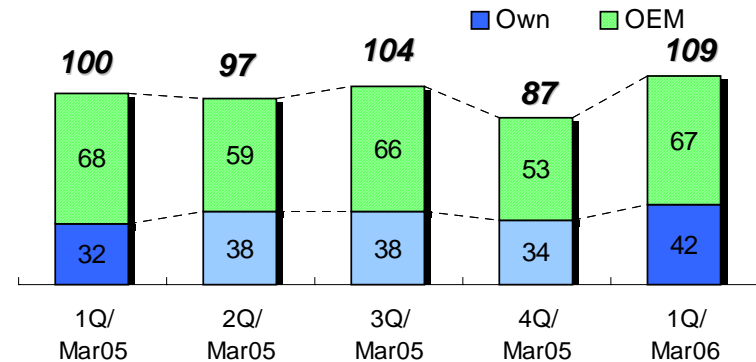
## ■ B/W MFP



## ■ Color LBP



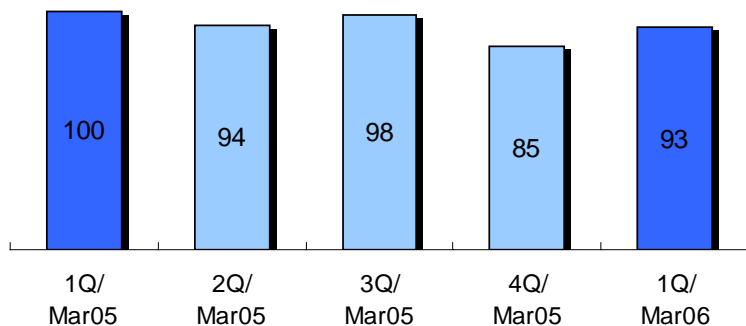
## ■ B/W LBP



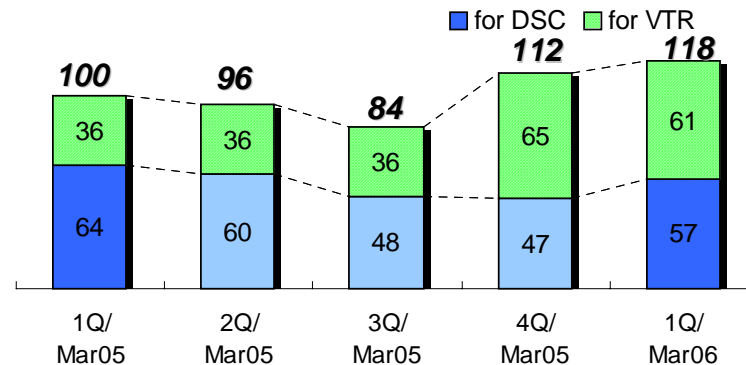


# Trend of unit sales #2 - Optics

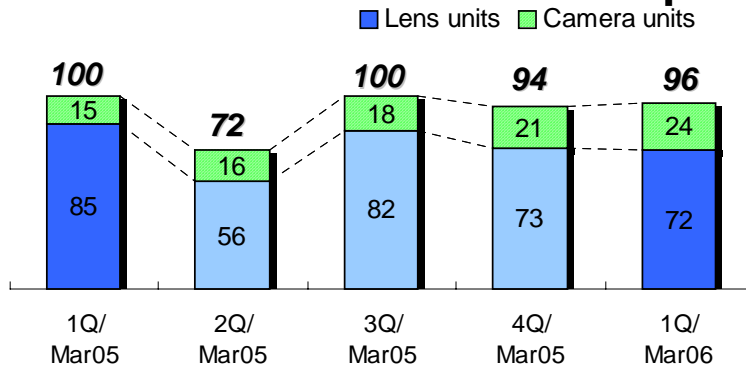
## Optical pickup lens



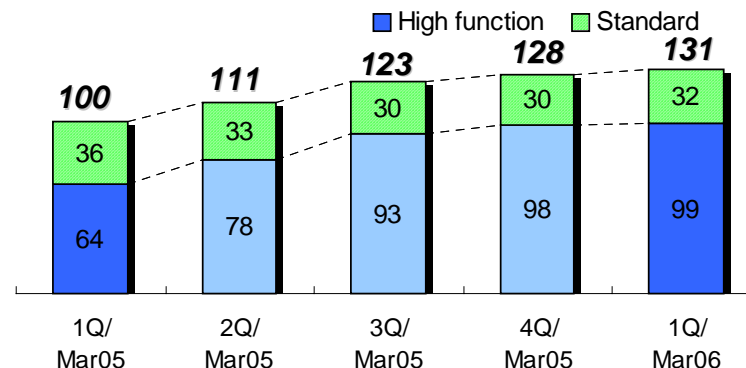
## Lens unit for DSC



## Lens/camera unit for mobile phones

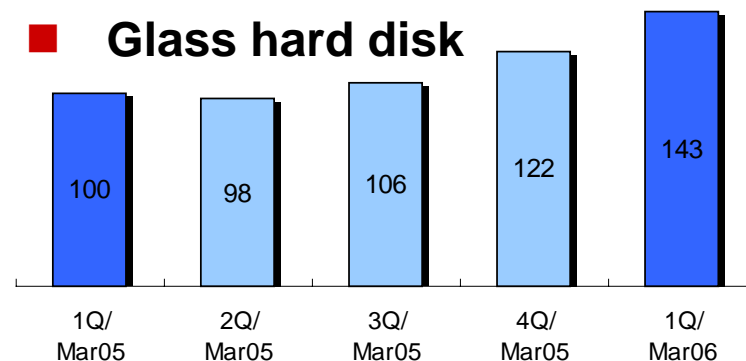


## TAC film



\* 1Q / Mar05 as 100

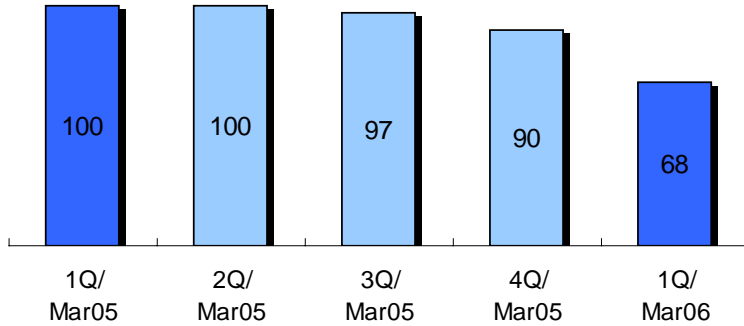
## Glass hard disk



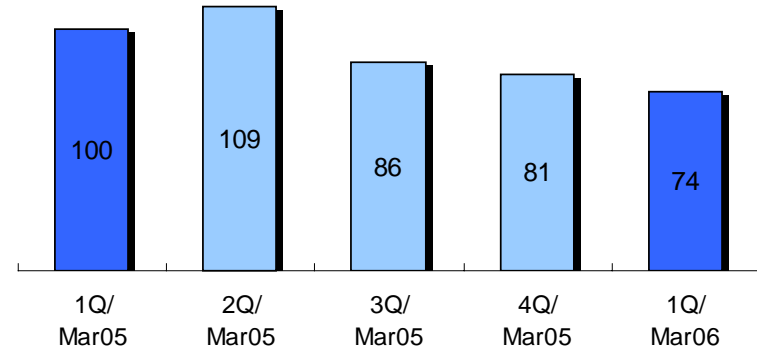


# Trend of unit sales volume #3 – Photo Imaging

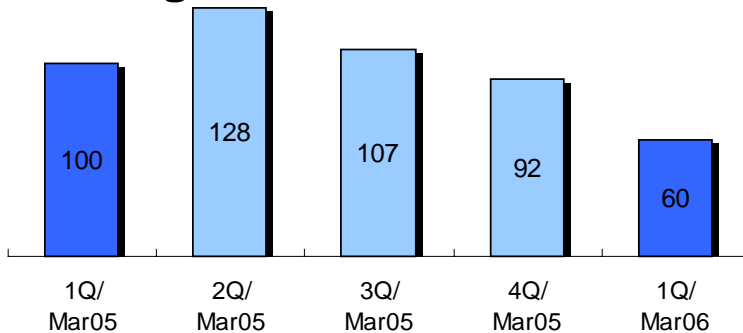
## ■ Color film



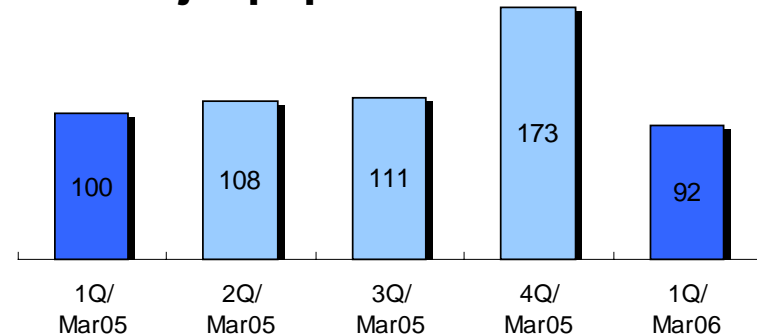
## ■ Color photo papaer



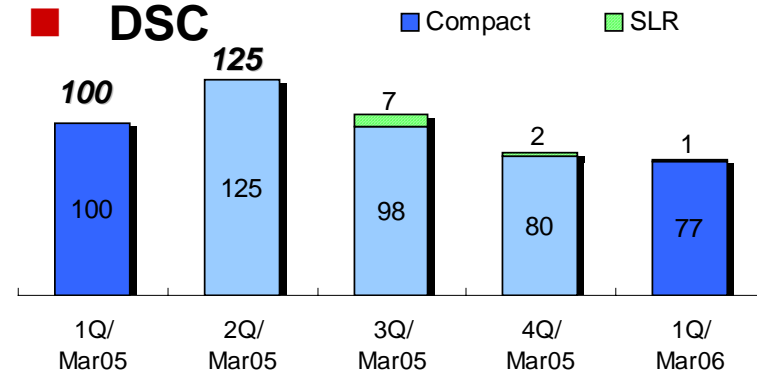
## ■ Digital minilab



## ■ Inkjet paper



## ■ DSC



\* 1Q / Mar05 as 100