



KONICA MINOLTA

# Konica Minolta Group Financial Results 3<sup>rd</sup> Quarter FY ending March 2006

February 1, 2006  
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 100 million.*



# Overview

## ■ Withdrawal from Photo Imaging business

- Cameras

Transfer technologies and a portion of assets regarding digital SLR system to Sony. Other camera business will cease operation by the end of March 2006.

- Color film and photo paper

Cease operation by the end of September 2007.

- Minilabs

Cease operation by the end of March 2006.

- Personnel

Reduce 3,700 employees by the end of September 2007.

## ■ 3Q results (3 months from Oct. 2005 to Dec. 2005)

|                  |                |                           |
|------------------|----------------|---------------------------|
| Net sales        | ➔ Up 5% Y-O-Y  | <<< <i>Goals achieved</i> |
| Operating income | ➔ Up 44% Y-O-Y |                           |

- Color MFP unit sales --- Brisk
- TAC film unit sales --- Increased
- Medical systems unit sales --- Increased
- Positive effects of yen depreciation



KONICA MINOLTA

# PART 1

## Withdrawal Plan of Photo Imaging Business

Fumio Iwai  
President and CEO

# Photo Imaging business as Konica Minolta's origin



KONICA MINOLTA

## Konica

- 1873 Foundation of Konishiya Rokubeiten, beginning to sell photographic and lithographic materials

- 1903 Released the first made-in-Japan photo paper
- 1941 Released the first made-in-Japan color film "Sakura Natural Color Film"
- 1977 Released the world's first 35mm compact autofocus camera "C35AF"
- 1984 Released the world's first compact washless photofinishing minilab

## Minolta

- 1928 Foundation of Niichi-Doku Shashinki Shoten (Japan-Germany photo company), launching production of cameras in Japan

- 1937 Released the first made-in-Japan double-lens reflex camera "Minolta Flex"
- 1962 The Minolta Hi-Matic camera is used by astronauts on board the Friendship 7, the first manned US spacecraft to orbit the earth
- 1985 Released the world's first SLR camera with autofocus function "7000"

2004 Established Konica Minolta Photo Imaging, Inc. by integrating camera and photo businesses

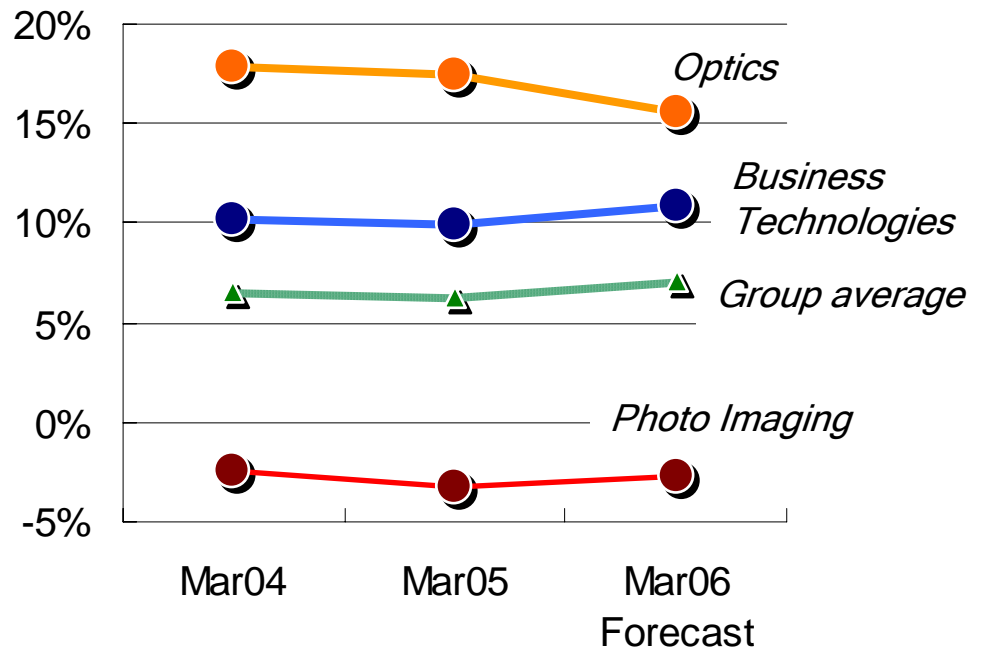
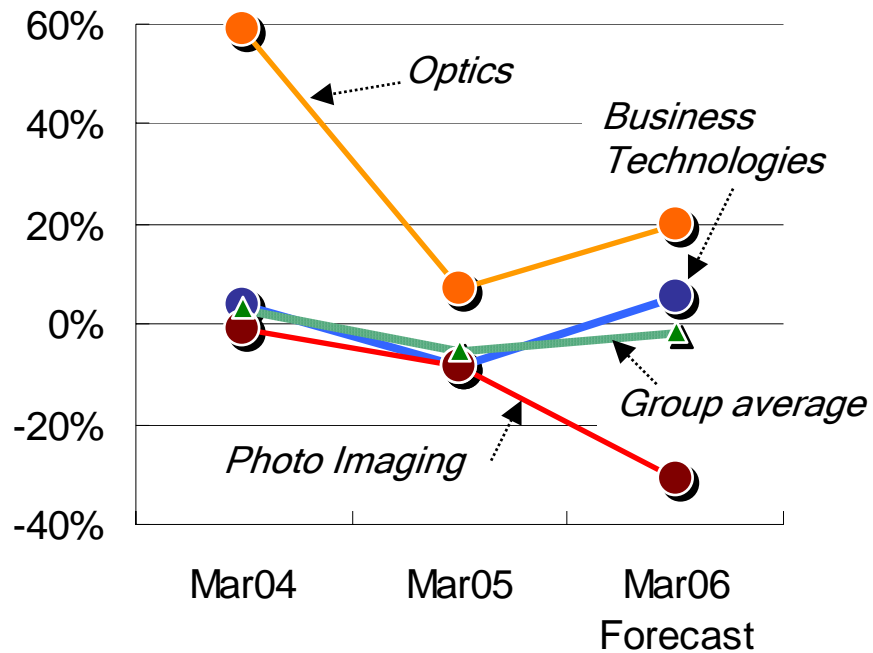
[ Cumulative production volume since the foundation of original companies ]  
Color film: Approx. 8 billion rolls      SLR cameras: Approx. 30 million units

# Widening earnings strength gap in the Group

■ Net sales growth ratio

■ Operating income ratio

Photo Imaging's downward trend in revenues is consistent, and no sign of recovery from operating loss has been seen since the integration.



# Withdrawal from camera and photo businesses as the Company's decision



KONICA MINOLTA

The Company has determined that it will be difficult to continue the business at a profit on an ongoing basis with the implementation of the restructuring measures such as downsizing or optimizing business size.

## *Camera*

- Digital SLR cameras  
Transfer a portion of assets and technologies related to digital SLR to Sony Corporation
- Compact digital cameras and film cameras  
Withdraw from camera business by the end of March 2006

## *Photo*

- Color film and photo paper  
Withdraw from photo sales activities by the end of September 2007
- Minilabs  
Withdraw from minilab business by the end of March 2006

# Avoiding inconvenience to customers



KONICA MINOLTA

## *Camera*

- **Maxxum/Dynax lens mount system**  
Sony will plan to develop digital SLR cameras compatible with Maxxum/Dynax lens mount system.
- **Service operation**  
Sony will succeed camera service operation for Konica Minolta, Konica and Minolta brand cameras and related equipment.

## *Photo*

- **Color film and color photo paper**  
Konica Minolta will step-by-step reduce product lineup considering customer needs.
- **Minilabs**  
Noritsu Koki, and etc. will succeed service and maintenance operation for Konica Minolta after ceasing
- **Sales organization**  
Konica Minolta will step-by-step reorganize sales offices considering customers and regional situations.



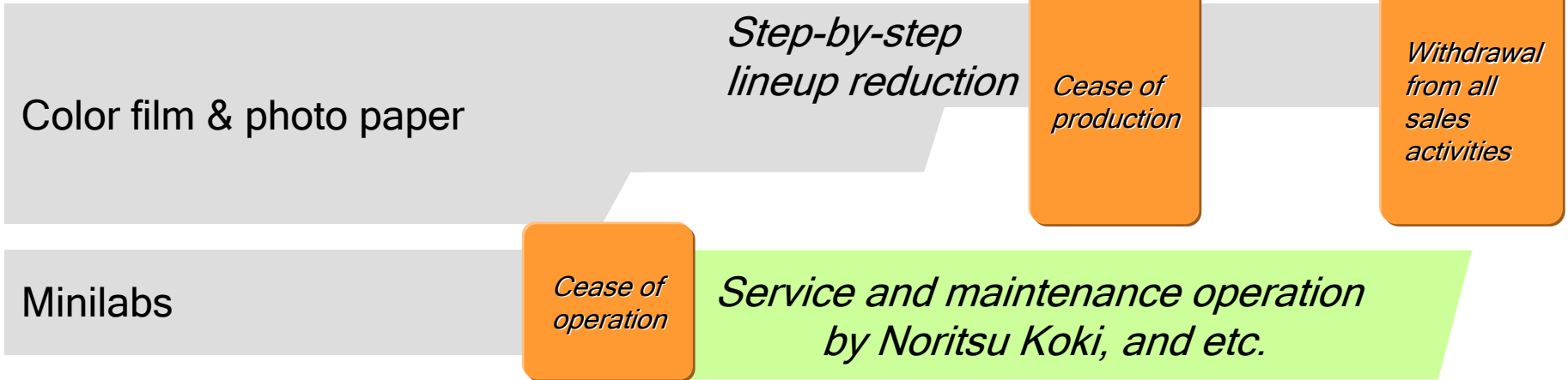
# Time schedule

2H / Mar06    1H / Mar07    2H / Mar07    1H / Mar08

## ● *Camera*



## ● *Photo*



# Breakdown of costs

## *Production*

- Reorganization of production sites
  - Impairment of production facilities
- 27 billion yen

## *Sales*

- Reorganization of sales locations
  - Various expenses in relation to ceasing operation
- 45 billion yen

## *Personnel*

- Staff reduction
- 18 billion yen
- Reduce worldwide Konica Minolta Group employees by 3,700 by the end of September 2007 including early retirement offering.  
(Early retirement offering: 500 employees from Group's holding company, five business companies and two common function companies.)

## TOTAL

90 billion yen

→ Total costs will be posted collectively for FY ending March 2006, which have been factored into the performance forecasts.

# Group management policy: Implementation of through portfolio management

- Rapid response to changes in the business environment

- Further “selection and concentration” of businesses



## Effective use of management resources in Photo Imaging business

- Strengthening Business Technologies, Optics, and medical systems businesses
- Developing new businesses in the fields of displays, life science, and industrial inkjet systems



***Maximization of the Corporate Value of the Group***



# **PART 2**

## **3<sup>rd</sup> Quarter Financial Results**

### **3 months from September 1, 2005 to December 31, 2005**

Masanori Hondo  
Senior Executive Officer

# Consolidated results



KONICA MINOLTA

|                       |      | [a]                  | [b]                  | [a] / [b]  | [Ref.]             | [Billions of yen]          |
|-----------------------|------|----------------------|----------------------|------------|--------------------|----------------------------|
|                       |      | 3Q / Mar06<br>Actual | 3Q / Mar05<br>Actual | Y-O-Y<br>% | 3Q / Mar06<br>Plan | [a] / [c]<br>vs. Plan<br>% |
| Net sales             |      | 275.4                | 263.4                | 105%       | 273.0              | 101%                       |
| Gross income          |      | 129.4                | 119.6                | 108%       | ---                | ---                        |
| Operating income      |      | 26.6                 | 18.5                 | 144%       | 20.0               | 133%                       |
| Ordinary income       |      | 29.1                 | 15.8                 | 184%       | 17.0               | 171%                       |
| Net income before tax |      | 29.1                 | 15.5                 | 188%       | 15.0               | 194%                       |
| Net income            |      | 17.4                 | 8.3                  | 211%       | 7.0                | 249%                       |
| EPS [Yen]             |      | 32.83                | 15.58                | 211%       |                    |                            |
| ROE [Full year, %]    |      | 19.3                 | 9.6                  | ---        |                    |                            |
| CAPEX                 |      | 18.0                 | 10.1                 | 178%       | ---                | ---                        |
| Depreciation          |      | 12.4                 | 12.7                 | 98%        | ---                | ---                        |
| R&D                   |      | 16.2                 | 15.8                 | 103%       | ---                | ---                        |
| [Yen]                 |      |                      |                      | Change     |                    | Change                     |
| FOREX [P/L]           | USD  | 117.35               | 105.96               | 11.39      | 105.00             | 12.35                      |
|                       | Euro | 139.44               | 137.16               | 2.28       | 133.00             | 6.44                       |



# Consolidated results - Segment

## Net sales

[Billions of yen]

|                      | [a]          | [b]          | [a] / [b]   | [c]          | [a] / [c]   |
|----------------------|--------------|--------------|-------------|--------------|-------------|
|                      | 3Q / Mar06   | 3Q / Mar05   | Y-O-Y       | 3Q / Mar06   | vs. Plan    |
|                      | Actual       | Actual       | %           | Plan         | %           |
| BusinessTechnologies | 156.9        | 135.6        | 116%        | 154.5        | 102%        |
| Optics               | 29.5         | 22.5         | 131%        | 28.5         | 103%        |
| Photo Imaging        | 50.4         | *73.1        | 69%         | 49.0         | 103%        |
| Medical & Graphic    | 35.3         | 29.1         | 121%        | 37.5         | 94%         |
| Sensing              | 1.2          | 1.1          | 112%        | 1.3          | 91%         |
| Other                | 2.2          | 2.1          | ---         | 2.2          | ---         |
| <b>Total</b>         | <b>275.4</b> | <b>263.4</b> | <b>105%</b> | <b>273.0</b> | <b>101%</b> |

## Operating income

[Billions of yen]

|                      | [a]         | [b]         | [a] / [b]   | [c]         | [a] / [c]   |
|----------------------|-------------|-------------|-------------|-------------|-------------|
|                      | 3Q / Mar06  | 3Q / Mar05  | Y-O-Y       | 3Q / Mar06  | vs. Plan    |
|                      | Actual      | Actual      | %           | Plan        | %           |
| BusinessTechnologies | 17.7        | 12.0        | 148%        | 17.0        | 104%        |
| Optics               | 5.1         | 4.0         | 129%        | 4.0         | 128%        |
| Photo Imaging        | 1.5         | 1.4         | 111%        | -1.2        | ---         |
| Medical & Graphic    | 3.3         | 1.1         | 291%        | 2.4         | 137%        |
| Sensing              | 0.3         | 0.2         | 140%        | 0.3         | 88%         |
| Other                | -1.2        | -0.1        | ---         | -2.5        | ---         |
| <b>Total</b>         | <b>26.6</b> | <b>18.5</b> | <b>144%</b> | <b>20.0</b> | <b>133%</b> |

\*Amount includes 2.3 billion yen due to subsidiaries' accounting term change.

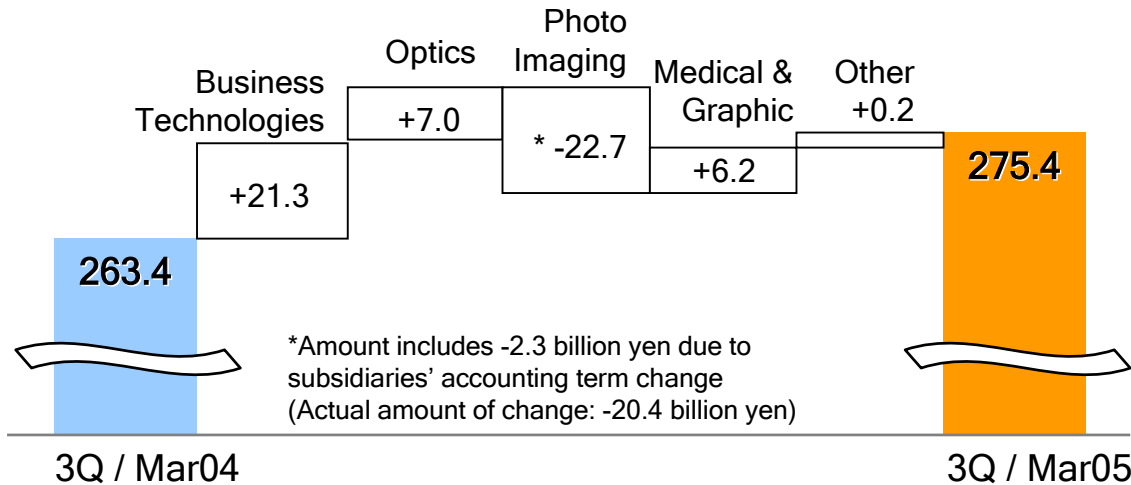
# Transition in net sales and operating income -- Y-O-Y



KONICA MINOLTA

## Net sales

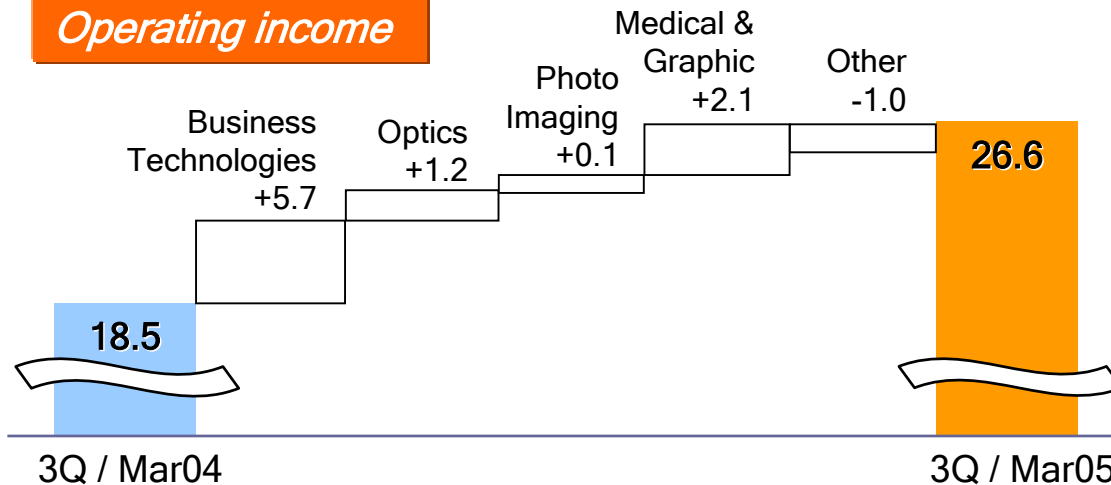
[billions of yen]



- Net sales +12 billion yen, Y-O-Y
- Photo Imaging - Net sales significantly dropped due to scale-down of business.
- Other businesses - Net sales increased, compensating Photo Imaging's negative factor.

## Operating income

[billions of yen]



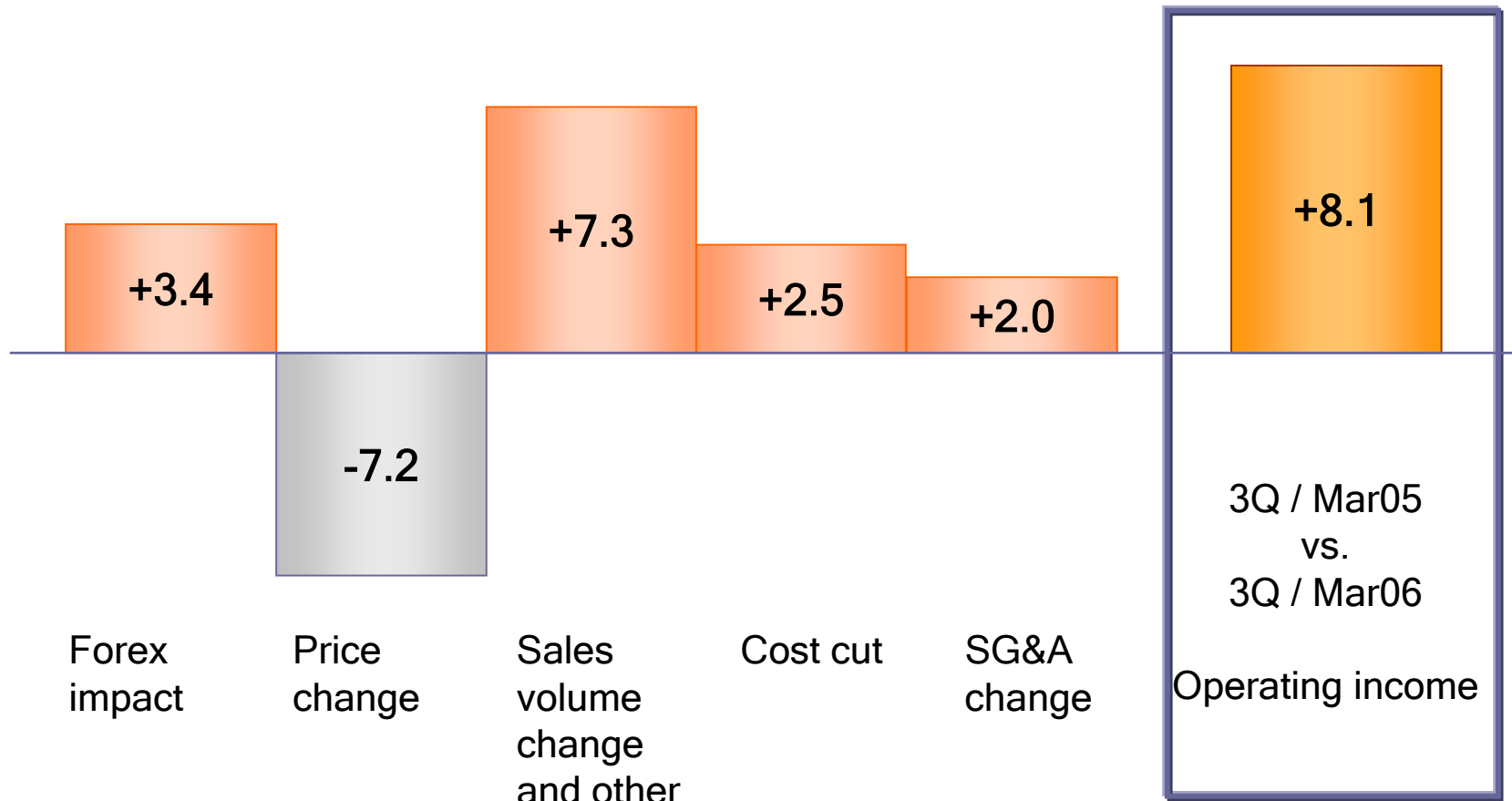
- Operating income +8.1 billion yen, Y-O-Y
- Profits increased in all businesses Y-O-Y.

# Operating income analysis



KONICA MINOLTA

[billions of yen]



← Excluding forex →



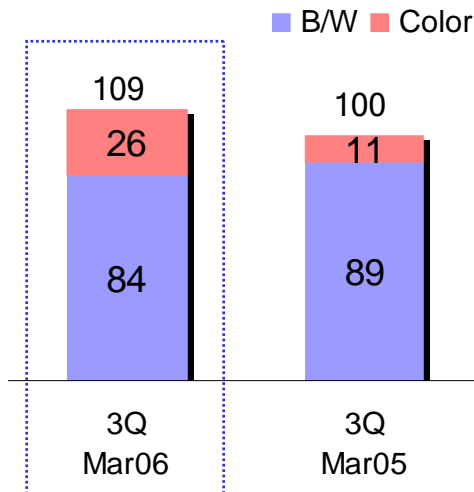
# Business Technologies



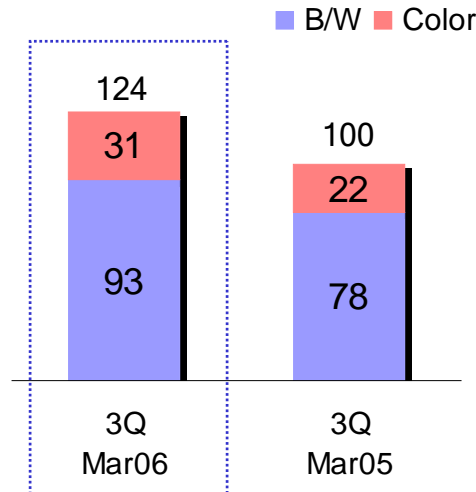
KONICA MINOLTA

|            | 3Q<br>Mar06 | 3Q<br>Mar05 | Y-O-Y<br>% | [billions of yen]<br>3Q/Mar06<br>Plan | vs. Plan<br>% |
|------------|-------------|-------------|------------|---------------------------------------|---------------|
| Net sales  | 156.9       | 135.6       | 116%       | 154.5                                 | 102%          |
| Op. income | 17.7        | 12.0        | 148%       | 17.0                                  | 104%          |

## MFP unit sales



## LBP unit sales



\*Amount of 3Q / Mar05 as 100

## MFP

Net sales → UP

Op. income → UP

- Total unit sales (B/W & color): Up 9% Y-O-Y
- Color and new products: Strong sales 2.3 times more Y-O-Y (unit base)
- Color products sales ratio:  
Seg. 2 and above: 22% → 39%  
(All segments: 11% → 24%)
- High-speed MFP for production printing: Strong sales. Up 51% Y-O-Y (unit base)

## LBP

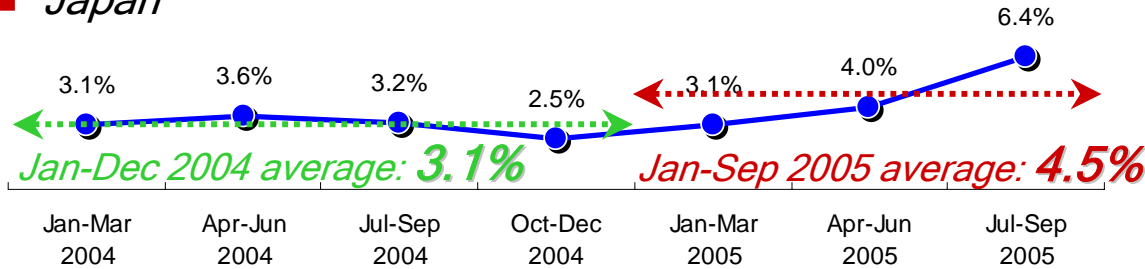
Net sales → EDGING UP

Op. income → UP, recovered from operating loss

- Total unit sales (B/W & color): Up 24% Y-O-Y
- Color and high-speed models: Up 40% Y-O-Y unit base due to strong sales and new OEM business

# [Ref.] Color MFP market share - Seg. 2 and above

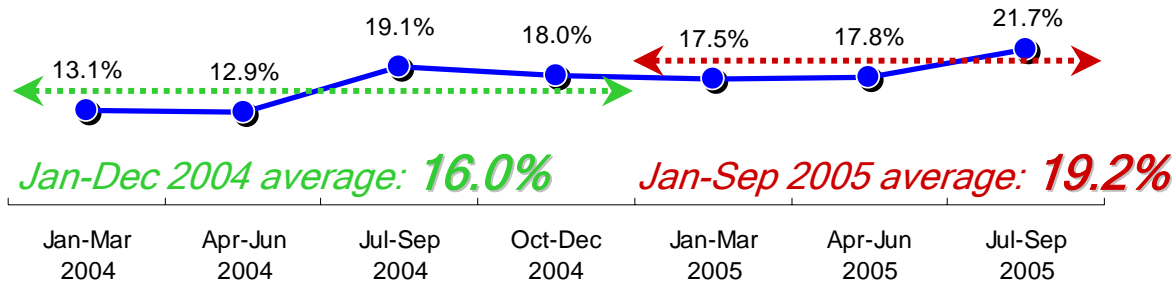
## Japan



## Japan

- Launching new products with fax function starting Jan. 2005.
- Increasing market share ever since.

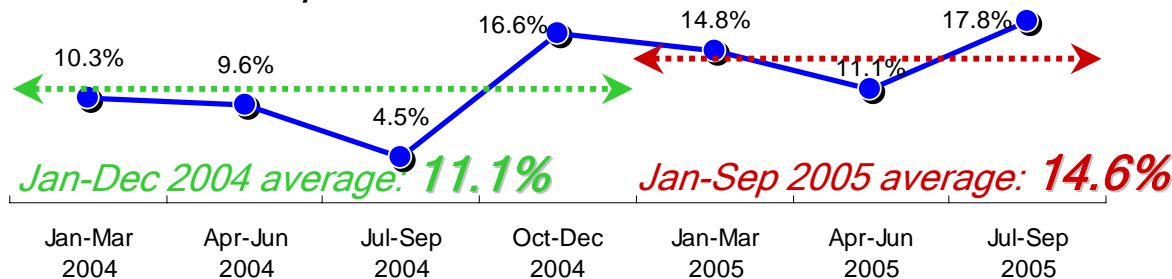
## North America



## North America and Western Europe

- Increasing market share due to new products

## Western Europe



\* Source: Dataquest

# Optics



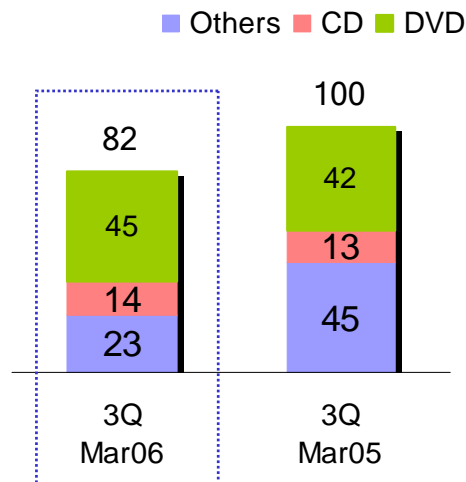
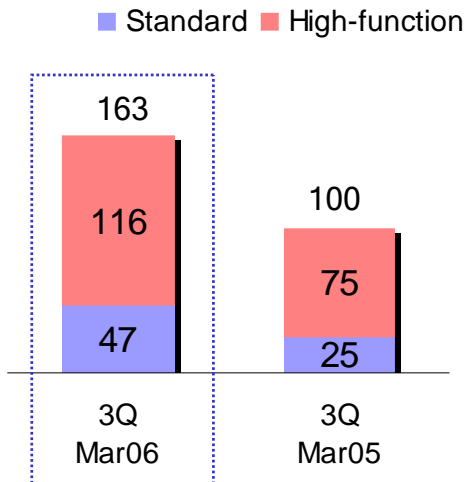
KONICA MINOLTA

|            | 3Q<br>Mar06 | 3Q<br>Mar05 | Y-O-Y<br>% | 3Q/Mar06<br>Plan | vs. Plan<br>% |
|------------|-------------|-------------|------------|------------------|---------------|
| Net sales  | 29.5        | 22.5        | 131%       | 28.5             | 103%          |
| Op. income | 5.1         | 4.0         | 129%       | 4.0              | 128%          |

[billions of yen]

## TAC film unit sales

## Optical pickup lens unit sales



\*Amount of 1H Mar05 as 100

## TAC film

Net sales → UP

Op. income → UP

- Strong sales in high-function products due to enhanced production capacity by starting 3<sup>rd</sup> production line.

→ Up 63% Y-O-Y (unit base)

## Optical pickup lens

Net sales → DOWN

Op. income → DOWN

- CD/DVD pickup lens sales maintained the the same level Y-O-Y. Collimate lens sales decreased significantly.

→ Down 18% Y-O-Y (unit base)

## Glass substrates for HD

Net sales → UP

Op. income → UP

- Increasing demand in items for the use of PCs and portable digital audio equipment.

→ Up 71% Y-O-Y (unit base)

## Lens/camera units for mobile phones and Lens units for digital cameras

Net sales → UP

Op. income → FLAT

# Photo Imaging, Medical & Graphic Imaging, and Sensing



KONICA MINOLTA

## Photo Imaging

[billions of yen]

|            | 3Q<br>Mar06 | 3Q<br>Mar05 | Y-O-Y<br>% | 3Q/Mar06<br>Plan | vs. Plan<br>% |
|------------|-------------|-------------|------------|------------------|---------------|
| Net sales  | 50.4        | 73.1        | 69%        | 49.0             | 103%          |
| Op. income | 1.5         | 1.4         | 111%       | -1.2             | ---           |

*\*Amount includes 2.3 billion yen of adjustment due to subsidiaries financial term change.*

- Photo: Net sales → DOWN  
Op. income → In Black
- ✓ Significant drop in sales due to sharp decline in demand and elimination of unprofitable businesses.
- Camera: Net sales → DOWN  
Op. income → In Black
- ✓ Strong sales in high-end products such as digital SLR

## Medical & Graphic Imaging

[billions of yen]

|            | 3Q<br>Mar06 | 3Q<br>Mar05 | Y-O-Y<br>% | 3Q/Mar06<br>Plan | vs. Plan<br>% |
|------------|-------------|-------------|------------|------------------|---------------|
| Net sales  | 35.3        | 29.1        | 121%       | 37.5             | 94%           |
| Op. income | 3.3         | 1.1         | 291%       | 2.4              | 137%          |

- Medical: Net sales → UP  
Op. income → UP
- ✓ Strong sales in digital input/output systems and dry film
- Graphic: Net sales → Flat  
Op. income → Flat
- ✓ Solid sales overseas in film and digital equipment.

## Sensing

[billions of yen]

|            | 3Q<br>Mar06 | 3Q<br>Mar05 | Y-O-Y<br>% | 3Q/Mar06<br>Plan | vs. Plan<br>% |
|------------|-------------|-------------|------------|------------------|---------------|
| Net sales  | 1.2         | 1.1         | 112%       | 1.3              | 91%           |
| Op. income | 0.3         | 0.2         | 140%       | 0.3              | 88%           |

- Net sales → Flat  
Op. income → Flat
- ✓ Solid sales in color measurement and 3D digitizers.

# SG&A

[Billions of yen]

|                       | 3Q / Mar06   | 3Q / Mar05   | Y-O-Y      |
|-----------------------|--------------|--------------|------------|
| <b>SG&amp;A total</b> | <b>102.7</b> | <b>101.1</b> | <b>1.7</b> |
| Sales expenses        | 19.0         | 21.5         | -2.5       |
| Salaries and wages    | 40.4         | 39.3         | 1.1        |
| R&D                   | 16.2         | 15.8         | 0.4        |
| Other                 | 27.1         | 24.4         | 2.7        |

Forex impact: +2.7 billion yen (Actual -1.0 billion yen)

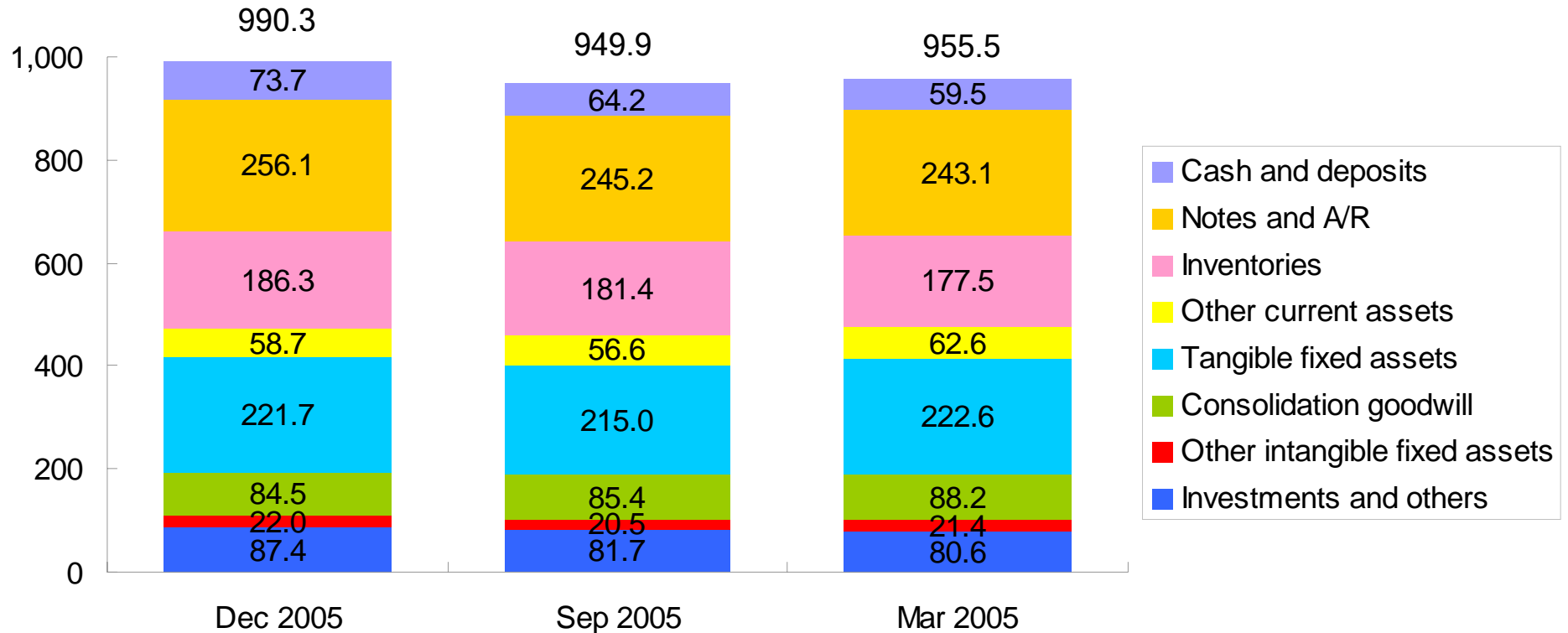
# Non operating profit/loss

[Billions of yen]

|   | 3Q / Mar06 | 3Q / Mar05  | Y-O-Y       |
|---|------------|-------------|-------------|
| <b>Non-operating income/expenses</b>        | <b>2.4</b> | <b>-2.7</b> | <b>5.2</b>  |
| Interest and dividend income                | 0.4        | 0.3         | 0.1         |
| Foreign exchange gain                       | 3.5        | 0.0         | 3.5         |
| Other                                       | 1.0        | 1.7         | -0.6        |
| <b>Non-operating income</b>                 | <b>5.0</b> | <b>1.9</b>  | <b>3.1</b>  |
| Interest expenses                           | 1.4        | 1.4         | -0.0        |
| Loss on revaluation/disposal of inventories | 0.5        | 0.1         | 0.4         |
| Foreign exchange losses                     | 0.0        | 2.4         | -2.4        |
| Other                                       | 0.7        | 0.7         | -0.1        |
| <b>Non-operating expenses</b>               | <b>2.6</b> | <b>4.7</b>  | <b>-2.1</b> |

# Balance sheet - asset

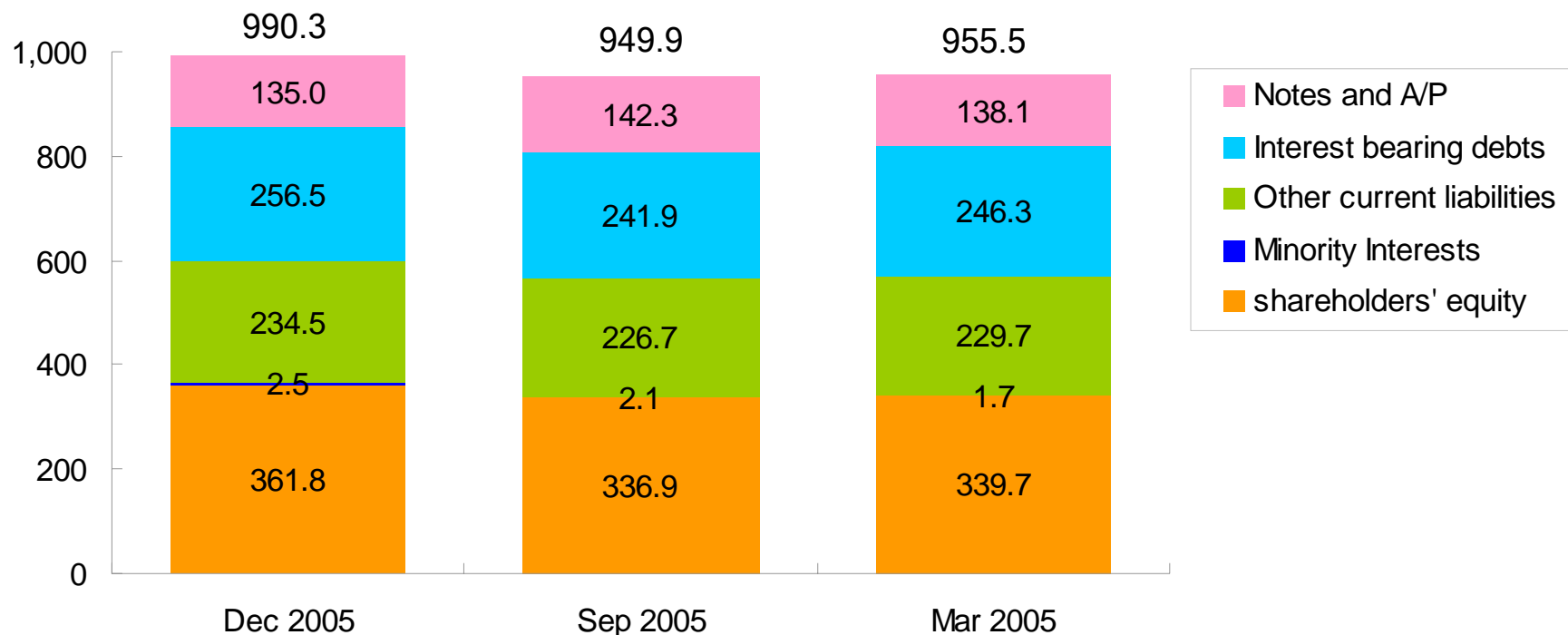
[Billions of yen]



|             |        |        |        |       |
|-------------|--------|--------|--------|-------|
| FOREX: US\$ | 118.07 | 113.19 | 107.39 | (yen) |
| Euro        | 139.83 | 136.13 | 138.87 | (yen) |

# Balance sheet - liabilities and shareholders' equity

[Billions of yen]



|              |       |       |       |         |
|--------------|-------|-------|-------|---------|
| Equity ratio | 36.54 | 35.46 | 35.56 | (%)     |
| D/E ratio    | 0.71  | 0.71  | 0.73  | (Times) |

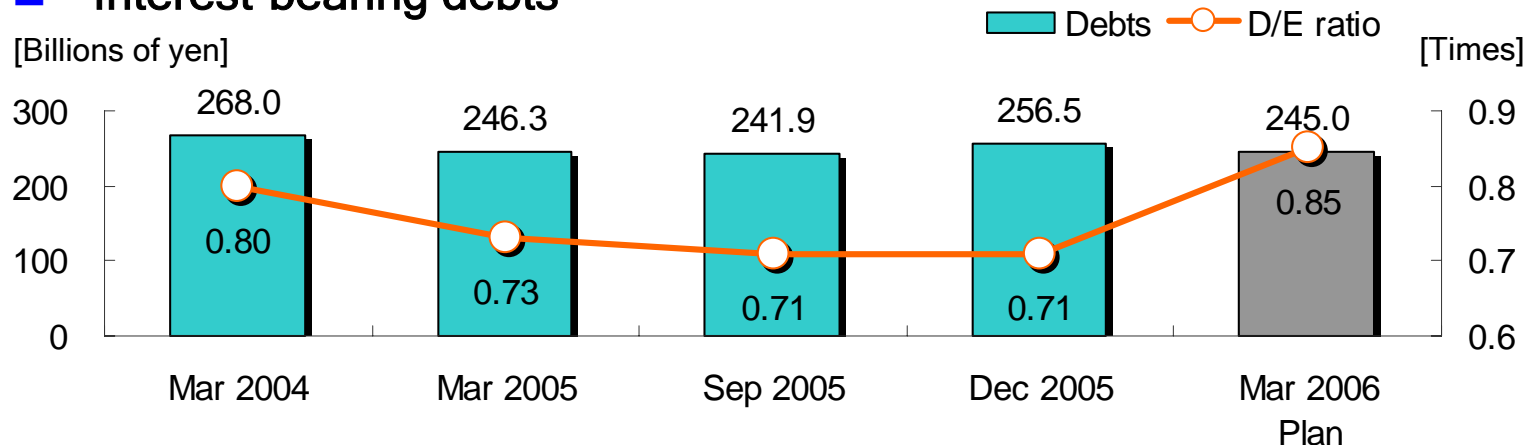
|             |        |        |        |       |
|-------------|--------|--------|--------|-------|
| FOREX:US \$ | 118.07 | 113.19 | 107.39 | (yen) |
| Euro        | 139.83 | 136.13 | 138.87 | (yen) |





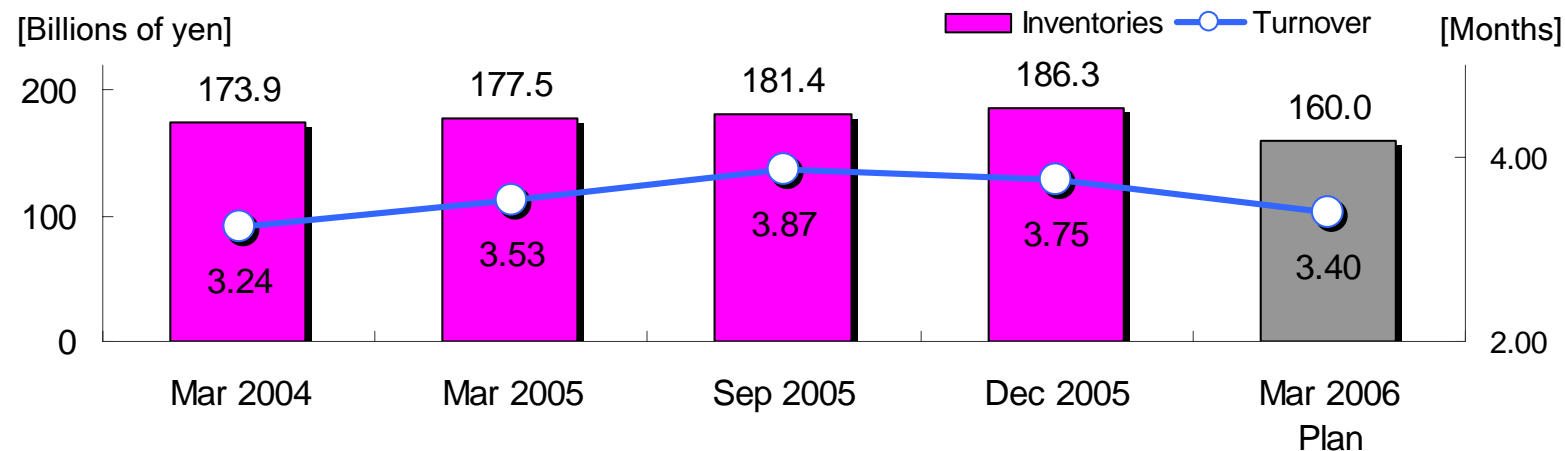
# Interest bearing debts and inventories

## Interest-bearing debts



*D/E ratio = Interest-bearing debts at year-end / Shareholders' equity at year-end*

## Inventories and inventory turnover



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

# Cash Flows

|   | [Billions of yen] |            |       |
|---|-------------------|------------|-------|
|   | 3Q / Mar06        | 3Q / Mar05 | Y-O-Y |
| Income before income taxes                      | 29.1              | 15.5       | 13.6  |
| Depreciation and amortization                   | 12.4              | 12.7       | -0.3  |
| Increase (decrease) of working capital, other   | -30.3             | -24.0      | -6.3  |
| I. Net cash provided by operating activities    | 11.3              | 4.2        | 7.1   |
| II. Net cash outflow from investing activities  | -13.0             | -7.0       | -6.0  |
| I.+ II. Free cash flow                          | -1.7              | -2.8       | 1.1   |
| Increase (decrease) in debts and bonds          | 10.7              | 5.3        | 5.4   |
| Dividends paid                                  | 0.0               | -2.7       | 2.7   |
| Other   | 0.0               | 0.0        | 0.0   |
| III. Net cash outflow from financing activities | 10.7              | 2.6        | 8.1   |

# Forecasts - summary



KONICA MINOLTA

[Billions of yen]

|                                   | Mar06                |          |            | Mar05     |          |            | 9 months |
|-----------------------------------|----------------------|----------|------------|-----------|----------|------------|----------|
|                                   | Full year Forecast * | 9 months | % complete | Full year | 9 months | % complete | Y-O-Y    |
| Net sales                         | 1,050.0              | 793.0    | 76%        | 1,067.4   | 798.5    | 75%        | 99%      |
| Operating income                  | 75.0                 | 66.0     | 88%        | 67.6      | 51.0     | 76%        | 129%     |
| <i>Operating income ratio [%]</i> | 7.1%                 | 8.3%     | ---        | 6.3%      | 6.4%     | ---        | ---      |
| Ordinary income                   | 60.0                 | 64.3     | 107%       | 53.6      | 44.0     | 82%        | 146%     |
| Net income                        | -47.0                | 13.9     | ---        | 7.5       | 16.5     | 220%       | 89%      |
| CAPEX                             | 65.0                 | 49.4     | 76%        | 56.4      | 36.9     | 65%        |          |
| Depreciation                      | 58.0                 | 37.8     | 65%        | 53.0      | 37.9     | 72%        |          |
| R&D                               | 69.0                 | 48.4     | 70%        | 66.0      | 48.1     | 73%        |          |
| FCF                               | 18.0                 | 9.8      | 54%        | 6.3       | -7.6     | ---        |          |
| [Yen]                             |                      |          |            |           |          |            |          |
| FOREX [P/L]                       | USD                  | 107.24   | 112.11     | 107.55    | 108.56   |            |          |
|                                   | Euro                 | 134.33   | 136.10     | 135.19    | 134.60   |            |          |

\* Full year forecast Mar06: Announced in November 2005

# Forecasts - segment



KONICA MINOLTA

## Net sales

[Billions of yen]

|                       | Mar06                 |              |               | Mar05          |              |               | 9 months<br>Y-O-Y |
|-----------------------|-----------------------|--------------|---------------|----------------|--------------|---------------|-------------------|
|                       | Full year<br>forecast | 9 months     | %<br>complete | Full year      | 9 months     | %<br>complete |                   |
| Business Technologies | 595.0                 | 440.4        | 74%           | 564.8          | 417.0        | 74%           | 106%              |
| Optics                | 110.0                 | 81.0         | 74%           | 91.7           | 66.5         | 73%           | 122%              |
| Photo Imaging         | 185.0                 | 156.1        | 84%           | 268.5          | * 215.9      | 80%           | 72%               |
| Medical & Graphic     | 143.0                 | 103.6        | 72%           | 129.9          | 90.0         | 69%           | 115%              |
| Sensing               | 7.0                   | 4.0          | 57%           | 5.3            | 3.7          | 70%           | 108%              |
| Other                 | 10.0                  | 7.8          | ---           | 7.2            | 5.4          | ---           | ---               |
| <b>Total</b>          | <b>1,050.0</b>        | <b>793.0</b> | <b>76%</b>    | <b>1,067.4</b> | <b>798.5</b> | <b>75%</b>    | <b>99%</b>        |

## Operating income

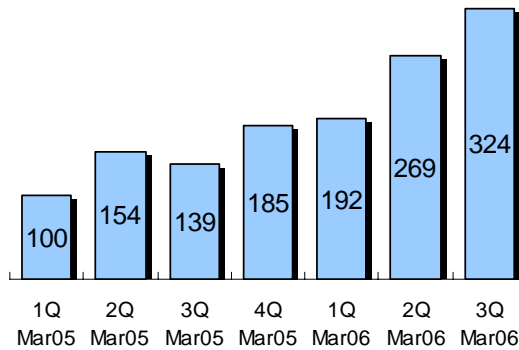
|                       | Mar06                 |             |               | Mar05       |             |               | 9 months<br>Y-O-Y |
|-----------------------|-----------------------|-------------|---------------|-------------|-------------|---------------|-------------------|
|                       | Full year<br>forecast | 9 months    | %<br>complete | Full year   | 9 months    | %<br>complete |                   |
| Business Technologies | 65.0                  | 45.8        | 70%           | 55.8        | 38.7        | 69%           | 118%              |
| Optics                | 17.0                  | 13.0        | 77%           | 16.0        | 11.2        | 70%           | 117%              |
| Photo Imaging         | -5.0                  | 0.8         | ---           | -8.7        | -2.6        | ---           | ---               |
| Medical & Graphic     | 11.0                  | 9.5         | 87%           | 6.7         | 5.4         | 81%           | 176%              |
| Sensing               | 2.0                   | 1.1         | 57%           | 1.6         | 1.1         | 66%           | 107%              |
| Other                 | -15.0                 | -4.2        | ---           | -3.9        | -2.7        | ---           | ---               |
| <b>Total</b>          | <b>75.0</b>           | <b>66.0</b> | <b>88%</b>    | <b>67.6</b> | <b>51.0</b> | <b>76%</b>    | <b>129%</b>       |

# Unit sales - Business Technologies

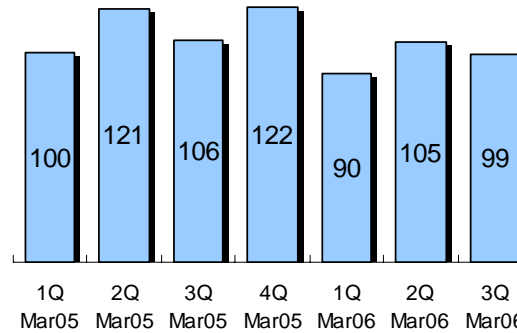


KONICA MINOLTA

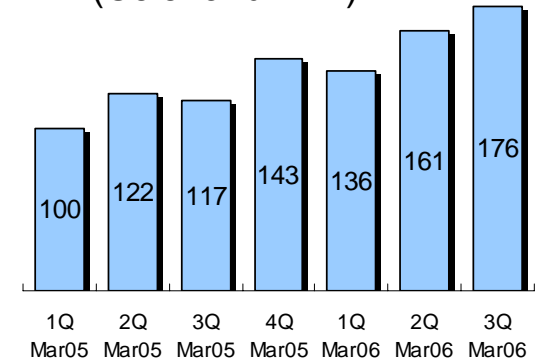
## ■ Color MFP



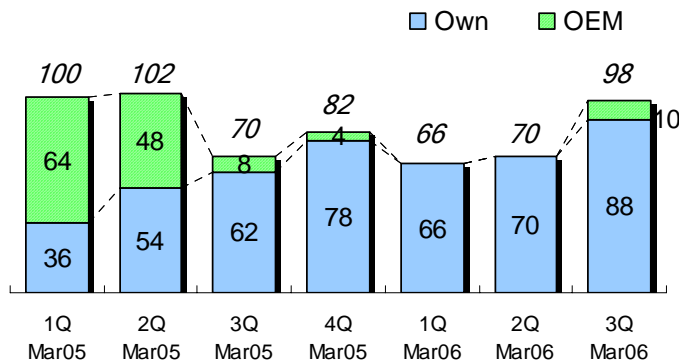
## ■ B/W MFP



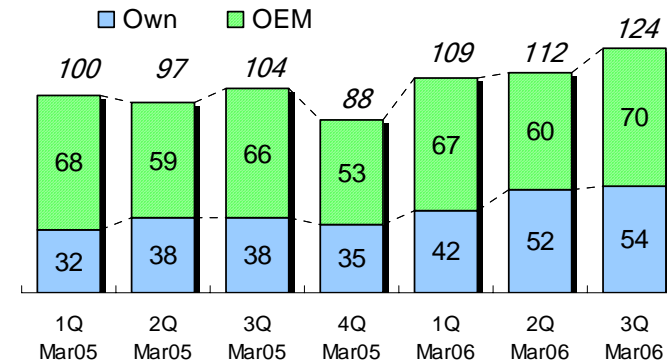
## ■ Production printing (Color and B/W)



## ■ Color LBP



## ■ B/W LBP



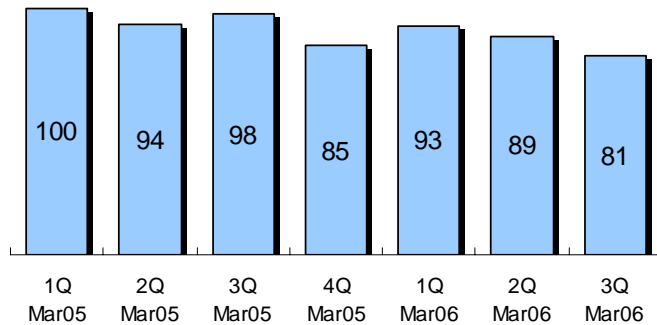
\*Amount of "1Q Mar05" as 100

# Unit sales - Optics

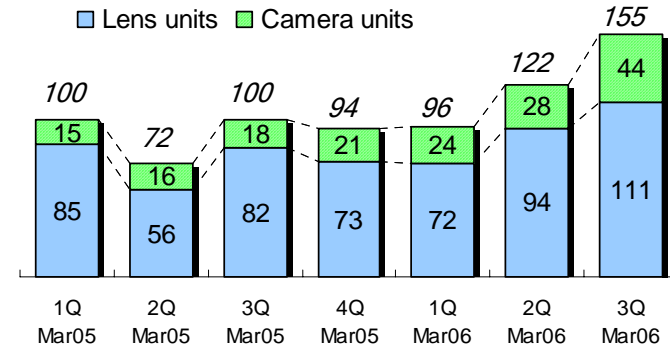


KONICA MINOLTA

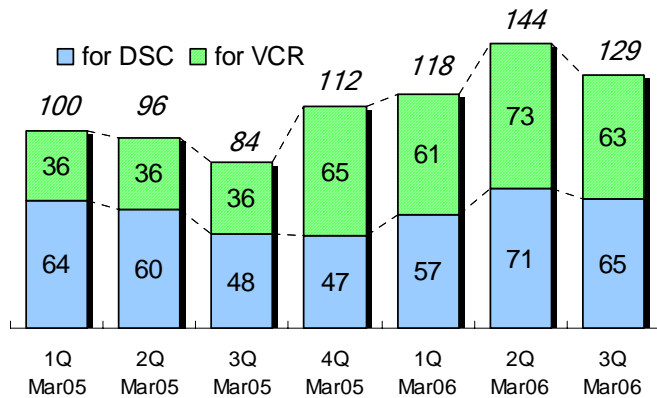
## Optical pickup lens



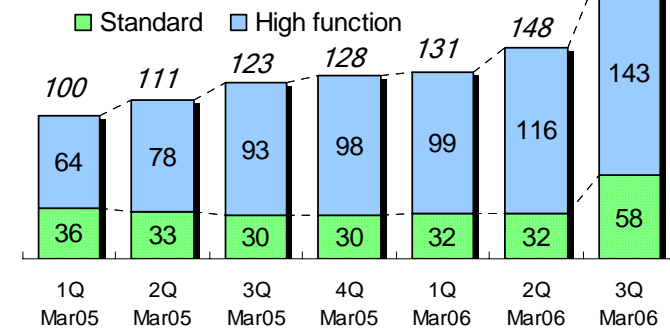
## Lens/camera units for mobile phone



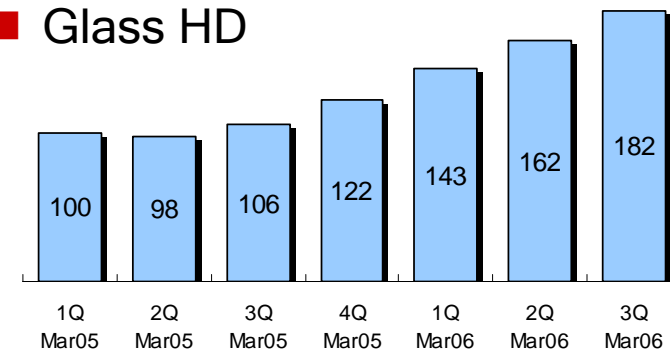
## Lens unit for DSC/VCR



## TAC film



## Glass HD



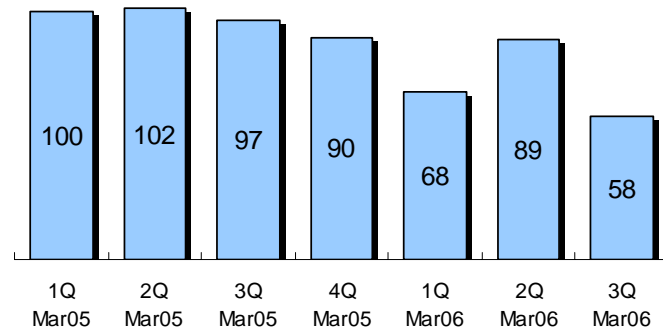
\*Amount of "1Q Mar05" as 100

# Unit sales - Photo Imaging

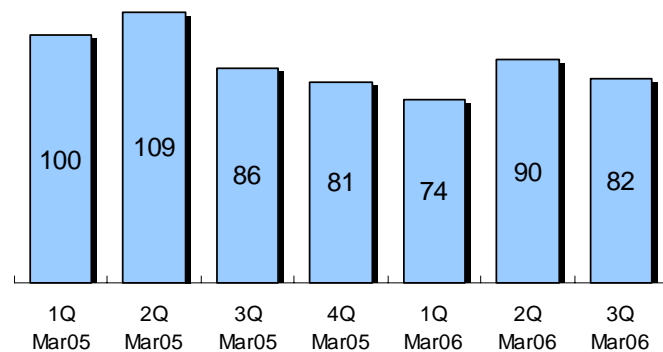


KONICA MINOLTA

## ■ Color film *\*Amounts include single-use cameras.*

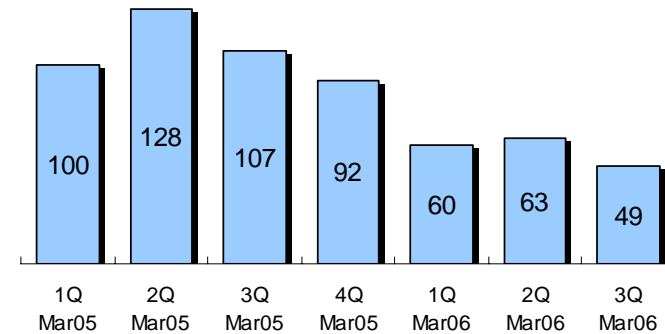


## ■ Color photo paper

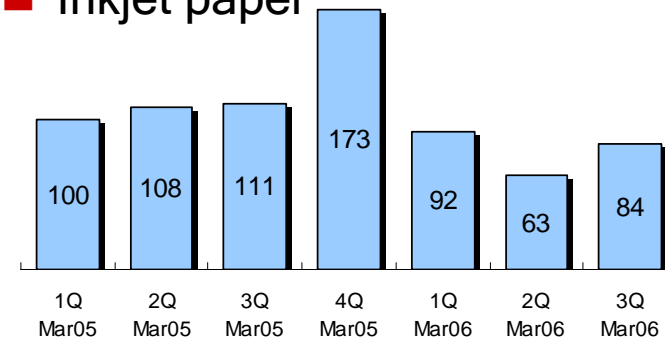


*\*Amount of "1Q Mar05" as 100*

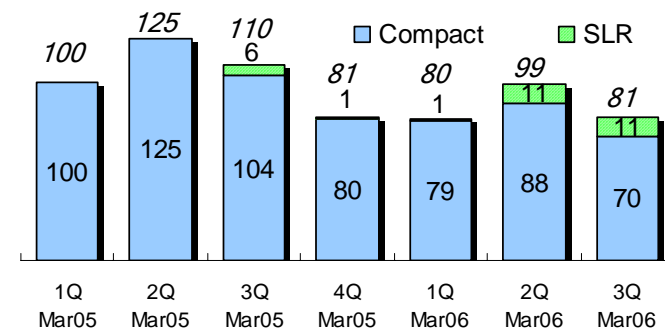
## ■ Digital minilab



## ■ Inkjet paper



## ■ DSC





KONICA MINOLTA

# The essentials of imaging