August 3, 2006

Consolidated Financial Results for the 1st Quarter ended June 30, 2006

Konica Minolta Holdings, Inc.

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1. Items Pertaining to the Compilation of Overview of Quarterly Results

a) Use of simplified accounting procedures: Yes (see attachment for details)
b) Discrepancies between methods recognized in the most recent consolidated fiscal accounting year and accounting procedures for the quarter under review: No
c) Changes to the application of consolidated and equity methods: Yes
Consolidated: (new) 5 companies (excluded) 6 companies
Equity: (new) - (excluded) –

2. Overview of the 1st Quarter Performance (From April 1, 2006 to June 30, 2006)

(1) Business performance

(Units of less than 1 million yen have been omitted.)
[Millions of yen]

	Net sales		Operating income		Recurring profit		Net income (loss)	
Three months ended June 30, 2006	241,272	(1.1%)	22,240	22.3%	21,468	20.9%	10,555	44.3%
Three months ended June 30, 2005	244,023	(6.9%)	18,183	7.3%	17,761	3.7%	7,316	1.0%
(Ref.)Fiscal year ended March 31, 2006	1,068,390	0.1	83,415	23.4%	76,838	43.3%	(54,305)	—

	Net income (loss) per share	Net income per share (after full dilution)
Three months ended June 30, 2006	19.89 yen	19.88 yen
Three months ended June 30, 2005	13.78	—
(Ref.)Fiscal year ended March 31, 2006	(102.29)	—

Note:
The percentage of net sales and income indicate the rate of increase and decrease compared with the same quarter of the previous fiscal year. Diluted net income per share for the quarter (the quarter under review) has also been omitted because there was no residual stock in the same quarter of the previous fiscal year, and because a net loss was recorded in the previous period.

(2) Financial Position

[Millions of yen]

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Three months ended June 30, 2006	915,433	305,238	33.0	575.03
Three months ended June 30, 2005	943,739	345,229	36.6	650.23
(Ref.)Fiscal year ended March 31, 2006	944,054	293,817	31.1	553.50

(3) Cash Flows

[Millions of yen]

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents year at end of period
Three months ended June 30, 2006	2,774	(10,984)	(6,955)	65,960
Three months ended June 30, 2005	(3,623)	(11,974)	15,232	59,498
(Ref.)Fiscal year ended March 31, 2006	78,924	(43,146)	(16,850)	80,878

3. Consolidated Financial Forecast for Fiscal year ending March 31, 2007
(From April 1, 2006 to March 31, 2007)

[Millions of yen]

	Net sales	Recurring profit	Net income
Interim	490,000	32,500	15,500
Full-year	980,000	70,000	30,000

(Ref.) Anticipated net income per share: 56.52 yen

(2) The above forecasts are expectations based on predications, outlooks, and plans related to the future at the time of this announcement and, as such, are subject to risks and uncertainties. Various significant factors in the operating environment surrounding the company may cause actual results to differ materially from these forecasts.

Overview of Performance

(1) Summary

1st quarter results for the fiscal year ending March 31, 2007
(From April 1, 2006 to June 30, 2006)

[Millions of yen]

	Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)	Three months ended June 30, 2005 (April 1, 2005 – June 30, 2005)	Increase (Decrease)	Change
Net sales	241,272	244,023	(2,750)	(1.1)
Gross profit	118,126	117,119	1,006	0.9
Operating income	22,240	18,183	4,056	22.3
Recurring profit	21,468	17,761	3,707	20.9
Net income before income taxes and minority interests	22,286	13,502	8,784	65.1
Net income	10,555	7,316	3,239	44.3
	¥	¥	¥	%
Net income per share	19.89	13.78	6.11	44.3
Capital expenditure	16,971	11,190	5,780	51.7
Depreciation	12,032	12,421	(388)	(3.1)
R & D expenses	16,711	15,649	1,062	6.8
Exchange rates	¥	¥	¥	%
US dollar	114.50	107.69	6.81	6.3
Euro	143.78	135.57	8.21	6.1

Consolidated net sales for the first quarter were ¥241.2 billion. As was announced on January 2006, the Photo Imaging Business has been terminated; therefore, although net sales were down, overall sales for the Group were largely in line with those of the previous fiscal year. However, favorable new product sales, primarily of color multi-functional peripherals (MFPs) in the Business Technologies Business, continuing strong demand-driven sales growth for liquid crystal display (LCD) materials in the Optics Business, and growth in other business areas resulted in double-digit year-on-year revenue growth rate in these businesses. The gross profit margin in the first quarter improved 1 percentage point, from 48% to 49%, thanks to Groupwide cost-cutting efforts and increased sales volume, primarily of new products, which offset the impact of lower prices resulting from heavier competition, as well as exchange rate benefits from a weaker yen.

Meanwhile, despite higher R&D spending ¥1.0 billion, mostly in such growth areas as the Business Technologies Business, which is in the midst of a shift to from black and white to color MFPs, selling, general and administrative (SG&A) expenses fell ¥3.0 billion from the same period of the previous fiscal year. As a result, operating income in the first quarter was up 22%, or ¥4.0 billion, to ¥22.2 billion. The operating profit margin also improved from 7. 5% to 9.2%.

Non-operating income was largely in line with that of the first quarter of the previous fiscal year. As a result, recurring income in the first quarter was up 21%, or ¥3.7 billion, to ¥21.4 billion. Moreover, because the Company posted an extraordinary profit / loss from the sale of fixed assets and investments in securities, net income before income taxes and minority interests jumped 65%, to ¥22.2 billion, and net income climbed 44%, to ¥10.5 billion.

In May 2006, Konica Minolta instituted its three-year medium-term business plan “FORWARD 08,” and this fiscal year is the first year of the plan. To win in the ever-intensifying globally competitive market and achieve sustainable growth, the Konica Minolta Group set forth the future direction of management and defined its most important challenges in this plan. The Konica Minolta Group has focused on growth areas and has been implementing its “genre-top” strategy (focusing management resources on specific business areas and markets and establishing the top brand position in them) with the goal of maximizing Group growth and Group corporate value.

Based on the strategies contained in this plan, we are constructing a new polymerized toner plant in Nagano Prefecture (Tatsuno-cho), to handle the increased growth in demand resulting from higher color MFP sales, as well as a fourth manufacturing line in Hyogo Prefecture (Kobe City) for TAC film, demand for which continues to expand, with the goal of having both of them operational by the fall of this year. As a result of aggressive spending to increase production capacity in these focal areas, capital investments rose ¥5.7 billion, to ¥16.9 billion.

In addition, although a write-off of fixed assets was recorded in the previous fiscal year, mainly in the Photo Imaging Business, increased depreciation for a third TAC film manufacturing line completed in September 2005 and an office equipment assembly plant in China (Wuxi), depreciation and amortization were down ¥300 million, to ¥12.0 billion, more or less in line with the amount recorded in the previous fiscal year.

(2) Overview by Segment

1. Business Technologies Business

[Multifunctional peripherals (MFPs), laser printers (LBPs), etc.]

[Millions of yen]

	Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)	Three months ended June 30, 2005 (April 1, 2005 – June 30, 2005)	Increase (Decrease)	Change
(1) Net sales to outside customers	150,796	137,198	13,598	9.9%
(2) Intersegment net sales	908	585	323	55.2%
Total net sales	151,705	137,784	13,921	10.1%
Operating expenses	135,608	123,459	12,148	9.8%
Operating income	16,097	14,324	1,772	12.4%

In Business Technologies Business, since the business merger, Konica Minolta has been promoting its “genre-top” segment domination strategy of becoming the dominant player in each of its market segments (focusing business resources on specific businesses and markets and securing the top brand position), and, in recent years, it has focused on expanding its business foundations related to color MFPs, an area of accelerating growth in the overseas and domestic office markets. The Company has also been expanding its product lineup in the medium- to high-speed MFP market with the *bizhub C250* (25 ppm output capacity for color and black and white), the *bizhub C351* (35 ppm color and black and white), and the *bizhub C450* (35 ppm color, 45 ppm black and white). In the first quarter, we took steps to further strengthen product appeal through successive launches of the *bizhub C352* (35 ppm color and black and white) and *the bizhub C300* (30 ppm color and black and white) in May. With high image quality made possible through our industry-leading polymerized toner and the high productivity afforded by tandem engines, these models enjoy a competitive edge and sold well in all countries. First-quarter unit sales of color MFPs were up a substantial 76%, causing the share of MFP unit sales in segment 2 above (21 ppm and over output capacity MFPs) as a percentage of color MFP sales to rise from 30% to 40%, as we moved steadily ahead with the shift from black and white to color MFPs. The *bizhub PRO C500* (51 ppm color and black and white), the *bizhub PRO 1050* (105 ppm black and white), and the *bizhub PRO 920* (92 ppm black and white) high-speed MFPs for the high-growth light production print markets, continued to fare well, with continuing strong sales, primarily in the U.S. market. In addition to increased sales in color MFPs, high-speed MFPs, and other focal areas, we maintained sales momentum for new black and white MFPs, an area in which we had invested heavily during the previous fiscal year, and increased overall MFP unit sales 21% compared with the first quarter of the previous fiscal year.

In LBP operations, targeting the general office market, a market in which we expect to see further print volume increases, we took aggressive action to strengthen sales of tandem color LBPs in the medium- to high-speed segment, including the *magicolor 5400* series (25.6 ppm color and black and white) and the *magicolor 7400* series (25 ppm color and black and white).

As a result, sales to outside customers were ¥150.7 billion and operating income was ¥16.0 billion, representing increases of 10% and 12%, respectively.

2. Optics Business

[Optical devices, electronic materials, etc.]

[Millions of yen]

	Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)	Three months ended June 30, 2005 (April 1, 2005 – June 30, 2005)	Increase (Decrease)	Change
(1) Net sales to outside customers	32,134	24,715	7,418	30.0%
(2) Intersegment net sales	258	430	(171)	(39.9)%
Total net sales	32,392	25,146	7,246	28.8%
Operating expenses	27,174	21,507	5,666	26.3%
Operating income	5,218	3,638	1,580	43.4%

In the optical pickup lens segment, as a result of decreased production of object lenses for use in DVD products by final equipment makers, we recorded only a marginal increase in sales. In the wake of higher development costs for such next-generation DVDs as the BD (Blu-ray) and HD-DVD, and price declines for all objective lenses, business revenue came in below that of the first quarter of the previous fiscal year.

In contrast, sales of LCD materials, such as TAC film, including regular products and functionally sophisticated products, such as retardation film, remained strong. Unit sales jumped 60% thanks to added production capacity due to a third manufacturing line coming on stream in September 2005. Sales in the glass hard disk substrate segment were strong thanks to heavy demand for such digital consumer electronic goods as PCs, portable digital audio equipment, and car navigation systems. Konica Minolta enhanced its products with the addition of a small diameter substrate, and increased unit sales by 40% compared to the previous period. Unit sales of components for camera-equipped mobile phones were up nearly 500% due to microcamera units shipments going into full swing.

As a result, sales to outside customers were ¥32.1 billion and operating income was ¥5.2 billion, representing increases of 30% and 43%, respectively.

3. Medical and Graphic Imaging Business

[Medical and graphic products, etc.]

[Millions of yen]

	Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)	Three months ended June 30, 2005 (April 1, 2005 – June 30, 2005)	Increase (Decrease)	Change
(1) Net sales to outside customers	36,440	30,744	5,695	18.5%
(2) Intersegment net sales	4,305	7,876	(3,571)	(45.3)%
Total net sales	40,745	38,621	2,124	5.5%
Operating expenses	38,024	36,726	1,297	3.5%
Operating income	2,721	1,895	826	43.6%

In the medical segment, sales of digital input/output equipment, including the *REGIUS* series of computed radiography (CR) units and *DRYPRO* series of imaging output equipment, were in line with those of the same period of the previous fiscal year. Meanwhile, as a result of a steady increase in input/output equipment installations, a market we had been working on both in Japan and abroad since last year, film sales, primarily dry film, were up 25%, which had a major impact on first-quarter earnings.

The graphic (printing) segment is becoming increasingly filmless as former printing processes are supplanted by digitization in Japan and abroad. However, strong sales in the Middle East, Asia and other overseas markets served to offset sluggish domestic demand, and, thanks to assiduous efforts, we achieved a slight overall increase in sales. In the area of equipment sales, where we are seeking to switch over to a business structure that is adapted to a filmless market, unit sales of the digital color proofing system *Digital Consensus PRO* were in line with those of the previous fiscal year and, while sales of special paper rose slightly, sales of our digital color printer, the *Pagemaster PRO* were sluggish.

As a result of the above-mentioned efforts, sales to outside customers climbed 19%, to ¥36.4 billion and operating income jumped 44%, to ¥2.7 billion.

4. Other Businesses

■ Sensing Business [Colorimeters, 3D digitizers and other measurement devices]

This segment supplies customers with unique measurement devices that perform a variety of measurements including of light-source color, object color, luminance, illuminance, temperature, medical-related, and object shape. Sales in the area of color measurement, which targets the automotive and flat-panel display industries, were strong. Moreover, in the 3D digitizer field, we expanded our sales channels to include industrial and academic applications. In the fiscal year under review, U.S. and European sales, which became independent from this fiscal year through the establishment of new sales companies, were included in the consolidated earnings of this segment, as a result, sales to outside customers expanded 55%, to ¥1.9 billion. However, operating income declined 53%, to ¥160 million, due to higher start up costs associated with the establishment of the sales companies.

■ Inkjet Business [Industrial inkjet printer heads, large inkjet printers, etc.]

This segment sells high-definition printer heads to other major printer manufacturers and large inkjet printers for textile use as well as ink, that employ our proprietary inkjet, chemical, and ink-related technologies. Begun in January 2005, and only in their second year, sales to outside customers in this business were up 61%, to ¥1.4 billion, with operating income also up 61%, to ¥210 million.

■ Photo Imaging Business [Photographic materials, etc.]

As was announced on January 19, 2006, Konica Minolta terminated its camera and minilab businesses on March 31, 2006, and has entrusted its camera after-sales service to Sony Corporation and minilab maintenance and after-sales service to Noritsu Koki Co., Ltd. In addition, the Company plans to terminate the production of color film and photographic paper by the end of this fiscal year, and sales by September 30, 2007, with all related business activities to be terminated after that.

As a result of this policy, first quarter sales to outside customers were ¥17.0 billion, a sharp 65% decline. However, through rigorous reductions in fixed costs and expenses, including personnel rationalization from the termination of business, we were able to reduce the amount of our operating loss.

(3) Earnings Forecast

Interim earnings forecast for the fiscal year ending March 31, 2007

(From April 1, 2006 to September 30, 2007)

[Millions of yen]

	Revised interim results projection for the fiscal year ending March 31, 2007	Previous interim results projection announced on May 11, 2006	Increase / Decrease	Reference: Full-year projection for fiscal year ending March 31, 2007, announced on May 11, 2006
Net sales	490,000	480,000	10,000	980,000
Operating income	39,000	30,000	9,000	80,000
Recurring profit	32,500	26,000	6,500	70,000
Net income	15,500	11,000	4,500	30,000

The strong U.S. economy continues to drive the world economy, and, while overall overseas and domestic economic conditions are expected to continue on an expansionary track, the future remains uncertain with respect to skyrocketing raw material prices, including for crude oil; fluctuations in the exchange rates for the yen against the dollar, euro, yuan and other currencies; and the economic effects of political instability in the Middle East and Northeast Asia. In short, we recognize that conditions are unpredictable.

With respect to our awareness of Group-related market environments, as profits recover, company IT spending should continue to increase and result in continued strong demand for sophisticated high-performance color MFPs, color LBPs, and other office equipment. Demand for such LCD materials as TAC film as well as for digital consumer electronics, IT-related optical devices, and such components as optical pickup lenses, glass substrates for HDDs, and lens and microcamera units for camera-equipped mobile phones, should be strong in the second half of the year while undergoing a partial and temporary adjustment period.

We expect favorable earnings in line with Company projections, primarily in the Business Technologies Optics businesses. Meanwhile, because of the decision to exit the Photo Imaging Business, we are implementing structural changes in the Konica Minolta Group as a whole, including the Photo Imaging Business, nevertheless, we must recognize that this process generates some degree of uncertainties in terms of direct or indirect effects. In light of these circumstances, we have revised our interim earnings projections to reflect first quarter conditions as follows: net sales, ¥490.0 billion; operating income, ¥39.0 billion; recurring profit, ¥32.5 billion; and net income, ¥15.5 billion. In addition, we will make full-year earnings projections after we have determined Group earnings for the second quarter; therefore, the projections announced on May 11, 2006 remain unchanged.

* The above performance forecasts are expectations based on predications, outlooks, and plans related to the future at the time of this announcement and, as such, are subject to risks and uncertainties. Various significant factors may cause actual results to differ materially from these forecasts.

(4) Financial Position

Total assets at the end of the first quarter fell ¥28.6 billion from the end of the previous fiscal year, to ¥915.4 billion, due to a decrease in cash and deposits, accounts receivable, inventories, and investments in securities. In addition, interest-bearing debt declined ¥5.8 billion, to ¥230.7 billion.

Net assets were up ¥8.6 billion, to ¥305.2 billion, as a result of an increase in retained earnings, primarily due to increased profits. The equity ratio was 33.0%, a 1.9 percentage point increase, and net assets per share were ¥575.03, ¥21.53 higher than the first quarter of the previous fiscal year.

With regard to cash flows, although the Company recorded net income before income taxes and minority interests of ¥22.2 billion, and generated a cash inflow due to depreciation and amortization and accounts receivable, outflows from a provision for loss on discontinued operations made at the end of the previous fiscal year for the Photo Imaging Business were substantial. As a result, cash flow used in operating activities amounted to ¥2.7 billion.

Cash used in investing activities amounted to ¥10.9 billion, and primarily comprised expenditures for the acquisition of tangible and intangible fixed assets for IT-related equipment in the Optics Business. Free cash flow thus amounted to an outflow of ¥8.2 billion.

Net cash used in financing activities totaled ¥6.9 billion, and was mostly attributable to the payback of interest-bearing debt.

As a result, the balance of cash and cash equivalents at the end of the first quarter was ¥65.9 billion, down ¥14.9 billion from the same period of the previous fiscal year.

Figures given in the text as billions of yen have been rounded off to the nearest hundred million.

Consolidated Financial Statements

1. Consolidated Balance Sheets

[Millions of yen]

	As of June 30, 2006		As of June 30, 2005		Increase/Decrease		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Y of Y %	Amount	% of total
Assets								
Current assets	509,766	55.7	531,495	56.3	(21,728)	(4.1)	540,152	57.2
Cash and deposits	65,960		59,348		6,611		80,878	
Trade notes and accounts receivable	229,992		226,478		3,513		246,264	
Marketable securities	—		149		(149)		—	
Inventories	146,765		183,307		(36,541)		149,428	
Deferred tax assets	42,798		34,388		8,409		43,242	
Other accounts receivable	9,833		13,442		(3,609)		10,048	
Other current assets	23,511		22,979		531		19,681	
Allowance for doubtful accounts	(9,094)		(8,599)		(494)		(9,393)	
Fixed assets	405,666	44.3	412,243	43.7	(6,577)	(1.6)	403,902	42.8
Tangible fixed assets	224,012	24.5	223,888	23.7	124	0.1	216,127	22.9
Buildings and structures	63,186		73,567		(10,381)		63,426	
Machinery and vehicles	64,515		53,478		11,036		55,607	
Tools and equipment	25,729		25,772		(43)		25,227	
Land	35,531		35,655		(123)		35,871	
Construction in progress	13,009		13,458		(448)		13,128	
Rental business-use assets	22,039		21,955		83		22,866	
Intangible fixed assets	100,896	11.0	107,539	11.4	(6,642)	(6.2)	103,483	11.0
Consolidated goodwill	79,442		86,811		(7,369)		80,789	
Other intangible fixed assets	21,454		20,727		726		22,694	
Investments and others	80,757	8.8	80,816	8.6	(58)	(0.1)	84,291	8.9
Investment securities	33,720		31,628		2,092		37,459	
Long-term loans	1,006		1,480		(474)		1,051	
Long-term prepaid expenses	4,248		5,164		(916)		4,462	
Deferred tax assets	29,385		28,354		1,030		29,135	
Other investments	13,521		15,336		(1,814)		13,328	
Allowance for doubtful accounts	(1,124)		(1,147)		23		(1,146)	
Total assets	915,433	100.0	943,739	100.0	(28,306)	(3.0)	944,054	100.0

[Millions of yen]

	As of June 30, 2006		As of June 30, 2005		Increase/Decrease		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Y of Y %	Amount	% of total
Liabilities								
Current liabilities	447,602	48.9	443,852	47.0	3,749	0.8	476,559	50.5
Notes and account payable - trade	113,067		135,179		(22,111)		117,974	
Short-term loans	132,528		175,096		(42,567)		135,362	
Long-term loans due within one year	8,085		5,778		2,306		8,086	
Bonds due within one year	11,062		17,367		(6,304)		14,037	
Account payable - other	28,191		15,469		12,721		27,948	
Accrued expenses	66,279		60,906		5,372		77,044	
Accrued income taxes	2,469		853		1,616		8,778	
Allowance for product warranty	4,633		5,134		(501)		5,084	
Provision for loss on discontinued operations	49,624		—		49,624		58,078	
Other current liabilities	31,659		28,067		3,592		24,163	
Long-term liabilities	162,592	17.8	152,820	16.2	9,772	6.4	170,924	18.1
Bonds	5,000		10,084		(5,084)		5,030	
Long-term loans	74,036		54,605		19,430		74,045	
Deferred tax assets on land revaluation	4,042		4,290		(248)		4,042	
Reserve for retirement benefits and pension plans	64,098		64,846		(748)		64,869	
Reserve for directors' retirement benefits	448		359		88		442	
Other long-term liabilities	14,967		18,632		(3,665)		22,493	
Total liabilities	610,194	66.7	596,673	63.2	13,521	2.3	647,483	68.6

[Millions of yen]

	As of June 30, 2006		As of June 30, 2005		Increase/Decrease		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	Y of Y %	Amount	% of total
Minority Interests	—	—	1,836	0.2	—	—	2,753	0.3
Shareholders' equity								
Capital stock	—	—	37,519	4.0	—	—	37,519	4.0
Additional pain-in capital	—	—	226,069	24.0	—	—	226,069	23.9
Retained earnings	—	—	84,315	8.9	—	—	20,088	2.1
Unrealized gain on securities	—	—	4,103	0.4	—	—	10,180	1.1
Translation adjustment	—	—	(5,975)	(0.6)	—	—	875	0.1
Treasury stock	—	—	(802)	(0.1)	—	—	(915)	(0.1)
Total shareholders' equity	—	—	345,229	36.6	—	—	293,817	31.1
Total liabilities, minority interests, and shareholders' equity	—	—	943,739	100.0	—	—	944,054	100.0
Net assets								
Shareholders' equity	293,818	32.1	—	—	—	—	—	—
Capital stock	37,519	4.1	—	—	—	—	—	—
Additional pain-in capital	204,141	22.3	—	—	—	—	—	—
Retained earnings	53,099	5.8	—	—	—	—	—	—
Treasury stock	(942)	(0.1)	—	—	—	—	—	—
Revaluation and translation adjustments	8,588	0.9	—	—	—	—	—	—
Unrealized gain on securities	8,327	0.9	—	—	—	—	—	—
Gain (loss) on deferred hedge	(3)	0.0	—	—	—	—	—	—
Translation adjustment	265	0.0	—	—	—	—	—	—
Minority Interests	2,831	0.3	—	—	—	—	—	—
Net assets	305,238	33.3	—	—	—	—	—	—
Total liabilities and shareholders' equity	915,433	100.0	—	—	—	—	—	—

2. Consolidated Statements of Income

[Millions of yen]

	Three months ended June 30, 2006		Three months ended June 30, 2005		Increase/Decrease		Fiscal year ended March 31, 2006	
	Amount	% of net sales	Amount	% of net sales	Amount	Y of Y %	Amount	% of net sales
Net sales	241,272	100.0	244,023	100.0	(2,750)	(1.1)	1,068,390	100.0
Cost of sales	123,146	51.0	126,903	52.0	(3,757)	(3.0)	575,163	53.8
Gross profit	118,126	49.0	117,119	48.0	1,006	0.9	493,227	46.2
Selling, general and administrative expenses	95,885	39.8	98,935	40.5	(3,050)	(3.1)	409,811	38.4
Operating income	22,240	9.2	18,183	7.5	4,056	22.3	83,415	7.8
Non-operating income	2,223	0.9	2,303	0.9	(80)	(3.5)	14,879	1.4
Interest and dividend income	579		483		96		1,756	
Other	1,643		1,819		(176)		13,123	
Non-operating expenses	2,995	1.2	2,725	1.1	269	9.9	21,457	2.0
Interest expense	1,338		1,425		(87)		5,427	
Equity method loss of affiliated companies	99		12		86		2,507	
Disposal/valuation losses of inventories	620		483		136		7,540	
Other	937		803		133		5,982	
Recurring profit	21,468	8.9	17,761	7.3	3,707	20.9	76,838	7.2
Extraordinary profit	1,095	0.4	35	0.0	1,059	—	3,353	0.3
Gain on sales of fixed assets	509		18		491		1,255	
Gain on sales of investment securities	585		17		567		1,528	
Gain on sales of investment in affiliated companies	—		—		—		569	
Extraordinary losses	277	0.1	4,295	1.8	(4,018)	(93.5)	116,126	10.9
Loss on disposal and sale of fixed assets	277		370		(92)		3,689	
Loss on sale of investment in affiliates	—		9		(9)		19	
Loss on sale of investment securities	—		—		—		420	
Write-down on investment securities	—		—		—		8	
Loss on impairment of fixed assets	—		3,915		(3,915)		4,143	
Payment for dissolution of business	—		—		—		96,625	
Provision of special outplacement program	—		—		—		6,484	
Amortization of consolidation goodwill	—		—		—		2,361	
Other extraordinary loss	—		—		—		2,372	
Income before income taxes and minority interests	22,286	9.2	13,502	5.5	8,784	65.1	(35,934)	(3.4)
Tax expenses	11,662	4.8	6,088	2.5	5,573	91.5	17,533	1.6
Minority interests in earnings of consolidated subsidiaries	68	0.0	96	0.0	(28)	(29.4)	837	0.1
Net Income	10,555	4.4	7,316	3.0	3,239	44.3	(54,305)	(5.1)

3. Consolidated Statement of Cash Flow Highlights

[Millions of yen]

	Three months ended June 30, 2006	Three months ended June 30, 2005	Fiscal year ended March 31, 2006
I. Cash flows from operating activities			
Net income before income taxes and minority interests	22,286	13,502	(35,934)
Depreciation and amortization	12,032	12,421	51,198
Impairment loss on fixed assets	—	3,915	4,143
Amortization of consolidated goodwill	1,346	1,400	5,595
Increase (decrease) in allowance for doubtful accounts	811	96	465
Interest and dividend income	(579)	(483)	(1,756)
Interest expense	1,338	1,425	5,427
Loss (gain) on disposals and sale of tangible fixed assets	(232)	351	2,434
Valuation loss (gain) on investment securities	(585)	(8)	(1,099)
Amortization of consolidated goodwill	—	—	2,361
Other extraordinary losses	—	—	2,372
Payment for dissolution of business	—	—	96,625
Special additional severance benefits	—	—	6,484
(Increase) decrease in trade notes and accounts receivable	18,255	16,017	7,257
(Increase) decrease in inventories	914	(5,757)	22,032
Increase (decrease) in trade notes and accounts payable	(4,815)	(3,035)	(31,855)
Increase (decrease) in accrued consumption tax payable	1,162	527	400
Increase (decrease) on transfer of lease assets used in sales activitites	(2,132)	(2,238)	(11,278)
Other	(36,303)	(19,664)	(11,821)
Subtotal	13,498	18,471	113,051
Interest and dividends received	(267)	477	1,524
Interest paid	(1,249)	(1,477)	(5,488)
Income taxes paid	(9,206)	(21,094)	(30,162)
Net cash provided by operating activities	2,774	(3,623)	78,924
II . Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(13,129)	(11,866)	(51,904)
Proceeds from sale of tangible fixed assets	1,223	396	5,551
Payment for acquisition of intangible fixed assets	(800)	(1,057)	(8,809)
Proceeds from sale of business	—	—	8,599
Payment for acquisition of new consolidated subsiddary	—	—	(1,729)
Payment for loans receivable	(86)	(24)	(541)
Proceeds from return of loan receivable	282	1,067	1,556
Payment for acquisition of investment securities	(101)	(2)	(42)
Proceeds from sale of investment securities	951	12	5,057
Payment for other investments	(374)	(789)	(3,236)
Other	1,050	289	2,352
Net cash used in investing activities	(10,984)	(11,974)	(43,146)
III . Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	(3,667)	19,561	(25,819)
Proceeds from long-term loans payable	—	—	27,502
Repayment of long-term loans payable	(9)	(1,539)	(7,396)
Proceeds from issuing of bonds	—	3,007	9,184
Redemption of bonds	(3,252)	(3,132)	(17,536)
Payment to execute buyback of Company's stock	3	3	10
Proceeds from sale of Company's stock	(29)	(13)	(135)
Dividend payments	(0)	(2,654)	(2,661)
Net Cash used in financing activities	(6,955)	15,232	(16,850)
IV. Effect of exchange rate changes on cash and cash equivalents	30	376	2,463
V. Increase (decrease) in cash and cash equivalents	(15,134)	11	21,391
VI. Cash and cash equivalents at beginning of the period	80,878	59,485	59,485
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	216	1	1
VIII. Cash and cash equivalents at end of the period	65,960	59,498	80,878

4. Items Pertaining to the Compilation of Overview of Quarterly Results

(1) Use of simplified accounting procedures

(Corporate income tax reporting standards)

Corporate income tax and other taxes are calculated using simplified methods, including the use of expected annual tax rate based on the legal income tax rate.

(2) Discrepancies between methods recognized in the most recent consolidated fiscal accounting year and accounting procedures for the quarter under review: None

5. Segment Information

(1) Information by Business Segment

Three months ended June 30, 2006 (from April 1, 2006 to June 30, 2006)

[Millions of yen]

	Business Technologies	Optics	Photo Imaging	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	150,796	32,134	17,092	36,440	1,922	2,885	241,272	—	241,272
Intersegment sales/transfers	908	258	3,823	4,305	276	14,973	24,545	(24,545)	—
Total	151,705	32,392	20,915	40,745	2,199	17,858	265,818	(24,545)	241,272
Operating expenses	135,608	27,174	21,206	38,024	2,037	15,283	239,334	(20,302)	219,031
Operating income (loss)	16,097	5,218	(290)	2,721	161	2,575	26,483	(4,243)	22,240

Three months ended June 30, 2005 (from April 1, 2005 to June 30, 2005)

[Millions of yen]

	Business Technologies	Optics	Photo Imaging	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	137,198	24,715	48,220	30,744	1,243	1,899	244,023	—	244,023
Intersegment sales/transfers	585	430	2,643	7,876	538	13,769	25,844	(25,844)	—
Total	137,784	25,146	50,863	38,621	1,782	15,669	269,867	(25,844)	244,023
Operating expenses	123,459	21,507	51,598	36,726	1,440	13,567	248,295	(22,456)	225,839
Operating income (loss)	14,324	3,638	(729)	1,895	342	2,101	21,571	(3,388)	18,183

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. In the quarter under review, operating expenses not allocated but included in Elimination/corporate amounted to ¥4,654 million compared to ¥4,304 in the same period of the previous fiscal year, and are principally R&D expenses incurred by the parent company and expenses associated with Head Office functions.

(2) Information by Geographical Area

Three months ended June 30, 2006 (from April 1, 2006 to June 30, 2006)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	108,426	59,722	59,018	14,105	241,272	—	241,272
Intersegment sales/transfers	68,933	725	298	43,449	113,407	(113,407)	—
Total	177,359	60,447	59,317	57,554	354,680	(113,407)	241,272
Operating expenses	151,145	59,099	58,166	57,257	325,667	(106,636)	219,031
Operating income	26,214	1,348	1,151	297	29,012	(6,771)	22,240

Three months ended June 30, 2005 (from April 1, 2005 to June 30, 2005)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	107,493	60,612	62,955	12,961	244,023	—	244,023
Intersegment sales/transfers	70,181	1,937	348	37,364	109,831	(109,831)	—
Total	177,674	62,549	63,304	50,325	353,854	(109,831)	244,023
Operating expenses	158,059	61,807	63,137	50,307	333,312	(107,473)	225,839
Operating income	19,614	742	166	18	20,541	(2,357)	18,183

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States, Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. In the quarter under review, operating expenses not allocated but included in Elimination/corporate amounted to ¥4,654 million compared to ¥4,304 in the same period of the previous fiscal year, and are principally R&D expenses incurred by the parent company and expenses associated with Head Office functions.