

Konica Minolta Group

1H / March 2007 Consolidated Financial Results

Six months: Apr. – Sep. 2006

November 2, 2006

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President & CEO
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.

Business highlights

■ Results

- 1) Net sales: Achieved high level growth in all businesses except for Photo Imaging.
- 2) Profits: Record highs in operating income, recurring profit, and net income. Largely exceeded the targets set at the end of 1Q.
 - Business Technologies: Favorable color MFP sales
 - Optics: Expanded TAC film and Glass HD sales
- 3) Photo Imaging's business exiting process on plan
 - Completed basic arrangements for exiting Photo Imaging related operations.
 - ➔ Closing sales companies worldwide, closing/selling production sites, relocating personnel, and etc.

■ Forecasts for FY March 2007

- 1) Revised up FY forecasts reflecting the 1H favorable results. Plan to resume cash dividends at year-end.
- 2) Challenges for achieving the 2H management targets with Group's collective efforts.
- 3) Aggressive investments in the growing businesses.

Consolidated results



KONICA MINOLTA

[Billions of yen]

	[a]	[b]	[a] / [b]	[c]	[a] / [c]
	1H / Mar07 Actual	1H / Mar07 Plan (as of Aug. 3)	vs. Plan %	1H / Mar06 Actual	Y-O-Y %
Net sales	494.0	490.0	1%	517.6	-5%
Gross income	237.8	--	--	239.1	-1%
<i>Gross income ratio</i>	48.1%	--	--	46.2%	--
Operating income	46.3	39.0	19%	39.4	17%
<i>Operating income ratio</i>	9.4%	8.0%	--	7.6%	--
Ordinary income	44.9	32.5	38%	35.2	27%
Net income before taxes	47.9	--	--	7.2	562%
Net income	22.5	15.5	45%	-3.5	--
EPS [Yen]	42.40	--	--	-6.56	--
ROE [full year]	14.0%	--	--	-2.0%	--
CAPEX	33.8	--	--	31.4	8%
Depreciation	24.6	--	--	25.4	-3%
R&D	34.8	--	--	32.2	8%
FCF	0.2	--	--	11.5	--
			<u>Change</u>		<u>Change</u>
FOREX [P/L] [Yen]	USD 115.38	115.00	0.38	109.48	5.90
	Euro 145.97	142.00	3.97	135.65	10.32

1Q actual : 143.78 yen
2Q plan : 140.00 yen



Consolidated results – Segment

Net sales

[Billions of yen]

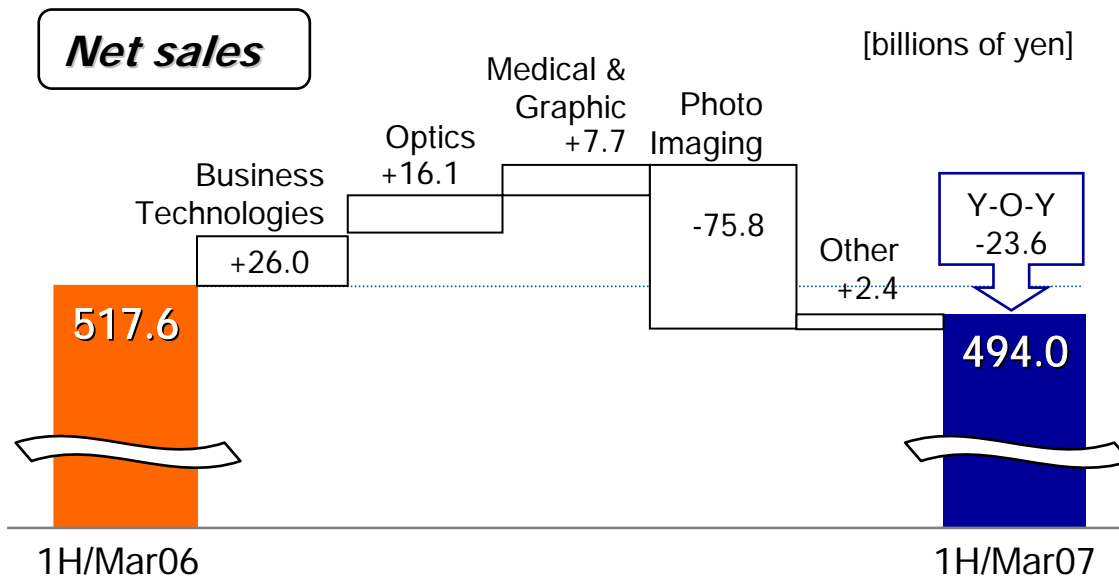
	[a] 1H / Mar07 Actual	[b] 1H / Mar07 Plan (as of Aug. 3)	[a] / [b] vs. Plan %	[c] 1H / Mar06 Actual	[a] / [c] Y-O-Y %
BusinessTechnologies	309.5	310.0	0%	283.5	9%
Optics	67.7	70.0	-3%	51.5	31%
Medical & Graphic	76.0	76.0	0%	68.3	11%
Other	7.4	7.0	6%	4.8	55%
Sub total	460.7	463.0	0%	408.2	13%
Photo Imaging	29.9	24.0	25%	105.7	-72%
HD and eliminations	3.4	3.0	12%	3.6	-7%
Group total	494.0	490.0	1%	517.6	-5%

Operating income

[Billions of yen]

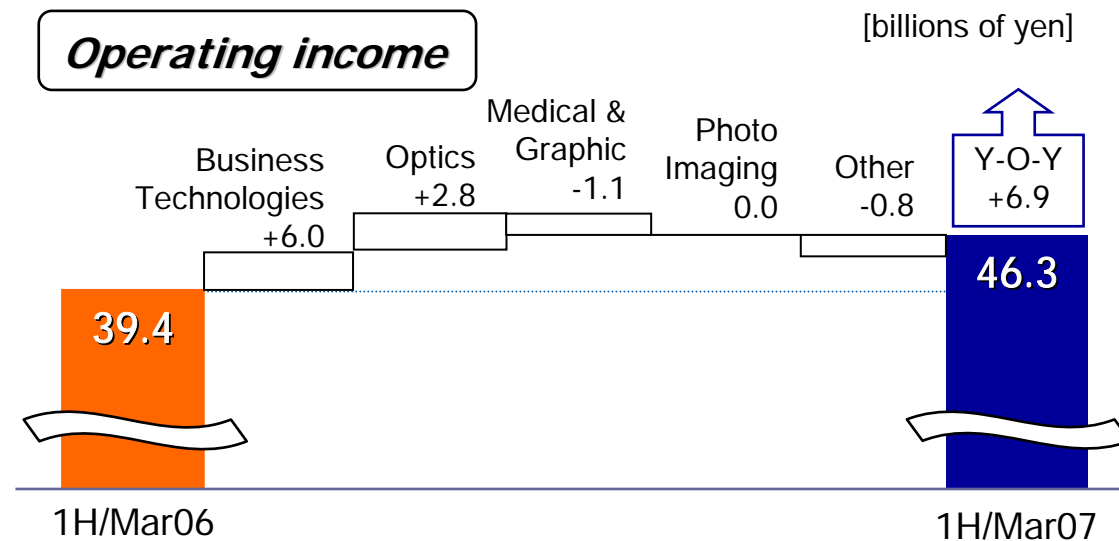
	[a] 1H / Mar07 Actual	[b] 1H / Mar06 Plan (as of Aug. 3)	[a] / [b] vs. Plan %	[c] 1H / Mar06 Actual	[a] / [c] Y-O-Y %
BusinessTechnologies	34.1	30.5	12%	28.1	21%
Optics	10.7	10.0	7%	7.9	35%
Medical & Graphic	5.2	4.5	15%	6.3	-18%
Other	1.4	1.0	36%	1.3	8%
Sub total	51.3	46.0	11%	43.6	18%
Photo Imaging	-0.7	-2.0	--	-0.7	--
HD and eliminations	-4.3	-5.0	--	-3.5	--
Group total	46.3	39.0	19%	39.4	17%

Changes in net sales and operating income Y-O-Y



■ **Net sales**
Down 23.6 billion yen
w/o Photo Imaging base
Up 52.5 billion yen

- Reflecting a substantial decline of Photo Imaging business under the process of being terminated.
- All other businesses increased.

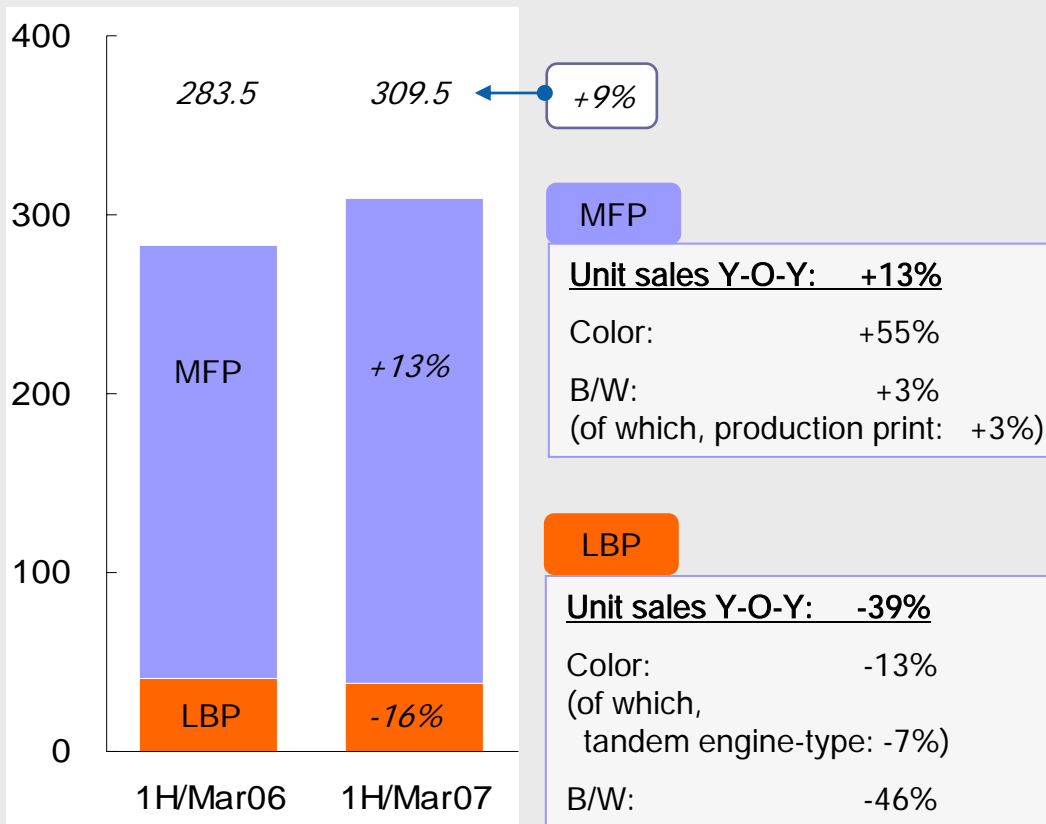


■ **Operating income**
Up 69.0 billion yen

- Medical & Graphic decreased due to skyrocketing silver prices and R&D expenses.
- All other businesses increased.

Net sales by segment Y-O-Y (%)

[billions of yen]



■ MFP

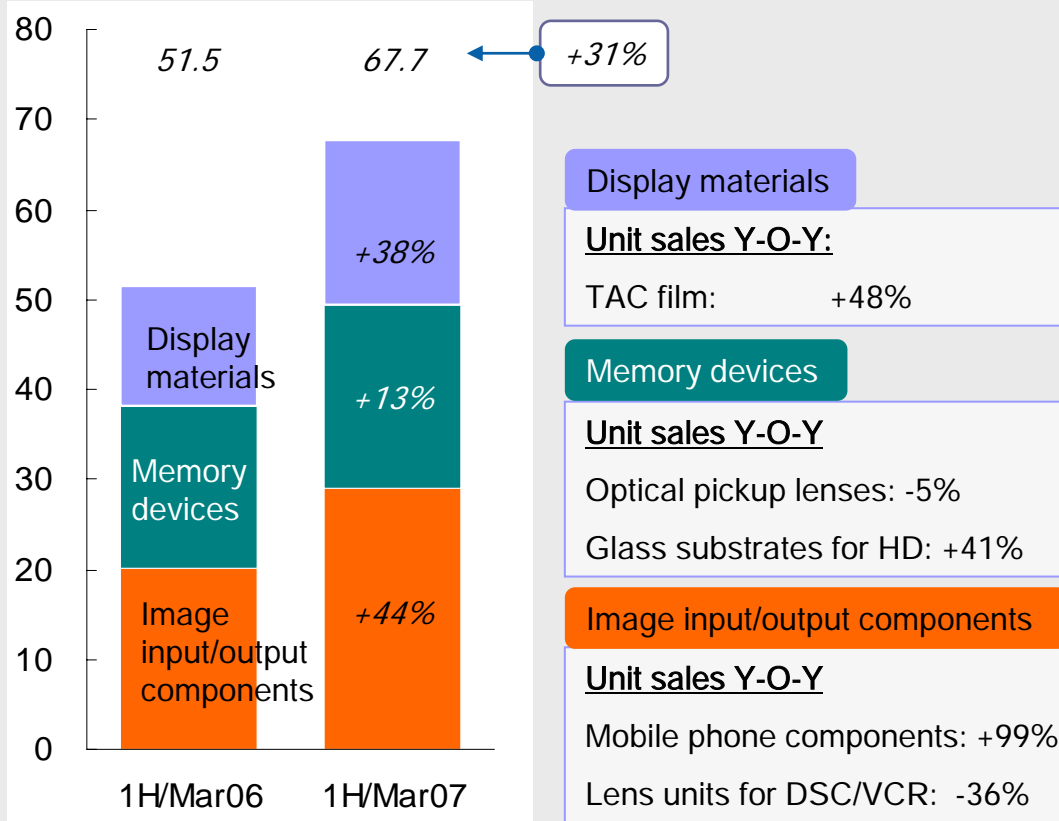
- Color MFPs for general offices : Released 2 new models – “bizhub C352 and C300”. Unit sales increased mainly in Europe.
- Ratio of color MFP unit sales : Rose from 33% to 41% Y-O-Y. (*Seg. 2 and above MFP)
- High-speed color MFPs for production printing: Launched “bizhubPRO C6500” in September.
- B/W MFPs for general offices : Strong sales mainly in US and Asia thanks to the product line renewal in last year. Solid sales in mid- to high-speed (Seg. 3 and above) segments.

■ LBP

- Color: Shift sales strategies from 4-cycle type to tandem type with a particular emphasis on high-speed and high-print volume segments.

Net sales by segment Y-O-Y (%)

[billions of yen]



■ LCD materials

- TAC film: Maintained strong sales in both standard and high-function products. Start-up of 4th production line in September.

■ Memory devices

- Current CD and DVD-use pickup lenses : Slow sales due to prolonged inventory adjustment at end-products makers.
- Next-generation DVD-use pickup lenses: Started factory shipment for BD and HD-DVD.
- Glass substrates for HD: Strong sales in 2.5 inch and 1.8 inch items.

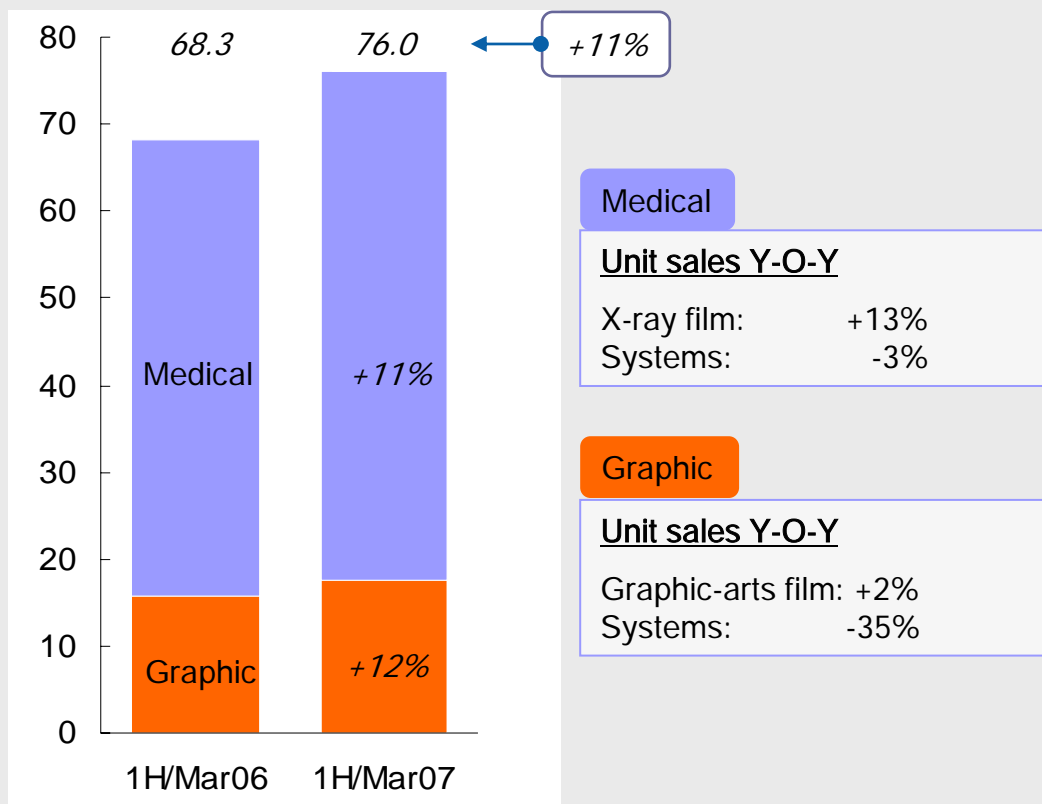
■ Image input/output components

- Mobile phone components: Full swing shipments. A sharp rise in sales.

Medical & Graphic Imaging

Net sales by segment Y-O-Y (%)

[billions of yen]



■ Medical

- X-ray Film: Strong sales worldwide.
- Systems: Domestic demand weakened resulting from the revision of the national health insurance price. Strong sales in overseas.

■ Graphic

- Graphic-arts Film: A marginal increase as a whole due to overseas strong sales, offsetting sluggish domestic sales.
- Digital color proofing systems: Maintained the same level Y-O-Y.
- Digital production printing systems: Sales decreased.

Forecasts - Summary



[Billions of yen]

	Mar07 Forecast (Current)			Mar07 Forecast (as of May 11)		Mar06 Actual	
	1H Actual	2H Plan	[a]	[b]	[a] / [b]	[c]	[a] / [c]
			FY Plan	FY	%		%
Net sales	494.0	512.0	1,006.0	980.0	3%	1,068.4	-6%
Operating income	46.3	50.2	96.5	80.0	21%	83.4	16%
<i>Operating income ratio [%]</i>	9.4%	9.8%	9.6%	8.2%		7.8%	
Ordinary income	44.9	45.1	90.0	70.0	29%	76.8	17%
Net income before taxes	47.9	45.1	93.0	--	--	-35.9	--
Net income	22.5	23.5	46.0	30.0	53%	-54.3	--
CAPEX	33.8	41.2	75.0	75.0	0%	67.6	11%
Depreciation	24.6	30.4	55.0	55.0	0%	51.2	7%
R&D	34.8	42.2	77.0	77.0	0%	67.0	15%
FCF	0.2	-20.2	-20.0	-50.0	--	35.8	--
FOREX [Yen]	USD	115.38	115.00	115.00		113.31	
	Euro	145.97	140.00	143.00		137.86	



Forecasts - Segment

[Billions of yen]

Net sales

	Mar07 Forecast (Current)			Mar07 Forecast (as of May 11)		Mar06 Actual	
	1H Actual	2H Plan	[a]	[b]	[a] / [b]	[c]	[a] / [c]
			FY Plan	1H	FY		FY
Business Technologies	309.5	336.5	646.0	640.0	1%	606.7	6%
Optics	67.7	71.3	139.0	130.0	7%	110.4	26%
Medical & Graphic	76.0	81.0	157.0	155.0	1%	146.6	7%
Other businesses	7.4	9.6	17.0	17.0	0%	10.2	67%
Sub total (excluding PI)	460.7	498.4	959.0	942.0	2%	873.9	10%
Photo Imaging	29.9	10.1	40.0	30.0	33%	187.1	-79%
HD and eliminations	3.4	3.6	7.0	8.0	-13%	7.4	-5%
Group total	494.0	512.0	1,006.0	980.0	3%	1,068.4	-6%

[Billions of yen]

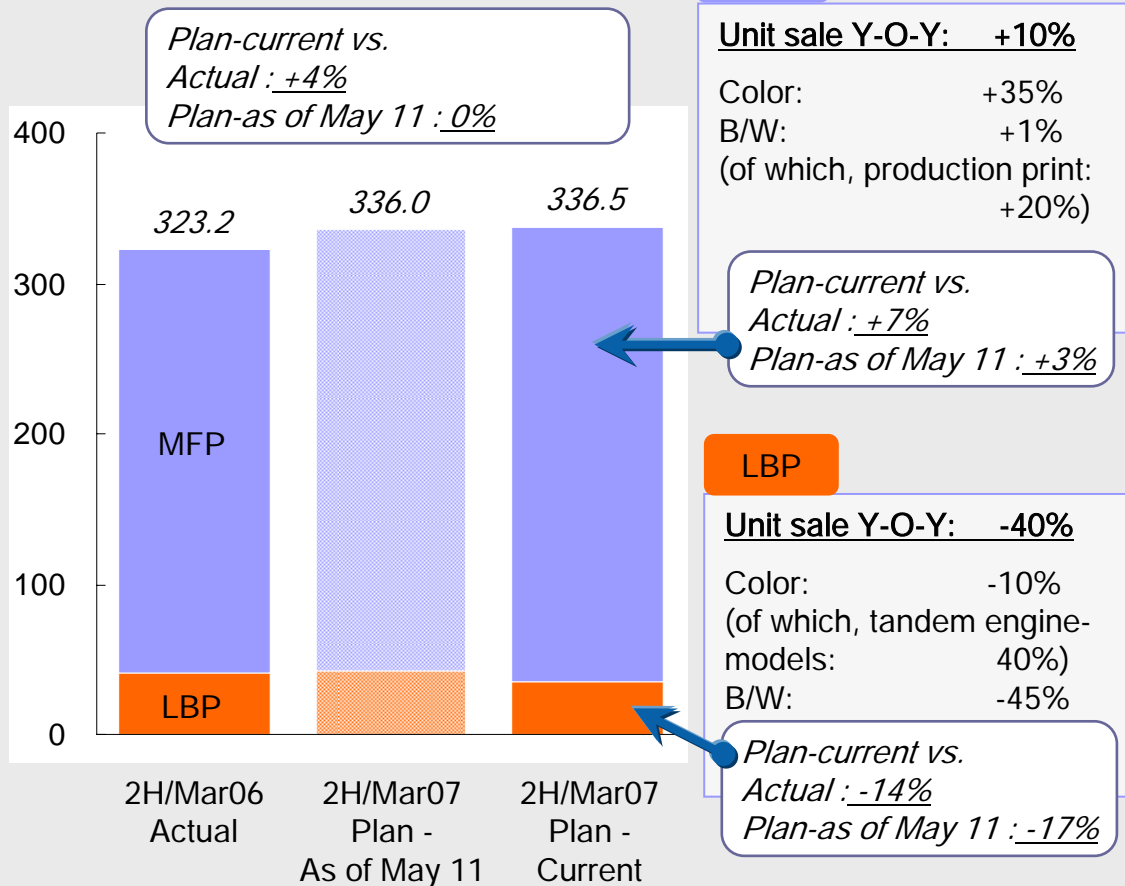
Operating income

	Mar07 Forecast (Current)			Mar07 Forecast (as of May 11)		Mar06 Actual	
	1H Actual	2H Plan	[a]	[b]	[a] / [b]	[c]	[a] / [c]
			FY Plan	FY	%		FY
Business Technologies	34.1	39.9	74.0	69.0	7%	65.1	14%
Optics	10.7	11.3	22.0	20.0	10%	17.6	25%
Medical & Graphic	5.2	4.8	10.0	8.5	17%	11.7	-15%
Other businesses	1.4	1.6	3.0	3.0	0%	2.7	10%
Sub total (excluding PI)	51.3	57.6	109.0	100.5	8%	97.1	12%
Photo Imaging	-0.7	-1.3	-2.0	-6.0	--	-7.1	--
HD and eliminations	-4.3	-6.1	-10.5	-14.5	--	-6.6	--
Group total	46.3	50.2	96.5	80.0	21%	83.4	16%

2H/Mar07 Business plan – Business Technologies

Net sales by segment

[Billions of yen]



MFP

Office segment

Increase color products ratio

- Strengthen direct sales network focusing on solution business
- Develop new dealers and system integrators

Production printing segment

A Successful launch of new products

- Strengthen direct sales network
- Strengthen business partnerships with IT vendors

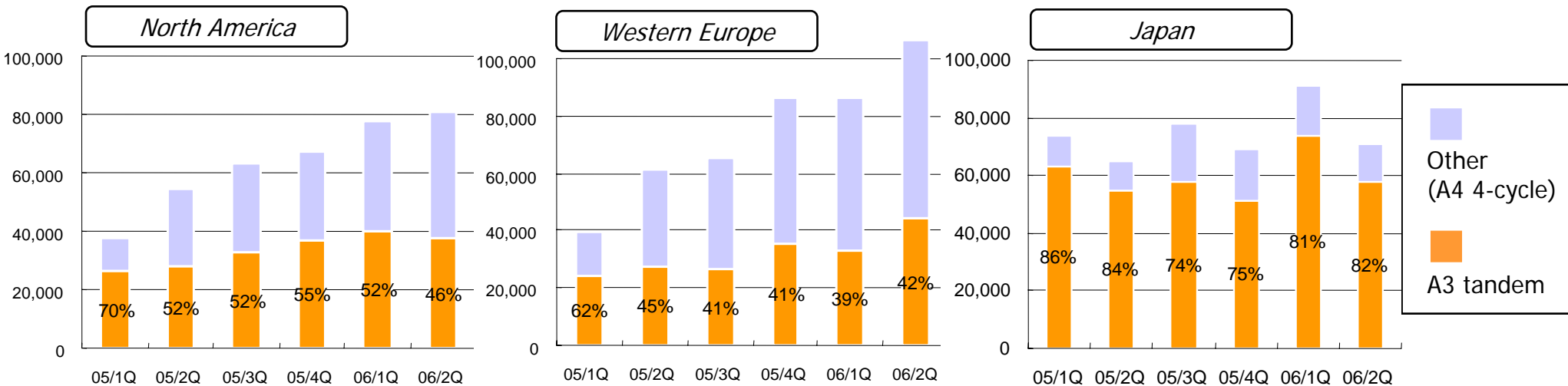
LBP

Place a strong emphasis on high-value-added products

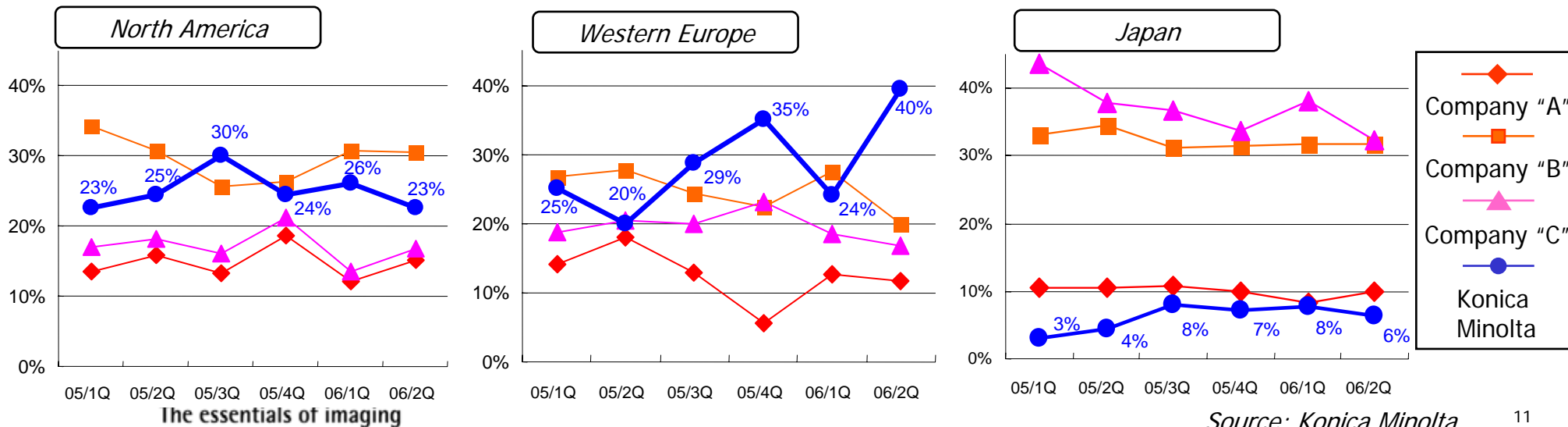
- Build corporate customer base

Color MFP market share – “Genre-top strategy”

■ Composition of color MFP market and quarterly trend (units)

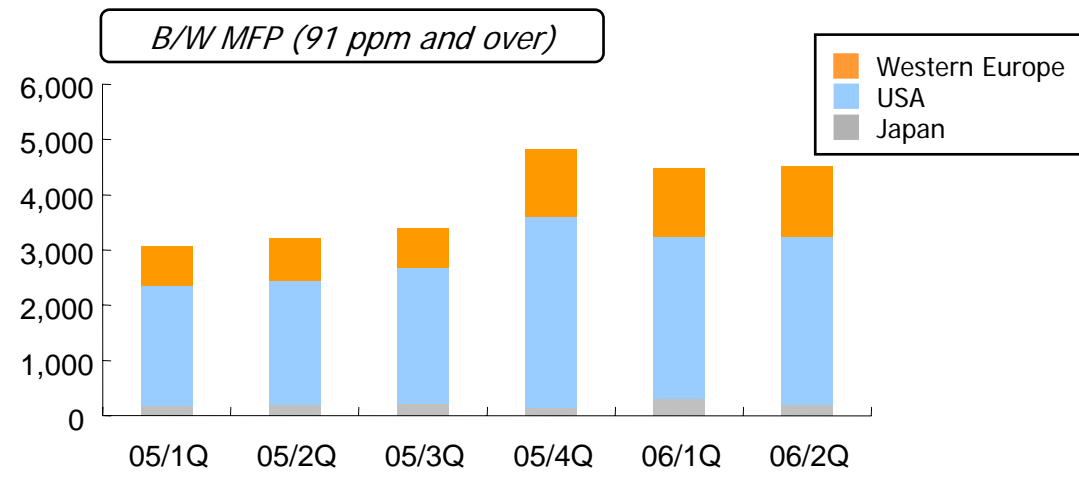
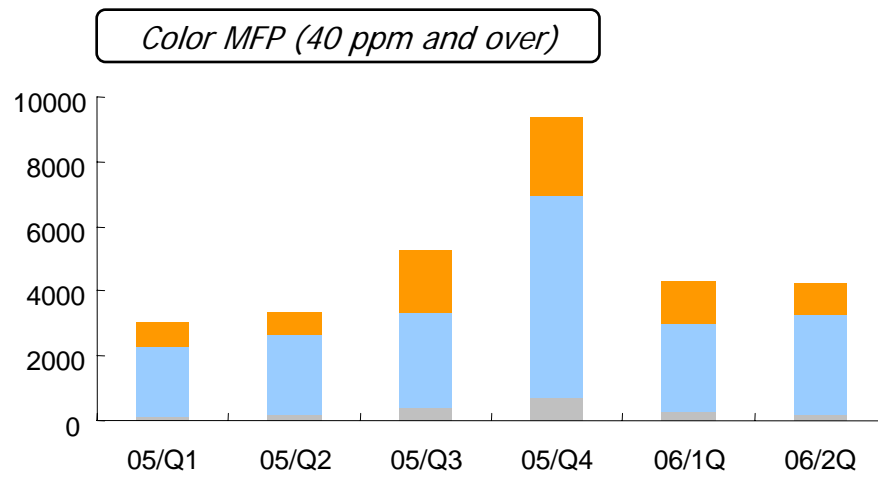


■ Market share – Color MFP; A3-paper size tandem type

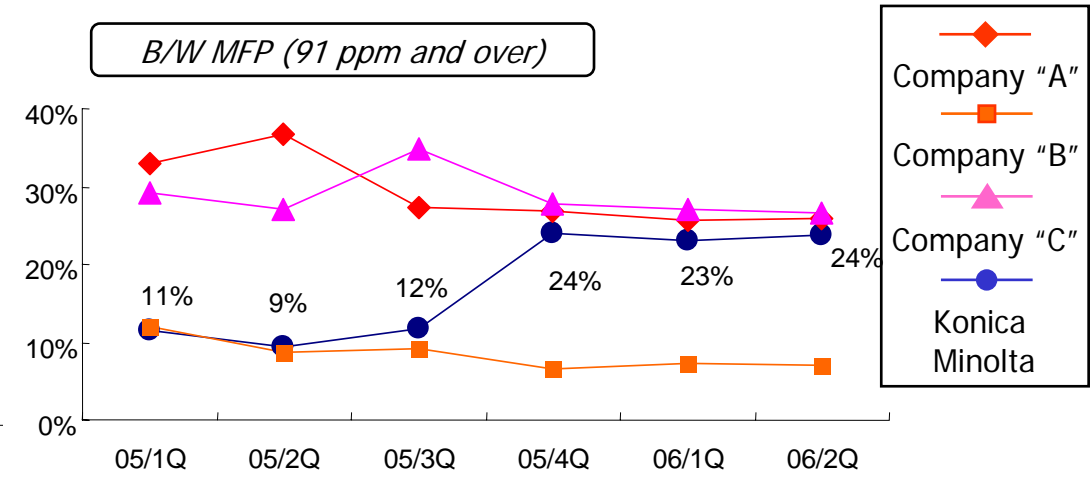
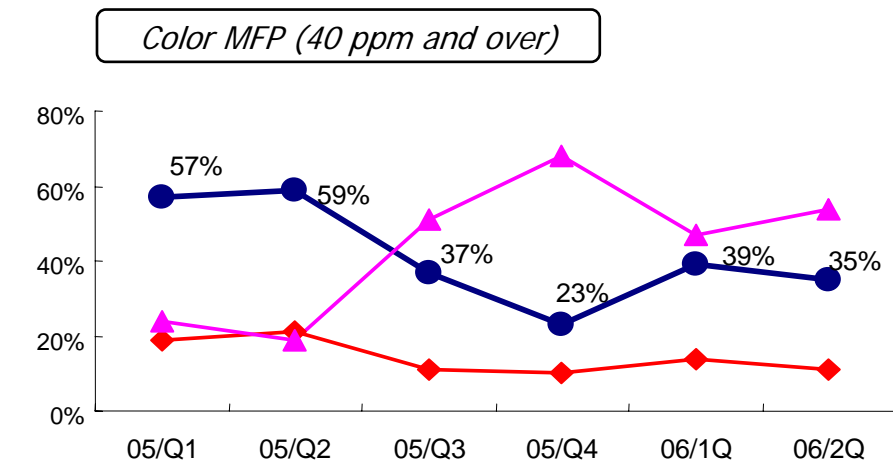


Production printing business – “Genre-top strategy”

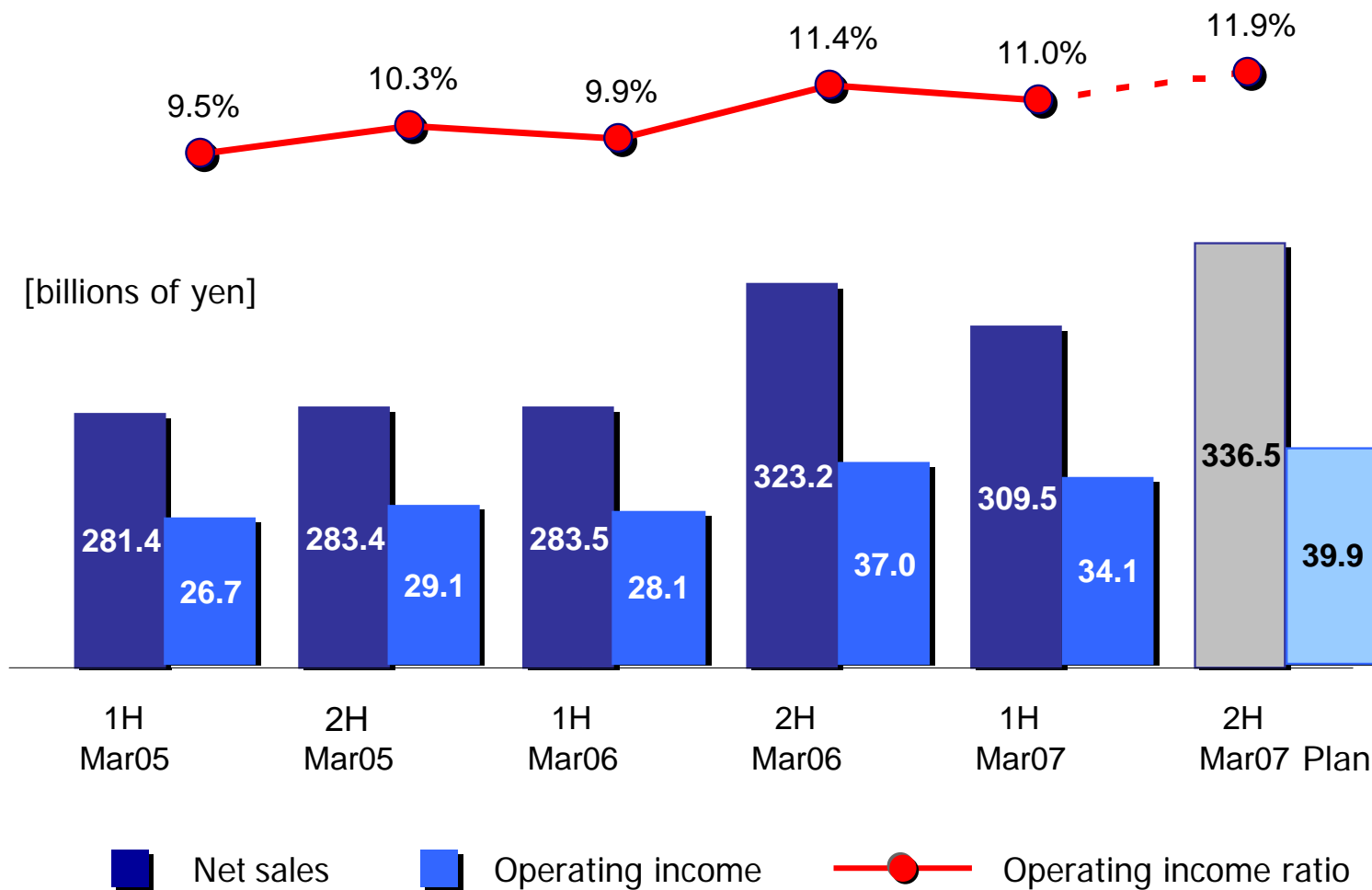
■ Market composition by segment & region (units)



■ Market share worldwide (unit base)



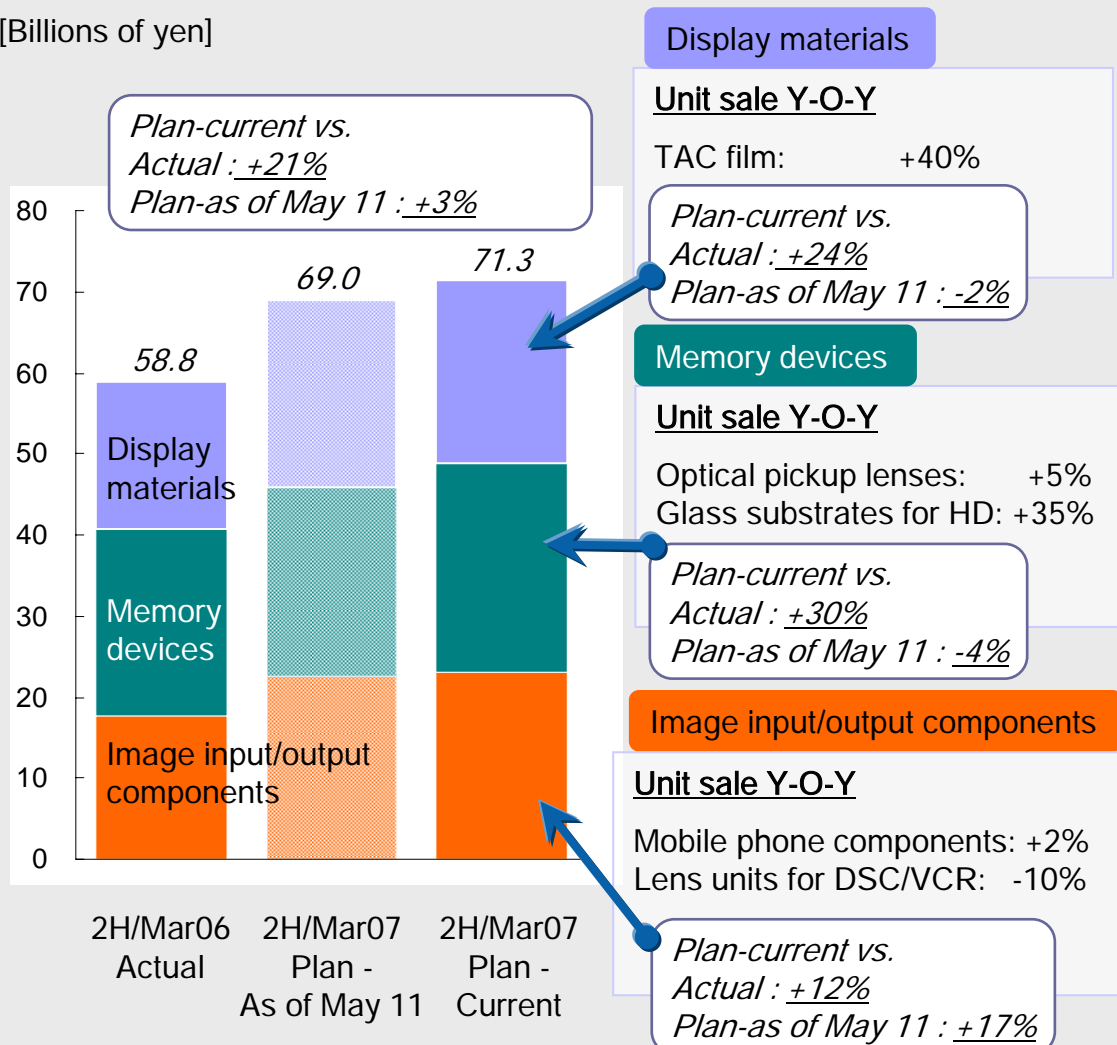
Upward trend - Operating income



2H Business plan - Optics

Net sales by segment

[Billions of yen]



■ LCD materials

● TAC film

- Expand business with the increased production capacity by the newly started 4th production line
- Strengthen product competitiveness

■ Memory devices

● Optical pickup lenses

- Next-generation DVD-use pickup lenses → Solidify a dominant market position
- Current products → Secure profitability

● Glass substrates for HD

- Increase production capacity in Japan

■ Image input/output components

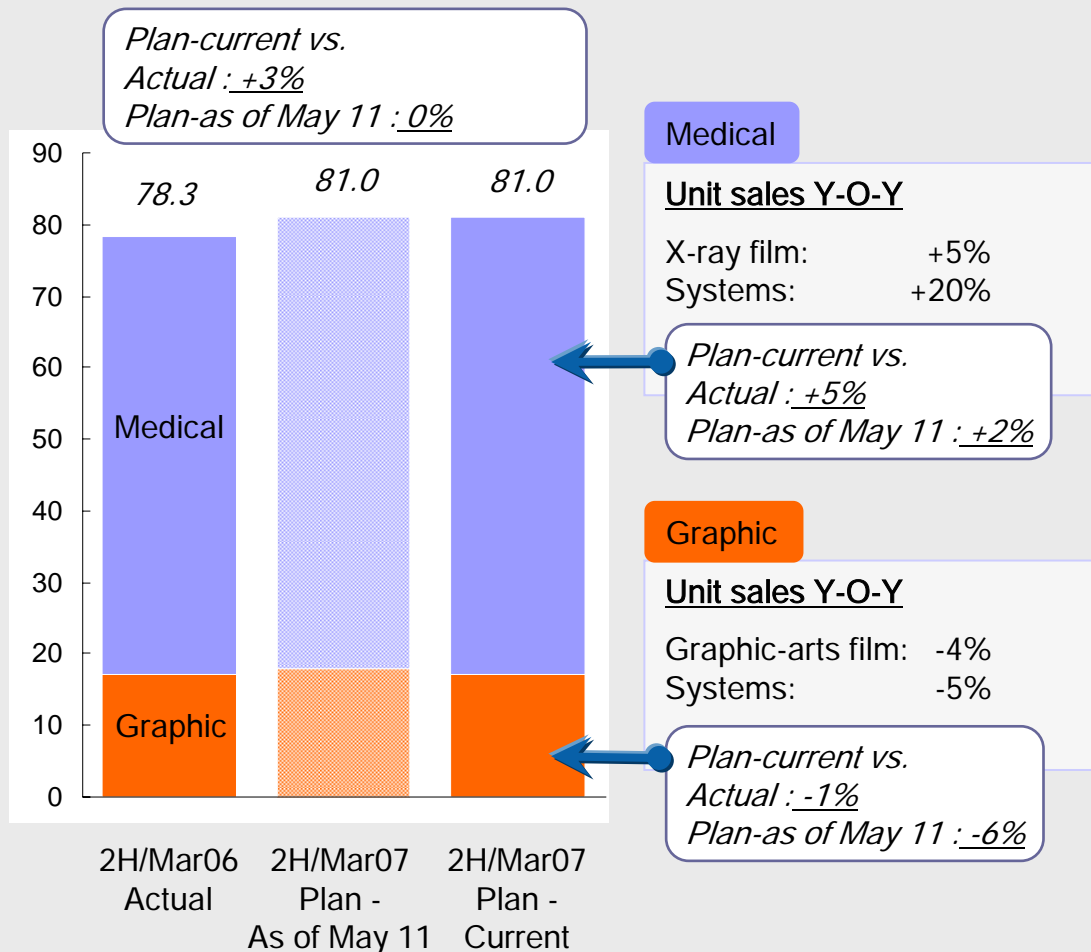
● Mobile phone components

- Strengthen capabilities to respond to customer requirements in terms of quantity and specifications

2H Business plan – Medical & Graphic Imaging

Net sales by segment

[Billions of yen]



■ Medical

- Quickly expand digital systems marketing worldwide with an emphasis on marketing compact-type models for general practitioners.

■ Graphic

- Launch CTP business
- Digital production printing systems → Launch new products and strengthen marketing

Photo Imaging business update (as of Sep. 30)

Production

- Photo paper : Transferred a factory in Odawara to Dai Nippon Printing Co., Ltd. in Oct. 2006.
- Film : On schedule - terminate manufacturing in March 2007.

Marketing

- Terminate operations, transfer/sell assets : Completed at 19 out of 23 locations worldwide.

Employees

■	<u>Consolidated</u>	<u>Sep. 2005</u>		<u>Sep. 2006</u>	<u>Change</u>
	Photo Imaging:	5,700	→→	900	-4,800

* Approximate number of employees

Costs

- On plan – within the scope of the assumption

Growth initiatives in focusing businesses

Business Technologies

- Polymerized toner → Establish max. 15,000 tons/yr production capacity by March 2007
- “Genre-top” strategy → Strengthen marketing team for direct sales; acquire dealers
- Strengthen solution business (e.g. Alliance and M&A)

Optics

- TAC film → Establish 170 million sqm/yr production capacity (Target: Summer 2007)
- Glass substrates for HD → Expand production capability responding to increasing demand

Medical

- Strengthen input/output systems marketing and solution business (e.g. Alliance and M&A)

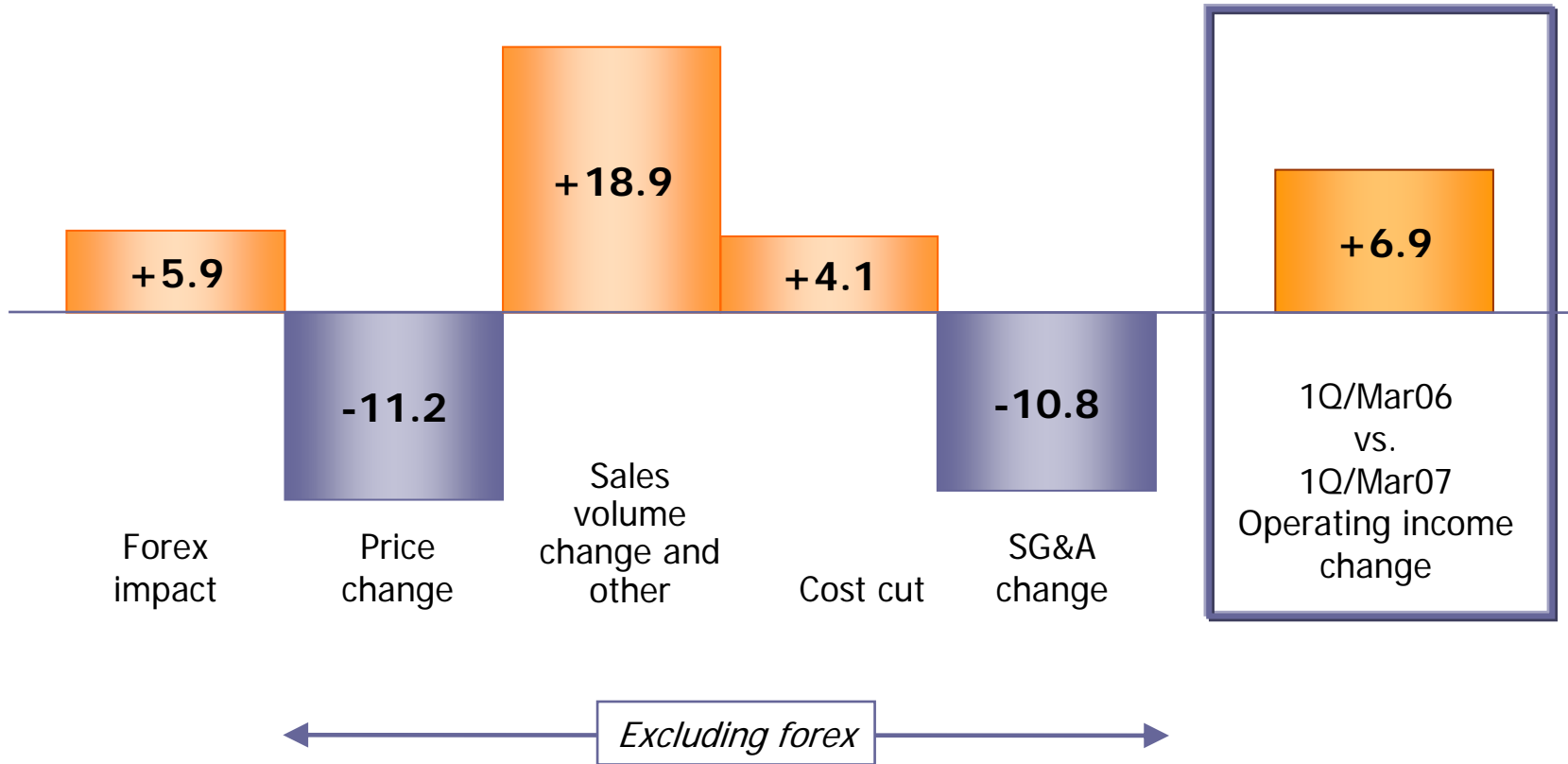
Supplementary Information



[Reference] Operating income analysis Y-O-Y

[w/o Photo Imaging]

[billions of yen]



[Reference] SG&A

[Billions of yen]

	1H / Mar07	1H / Mar06	Y-O-Y
SG&A total	191.6	199.7	-8.2
Sales expenses	29.8	37.6	-7.7
Salaries and wages	74.5	76.6	-2.1
R&D	34.8	32.2	2.7
Other	52.4	53.4	-1.0

Forex impact: +5.4 billion yen (Actual: -13.6 billion yen)

[Reference] Non-operating profit/loss

[Billions of yen]

	1H / Mar07	1H / Mar06	Y-O-Y
Non-operating income/expenses	-1.4	-4.2	2.8
Interest and dividend income	1.1	0.9	0.1
Foreign exchange gain	1.7	2.3	-0.6
Other	5.9	4.5	1.5
Non-operating income	8.7	7.7	1.0
Interest expenses	2.7	2.8	-0.1
Loss on revaluation/disposal of inventories	2.6	3.3	-0.7
Other	4.7	5.7	-1.0
Non-operating expenses	10.1	11.9	-1.8

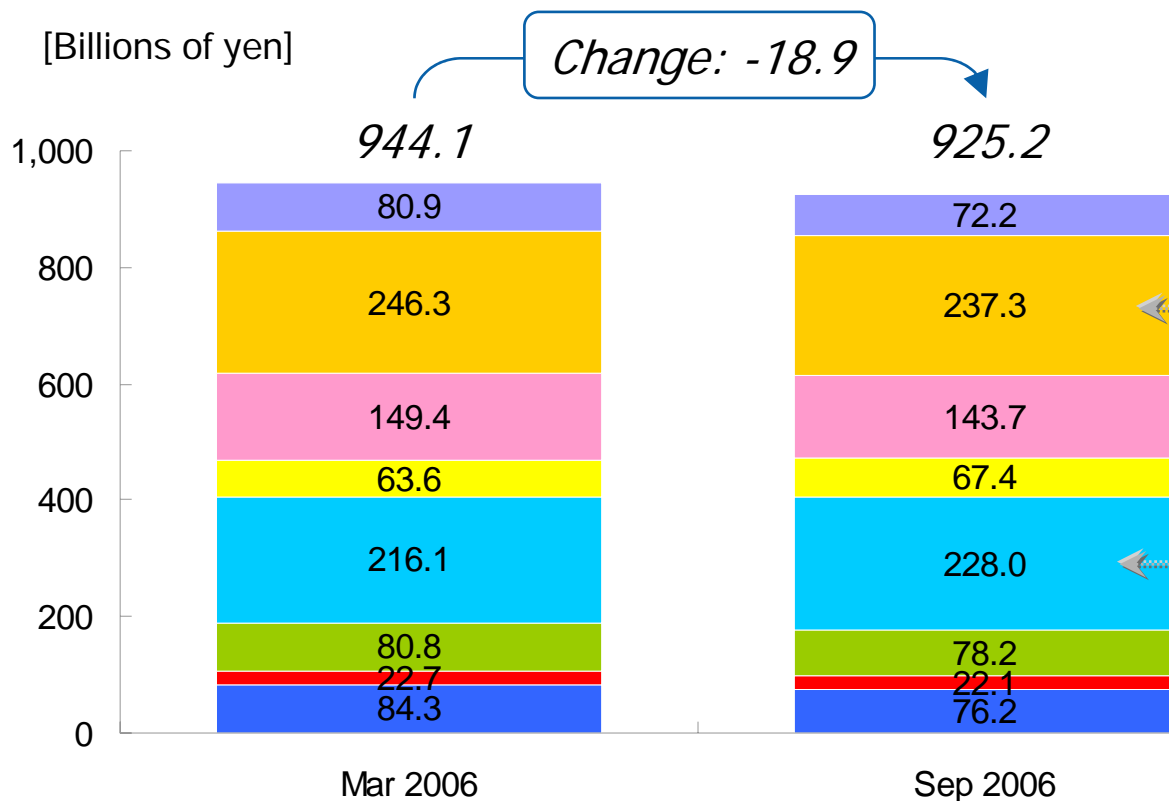
[Reference] Extraordinary profit and loss

[Billions of yen]

	1H / Mar07	1H / Mar06	Y-O-Y
Extraordinary profits/losses	3.0	-28.0	31.0
Gain on sales of fixed assets	0.8	0.1	
Gain on sales of investment securities	1.6	0.5	
Gain on sales of shares in affiliates	1.2	0.0	
Reversal of allowance for loss on withdrawal from operation	0.7	0.0	
Extraordinary profits	4.2	0.7	3.6
Loss on fixed assets due to impairment	0.0	23.3	
Loss on disposal and sales of fixed assets	1.2	1.8	
Other	0.0	3.6	
Extraordinary losses	1.2	28.7	-27.5

[Reference] B/S - Assets

Forex: B/S	[Yen]		
	Mar 2006	Sep 2006	Change
US\$	117.47	117.90	+0.43
Euro	142.81	149.77	+6.96



*Forex impact: +6.8 billion yen
(Actual: -25.7 billion yen)*

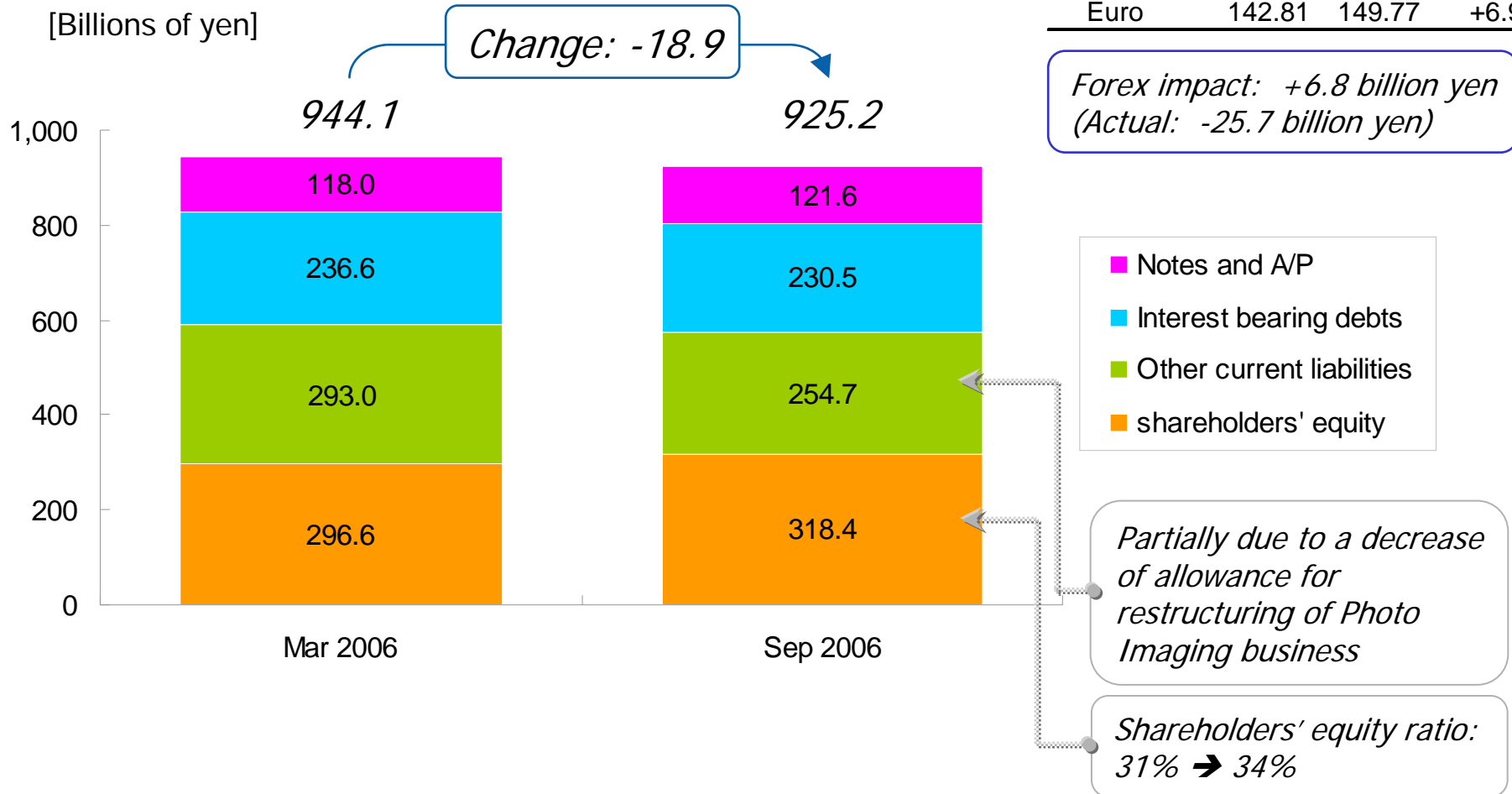
- Cash and deposits
- Notes and A/R
- Inventories
- Other current assets
- Tangible fixed assets
- Consolidation goodwill
- Other intangible fixed assets
- Investments and others

Including a 16 billion yen decrease in Photo Imaging's notes & A/R

Mainly due to the installation of TAC film 4th production facility

[Reference] B/S – Liabilities and shareholders' equity

Forex: B/S	[Yen]		
	Mar 2006	Sep 2006	Change
US\$	117.47	117.90	+0.43
Euro	142.81	149.77	+6.96



[Reference] Cash Flows

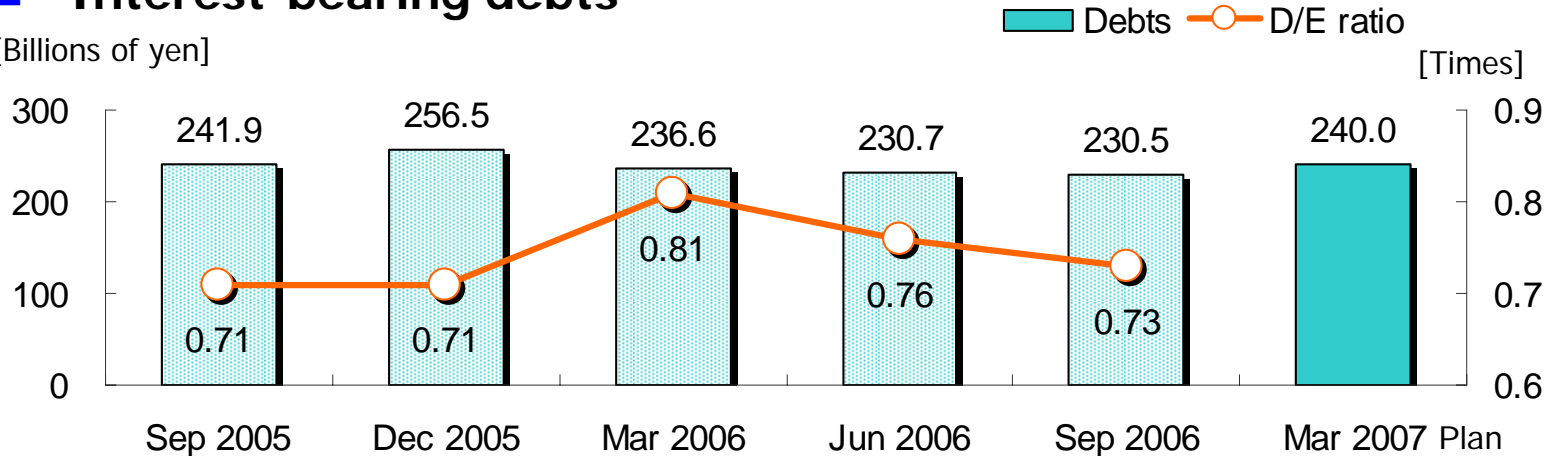
	[Billions of yen]		
	1H / Mar07	1H / Mar06	Y-O-Y
Income before income taxes	47.9	7.2	40.7
Depreciation and amortization	24.6	25.4	-0.8
Impairment loss	0.0	23.3	0.0
Increase (decrease) of allowance for Photo Imaging business termination	-16.0	0.0	-16.0
Increase (decrease) of working capital, other	-29.6	-18.7	-10.9
I. Net cash provided by operating activities	26.9	37.2	-10.3
II. Net cash outflow from investing activities	-26.7	-25.7	-1.0
I.+ II. Free cash flow	0.2	11.5	-11.4
Increase (decrease) in debts and bonds	-9.1	-4.8	-4.3
Dividends paid	-0.1	-2.7	2.6
Other	-0.1	-0.0	-0.0
III. Net cash outflow from financing activities	-9.3	-7.5	-1.8



[Reference] Interest bearing debts and inventories

Interest-bearing debts

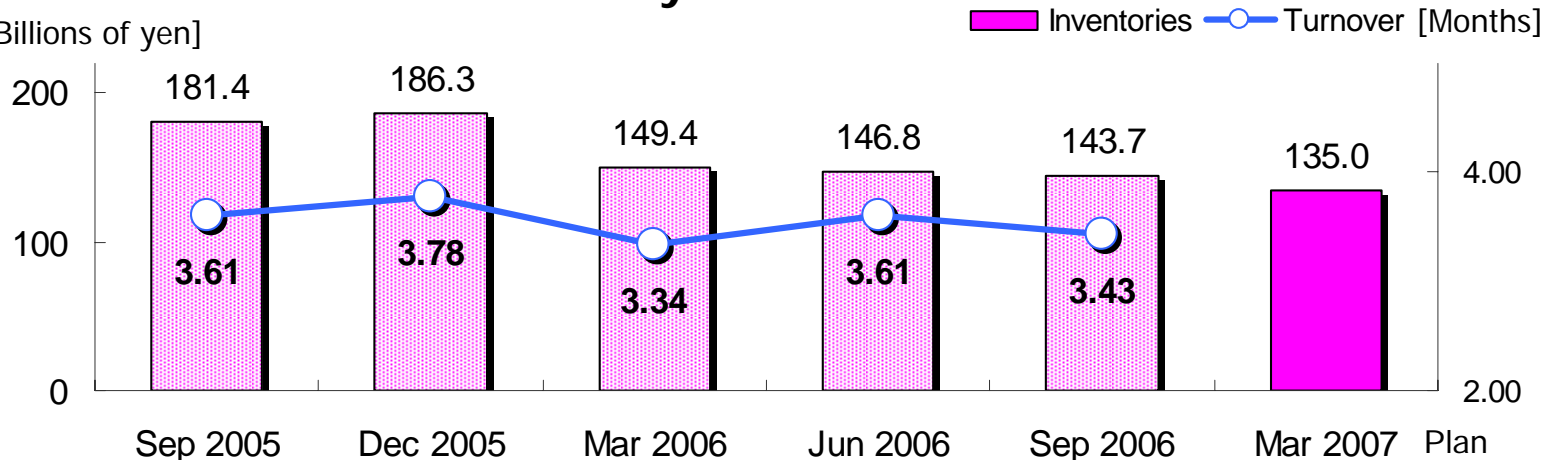
[Billions of yen]



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

Inventories and inventory turnover

[Billions of yen]

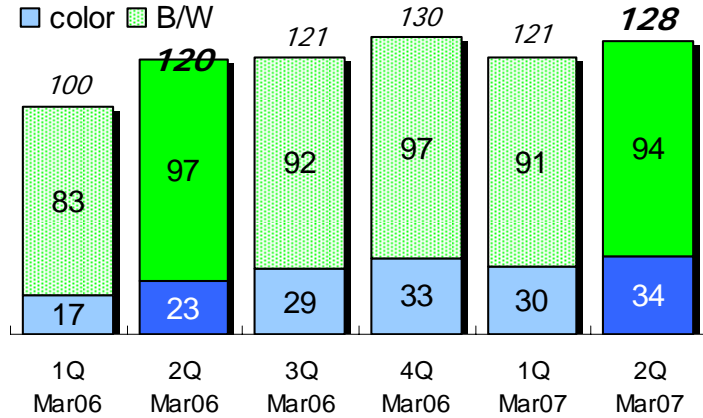


Inventory turnover (months) = Average inventories / Average cost of sales per month

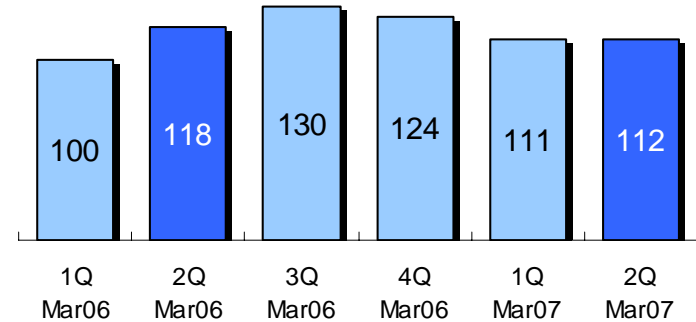


[Reference] Unit sales – Business Technologies

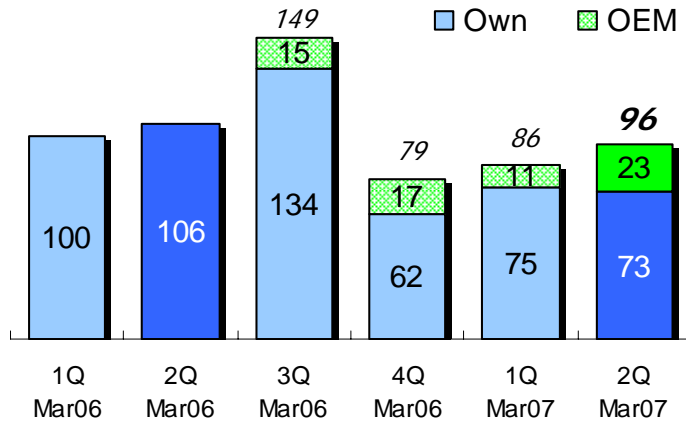
MFP



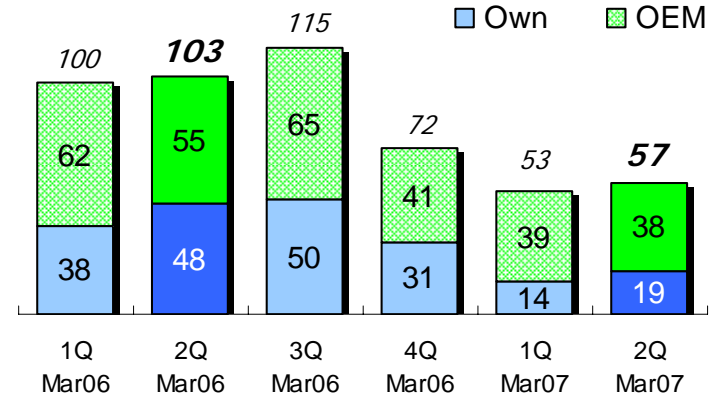
Production printing (Color and B/W)



Color LBP



B/W LBP

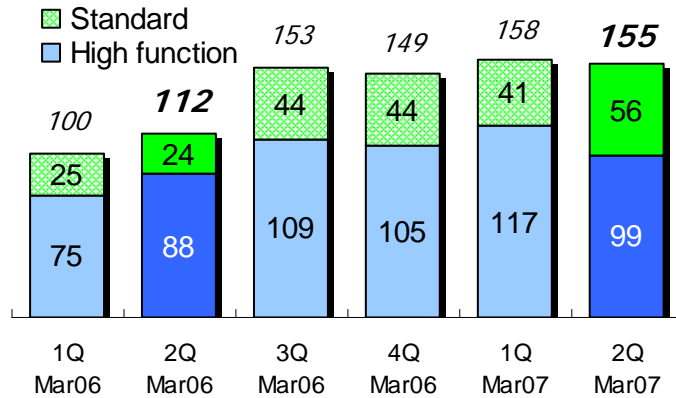


* Base index : "1Q Mar06" = 100

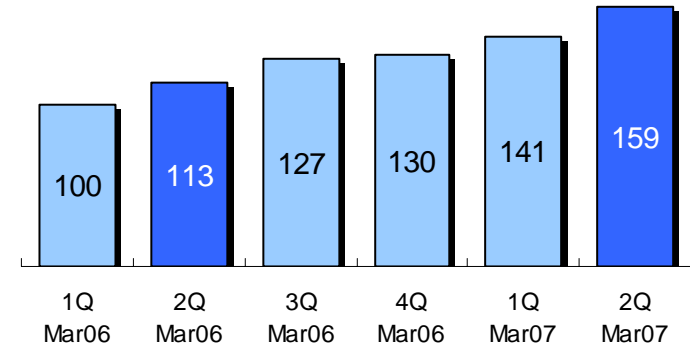
[Reference] Unit sales – Optics



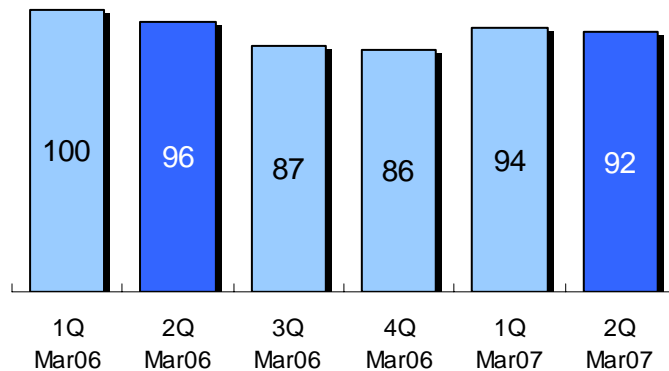
■ TAC film



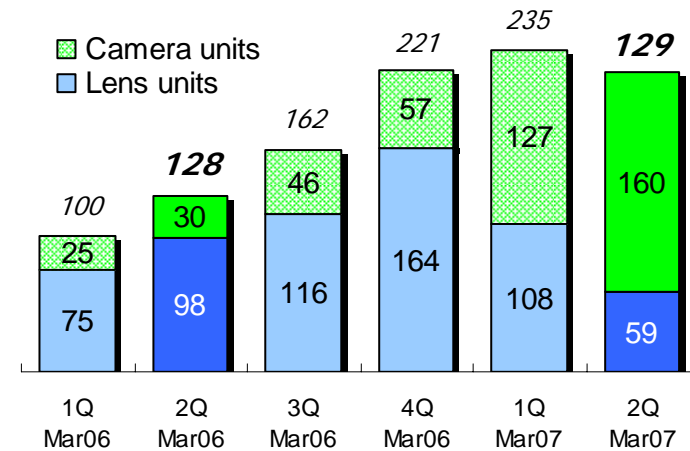
■ Glass HD



■ Optical pickup lens



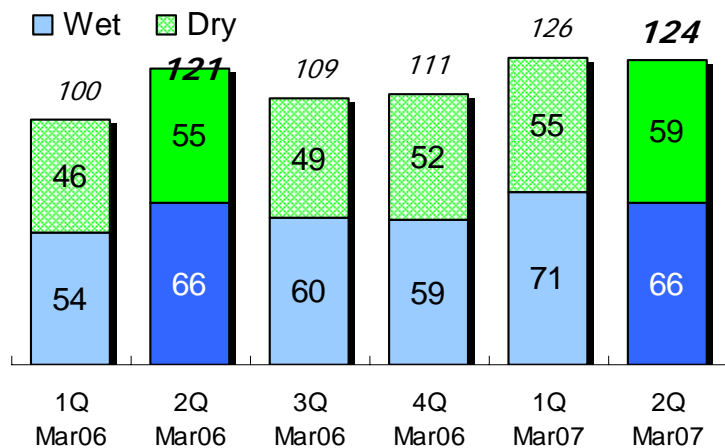
■ Lens/camera units for mobile phones



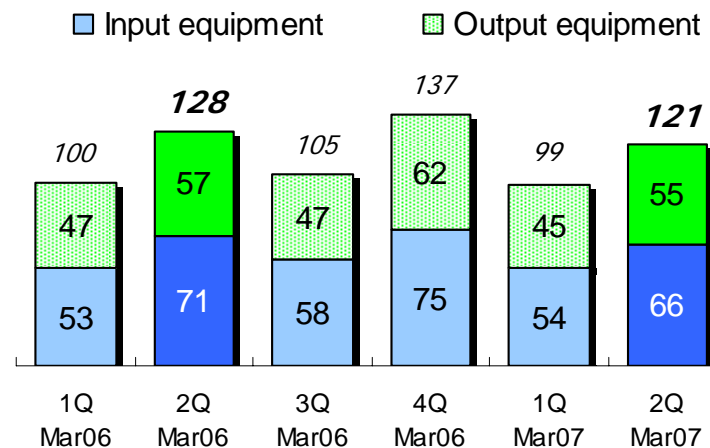
* Base index : "1Q Mar06" = 100

[Reference] Unit sales – Medical & Graphic

■ Medical film (dry & wet)



■ Image input/output equipment



* Base index : "1Q Mar06" = 100

The essentials of imaging