KONICA MINOLTA

OGIES *Photo Imaging* Business Technologies ***Optics***

**Business Technologies** Optics The essentials of imaging

***Sensing*** Medical and Graphic Imaging ***Business Technologies***

KONICA MINOLTA HOLDINGS, INC. ANNUAL REPORT 2005

**On August 2003, Konica Corporation and Minolta Co., Ltd. integrated their respective managements and established a new holding company, Konica Minolta Holdings, Inc. The new company represents an organic union of the revolutionary technologies long accumulated by the two companies, centering on a comprehensive imaging business—from input to output. Moreover, the new Group is pursuing a portfolio-oriented management strategy based on five business domains—business technologies, optics, photo imaging, medical and graphic imaging and sensing. The Konica Minolta Group has annual sales of over one trillion yen, conducts its business operations in approximately 40 nations worldwide and has approximately 33,000 employees. Based on an underlying management principle of "New Value Creation" and driven by its corporate message of "The essentials of imaging", Konica Minolta aims to provide inspired creativity in the field of imaging in becoming an innovative, technologically sophisticated, reliable and market leading global company that is able to enhance corporate value and respond to the expectations of its stakeholders through corporate creativity.**

## CONSOLIDATED FINANCIAL HIGHLIGHTS

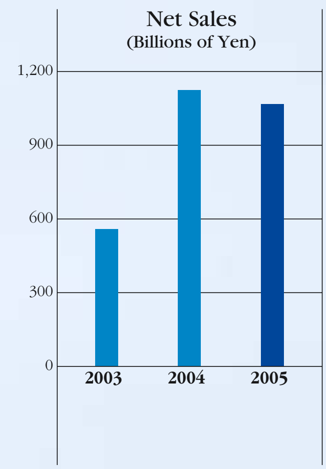
Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2005 and 2004

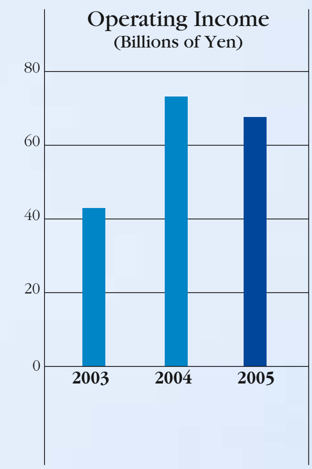
| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2005** | 2004 (Note 2) | **2005** |
| **For the Year:** | | | |
| Net sales | ¥1,067,447 | ¥1,123,591 | $9,939,911 |
| Operating income | 67,577 | 73,213 | 629,267 |
| Net income | 7,524 | 19,343 | 70,062 |
| Capital expenditure | 56,448 | 43,128 | 525,636 |
| R&D expenditures | 65,994 | 63,194 | 614,526 |
| **At Year-End:** | | | |
| Total assets | ¥ 955,542 | ¥ 969,589 | $8,897,868 |
| Total shareholders' equity | 339,729 | 335,427 | 3,163,507 |
| | Yen | | U.S. dollars (Note 1) |
| **Per Share of Common Stock:** | | | |
| Net income—primary | ¥ 14.1 | ¥ 36.4 | $0.13 |
| Shareholders' equity | 639.8 | 631.5 | 5.96 |
| Cash dividends | 10.0 | 10.0 | 0.09 |
| | Percent | | |
| **Financial Ratios:** | | | |
| Equity ratio | 35.6% | 34.6% | |
| Return on assets | 7.2 | 7.7 | |
| Return on equity | 2.2 | 5.8 | |

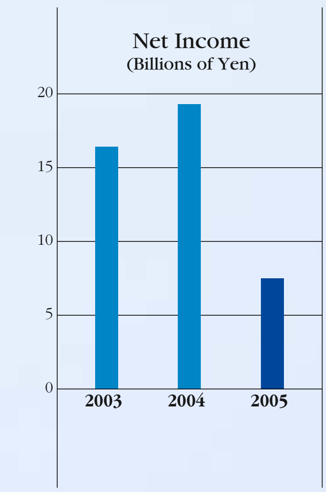
Total capital expenditure increased 31% for the fiscal year and was mainly composed of investment in metal molding for new equipment in the Business Technologies segment, increased production capacity for polymerized toner, and for a third LCD-use TAC film factory in the Optics segment.

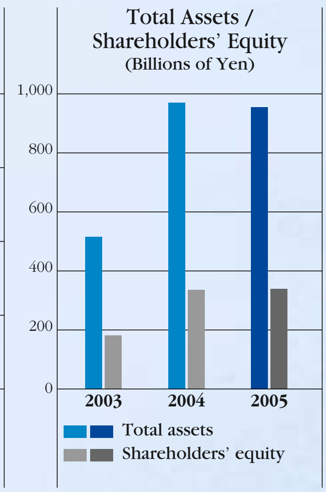
Due to extraordinary losses such as restructuring expenses for the Photo Imaging segment and one-time goodwill amortization for the camera business, net income for the period was significantly lower than the previous fiscal year.

Notes: 1. U.S. dollar amounts above and elsewhere in this report for the Company are translated from yen, for convenience only, at the rate of ¥107.39=US$1, the approximate exchange rate prevailing at March 31, 2005.
2. Due to the integration of Konica Corporation and Minolta Co., Ltd. and to facilitate year-on-year comparisons, fiscal year ended March 2004 business results in this report, excluding the financial statements, are the simple aggregation of prior two companies.
3. Figures for the March 2003 fiscal year in this report, excluding the financial statements, represent former Konica figures only.
4. Return on assets = (Operating income + Interest and dividend income) ÷ Average total assets × 100 (%).
Return on equity = Net income ÷ Average shareholders' equity × 100 (%)
End of period total assets and shareholders' equity are used for the fiscal year ended March 2004.



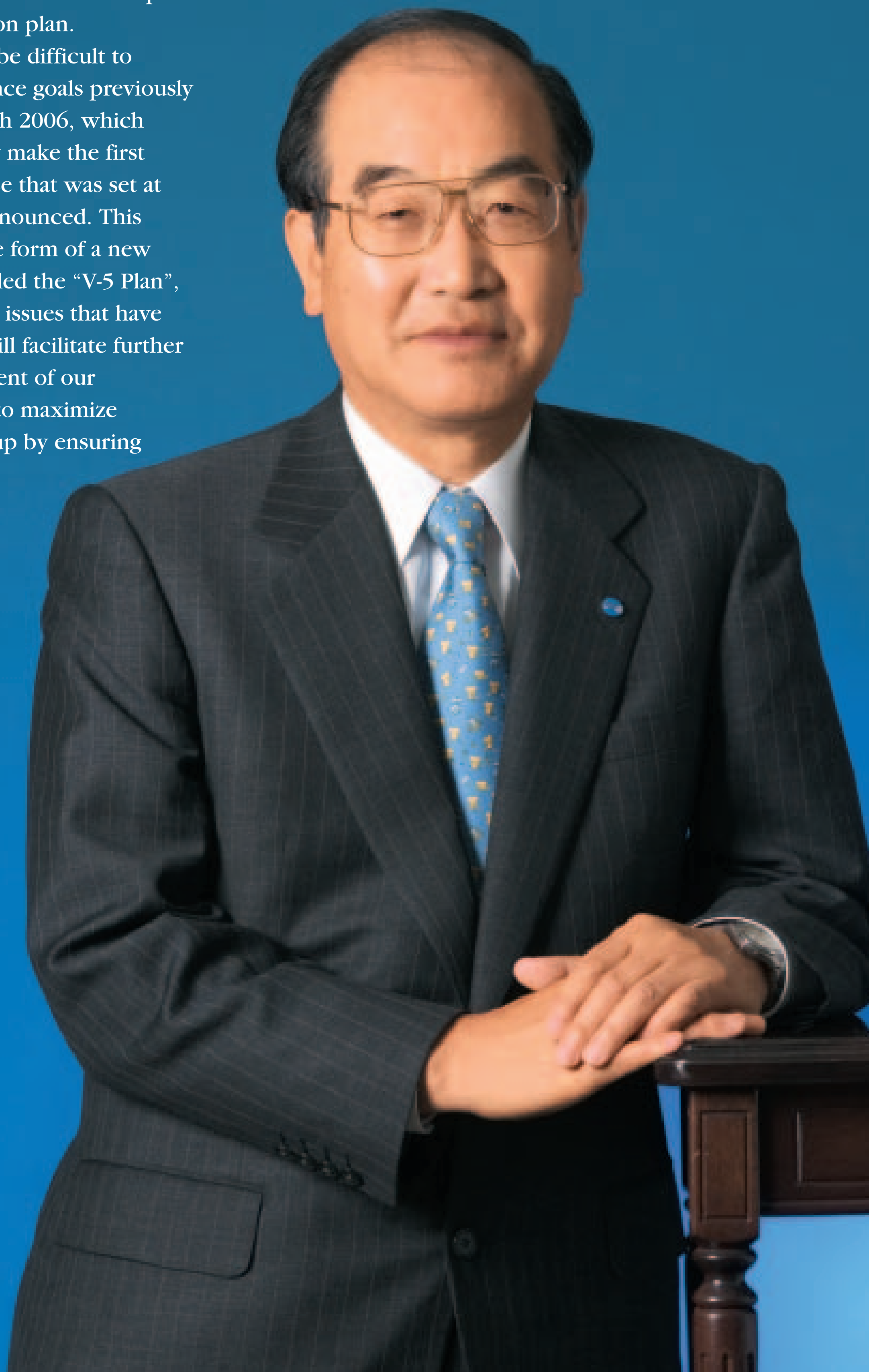

## Contents



**Disclaimer Regarding Forward-Looking Statements**
The plans, strategies, and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

## To Our Shareholders

The management integration of Konica Minolta that was first announced in January 2003 is now complete, with integration of IT and personnel systems as well as operating locations proceeding largely as outlined in the Konica Minolta Group's original medium-term integration plan. Unfortunately, however, it will be difficult to achieve the business performance goals previously set for fiscal 2005, ending March 2006, which means that we must regrettably make the first correction to the original course that was set at the time the integration was announced. This course correction has taken the form of a new medium-term business plan called the "V-5 Plan", which has helped us clarify the issues that have arisen and which we believe will facilitate further growth and the early achievement of our performance goals. Our aim is to maximize the corporate value of the Group by ensuring that we meet these goals.



## REVIEW OF THE PAST YEAR

Fiscal 2004, ended March 31, 2005 was a difficult year. While the Group worked to implement business portfolio management policies in keeping with Konica Minolta's basic group management strategy, consolidated sales for the Group were ¥1,067.4 billion. By major business segment, Business Technologies sales were ¥564.8 billion and Optics sales were ¥91.7 billion, while Photo Imaging sales were ¥268.5 billion, Medical and Graphic Imaging sales were ¥129.9 billion and Sensing sales were ¥5.3 billion.

Success requires a more rapid response to changes in the operating environment.

In terms of earnings, operating income for the Group was ¥67.6 billion, while net income for the period was ¥7.5 billion, which represented a 61.1% decline from the simple aggregation of net income for the integrated companies for the previous fiscal year. The decline in net income reflected extraordinary losses of ¥21.4 billion related to structural reforms in the Photo Imaging segment, collective amortization of goodwill for the camera business and other rationalization expenses. Operating income by segment was broken down into: ¥55.8 billion for Business Technologies, ¥16.0 billion for Optics, ¥6.7 billion for Medical and Graphic Imaging and ¥1.6 billion for Sensing. On the other hand, Photo Imaging unfortunately reported an ¥8.7 billion operating loss.

## INTEGRATION NOW COMPLETE

The aim of the medium-term management integration plan was to achieve speedy integration by completing fundamental integration between fiscal 2003 and fiscal 2004, so the Group could begin generating the benefits of the integration between fiscal 2005 and fiscal 2006.

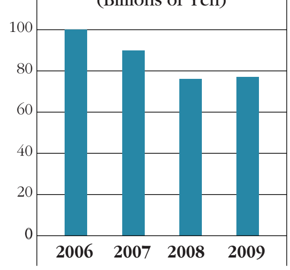
The fundamental groundwork for management integration is now complete.

As a result, business reorganization, the consolidation of IT and personnel systems and the consolidation and elimination of domestic and overseas sales offices as well as research and development facilities proceeded largely as planned. In addition, the integration has produced a smooth melding of corporate cultures and notable integration synergy effects in our businesses.

In terms of personnel, we achieved a cumulative head count reduction of 3,900 employees by the end of March 2005, which greatly exceeds the targeted 3,200 reductions for the same period.

However, while we believe the fundamental groundwork for management integration was completed largely as planned, the operating environment since we first announced the integration has dramatically changed. We have thus regrettably had to change our original performance goals that we indicated to investors for fiscal 2005 and thereafter. As a result, we have created a new medium-term business plan called the "V-5 Plan", which aims to create a stronger corporate group that can more rapidly respond to changes in the operating environment through further "selection and concentration" of our businesses. For more detail on this plan, please refer to the special section on pages 5 to 13 of this report.

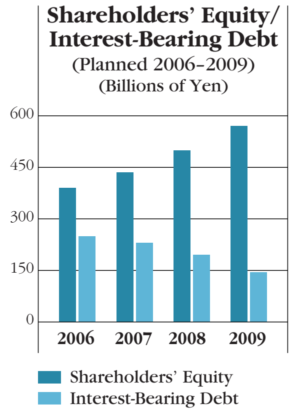
**Capital Expenditure**
(Planned 2006–2009)
(Billions of Yen)

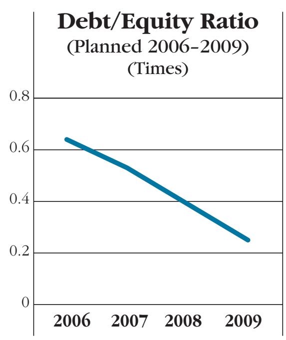



Note: Includes equipment rental in Business Technologies

## FOCUSED INVESTMENT IN GROWTH BUSINESSES

Planned capital expenditures under the V-5 Plan are to be concentrated in the Business Technologies and Optics business segments. Cumulative capital expenditures of approximately ¥340 billion are planned for the four fiscal years through March 2009, of which more than 80% will be concentrated in these two businesses. In Business Technologies, Konica Minolta has begun construction of new facilities




in Wuxi, China to expand equipment manufacturing capacity and new facilities for increased polymerized toner production capacity in Japan in response to the ongoing shift to color products. In addition, we are investing to increase direct sales capacity and acquiring dealers in order to expand marketing capacity.

In the optics business, construction has begun on the third and the fourth plants for TAC film used in liquid crystal displays (LCDs) in response to expanding demand.

## BALANCE SHEET IMPROVEMENTS

During the fiscal year, interest-bearing debt continued to decline, falling by ¥21.6 billion from the previous fiscal year-end to ¥246.3 billion.

Shareholders' equity increased by ¥4.3 billion from the end of the previous fiscal year to ¥339.7 billion. As a result, shareholders' equity ratio at the end of the fiscal year improved by 1 percentage point from the previous year-end.

## PENDING ISSUES

As the market environment is likely to become even more severe, we need to remain vigilant. In particular, the shift to color in the MFP market is occurring faster than anticipated, and we believe the keys to win will be timely responses to market opportunities and global market share expansion. Given this environment, Konica Minolta intends to actively expand sales of popular color products, while emphasizing increased sales of optical devices and components as well as LCD materials in the Optics segment.

On the other hand, we believe the Photo Imaging segment will continue to be plagued by shrinking demand, pricing competition and a generally severe operating environment. We therefore intend to achieve thorough structural reforms by implementing early corrective measures to address structural earnings deficiencies in the business.

## CORPORATE GOVERNANCE PHILOSOPHY

The goal is to further enhance management transparency and efficiency.

Konica Minolta regards the strengthening of corporate governance as a key management issue and, in addition to adopting a committee-based corporate governance system, aims to improve management transparency and efficiency. During the fiscal year under review, the functioning of the Group's corporate governance organs—from the Board of Directors to the Audit Committee, the Nominating Committee and the Compensation Committee—was strengthened and policies were implemented with these goals in mind. All of these efforts reflect Konica Minolta's emphasis on achieving fair returns for all stakeholders. For our shareholders in particular, Konica Minolta's management priority is the early achievement of our business performance goals as a means of enhancing corporate value.

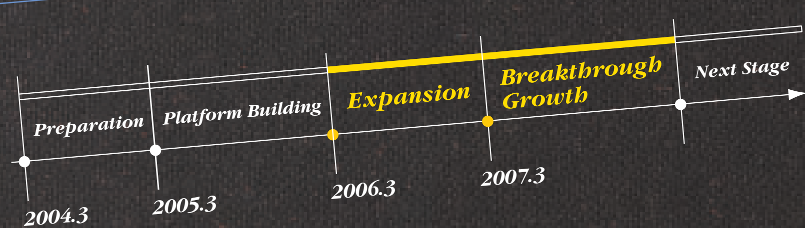
June 2005

Fumio Iwai
President & CEO, Representative Executive Officer

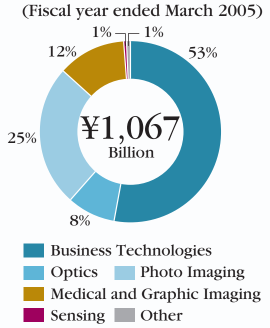
Konica Minolta aims to achieve Group sales of ¥1,410 billion and operating income of ¥145 billion by fiscal 2008, ending March 2009, through ongoing "selection and concentration" to make Konica Minolta an even stronger corporate group.

## Fundamental Group Management Policies

- Implementation of thorough business portfolio management.
- Implementation of highly transparent Group governance.
- Promotion of strategic Group technologies and establishment of the Konica Minolta brand in the imaging business domain.
- Implementation of ability-centered personnel policies based on the Group's personnel philosophy.
- Implementation of CSR-focused management.



**Share of Total Sales**
(Fiscal year ended March 2005)




Breakthrough Growth Means…

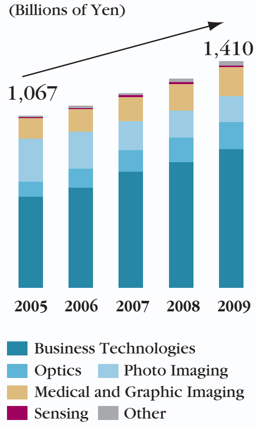
Konica Minolta aims to become an even stronger corporate group through further selection and concentration in its new V-5 Plan, which covers the next four years through fiscal 2008, ending March 2009. The Group will focus on achieving breakthrough growth with comprehensive business portfolio management to strengthen existing businesses and selectively develop new sources of growth based on three fundamental strategies: "further selection and concentration", "nurturing of new businesses", and "expansion of businesses through business alliances and M&A".

## KEY PERFORMANCE GOALS

With the first consideration being the unfailing achievement of the goal, the Group aims to achieve Group sales of ¥1,130 billion and operating income of ¥90 billion in fiscal 2005, ending March 2006. In addition, the Group has set sales of ¥1,410 billion and operating income of ¥145 billion by fiscal 2008 as the final goals of the plan.

In terms of interest-bearing debt, the plan calls for a further reduction to ¥145 billion by the end of fiscal 2008, compared to ¥246.3 billion as of the end of fiscal 2004. The aim is to reduce this debt by generating the maximum amount of free cash flow.

**Sales by Segment**
(2005 and Planned 2006–2009)
(Billions of Yen)

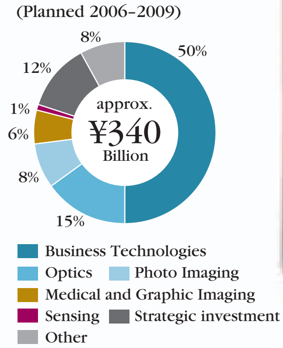



**Group Performance Targets** (2005 Actual and Planned 2006–2009) (Billions of yen)

| Fiscal Years Ended March 31 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Net Sales | 1,067.4 | 1,130.0 | 1,210.0 | 1,300.0 | 1,410.0 |
| Operating Income | 67.6 | 90.0 | 105.0 | 120.0 | 145.0 |
| Operating Income Ratio (%) | 6.3% | 8.0% | 8.7% | 9.2% | 10.3% |
| Net Income | 7.5 | 23.0 | 45.0 | 60.0 | 70.0 |
| Capital Expenditure* | 56.4 | 100.0 | 90.0 | 76.0 | 77.0 |
| Free Cash Flow | 6.3 | 4.0 | 15.0 | 35.0 | 45.0 |
| Interest-Bearing Debt | 246.3 | 250.0 | 230.0 | 195.0 | 145.0 |
| Shareholders' Equity | 339.7 | 390.0 | 435.0 | 500.0 | 570.0 |
| ROE (%) | 2.2% | 5.9% | 10.3% | 12.0% | 12.3% |
| EPS | 14.1 | 43.9 | 84.9 | 113.2 | 132.1 |

* Includes Business Technologies equipment rental investment from March 2006.

**Cumulative Capital Expenditure**
(Planned 2006–2009)




## INVESTMENT STRATEGY

Under the V-5 Plan, the Group intends to spend a cumulative total of approximately ¥340 billion on capital expenditure, of which approximately 80% will be allocated to the Business Technologies and Optics businesses, and other strategic investments.

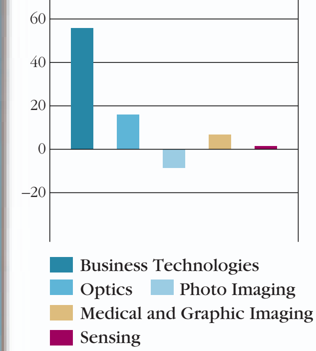
Investments in the Business Technologies business will be intensively allocated to color products and polymerized toner. Investments in the Optics business will be

## PERFORMANCE TARGETS BY SEGMENT

Konica Minolta aims to strengthen its Business Technologies business by concentrating management resources in the color products segment, where the market is growing very rapidly. To ensure sales targets are met, the Group will actively pursue a “genre-top” strategy. In the Optics business, the Group intends to further strengthen its already highly competitive technological capabilities as it seeks further growth in pickup lenses and TAC film for LCDs, while at the same time expanding the business into new areas such as next generation pickup lenses. In the Photo Imaging business, the aim is to achieve profitability by shifting the emphasis to profitability over scale. In addition, the Group will work to apply its optical and other core technologies in other profit generating areas. In the Medical and Graphic Imaging business, the Group will pursue growth in digital input/output equipment and dry film sales, leveraging the growing trend toward digital and networked equipment in the medical and diagnostics fields. In the Sensing business, the Group will work to ensure stable revenue and earnings in the principal color measurement business for the FPD (flat panel display) industry and the automobile industry, and will focus on the 3D digitizer business as a newer growth area.

In addition, Konica Minolta will pursue new areas that have the potential of growing into major new businesses by leveraging its core technologies such as image processing, optics, materials and nano-fabrication.

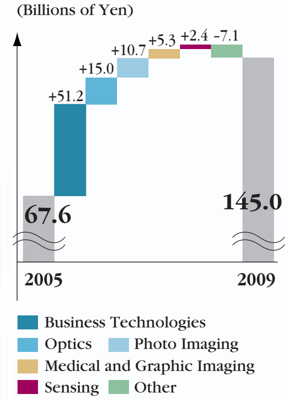
**Operating Income by Segment**
(Fiscal year ended March 2005)
(Billions of Yen)




**Performance Targets by Segment** (Billions of yen)

| | | 2005 | 2006 (Plan) | 2009 (Plan) |
|---|---|---|---|---|
| Business Technologies | Net Sales | 564.8 | 620.0 | 860.0 |
| | Operating Income | 55.8 | 71.0 | 107.0 |
| Optics | Net Sales | 91.7 | 120.0 | 170.0 |
| | Operating Income | 16.0 | 21.0 | 31.0 |
| Photo Imaging | Net Sales | 268.5 | 230.0 | 160.0 |
| | Operating Income (Loss) | -8.7 | -4.0 | 2.0 |
| Medical and Graphic Imaging | Net Sales | 129.9 | 140.0 | 180.0 |
| | Operating Income | 6.7 | 9.0 | 12.0 |
| Sensing | Net Sales | 5.3 | 6.0 | 12.0 |
| | Operating Income | 1.6 | 2.0 | 4.0 |
| Other | Net Sales | 7.3 | 14.0 | 28.0 |
| | Operating Income (Loss) | -3.9 | -9.0 | -11.0 |

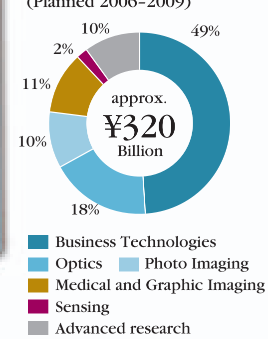
**Operating Income by Segment**
(2005 and Planned 2006–2009)
(Billions of Yen)

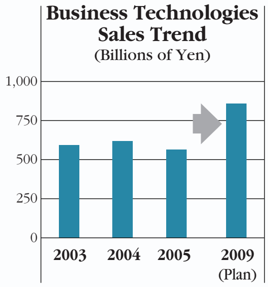



focused on expanding production capacity for LCD-related component materials and the next generation products.

In terms of research and development, the V-5 Plan calls for a cumulative investment of approximately ¥320 billion in R&D over the next four years. This is a significantly larger amount than the ¥100 billion planned on R&D in the previous three-year medium-term plan. Some 80% of these expenditures will be focused on the Business Technologies and Optics businesses, as well as on advanced research.

**Cumulative Research and Development Expense**
(Planned 2006–2009)






## COMPETITIVENESS IN BUSINESS TECHNOLOGIES PRODUCES RESULTS

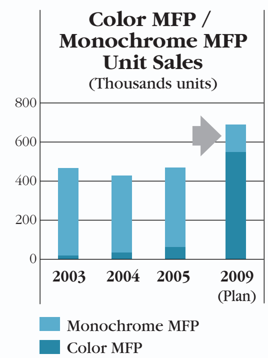
Since the integration of Konica and Minolta, the Group has worked to meld the strengths of both firms in enhancing cost competitiveness and improving technological strengths, in order to further strengthen the Group's position in the business technologies market and to establish leading brands in specified markets and business domains as part of a genre-top strategy. We believe these efforts to strengthen each business have established a solid base that is capable of producing the strategic products the Group needs to effectively compete in increasingly competitive global markets.

The color MFP bizhub C350 that was marketed from March 2004 was the Group's first integrated brand and has been well received by customers who value the product's superior cost performance, high image quality and output. Consequently, the number of units sold and installed has already reached 44,000 units on rapid growth in Europe and the United States.

The color MFP bizhub C450 model upgrade marketed from the spring of 2005 features new integrated firmware. The new open platform firmware can be easily incorporated into networks consisting of third-party products. Heretofore, MFP products in the market were a mixture of old Minolta-related firmware and old Konica-related firmware. The new product not only standardizes firmware and allows interconnectivity with models sold heretofore but also includes advanced functionality. From this perspective, we believe that the Group's new bizhub C450 will be strongly competitive.

As the bizhub C450 includes fax functionality, sales have been recording strong growth in Japan since the product was first marketed. Consequently, the Group believes the product can significantly boost heretofore struggling domestic sales and will lead to significant market share gains in Japan in addition to the high market shares already achieved in the United States and European markets.

Regrettably, the bizhub open platform firmware took longer to complete than originally planned, and temporary disruptions caused by the consolidation and

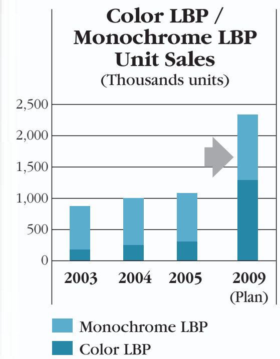



**Unit Sales Targets** (Thousands units)

| | 2003 | 2004 | 2005 | 2009 (Plan) |
|---|---|---|---|---|
| Color MFP | 19 | 33 | 62 | 550 |
| Monochrome MFP | 446 | 400 | 405 | 150 |
| Total | 465 | 433 | 467 | 700 |
| Color LBP | 178 | 247 | 306 | 1,300 |
| Monochrome LBP | 692 | 753 | 777 | 1,050 |
| Total | 870 | 1,000 | 1,083 | 2,350 |

recombination of sales companies forced us to revise the V-5 Plan for the fiscal year ending March 2006. In order to make up for this delay, the Group plans to upgrade its product lineup by successively introducing new color products beginning with the bizhub C450 in parallel with the introduction of new monochrome MFP products incorporating the new integrated firmware.

Under the V-5 Plan, the Group intends to introduce 15 new color MFP models in order to achieve color MFP sales in the segment 2 and above category of 450,000 units and to gain a worldwide market share of over 20% in the final year of the V-5 Plan.




## THE CHANGING MARKETPLACE AND KONICA MINOLTA'S RESPONSE

Driven by the shift to color office documents in Japan, the United States, Europe and other developed country markets, the color MFP market is rapidly expanding, with unit shipments forecast to rapidly rise from approximately 500,000 units in fiscal 2004 to 2 million units in fiscal 2008. On the other hand, as the color LBP market is growing on dramatic declines in unit prices and faster-than-expected changes in the market environment, unit volumes are foreseen rising from 1.9 million units in fiscal 2004 to 3.2 million units in fiscal 2008.

Given these market conditions, the Group has created its V-5 Plan with the aim of proactively responding to changes in market conditions by pursuing further selection and concentration and adopting a strategy that focuses the Group's resources on the development and sales of color products, in order to significantly raise the ratio of color products to the overall product mix. The Group believes it is necessary to focus on its strengths and resolutely pursue an effective genre-top strategy in order to maintain superior competitiveness.

## STRENGTHENING GLOBAL COMPETITIVENESS

The shift to color in global MFP markets is proceeding at a very rapid pace, with particularly rapid demand growth being seen in the European and U.S. markets.

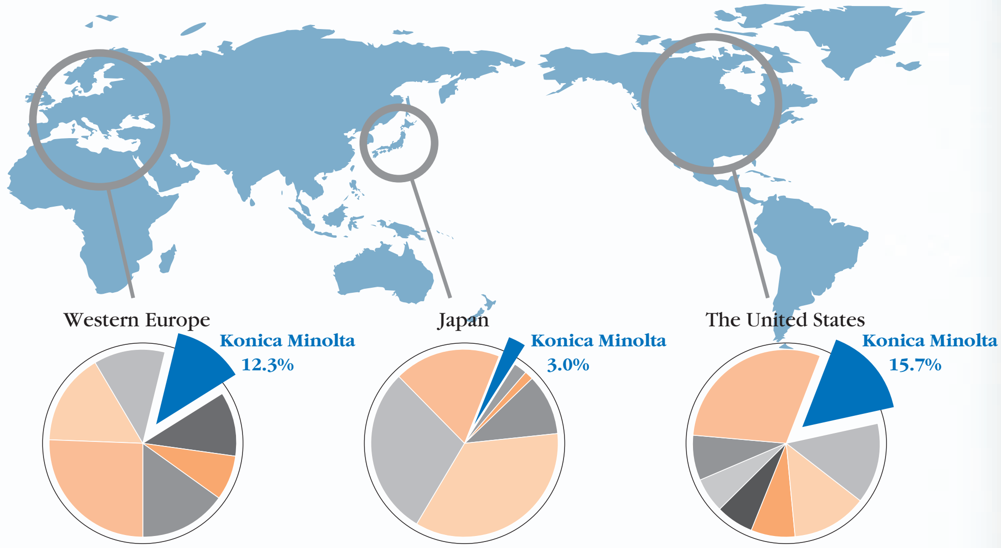
Konica Minolta's market position in the European and U.S. markets is steadily growing, and while market share in Europe slipped slightly in fiscal 2004, market share in the U.S. improved from 14% to 16%. Under the V-5 Plan, the Group aims to achieve market shares in the color market as defined by segment 2 or above products of 25% in Europe and 20% in the United States by the end of fiscal 2008.

In addition to the high market shares the Group is maintaining in Europe, market share is recovering in Japan where the Group had previously been struggling, thanks to the introduction of the strategic bizhub C450.

In the LBP market, as competition has intensified further in mainly the low-speed color LBP market segment in Europe and the U.S., the Group aims to strengthen its product lineup in the high speed product segment.

In terms of marketing, the key is manufacturer direct selling power. Here, the

**Color Copier Market Shares in Major Regions in 2004** (Units)

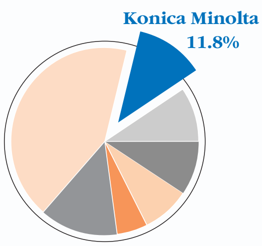



Source: Gartner-Dataquest (May 2005) GJ05203

Source: Gartner-Dataquest (May 2005) GJ05203

Source: Gartner-Dataquest (May 2005) GJ05203

**Global Color Page Printer Market Shares in 2004** (Units)




Source: IDC Worldwide Printer Tracker, Q4 2004

Group aims to focus on the segment 2 and above color MFPs and to strengthen its direct sales workforce in the major markets of Europe, the U.S. and Japan, while at the same time expanding its dealer network.

### ENHANCING COST COMPETITIVENESS

The Group believes that strengthening cost competitiveness in response to the rapid decline in product prices is an important management priority. In MFP toner, there is a rapid shift under way from conventional crushed toner to more advanced and low-cost polymerized toner.  As a result, the Group aims to improve cost competitiveness by raising the ratio of machines using polymerized toner from 30% in fiscal 2004 to over 80% by fiscal 2008. Given the shift to polymerized toner, the Group aims to ensure commanding cost competitiveness through the early establishment of the world's largest production capacity for polymerized toner, and it should achieve this goal with the expected completion of capacity expansion in Yamanashi, Japan in the fall of 2005 and the expected start-up of operations at a new plant in Nagano, Japan in 2006. In addition, the Group is increasing production capacity in China with the construction of a new equipment assembly plant in Wuxi and aims to further expand local procurement capacity in China to achieve further cost savings.

## ESTABLISHING A FIRM EARNINGS BASE FOR THE OPTICS BUSINESS

The Optics business continues to steadily expand, and the Group aims to accelerate this growth under the V-5 Plan. The management integration of Konica and Minolta has allowed the organic melding of the plastic lens technology that was Konica's strength with the glass mold technology that was Minolta's strength, which we believe has strengthened the business base and product strength of the Optics business.

In the main optical pickup lens business, while profit margins are under pressure due to DVD player price declines in keeping with growing product diffusion, the market for DVD devices with recording functions is rapidly expanding, and the Group believes that the next generation of pickup lenses will become the main driver of the business. Consequently, the Group expects growth in the pickup lens business to continue going forward. Konica Minolta has industry leading technology in objective pickup lenses and is aming to maintain its leading market share in lenses for next generation DVDs. In addition to applying for patents on products for next generation DVDs in order to raise the barriers to market entry, the products' compatibility with peripheral devices is being strengthened.

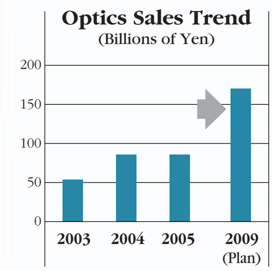
High performance products such as micro lens units for camera-equipped mobile phones and microcamera modules enjoy a good reputation especially in the Japanese market, and the Group will continue working in the future to acquire customers in growing overseas markets while working to expand the current business domain by leveraging its technological strength. In particular, given the market shift to high image quality and value-added features, Konica Minolta's technological strengths in lenses and cameras are becoming an advantage as the Group leads this shift.

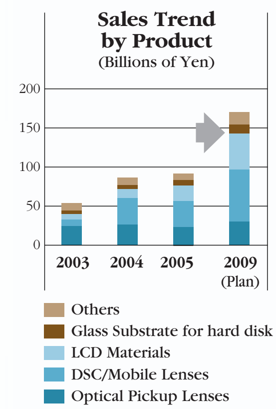
In DSC/VCR lens units, the Group will continue its efforts to acquire new customers. In addition, sales of glass substrate for hard disk drives are being driven by sales of smaller diameter 1.8-inch products in addition to the 2.5-inch substrates sold heretofore.

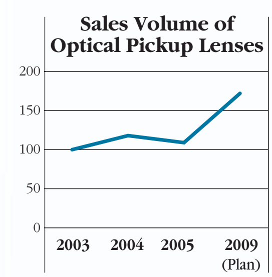
Accordingly, as the Optics business has an abundant lineup of products with good growth potential, the Group is confident the goals for the segment as outlined in the V-5 Plan can be achieved.

## CONTINUED GROWTH FORESEEN IN TAC FILM FOR LCDS

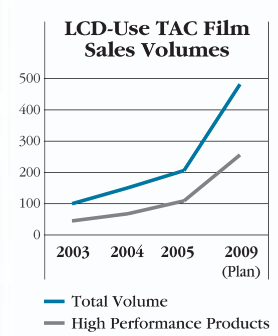
The business for TAC film used in LCDs continues to grow driven by the diffusion of LCD panels used in televisions and personal computers, while particularly high growth is forecast for high performance product markets such as retardation film. As is shown in the graph at right, the proportion of high performance products to total LCD-use TAC film continues to expand, and the Group believes that growth can be sustained. In response to growth in demand, the Group continues to expand production capacity, and it plans to begin operating its third plant in October 2005 and to begin operating another plant in the second half of fiscal 2006. The aim is to expand sales of TAC film through such measures while improving product quality to enhance competitiveness.




(Index based on March 2003 as 100)

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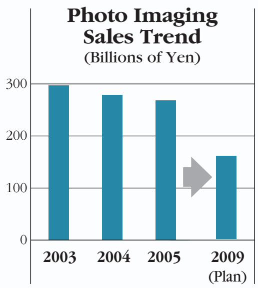
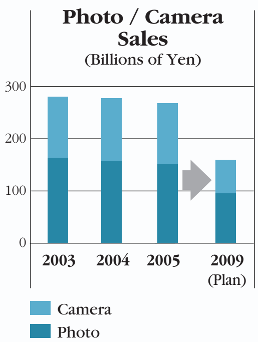



## AIMING FOR SMALLER SCALE AND AN EARLY RETURN TO PROFITABILITY IN PHOTO IMAGING

While the Group focused its efforts on structurally reforming the Photo Imaging business, as the market environment deteriorated faster than anticipated, these reforms in retrospect did not proceed fast enough.

In photo materials, the main color film business continues to see a significant shrinkage in demand in keeping with the growth of digital cameras. In addition, the photographic paper business remains weak.

As profitability in the camera business continued to deteriorate because of intensified competition in digital cameras, the Group shifted its emphasis from volume to profitability. While good momentum was achieved as a result of the release of high value-added products, the Group was unable to reverse the structural losses in the business.

Under the V-5 Plan, the Group aims to take the rapid changes in the market environment and competitiveness into account in working to scale back the business and achieve an early return to profitability.

In terms of specific countermeasures to achieve an early turnaround, the Group is forecasting extraordinary losses of ¥34 billion over the four years covered by the V-5 Plan, as it works to scale back the business and implement further restructuring in eliminating unnecessary production facilities and consolidating sales offices.

## PRODUCT SELECTION AND CONCENTRATION

One of the basic tenets of Konica Minolta's strategy is selection and concentration, while the Group was admittedly loose in its product selection and concentration in responding to the fast-paced changes in the Photo Imaging business in fiscal 2004. Consequently, in color film, photographic paper and other photosensitive material segments, the Group intends to scale back the business and focus on establishing profitability.

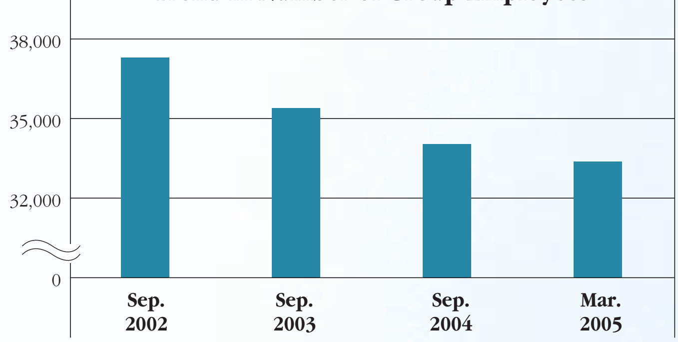
In digital cameras, the Group will also focus on profitability in paring back single lens reflex and other high value-added products, and intends to thoroughly implement other policies to stem the flow of red ink. In the camera business, the Group is developing new businesses leveraging its technological strengths, such as Konica Minolta's proprietary anti-shake, auto-focus and zoom technologies.

## MEASURING THE BENEFITS OF INTEGRATION

In the Business Technologies segment, the unification of our direct sales network has produced significant results, particularly in terms of back office rationalization. In terms of technological capabilities, the lineup of available technologies has been enhanced. Centralized procurement has also produced cost savings in terms of production capacity, while the consolidation of sales offices and distributors has resulted in lower fixed costs, as well as lower distribution costs. On the other hand, the acceleration of development and production speed has become a major management issue, particularly in color MFP, given the rapid expansion of the market.

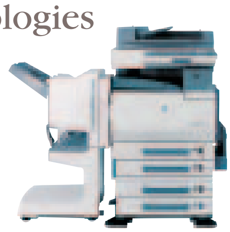
In the Optics business, the sharing of the pre-merger companies' technologies and sales channels has resulted in increased sales opportunities. Manufacturers that were excluded from participating prior to integration have now formed an enhanced channel after integration and have opened the way for development of new businesses. In addition, the differing business styles of each company have provided stimulus in the positive sense of the word, producing synergy effects. In terms of technological capabilities, the Group's core technologies, such as optic design, fabrication technologies and coating technologies, have also been dramatically enhanced.

**Trend in Number of Group Employees**

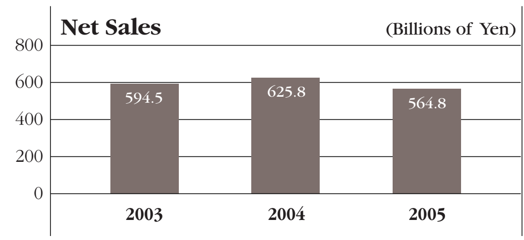


Konica Minolta is positioning its product portfolio through consistent business portfolio management and a "genre-top" strategy that aims to create globally competitive "best-in-class" products to ensure global leadership in those fields where it operates. The following is an overview of our major business lines.

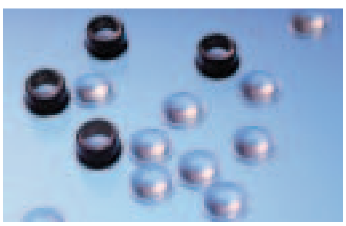
## Business Technologies



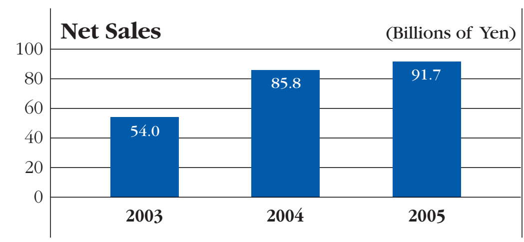
**Main Products:**
MFPs, LBPs, facsimile machines, consumables, software, system solutions, service.




## Optics

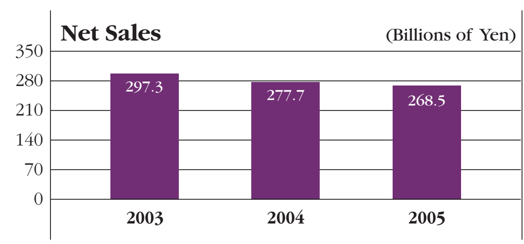


**Main Products:**
Optical pickup lenses, lens units, microcamera units, TAC film for LCD.



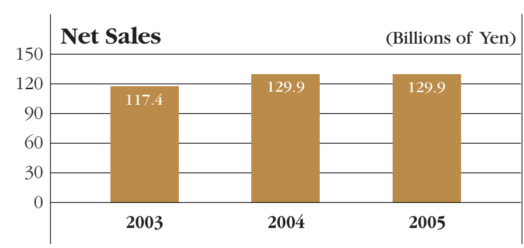

## Photo Imaging

**Main Products:**
Digital cameras, film, photographic paper, inkjet media, ID photo system, minilabs.



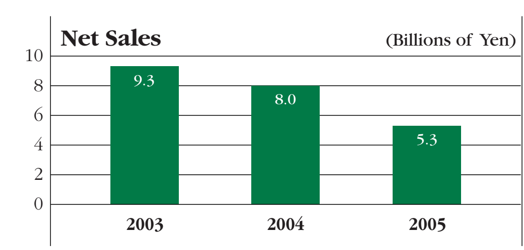

## Medical and Graphic Imaging

**Main Products:**
X-ray image processing systems, X-ray film, contrast media for diagnostic purposes, digital color proofing systems, graphic film.



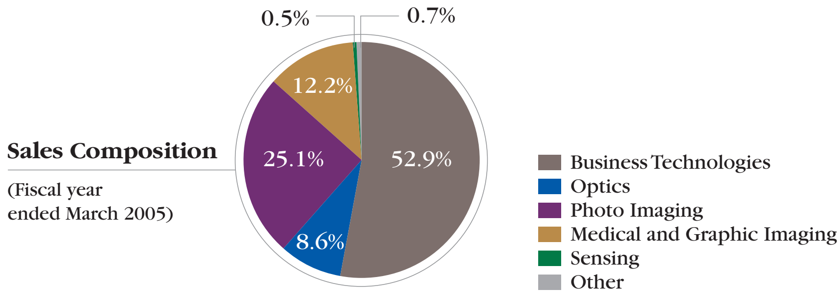

## Sensing

**Main Products:**
3-D digitizers; color, light and temperature measuring instruments, medical measuring instruments.




Note: New product categorization was adopted from the fiscal year ended March 2005. Under the previous categorization, March 2005 results were flat with the previous fiscal year.

Note: Amounts for the fiscal year to March 2003 are the aggregated total of the two prior companies.




**Business activities:**
Business Technologies is the largest business within the Group, offering comprehensive network document solutions in the office environment. Applying the latest technologies in digitization, color, image processing and networking, Konica Minolta is able to provide industry-leading products and services such as MFPs, LBPs and other office systems. Proprietary technology-based polymerized toner is used in all new products in the Company's MFPs and LBPs. The strengthened product lineup is securing their leading position in the industry in terms of quality and cost-effectiveness. Concentrating resources in the color and high-speed segments, Konica Minolta is leveraging its strengths in promoting a genre-top strategy.

**Business activities:**
The Optics business is geared to meet the sophisticated needs of the optics market, offering products that use optical and high-precision processing technology, such as optical pickup lenses and lens units for DVD and CD players, lens units for digital cameras and camcorders, and microcamera units for mobile phones with camera functions. Among these and involving a high degree of technical prowess, DVD pickup lenses are maintaining their competitive technical edge and hold an overwhelming share of the market.

Business expansion in the electronic materials fields, such as the TAC film essential for liquid crystal polarizing plate and high-value-added products, is also being proactively addressed.

**Business activities:**
Using its comprehensive technologies from image input to output, Konica Minolta offers a diverse range of products and services to the world that is compatible with digital and networking technologies in the consumer and commercial photo fields.

In digital cameras, Konica Minolta markets products with unique features made possible with proprietary innovative technologies such as anti-shake and folded optical zoom lens unit technologies.

In the digital photo field, Konica Minolta provides online photo processing services and inkjet paper that produce prints on par with conventional photographs.

We also provide various services using networks in addition to full-digital photo processing minilabs at stores. We boast a high share of the identification photo systems market, and are developing the business by promoting digitization.

**Business activities:**
Amid rapid progress toward digitization and networking in the medical field, Konica Minolta provides a wide range of systems and services for the input/output field of medical X-ray images. Konica Minolta contributes to high-quality medicine through its comprehensive image processing systems used for the output, transfer, storage and analysis of digitized images, thanks to its best-of-breed technologies and expertise.

In the graphic imaging field, Konica Minolta supports higher work efficiency through full-color proofing systems compatible with digital technology for high-quality, high-speed processing.

**Business activities:**
The Sensing business offers optimal measuring instruments for 3-D shapes, color, light and temperature, which help a wide variety of industries to maintain and improve the quality of their products. Shape measurement with our 3-D digitizers is used in such fields as manufacturing, medical, and computer graphics production, taking advantage of the 3-D digitizer's high-precision and high-speed scanning capabilities. Color measurement with Konica Minolta's spectrophotometers and chromameters is widely used in industries such as the automobile, paint, plastic, textile, building material, and food product businesses. In the light-source measurement field, color analyzers are increasingly being utilized in the production of LCDs. Konica Minolta's medical measurement instruments that feature oxygen saturation meters and the compact jaundice meter used on newborn babies allow medical exams to be done in a way that is minimally invasive to patients.

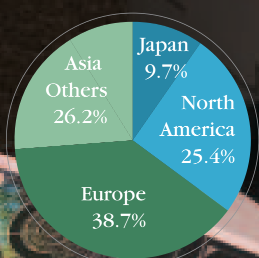
# Global Competitiveness

**Amid the worldwide expansion of the color MFP market, Konica Minolta's "bizhub" series MFP has been well received in the global marketplace and is the Group's spearhead into this market.**

**With the bizhub series as a lever, the Group intends to strengthen product development and enhance its product lineup while focusing on its genre-top strategy.**

**Through such efforts, the Group aims to establish the Business Technologies business as a major creator of earnings and cash flow in keeping with its status as a core business of the Group.**

**Total MFP Unit Sales By Region**
(Fiscal year ended March 2005)



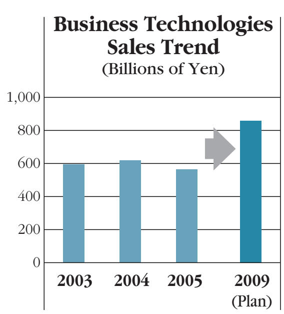

### Business Technologies Key Strategies

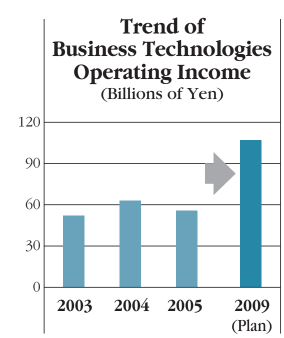
1. **Increase color MFP ratio**
   1) Strengthen R&D to expand product lineup with new models
   2) Reinforce direct sales force in Japan, U.S., and Europe
2. **Strengthen cost competitiveness**
   1) New plant for polymerized toner (Fall 2005): Industry-leading production capacity with 8,000 tons/year
   2) New plant in Wuxi, China (Dec. 2005): Production capacity increase and procurement reinforcement in China
3. **Boost own-brand color LBP business**

**Business Targets** (Billions of Yen)

| | March 2005 (Actual) | March 2009 (Projected) |
|---|---|---|
| Net Sales | ¥564.8 | ¥860.0 |
| Operating Income | 55.8 | 107.0 |

Yoshikatsu Ota
President, Konica Minolta Business Technologies, Inc.




## REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the emphasis in the MFP business was on expanding sales of high value-added products such as color models and high-speed monochrome models, where the Group worked to maintain and expand market share. In the MFP segment where the shift to color is evolving rapidly in developed markets, the Group's strategic bizhub C350 model made a significant contribution.

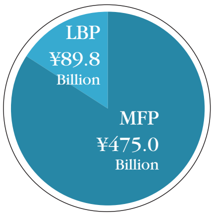
Marketed from March 2004, the bizhub C350, which features industry leading polymerized toner based high picture quality, high reliability and high operability, was well received by customers. This supported strong sales growth in the color segment, particularly in Europe and the U.S.

On the other hand, the Group was able to generate favorable sales growth in the high-speed segment with the bizhub PRO 1050, which features an output speed of 105 pages per minute, and by strengthening its presence in the print-on-demand market where expected growth is higher, despite intensified competition in the medium-to-high-speed monochrome MFP segment.

In the LBP market, the Group introduced the magicolor 2400 series in the low-speed segment amid intensifying competition for low-speed color models in the European and U.S. markets and the magicolor 5430DL in the high-speed segment as it worked to strengthen its color model product lineup. In addition, efforts were made to expand sales under the Group's own brand in the Japanese market by signing agreements with mass retailers to carry Konica Minolta brand products.

However, profit margins deteriorated given a more-rapid-than expected shift to color in the business technologies market, and in particular there were unit price declines in the color LBP market.

**Share of Sales by Product**
(Fiscal year ended March 2005)




As a result, Business Technologies sales for fiscal year ended March 2005 were ¥564.8 billion, while operating income was ¥55.8 billion.

## THE GENRE-TOP STRATEGY

In order to grow sales in the rapidly expanding color MFP market, the Group is targeting specific product models and segments as part of its genre-top strategy in MFP. As Konica Minolta is particularly competitive in the segment 2 and higher tandem engine-based market segments, it has established leading market shares in this genre in the European and U.S. markets and is also working to increase market share in other segments. The current driver of the Group's genre-top strategy is the bizhub C450, which was marketed in the spring of 2005. Featuring bizhub open API platform firmware and compatibility with various office network environments, it is Konica Minolta's strategic color MFP product. As sales in Japan have been recording strong growth since it was first marketed, the Group believes this strategic product will make a significant contribution to performance in fiscal 2005 on full-fledged overseas sales.

Under the V-5 Plan, the Group is aiming for a market share in excess of 20% and sales of 450,000 units in segment 2 or above color MFPs by the end of fiscal 2008.

## POLYMERIZED TONER PRODUCTION CAPACITY AND STRATEGY

Polymerized toner demand is expanding along with progress in the shift to color. Consequently, the Group aims to raise the production ratio of polymerized toner to over 80% by fiscal 2008. Polymerized toner has superior image quality, cost and durability characteristics, and in addition is an environmentally-conscious toner for the next generation, where carbon dioxide ($Co_2$), nitrogen oxide (NOx), and sulfur oxide (SOx) emissions are reduced 40% in the production process compared to conventional toner.

Additional polymerized toner production capacity scheduled to be completed in the fall of 2005 in Yamanashi, Japan, and a new plant scheduled to be built in Nagano, Japan in 2006 are expected to result in total annual production capacity of 15,000 tons, making Konica Minolta the largest producer of polymerized toner in the world.

**Polymerized Toner Production Capacity**

| | Factory No. 1 | Factory No. 2 | Factory No. 3 |
|---|---|---|---|
| **Location** | Yamanashi, Japan | Yamanashi, Japan | Nagano, Japan |
| **Annual Production Capacity** | ~2,000 Tons | ~6,000 Tons | ~7,000 Tons |
| **Completed** | December 2000 | May 2003 (To be expanded in November 2005) | September 2006 |

# WORLD LEADERSHIP

**As the market for optical technology based products continues to expand, Konica Minolta intends to leverage its industry leading design and production technology capabilities in this area to capture leading market shares in next generation products, with the aim of establishing itself as the world's most formidable optical device company.**

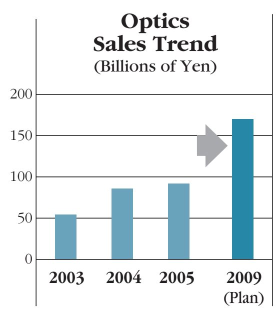
## Optics Key Strategies

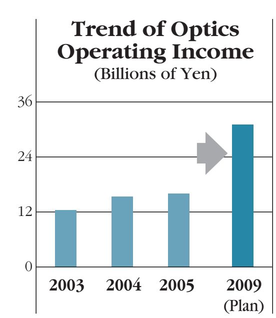
1. **Optical pickup lens:**
   Ensure top market share in next generation DVDs with industry-leading technologies.
2. **Film for LCD:**
   Expand production capacity and business scale in response to market growth.
3. **Microcamera/micro lens units for mobile phones:**
   Capture major accounts and develop new business opportunities.
4. **DSC/VCR lens units:**
   Develop new customers
5. **Glass substrates for hard disks:**
   Expand business focusing on small-diameter models.

**Business Targets** (Billions of Yen)

| | March 2005 (Actual) | March 2009 (Projected) |
|---|---|---|
| Net Sales | ¥91.7 | ¥170.0 |
| Operating Income | 16.0 | 31.0 |

Takashi Matsumaru
President, Konica Minolta Opto, Inc.




### REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the main optical pickup lens business saw declining sales volumes on extended inventory adjustment for DVD players and other consumer electronic equipment. In addition, the lens unit business also recorded lower sales volumes on weaker demand for lens units used in digital cameras and video cameras, owing to inventory adjustments in these final products.

On the other hand, overall TAC film sales for LCDs were strong, mainly supported by continued diffusion of LCD panels for televisions. In particular, profit margins also improved supported by an expanding proportion of high value-added LCD-use TAC film.

In addition, the Group actively promoted sales of products with highly functional features in the domestic market based on Konica Minolta's proprietary technology in micro lens units and microcamera modules for camera-equipped mobile phones, including mega pixel class high image quality auto-focus and optical zoom lenses.

Moreover, in glass substrates for hard disk drives, new 1.8-inch products for hand-held audio players were added to the lineup of existing 2.5-inch products, which supported strong sales of small diameter products for mobile equipment applications.

As a result, consolidated fiscal year ended March 2005 sales for the Optics Business were ¥91.7 billion, while operating income was ¥16.0 billion.

### ANALYSIS OF OPTICS RELATED MARKETS IN FISCAL 2004

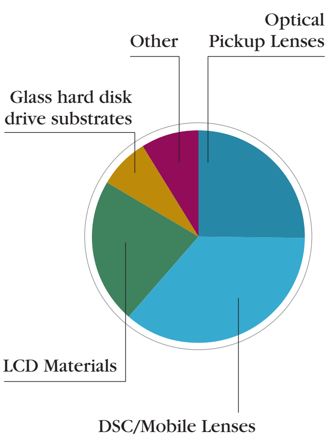
In optical pickup lenses, the competition to develop DVD standards is nearly over, and the segment now faces a new age of price competition. Since diffusion ratios in Japan for DVD players have exceeded 70%, unit prices are beginning to soften. On the other hand, the market for recordable DVDs is expanding rapidly. In addition, the Group foresees new market growth for next generation optical pickup lenses. As the barriers to market entry in this segment are high, Konica Minolta intends to establish the leading market share in this segment based on its technological strengths.

In the LCD-use TAC film market, the Group foresees continued growth in demand being driven by growing diffusion of LCD panels for televisions and personal computers, and is emphasizing development and sales of higher value-added products.

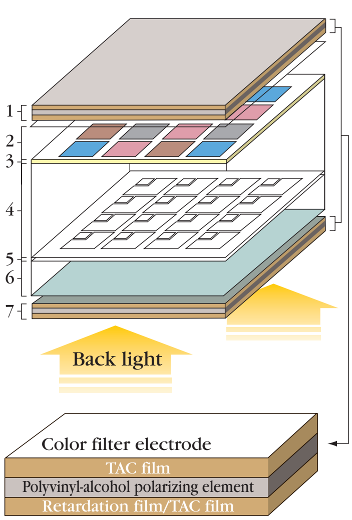
Competition is intensifying for micro lens units and microcamera modules with the entry into the low image quality segment by Taiwanese and other overseas producers. This notwithstanding, the Group believes it can continue to maintain high market shares in Japan in the high image quality segment and aims to further expand its market share through sales in growing overseas markets. This is because the Group believes that micro lens units and microcamera modules still have good growth potential, and it foresees a growing shift to higher image quality and higher value-added. The key to higher value-added is the application of proprietary technologies in creating additional features such as zoom and auto-focus supported by proprietary micro actuator technology, where the Group intends to fully leverage its competitive strengths.

The glass hard disk drive substrate market continues to show strong growth, and the Group is therefore continuing to expand production capacity.

**Share of Sales by Product**
(Fiscal year ended March 2005)




**Composition of Liquid Crystal Panel**




4 sheets of TAC film are required per 1 LCD display

1. **Polarizing plate**
2. Glass plate
3. Color filter electrode
4. LCD
5. TFT/Electrode
6. Glass plate
7. **Polarizing plate**

## TECHNOLOGICAL STRENGTH IN HIGH VALUE-ADDED LCD-USE TAC FILM

LCD protective film for polarizing plate demand continues to expand with the diffusion of LCD panels for televisions and monitors and the shift to larger screen sizes. Given such promising market conditions, Konica Minolta is actively conducting research and development leveraging its accumulated know-how in materials and film technologies. With the shift to larger and brighter displays, the level of quality demanded by users continues to rise. By making film thinner and adding the retardation function, the Group intends to meet such user demands while at the same time establishing superior competitiveness.

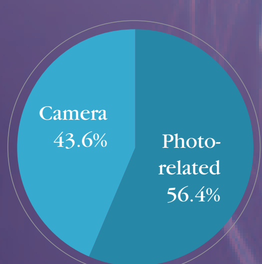
## NEXT GENERATION RESEARCH AND DEVELOPMENT

In pickup lenses, the Group has high expectations for next generation technologies. Development of high precision lenses as well as optical elements is already completed, and the Group is pursuing further development as it works to achieve even more sophisticated solutions. As the market for projection televisions continues to expand mainly in the United States, Konica Minolta is pursuing the development of a revolutionary mirror optical unit that can provide both thinner projection units and clearer pictures. In addition, development is under way on 0.85-inch glass hard disk drive substrates in response to the continued growth in ever more compact mobile equipment related applications.

# FUNDAMENTAL REVITALIZATION

**Given the diffusion of digital cameras, the silver halide film and camera related market continues to shrink. The Group thus plans to scale back the size of its photo sensitive materials business, while shifting emphasis in digital cameras to higher value-added products. In addition, the Group will work to leverage its core technologies in other areas in an effort to enhance the segment's contribution to profits. The Group aims to implement restructuring as quickly as possible through such efforts, in order to restore a profitable earnings base for the business.**


**Share of Sales By Product**
(Fiscal year ended March 2005)



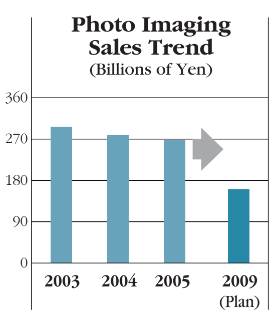
Tsuyoshi Miyachi
President, Konica Minolta Photo Imaging, Inc.

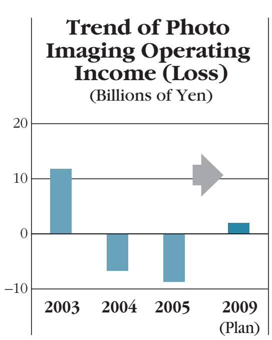
## Photo Imaging Key Strategies

1. Scale back business size
   1) Scale back film and photo paper businesses
   2) Camera business:
      ✓ Scale back business size
      ✓ Concentrate on high-value-added products
      ✓ Break away from chronic deficits
2. Speedy restructuring
   1) An extraordinary loss of 34 billion yen in total for 4 years (Fiscal years ended March2006–March 2009)
   2) Continue to execute restructuring programs

**Business Targets** (Billions of Yen)

| | March 2005 (Actual) | March 2009 (Projected) |
|---|---|---|
| Net Sales | ¥268.5 | ¥160.0 |
| Operating Income/Loss | -8.7 | 2.0 |




## REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the photo materials market saw significant shrinkage in demand in its main color film segment owing to the diffusion of digital cameras. The Group was able to limit the decline in sales volumes by strategically strengthening sales to developing markets in Asia including China, India and Africa, where the impact of digital camera diffusion has been less noticeable. In addition, as demand for over-the-counter digital print services is expanding, good growth was seen in unit sales of digital minilabs in Europe and Asia. On the other hand, the photographic paper segment remained weak due to inventory corrections. In inkjet media, sales volume growth was seen mainly in the Japanese market even though price competition is intensifying.

In the camera business, the DYNAX 7D* high end digital single lens reflex camera recorded sales growth on strong support from users, while unit prices as a whole continued to decline centering on compact digital cameras. The DYNAX 7D* features a proprietary anti-shake technology in the camera's body and lens interchangability with all DYNAX/Maxxum/α series lenses. In terms of profitability, restructuring contributed to reductions in fixed costs. These efforts could not however offset the significant impact on overall profitability from a rapid deterioration in the film market and unit price declines in digital cameras.

As a result, consolidated sales for the Photo Imaging business in fiscal year ended March 2005 were ¥268.5 billion, while the operating loss was ¥8.7 billion.

* The DYNAX 7D is marketed as Maxxum 7D in North America and α-7 DIGITAL in Japan and China.

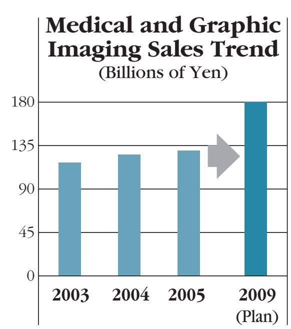
## Medical and Graphic Imaging Key Strategies

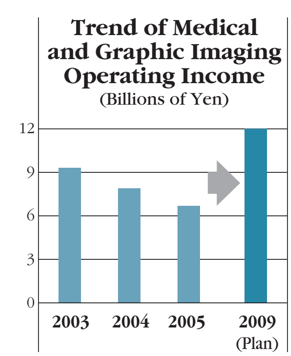
1. Medical Imaging
   1) Strenghten dry/wet film business
      ➜ Maximize free cash flow
   2) Expand hardware business
2. Graphic Imaging
   1) Strengthen solutions business (eg. Color proofing)
   2) Re-entry into plate business

**Business Targets** (Billions of Yen)

| | March 2005 (Actual) | March 2009 (Projected) |
|---|---|---|
| Net Sales | ¥129.9 | ¥180.0 |
| Operating Income | 6.7 | 12.0 |

Kiyofumi Tanida
President, Konica Minolta Medical & Graphic, Inc.




### REVIEW OF FISCAL 2004

In fiscal 2004, ended March 2005, the shift to on-site digital and networked equipment at diagnostic and medical sites accelerated, particularly among large hospitals in Japan and overseas. Because Konica Minolta's medical imaging products meet such digital and networking needs, the medical imaging business saw strong sales growth centering on the digital X-ray film reader series and the recorded image output series, in addition to the dry film used in this equipment.

In January 2005, Konica Minolta announced the PCM System, the world's first phase contrast-based digital X-ray mammography system, which is based on the Company's proprietary phase contrast mammography technology. The new system provides a high level of performance and clear image quality and consists of four devices: a Mermaid X-ray mammography system, an image reader, an image processing console, and an image output system. The system is expected to play a key role in the early detection of breast cancer, which is on the rise due to changes in diet and lifestyles.

Sales in the graphic imaging business were lower due to shrinking demand for the segment's mainline film products in Japan and overseas. As part of its efforts to restructure the business, the Group focused on sales of digital equipment, specialty color proofing paper and laser proofing systems.

Given the growing need for small lot production print runs, the Group is leveraging its sophisticated color matching technologies to offer integrated low cost, high productivity systems that can handle each proofing stage, from color proofing to actual production of the document.

As a result of the above, consolidated sales for the Medical and Graphic Imaging business were ¥129.9 billion, while operating income was ¥6.7 billion.

## Sensing Key Strategies

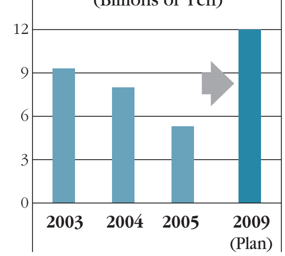
1. Expand 3D digitizer business
2. Expand color measurement business

**Business Targets** (Billions of Yen)

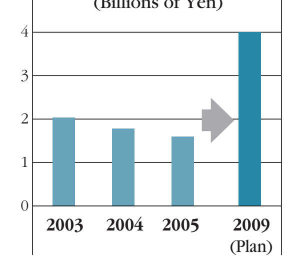
| | March 2005 (Actual) | March 2009 (Projected) |
|---|---|---|
| Net Sales | ¥5.3 | ¥12.0 |
| Operating Income | 1.6 | 4.0 |

Hiroshi Furukawa
President, Konica Minolta Sensing, Inc.

**Sensing Sales Trend**
(Billions of Yen)




**Trend of Sensing Operating Income**
(Billions of Yen)




Note: New product categorization was adopted from the fiscal year ended March 2005. Under the previous categorization, March 2005 results were flat with the previous fiscal year.

## REVIEW OF FISCAL 2004

The emphasis for fiscal 2004, ended March 2005, in the main color measurement business was on display color analyzer systems for the FPD industry and on spectrophotometers for the automobile industry. In addition, the Group introduced a new VIVID9i non-contact 3D digitizer in an effort to further expand its product line-up. As a result, sales growth was recorded mainly in the industrial measurement segment.

Given the above, consolidated sales for the Sensing business in fiscal year ended March 2005 were ¥5.3 billion, while operating income was ¥1.6 billion.

Stimulated by the growth in color LCD and FPD markets, Konica Minolta's color analyzers are finding widespread applications as there is a growing need for measuring equipment used on-site for R&D, production and product control applications to precisely measure light source hue, luminance and color balance.

Spectrophotometers that quantitatively measure the color chromaticity of objects are finding widespread application in various industries, such as the automobile, textile, construction materials and food industries.

More recently, the Group has placed particular emphasis on 3D digitizers, which can precisely and rapidly scan physical objects and replicate this three-dimensional data on a computer. These products are finding wide application in industrial design and in scientific research. Going forward, the Group is particularly emphasizing applications for reverse engineering, design verification and quality testing.

## THE TWO CSR CORNERSTONES

Based on an underlying management principle of New Value Creation, the Konica Minolta Group aspires to be an innovative, global corporation through market leadership driven by technological sophistication and customer trust, as it continues to provide inspiring creation in imaging business domains.

As a result, the Group has created a Charter of Corporate Behavior standard upon which individual employees base their daily activities and work to continuously improve each activity.

This continuous improvement is what generates trust in the Konica Minolta Group by the Group's stakeholders, including shareholders, customers, business partners, regional societies and employees. Konica Minolta is confident it can fulfill its economic, social and environmental corporate responsibilities in a broad spectrum of areas, while at the same time enhancing corporate value.

Moreover, the Konica Minolta Group is committed to the pursuit of what it believes are the two cornerstones of CSR—New Value Creation and the Charter of Corporate Behavior under which it fulfills its social responsibilities.

## CORPORATE CODE OF ETHICS

Corporations, in addition to being economic entities engaged in the pursuit of profit through fair competition, should be beneficial to society at large. For this reason, the Konica Minolta Group shall behave in a socially responsible manner and shall have all of its directors, officers and employees clearly acknowledge the spirit of the Charter of Corporate Behavior.

Senior management shall recognize that the fulfillment of the spirit of this Charter is its own role and responsibility and shall take the initiative to ensure that all directors, officers and employees fully understand the Charter. In addition, the management shall constantly pay attention to the opinions of internal and external parties and shall promote the implementation of effective systems to secure ethical corporate behavior.

## THE KONICA MINOLTA GROUP CHARTER

### 1. Beneficial and Safe Products

We shall strive to earn the confidence of consumers and clients through the development and provision of socially beneficial products and services with the utmost consideration for safety.

### 2. Fair and Transparent Corporate Activities

We shall, in the pursuit of fair and transparent corporate activities, comply with laws and social regulations and act in accordance with international rules and the articles of incorporation.

### 3. Communication with Society and Information Disclosure

We shall communicate with society at large and disclose corporate information fairly and adequately.

### 4. Environmental Protection

We shall acknowledge the seriousness of global environmental issues and shall act voluntarily and affirmatively to protect the environment.

### 5. Contribution to Society

We shall, with a global perspective, affirmatively make contributions to society while respecting local customs and cultures.

### 6. Respect for Employee

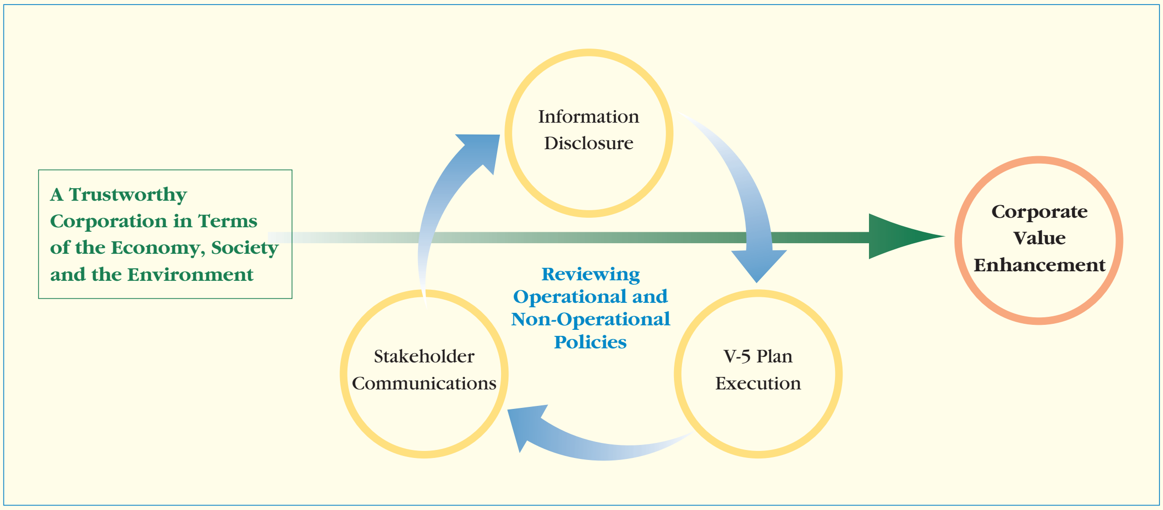
We shall endeavor to make the lives of employees comfortable and fulfilling, provide a safe work environment and respect each employee's personality and individuality.

### 7. Responsible Actions

In the event of a violation of the principles of the Charter and in order to solve the problem, senior management shall investigate the cause of the violation and develop reforms to prevent its recurrence in accordance with corporate compliance procedures. Prompt public disclosure of precise information and an explanation regarding the violation shall be made and responsibility for the violation shall be clarified. Strict and fair disciplinary action shall be taken, including with respect to senior management where necessary.

At the same time, the Charter outlines the responsibility to quickly and accurately disclose relevant information and the need to clarify authority and responsibility, including a precise determination of disciplinary measures for senior management and other related parties.

As can be seen, the policies contained in the Charter are closely linked not only with the economy but to society and the environment as well. In addition, the Group believes that engaging in environmental as well as social activities contributes to economic growth. In short, the Konica Minolta Group is endeavoring to contribute to the sustainable growth of society through the creation of new value from the synergies generated among its environmental, social and business activities.




## SOCIAL RESPONSIBILITY PROMOTION FRAMEWORK

The Konica Minolta Group has established a CSR Promotion Committee that is chaired by an executive officer in charge of CSR in order to ensure that the Group fulfills its social responsibilities. The CSR Promotion Committee has defined a supervisory organization for each “point of view” within the Konica Minolta Group. Each supervisory organization is responsible for promoting CSR policies. In addition, each company within the Group is implementing the policies created by the CSR Promotion Committee.

Moreover, the results of each supervisory organization are aggregated on a global basis according to each viewpoint, which forms the basis for the Konica Minolta CSR report. Based on this report, the Konica Minolta Group aims to deepen the communication with its stakeholders and to apply this communication in future policies, thereby continually enhancing its CSR policies.

Konica Minolta recognizes that strengthened corporate governance is a key management issue and is working to clarify the functional separation of management supervision and management execution, while at the same time working to strengthen the functioning of each in order to achieve fair and transparent management.

The separation of the executive and supervisory functions is managed by a committee-based corporate governance structure, through which the Group is working to ensure further visibility and efficiency.

Based on these tenets, three committees (Audit Committee, Nominating Committee and Compensation Committee) are working to complement the functioning of the Board of Directors with the aim of further strengthening Konica Minolta's corporate governance structure as they address major issues.

The Board of Directors exerts supervisory control over management through regular reports on the status of major business activities. For important management policy decisions, in addition to deliberating the issue several times, executive directors and outside directors actively exchange opinions.

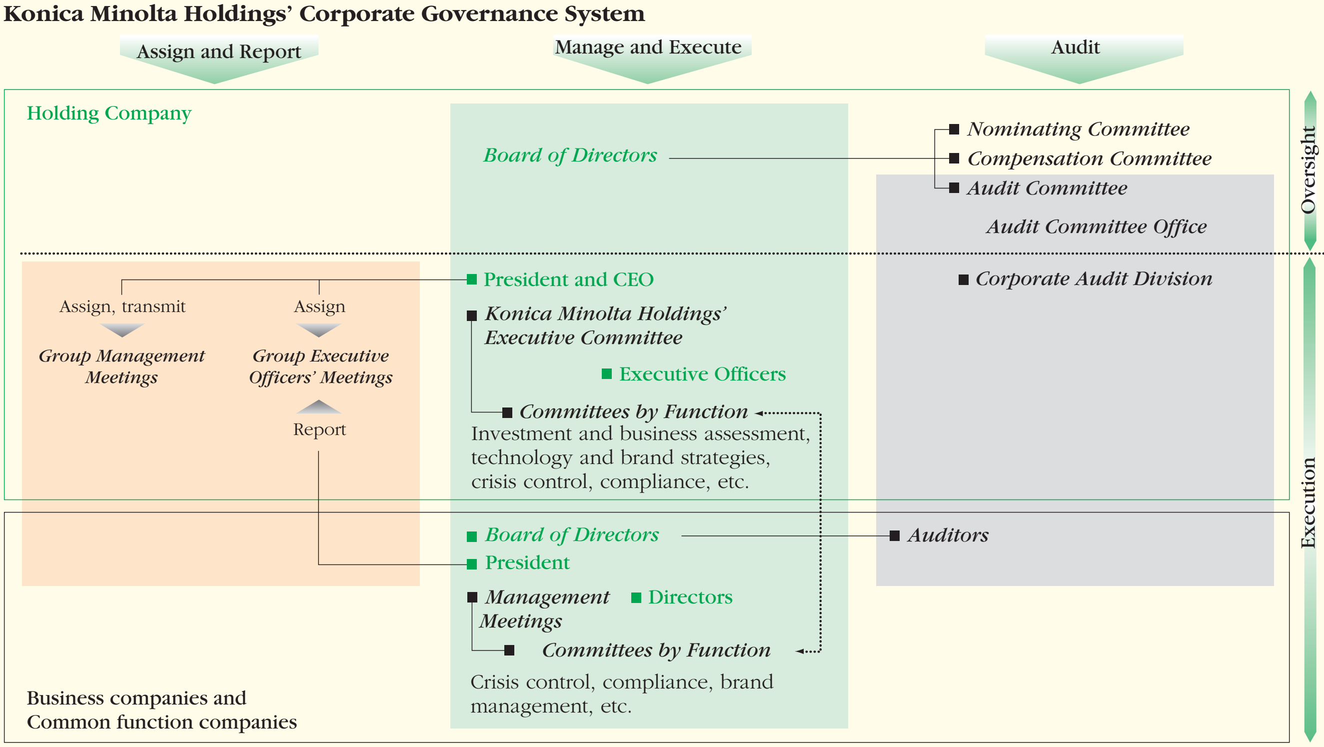
The Audit Committee supervises executive management decisions and where necessary advises on corrective measures in reviewing the applicability and appropriateness of internal control systems, in addition to strictly reviewing the Group's independent auditors.

The Nominating Committee is responsible for the selection of new director candidates based on pre-determined selection standards and reviews the process and reasons for the selection of executive directors before candidates are voted on by the Board of Directors.

The Compensation Committee works to confirm and improve the director compensation system and determines compensation for individual directors. The committee adopted a policy which was approved at the general shareholders' meeting in June 2005 to eliminate special service retirement benefits for directors and executive officers in recognition of the corporate trend away from such benefits and adopted a stock compensation-type stock option plan as a long-term management incentive.

In addition, Konica Minolta Compliance Action Guidelines have been introduced. Through such activities, Konica Minolta aims to create a more highly visible governance structure which it believes will enhance corporate value.

**Konica Minolta Holdings' Corporate Governance System**



## Contents

## SCOPE OF CONSOLIDATED FINANCIAL RESULTS

The Konica Minolta Group comprises Konica Minolta Holdings, Inc., and it's 122 consolidated subsidiaries, 33 unconsolidated subsidiaries and 9 affiliated companies.

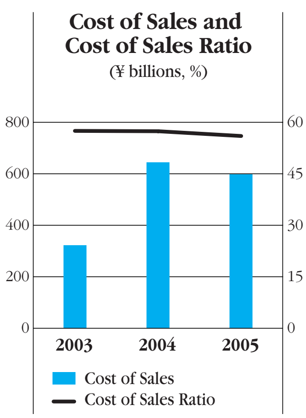
The business segments of the Konica Minolta Group are organized and segmented by type of product and the markets in which these products are sold, and consist of six segments: Business Technologies, Optics, Photo Imaging, Medical and Graphic Imaging, Sensing, and Other Businesses.

## YEAR-ON-YEAR COMPARISONS

The financial statements for the fiscal year ended March 31, 2004 do not include pre-merger Minolta for the first half ended September 30, 2003. As a result, comparisons with the fiscal year ended March 31, 2004 that are included in this report are made based on the simple totals of former Konica and former Minolta and, where noted, are included net of appropriate adjustments.

## CONSOLIDATED BUSINESS RESULTS

### Consolidated Net Sales




**Consolidated Total** — Billions of yen

| | 2005 | 2004 | Value change |
|---|---|---|---|
| Net Sales | **1,067.4** | 1,123.6 | -56.2 |
| Operating Income | **67.6** | 73.2 | -5.6 |
| Net Income | **7.5** | 19.3 | -11.8 |

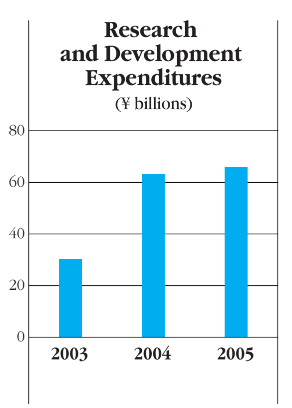
* Includes former Minolta totals for first half FY2004

Consolidated net sales for the fiscal year ended March 31, 2005 were ¥1,067.4 billion. Compared with the simple combined sales for both companies in the previous fiscal year, which represented the first fiscal year after the merger, this represents a decline of ¥17.2 billion after adjusting for the unification of overseas subsidiary accounting periods and transactions between former Konica and former Minolta, as well as the impact of exchange rates.

In terms of actual increase and decrease by business segment, growth in sales of the Business Technologies segment was essentially flat compared to the previous fiscal year, while the Optics, Medical and Graphic Imaging, and Sensing segments recorded increases from the previous fiscal year.

On the other hand, adjusted sales for the Photo Imaging segment declined.

### Cost of Sales and Selling, General and Administrative Expenses




Note: Figures for the March 2003 fiscal year in this report, excluding the finance statements, represent former Konica figures only.

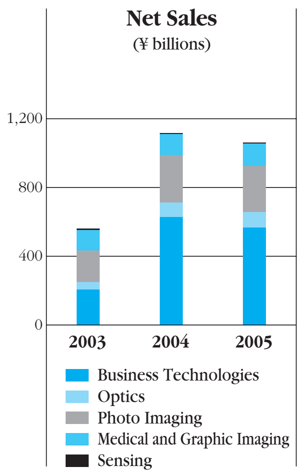
The cost of sales for the fiscal year was ¥597.8 billion, which resulted in a gross profit of ¥469.6 billion. Compared to the previous fiscal year, which is based on the simple total of both companies, this represents a 1.4 percentage point improvement in gross margin due to cost reductions and other factors.

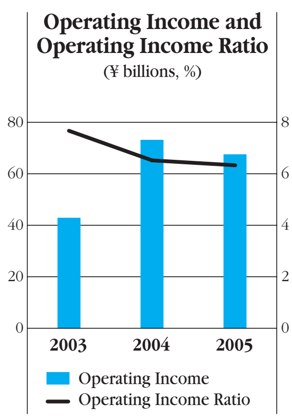
Selling, general and administrative expenses (SGA) were ¥402.1 billion. Rationalization effects from the merger resulted in a ¥11.9 billion decline in personnel expenses (or ¥14.1 billion including personnel costs recorded in the cost of sales), increased costs from active research and development and an increase in the consolidation goodwill account limited the overall increase in SGA to a slight decline.

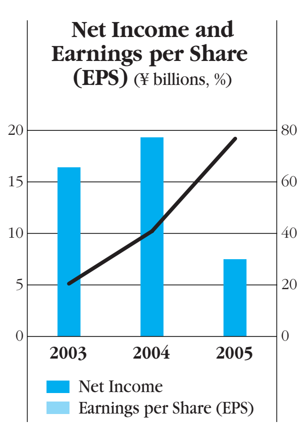
### Research and Development Expenditures

Total research and development expenditures were ¥66.0 billion, which represents a 4% increase over the previous fiscal year.

In the Business Technologies segment, R&D expenditures increased 14% year-on-year to ¥33.7 billion, mainly on the development of new integrated firmware compatible with diverse office network environments. In addition, R&D in the Optics




segment increased 41% year-on-year to ¥8.3 billion, centering on next generation optical products. Total R&D expenditures including development costs for Business Technologies, Optics, and advanced technologies accounted for 73% of total R&D expenditures. As the result of focused selection and concentration of management resources, R&D expenditures in the Photo Imaging segment declined 20% year-on-year to ¥8.9 billion, while R&D expenditures in the Medical and Graphic Imaging segment were flat compared with the previous fiscal year at ¥7.6 billion. In addition, R&D expenditures in the Sensing segment were ¥1.0 billion.

## Segment Information

Sales in the Business Technologies segment, reflecting adjustments because of the merger, were flat year-on-year at ¥564.8 billion, while operating income declined by ¥3.0 billion from the previous fiscal year to ¥55.8 billion. While growth in color MFP was strong, this growth was not enough to offset a shift to low speed monochrome MFPs with lower prices, and price declines in LBP due to intensified competition.

On the other hand, Optic segment sales increased ¥6.8 billion for the fiscal year to ¥91.7 billion. The main factor was strong growth in TAC film for LCDs supported by the diffusion of LCD TVs.

Sales in the Photo Imaging segment, including adjustments for a change in accounting term due to the merger and changes in the content of this segment, declined by ¥28.8 billion to ¥268.5 billion. This decline was mainly due to shrinkage in the color film market, in addition to declining selling prices due to intensified competition in the digital camera market. As profitability in the film business, which is the major source of earnings for the segment, deteriorated further, the operating loss in the segment increased as compared to previous fiscal year.

Medical and Graphic Imaging segment sales in actual terms were slightly higher for the fiscal year at ¥129.9 billion. While digital input/output equipment for on-site medical use and related dry film sales were healthy, the rise in total sales for the segment was limited by a decline in film sales in the Graphic Imaging business. Operating income for the segment declined slightly from the previous fiscal year, reflecting a sharp rise in the cost of film materials.

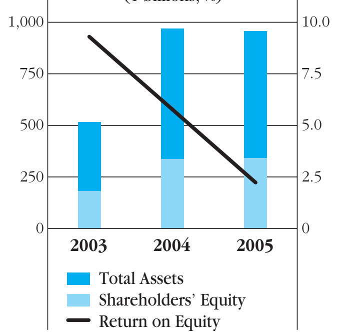
Sensing segment sales, adjusted for changes in segment content as a result of the merger, were slightly higher than in the previous fiscal year at ¥5.3 billion. Strong light source color analyzer, spectrophotometer and 3D digitizer equipment sales supported total sales for the segment. Operating income, again after making slight adjustments because of the change in segment content, increased slightly from the previous fiscal year.

**By Segment** Billions of yen

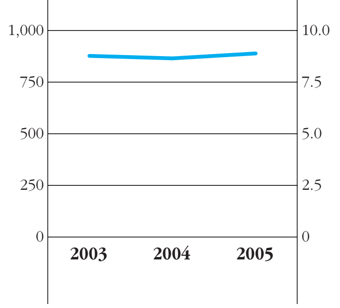
| | Net Sales | | | Operating Income (Loss) | | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | Value change | **2005** | 2004 | Value change |
| Business Technologies | **564.8** | 625.8 | –61.0 | **55.8** | 62.9 | –7.0 |
| Optics | **91.7** | 85.8 | 5.9 | **16.0** | 15.3 | 0.7 |
| Photo Imaging | **268.5** | 277.7 | –9.2 | **(8.7)** | (6.7) | -2 |
| Medical and Graphic Imaging | **129.9** | 120.9 | 9.0 | **6.7** | 7.9 | –1.2 |
| Sensing | **5.3** | 8.0 | –2.7 | **1.6** | 1.8 | –0.2 |
| Other | **7.2** | 5.4 | 1.8 | **(3.9)** | (7.9) | 4.0 |
| Total | **1067.4** | 1123.6 | -56.2 | **67.6** | 73.2 | -5.6 |

* Includes former Minolta totals for first half FY2004

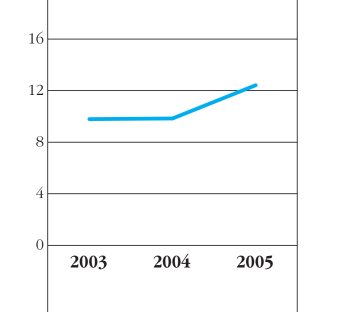
**Total Assets, Shareholders' Equity and ROE**
(¥ billions, %)




**Equity Ratio**
(%)




**Interest Coverage Ratio**
(times)




### Earnings Analysis

Adjusted operating income for the fiscal year ended March 31, 2005 was ¥67.6 billion, representing a slight increase compared to previous fiscal year.

Net other expenses were ¥32.1 billion and basically unchanged from the previous fiscal year. The major factors were a ¥5.7 billion swing from foreign exchange losses in the previous fiscal year to foreign exchange gains and a ¥2.0 billion decline in interest expenses accompanying a decline in interest-bearing debt. On the other hand, ¥4.9 billion of restructuring expenses were recorded for the Photo Imaging segment, and a one-time depreciation adjustment of ¥5.4 billion was also recorded for the camera business. As a result of the above, income before income taxes was ¥35.4 billion, and net income for the period was ¥7.5 billion. Earnings per share of common stock were ¥14.1 per share, while return on equity was 2.2%.

**Major Factors Inhibiting Direct Increase/Decrease Comparison (Operating Income)**

| | Foreign Exchange Impact | Change in Accounting Period | Transactions Between Prior Companies | Change in Segment Content | Total Impact | Actual Increase, Decline |
|---|---|---|---|---|---|---|
| Business Technologies | −0.9 | −1 | −2.1 | 0 | −4.0 | −3.0 |
| Optics | −0.8 | −0.6 | −0.1 | 0 | −1.5 | 2.3 |
| Photo Imaging | 0.2 | −0.1 | −0.1 | 0.2 | 0.2 | −2.1 |
| Medical and Graphic Imaging | −0.7 | 0 | 0 | 0 | −0.7 | −0.6 |
| Sensing | 0 | 0 | −0.1 | −0.2 | −0.3 | 0.1 |
| Other | 0.1 | 0 | 0 | 0 | 0.1 | 4.0 |
| Total | -2.2 | -1.7 | -2.4 | 0 | -6.3 | 0.7 |

## LIQUIDITY AND FINANCIAL POSITION

### Total Assets, Liabilities and Shareholders' Equity

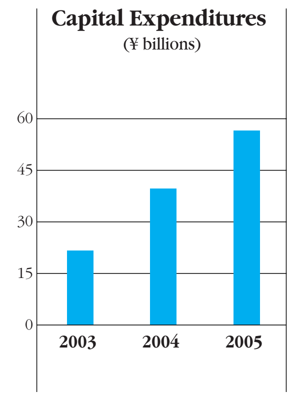
Total assets at the end of the fiscal year declined by ¥14.0 billion to ¥955.5 billion.

Within current assets, cash on hand and in banks declined by ¥24.2 billion as cash on hand was lowered to more appropriate levels and used to repay interest-bearing debt. In addition, as sales were concentrated in the final month of the fiscal year, notes and accounts receivable and inventories rose by ¥20.1 billion and ¥3.6 billion respectively. Deferred tax assets rose by ¥6.8 billion based on the assumption that consolidated taxation will be introduced from the fiscal year ending March 31, 2006.

Within property, plant and equipment, land holdings increased by ¥2.4 billion for the fiscal year. Buildings and structures were ¥4.6 billion higher for the fiscal year, reflecting the construction of a third LCD-use TAC film factory, and an R&D building for materials technology development. Machinery, equipment and other declined by ¥1.3 billion. While capital expenditure was increased in strategic areas such as polymerized toner production facilities in the Business Technologies segment and LCD-use TAC film production facilities in the Optics segment, capital expenditure in the Other segment was restrained. In addition, tools and furniture increased by ¥15.5 billion owing to investment in metal molding for new product development.

Total investments and other assets declined by ¥12.8 billion for the fiscal year because of efforts to reduce holdings of marketable securities. In addition, deferred tax assets declined ¥4.9 billion, mainly due to transfers to current assets.

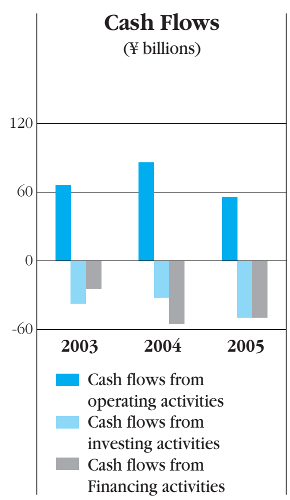
Within total liabilities, interest-bearing debt declined by ¥21.6 billion from the




previous fiscal year-end to ¥246.3 billion. Short-term debt declined by ¥25.3 billion. On the other hand, long-term borrowings and outstanding corporate bonds, including debt due for repayment within one year, increased by ¥3.7 billion. This reflected a focus on raising the proportion of long-term debt to improve the balance of long-term and short-term debt. Within shareholders' equity, foreign currency translation adjustments improved by ¥2.4 billion for the fiscal year owing to a weakening in the yen's exchange rate towards the end of the period. As a result of the above, shareholders' equity improved ¥4.3 billion from the end of the previous fiscal year, and shareholders' equity ratio improved one percentage point to 35.6%.

## Capital Expenditure, Depreciation and Amortization

Capital expenditure increased by ¥56.4 billion and was centered on increased production capacity. Capital expenditure for the Business Technologies segment was ¥24.3 billion and used to expand polymerized toner production lines and for metal molding or new products. Capital expenditure for the Optics segment was used to construct a third LCD-use TAC film plant, and to increase production capacity for microcamera units used in mobile phones with built-in cameras, and glass hard disk substrates. Capital expenditure in the Photo Imaging segment was ¥7.4 billion and mainly used for investments to maintain the business. In addition, ¥3.7 billion and ¥0.2 billion was spent on capital expenditure for the Medical and Graphic Imaging and Sensing segments, respectively.




## Cash Flows

Net cash provided by operating activities was ¥55.7 billion for the fiscal year, and mainly reflected an increase in operating capital of ¥23.2 billion, centering on an increase in notes and accounts receivable (¥14.1 billion), and a decrease in notes and accounts payable (¥9.2 billion).

Net cash used in investing activities was ¥49.3 billion. This outflow was mainly due to acquisitions of property, plant and equipment, as well as intangible assets. Property, plant and equipment acquisitions are outlined in the capital expenditures section, and were ¥46.6 billion, largely consisting of the acquisition of computer system software. On the other hand, liquidations of marketable securities resulted in a ¥5.0 billion cash inflow.

Net cash from financing activities were ¥31.6 billion, and were mainly the result of ¥24.9 billion for the redemption of corporate bonds, as well as efforts to reduce interest-bearing debt.

## Future Financial Strategies

Interest-bearing debt was reduced by ¥21.6 billion during the fiscal year, and the debt/equity ratio improved from 0.80 times to 0.73 times. The targets under the V-5 Plan, the Group's medium-term business plan, are to further reduce interest-bearing debt to ¥145.0 billion by the fiscal year ending March 31, 2009 and to improve the debt/equity ratio to 0.25 times.

In the interest of enhancing the Company's credit rating, Konica Minolta will continue working to improve earnings and shrink operating capital to create cash flow and to reduce interest-bearing debt.

While each business company in the Konica Minolta Group conducts its own development of products within its business domain, the Konica Minolta Technology Center, Inc. develops basic technologies shared within the Group, as well as leading-edge technologies for the creation of new businesses.

The Group's total research and development expenditures in the fiscal year ended March 2005 were ¥66 billion, are in an upward trend, and accounted for approximately 6% of total sales.

For an overview of the strategic direction of the Group's businesses, please refer to the review contained in the first half of this report.

## 1. R&D SEGMENTS AND OVERVIEW OF INTELLECTUAL PROPERTY

### (1) Business Technologies

In Business Technologies, the Konica Minolta Group already owns many patents in strategic areas of focus, and is strengthening the acquisition of intellectual property rights (patent applications filed in Japan in the fiscal year ended March 2005 were up 10% year on year). Key areas include polymerized toners that provide high resolution and high picture quality at a low cost, integrated firmware (controllers) that allow a cost competitive product lineup, high speed printing technology that strengthens competitiveness in the light production market, and color image processing technology that has achieved industry leading image quality. Particular emphasis is being placed on retaining industry-leading technologies in the field of polymerized toner, as the Group builds a wide-ranging portfolio of patents that includes manufacturing methods and applications in addition to toner composition.

### (2) Optics

In optical pickup lenses, the Group is concentrating on acquiring patents for optical pickup lenses, in which it has a leading market share. In the field of CD pickup lenses, it is building a portfolio of core patents in Japan and around the world to provide a strong underpinning for the optics business. The Group also holds patents covering core technologies for DVD/CD compatible pickup lenses, including a patent for the diffraction-type objective pickup lenses that make possible recording and playback on two types of disks with one objective lens. The Group is also accumulating intellectual property in the area of next-generation pickup lenses employing blue lasers, a technology expected to have a significant impact. Patent applications related to the optics business filed in Japan in the fiscal year ended March 2005 were up 25% from the previous fiscal year.

### (3) Photo Imaging

The Group is shifting resources in the Photo Imaging business from film and other photosensitive materials to new dry printing systems, and is actively acquiring patents related to digital imaging input/output and image optimization. Konica Minolta already holds numerous valuable patents for unique materials and manufacturing methods related to photo paper suited to digital exposures, sublimation printing material that provides high-quality images and produces images with enduring quality for long-term storage, and inkjet paper that offers superior color reproduction at a low cost.

In the camera segment, the Group holds numerous patents related to auto-focus technologies developed for film cameras that can also be applied to digital cameras. The Group is also actively building a patent portfolio primarily related to the proprietary technologies that underpin high value-added products, such as CCD Shift Anti-Shake technology, and folded optics technologies that allow flat and compact product design.

### (4) Medical & Graphic Imaging

In the Medical imaging field, the Group is positioning for film-less business development by actively acquiring patents related to digital imaging input/output equipment, networked systems and related solutions. In the Graphic Imaging field, the Group is actively acquiring patents in the printing press field in addition to the existing pre-press field, and is also emphasizing the acquisition of patents outside Japan in keeping with the overseas development of the business.

### (5) Sensing

The Group is acquiring sensing related patents primarily in the fields of 3D measurement, color measurement and medical measurement fields. In addition to the core 3D measurement technologies already acquired, the Group is seeking to acquire patents for the integration of 3D data, which makes precise, high speed measurement possible.

### (6) Inkjet

The Group is pursuing R&D based on electronmechanics technologies, along with silver halide, photo sensitive and other material technologies it has accumulated over the years, and focuses on developing high-quality, high-reliability inks, high-performance inkjet heads, and related technologies. The Group is actively acquiring patents related to leading edge industrial-use inkjet heads that support digitalized printing, along with related products such as inkjet textile printers and inks for the textile industry.

### (7) Shared Basic and Advanced Technologies

The Group is acquiring patents related to shared basic and advanced technologies such as image sensing, nano-fabrication, image processing, software, organic synthesis and polymeric materials. The Group is also concentrating on acquiring patents for advanced technologies such as organic EL and other next generation flat panel displays, as well as nano-coating employing high-pressure plasma.

## 2. R&D AND INTELLECTUAL PROPERTY ORGANIZATION, COLLABORATION AND ALLIANCES

The Konica Minolta Group has established R&D organizations within each business company to conduct R&D on existing businesses, while Konica Minolta Technology Center, Inc. works to deepen and enhance shared basic technologies and conduct advanced research for the Group as a whole. The Group's intellectual property organization consists of the Intellectual Property Center, which is affiliated with the Konica Minolta Technology Center. In addition to creating the Group's intellectual property strategy, the Center closely collaborates with the respective business companies regarding the promotion of intellectual property activities, and serves as the Group's cross-functional organization for intellectual property.

In addition to conducting R&D within the Group, Konica Minolta is speeding up the R&D process by proactively forming research and development alliances both in Japan and overseas through participation in national projects, joint projects with other companies, and collaboration with universities, and through these activities has firmly established itself as a global player. Specific examples include participation in the Technology Research Association for Advanced Display Materials (TRADIM), a national project sponsored by Japan's Ministry of Economy, Trade and Industry, and development of large-capacity optical storage technologies. In the Photo Imaging business, moreover, the Group is promoting the PASS standard in conjunction with Fuji Photo Film Co., Ltd. and Eastman Kodak Company for easier digital storage, printing, viewing and sharing of images.

### 3. ACQUISITION AND MANAGEMENT OF INTELLECTUAL PROPERTY, TRADE SECRET MANAGEMENT AND POLICIES ON TECHNICAL LEAKAGE PREVENTION

The Konica Minolta Group recognizes that intellectual property is an important management resource, and is actively promoting asset formation and the effective use of the intellectual property the Group possesses for its business activities as well as forming Group-wide policies for intellectual property. Specifically, intellectual property strategies for individual business companies are formulated annually based on Group-wide intellectual property policies, and activities to promote these strategies are implemented on a rolling basis in accordance with the particular circumstances and condition of the business. In the acquisition of intellectual property the Group is working to improve the quality of its patent filings through joint reviews with its R&D division and the Intellectual Property Center of the technological and patent aspects of discoveries, and based on the results of those reviews determining filing policies for each invention on an individual basis. Moreover, the Group is working to expand its overseas patent acquisitions in keeping with the overseas development of each business, and is placing particular focus on increasing patent applications of core technologies in China, given the remarkable economic development in that country.

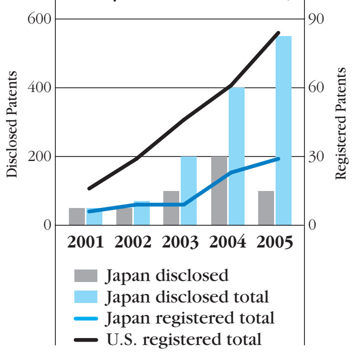
In keeping with the amended Japan patent law which became effective in April 2005, the Group has revised its internal regulations regarding compensation for employee inventions. Under the revised regulations, the Group holds in-depth negotiations with the employee concerned to reach a conclusion that is agreeable for both the inventor and the Company. In 2004, in addition to lifting a previous ceiling on related compensations, the amount of compensation was effectively increased, and a system was introduced to allow the inventor to receive a lump-sum, up-front compensatory payment when the patent is filed. These policies provide even greater incentive for the creation of new inventions.

In terms of management of trade secrets and technology security, the Group has established detailed regulations such as its "standards for the management of confidential information." Based on the Group's "Konica Minolta Compliance Code of Conduct," these standards ensure the appropriate handling of sensitive information and help to prevent the inadvertent leakage of confidential information.

### 4. CONTRIBUTION OF LICENSING-RELATED ACTIVITIES TO BUSINESS

The Konica Minolta Group is effectively utilizing the extensive number of intellectual property rights it holds to ensure the Group's product differentiation and competitive advantage as a means of generating earnings for the business. However, due to the necessity of using the intellectual property rights of other companies in business domains where the technology is becoming more sophisticated and complicated, the Group is pursuing cross licenses with other firms from the standpoint of preserving the sustainability and research and development freedom of the business.

**Number of Registered and Disclosed Patents for Polymerized Toner**
(Cumulative Totals from Fiscal year ended March 2001)



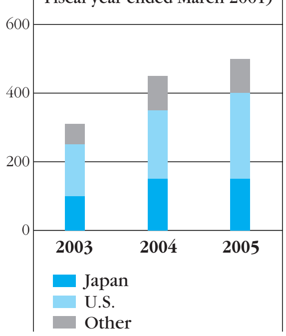

## 5. PATENT PORTFOLIO CONTRIBUTIONS TO BUSINESS

The Group employs a systematic patent filing and acquisition program, based on resource allocation in accordance with business strategies, in order to ensure the formation of valuable assets for Group businesses. As a result, between January 1 and December 31, 2004 the number of disclosed patents in Japan and registered patents in the U.S. rose approximately 8% and 10%, respectively, as shown in the table below. In addition, as of March 2005, the Group held approximately 6,500 patents in Japan and 5,900 in the U.S., clearly demonstrating the results of the Group's success in turning R&D activities into assets.

| | No. of Disclosed Patents in Japan in 2004 Note 1 | No. of Registered Patents in the U.S. in 2004 Note 2 |
|---|---|---|
| Number | 4,417 | 404 |
| Ranking | 12 | 50 (15th in Japan) |

Notes: 1. Data based on Konica Minolta's own research.
2. Based on Intellectual Property Owners Association (URL: http://www.ipo.org/), and calculated from Konica and Minolta totals prior to integration (same as previous year).

**Number of Registered Patents Related to the Optics Business**
(Cumulative Totals from Fiscal year ended March 2001)




One example of the systematic filing and acquisition is in Business Technologies, where the Group continues to promote stronger patent application policies for polymerized toner, a core technology essential to the business strategy. As shown in the chart at the left, the Group has steadily accumulated patent rights in Japan and in the extensive U.S. market, providing a strong support for the business.

In the Optics business the Group has strengthened its patent filing outside Japan in keeping with its business strategies. The Group has acquired numerous patents in Japan, as well as in the U.S. and other countries and regions, providing a strong underpinning for overseas business development.

## 6. INTELLECTUAL PROPERTY PORTFOLIO POLICIES

The Group regularly monitors the status of registered and disclosed patents inside and outside Japan as a means of analyzing the technological trends in the industry. Based on the results of this analysis, the Group conducts an assessment of its intellectual property portfolio, to efficiently utilize assets, and promote the effective utilization of valuable patent rights held by relinquishing unneeded patent rights after periodically conducting inventory reviews.

In addition, the Group uses the results of this analysis to establish priority fields in terms of technology direction. Aggressive intellectual property activity in those fields serves to strengthen the intellectual property portfolio.

## 7. RISK-SENSITIVE INFORMATION

As of the date of this report, there were no legal disputes or lawsuits related to the Group's intellectual property that could have a material impact on the management of the Group.

## CONSOLIDATED BALANCE SHEETS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (note 3) |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Assets** | | | |
| **Current Assets:** | | | |
| Cash on hand and in banks (Note 4) | ¥ 59,330 | ¥ 83,574 | $ 552,472 |
| Notes and accounts receivable—trade | 243,098 | 223,032 | 2,263,693 |
| Less: Allowance for doubtful accounts | (8,102) | (8,414) | (75,445) |
| Marketable securities (Note 5) | 155 | 130 | 1,443 |
| Inventories | 177,505 | 173,949 | 1,652,901 |
| Deferred tax assets (Note 7) | 37,850 | 31,033 | 352,454 |
| Other accounts receivable | 12,845 | 13,574 | 119,611 |
| Other current assets | 20,045 | 18,889 | 186,656 |
| Total current assets | 542,728 | 535,769 | 5,053,804 |
| **Property, Plant and Equipment:** | | | |
| Land | 36,374 | 38,514 | 338,709 |
| Buildings and structures | 175,734 | 171,117 | 1,636,409 |
| Machinery, equipment and other | 252,222 | 253,537 | 2,348,654 |
| Tools and furniture | 145,089 | 129,614 | 1,351,048 |
| Construction-in-progress | 7,672 | 5,785 | 71,441 |
| Rental business-use assets | 61,868 | 62,115 | 576,106 |
| Total property, plant and equipment | 678,961 | 660,685 | 6,322,386 |
| Less: Accumulated depreciation | (456,344) | (440,481) | (4,249,409) |
| Property, plant and equipment, net | 222,617 | 220,204 | 2,072,977 |
| **Intangible Assets:** | | | |
| Consolidation goodwill | 88,212 | 98,716 | 821,417 |
| Other intangible assets | 21,413 | 21,488 | 199,395 |
| Total intangible assets | 109,625 | 120,204 | 1,020,812 |
| **Investments and Other Assets:** | | | |
| Investment securities (Note 5) | 33,194 | 37,424 | 309,098 |
| Long-term loans | 1,442 | 2,672 | 13,428 |
| Deferred tax assets (Note 7) | 27,049 | 31,926 | 251,876 |
| Long-term prepaid expenses | 5,257 | 4,429 | 48,952 |
| Other | 15,163 | 18,281 | 141,196 |
| Less: Allowance for doubtful accounts | (1,536) | (1,323) | (14,303) |
| Total investments and other assets | 80,570 | 93,411 | 750,256 |
| Total assets | ¥955,542 | ¥969,589 | $8,897,868 |

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (note 3) |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current Liabilities:** | | | |
| Short-term debt (Note 6) | ¥157,174 | ¥182,429 | $1,463,581 |
| Current portion of long-term debt (Note 6) | 24,483 | 32,605 | 227,982 |
| Notes and accounts payable—trade | 138,074 | 141,783 | 1,285,725 |
| Accrued expenses | 75,958 | 71,480 | 707,310 |
| Accrued income taxes (Note 7) | 18,838 | 16,736 | 175,417 |
| Other current liabilities | 45,517 | 39,807 | 423,848 |
| Total current liabilities | 460,047 | 484,842 | 4,283,890 |
| **Long-Term Liabilities:** | | | |
| Long-term debt (Note 6) | 64,688 | 52,916 | 602,365 |
| Accrued retirement benefits (Note 12) | 63,044 | 64,915 | 587,057 |
| Accrued retirement benefits for directors and corporate auditors | 1,189 | 922 | 11,072 |
| Deferred tax liabilities on land revaluation (Note 7) | 3,926 | 3,925 | 36,558 |
| Other long-term liabilities | 21,196 | 25,397 | 197,374 |
| Total long-term liabilities | 154,044 | 148,076 | 1,434,435 |
| **Minority Interests** | 1,720 | 1,242 | 16,016 |
| **Shareholders' Equity** (Note 9): | | | |
| Common stock: | | | |
| Authorized—1,200,000,000 shares in 2005 and 2004 | | | |
| Issued and outstanding—531,664,337 shares in 2005 and 2004 | 37,519 | 37,519 | 349,371 |
| Additional paid-in capital | 226,069 | 226,065 | 2,105,122 |
| Less: Treasury common stock at cost, 719,416 shares in 2005 and 568,877 shares in 2004 | (791) | (576) | (7,366) |
| Retained earnings | 79,491 | 77,254 | 740,209 |
| Unrealized gains on securities | 4,780 | 4,886 | 44,511 |
| Foreign currency translation adjustments | (7,339) | (9,721) | (68,340) |
| Total shareholders' equity | 339,729 | 335,427 | 3,163,507 |
| **Commitments and Contingent Liabilities** (Note 10) | | | |
| Total liabilities and shareholders' equity | ¥955,542 | ¥969,589 | $8,897,868 |

## CONSOLIDATED STATEMENTS OF INCOME

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (note 3) |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Net Sales** | ¥1,067,447 | ¥860,420 | $9,939,911 |
| **Cost of Sales** (Note 8) | 597,800 | 498,967 | 5,566,626 |
| Gross profit | 469,647 | 361,453 | 4,373,284 |
| **Selling, General and Administrative Expenses** (Note 8) | 402,069 | 303,922 | 3,744,008 |
| Operating income | 67,577 | 57,530 | 629,267 |
| **Other Income (Expenses):** | | | |
| Interest and dividend income | 1,353 | 1,003 | 12,599 |
| Interest expense | (5,549) | (5,190) | (51,671) |
| Foreign exchange gains (losses), net | 684 | (4,177) | 6,369 |
| Equity in earnings of unconsolidated subsidiaries and affiliates, net | 108 | 61 | 1,006 |
| Losse on disposal of property, plant and equipment, net | (4,010) | (2,477) | (37,341) |
| Management integration rationalization expenses* | (4,020) | (5,022) | (37,434) |
| Additional contribution on withdrawals from the Welfare Pension Fund plans (Note 12) | — | (513) | — |
| Loss on transition to defined contribution plans from defined benefit plans (Note 12) | — | (180) | — |
| Write-down of investment securities | (325) | (451) | (3,026) |
| Amortization of unrecognized transition benefit obligations (Note 12) | (521) | (1,540) | (4,851) |
| Prior periods' expenses of accrued retirement benefits for directors and corporate auditors | — | (513) | — |
| Loss on disposal of inventories | (8,698) | (5,687) | (80,995) |
| Restructuring expenses* | (4,851) | — | (45,172) |
| Allowance for doubtful accounts | (1,627) | — | (15,150) |
| Amortization of consolidation goodwill | (5,397) | — | (50,256) |
| Gain (loss) on sales of investment securities, net | 2,455 | (123) | 22,861 |
| Other, net | (1,746) | (353) | (16,259) |
| Total | (32,147) | (25,167) | (299,348) |
| Income before income taxes | 35,430 | 32,363 | 329,919 |
| **Income Taxes** (Note 7): | | | |
| Current | 27,947 | 22,466 | 260,238 |
| Deferred | (594) | (2,841) | (5,531) |
| Total | 27,352 | 19,624 | 254,698 |
| **Minority Interests in Earnings of Consolidated Subsidiaries** | (553) | (189) | (5,149) |
| **Net Income** | ¥ 7,524 | ¥ 12,548 | $ 70,062 |

| | Millions of yen | | U.S. dollars (note 3) |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Per Share of Common Stock:** | | | |
| Net income | ¥14.1 | ¥26.5 | $0.13 |
| Cash dividends | 10.0 | 10.0 | 0.09 |

* Management integration rationalization expenses for the year ended March 31, 2005 mainly represent restructuring expenses for employes of European subsidiaries of ¥3,096 million (US$28,829 thousand).

* Management integration rationalization expenses for the year ended March 31, 2004 represent restructuring expenses for offices of ¥1,781 million (US$16,851 thousand) and for employees of European subsidiaries of ¥3,241 million (US$30,665 thousand).

* Restructuring expenses
Expenses for structural reform related to the Photo Imaging Business of ¥3,628 million (US$33,783 thousand) and accelerated depreciation charges of ¥1,223 million (US$11,388 thousand) for the Digital Camera Bsiness.

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statements of Shareholders' Equity

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2005 and 2004

| | | Millions of yen | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares of issued common stock | Common stock | Additional paid-in capital | Retained earnings | Unrealized gains (losses) on securities | Foreign currency translation adjustments | Treasury stock |
| **Balance at March 31, 2003** | 357,655,368 | ¥37,519 | ¥ 79,342 | ¥69,052 | ¥ 825 | ¥(5,309) | ¥(410) |
| Issuance of new shares due to share exchange | 174,008,969 | | 146,706 | | | | |
| Gain on disposal of treasury stock | | | 15 | | | | |
| Net income for the year | | | | 12,548 | | | |
| Increase resulting from newly consolidated subsidiaries or affiliates adopting the equity method | | | | 139 | | | |
| Cash dividends paid | | | | (4,442) | | | |
| Bonuses to directors and corporate auditors | | | | (45) | | | |
| Net unrealized gains on securities | | | | | 4,061 | | |
| Foreign currency translation adjustments | | | | | | (4,412) | |
| Purchase of treasury stock | | | | | | | (166) |
| **Balance at March 31, 2004** | 531,664,337 | ¥37,519 | ¥226,065 | ¥77,254 | ¥4,886 | ¥(9,721) | ¥(576) |
| Gain on disposal of treasury stock | | | 4 | | | | |
| Net income for the year | | | | 7,524 | | | |
| Increase resulting from newly consolidated subsidiaries or affiliates adopting the equity method | | | | 55 | | | |
| Decrease resulting from deconsolidation | | | | (9) | | | |
| Cash dividends paid | | | | (5,310) | | | |
| Bonuses to directors and corporate auditors | | | | (22) | | | |
| Net unrealized losses on securities | | | | | (106) | | |
| Foreign currency translation adjustments | | | | | | 2,382 | |
| Purchase of treasury stock | | | | | | | (215) |
| **Balance at March 31, 2005** | 531,664,337 | ¥37,519 | ¥226,069 | ¥79,491 | ¥4,780 | ¥(7,339) | ¥(791) |

| | | Thousands of U.S. dollars (note 3) | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares of issued common stock | Common stock | Additional paid-in capital | Retained earnings | Unrealized gains (losses) on securities | Foreign currency translation adjustments | Treasury stock |
| **Balance at March 31, 2004** | 531,664,337 | $349,371 | $2,105,084 | $719,378 | $45,498 | $(90,521) | $(5,364) |
| Gain on disposal of treasury stock | | | 37 | | | | |
| Net income for the year | | | | 70,062 | | | |
| Increase resulting from newly consolidated subsidiaries or affiliates adopting the equity method | | | | 512 | | | |
| Decrease resulting from deconsolidation | | | | (84) | | | |
| Cash dividends paid | | | | (49,446) | | | |
| Bonuses to directors and corporate auditors | | | | (205) | | | |
| Net unrealized losses on securities | | | | | (987) | | |
| Foreign currency translation adjustments | | | | | | 22,181 | |
| Purchase of treasury stock | | | | | | | (2,002) |
| **Balance at March 31, 2005** | 531,664,337 | $349,371 | $2,105,122 | $740,209 | $44,511 | $(68,340) | $(7,366) |

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

## Consolidated Statements of Cash Flows

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (note 3) |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes | ¥ 35,430 | ¥ 32,363 | $ 329,919 |
| Depreciation and amortization | 52,953 | 44,386 | 493,091 |
| Amortization of consolidation goodwill | 5,906 | 2,869 | 54,996 |
| Decrease in allowance for doubtful receivables | 101 | (3,874) | 940 |
| Interest and dividend income | (1,353) | (1,003) | (12,599) |
| Interest expense | 5,549 | 5,190 | 51,671 |
| (Gain) loss on disposal of property, plant and equipment, net | 4,010 | 2,477 | 37,341 |
| (Gain) loss on sales or write-down of investment securities, net | (2,129) | 574 | (19,825) |
| Amortization of unrecognized transition benefit obligation | 521 | 1,540 | 4,851 |
| Prior periods' expenses of accrued retirement benefits for directors and corporate auditors | — | 513 | — |
| Additional contribution on withdrawals from the Welfare Pension Fund plans | — | 513 | — |
| (Gain) loss on transition to defined contribution plans from defined benefit plans | (160) | 180 | (1,490) |
| Management integration rationalization expenses | 4,020 | 5,022 | 37,434 |
| Restructuring expenses | 4,851 | — | 45,172 |
| Allowance for doubtful accounts | 1,627 | — | 15,150 |
| Amortization of consolidation goodwill | 5,397 | — | 50,256 |
| (Increase) decrease in notes and accounts receivable | (14,056) | (3,210) | (130,887) |
| (Increase) decrease in inventories | 128 | (2,914) | 1,192 |
| Increase (decrease) in notes and accounts payable | (9,239) | (1,060) | (86,032) |
| Increase (decrease) in accrued consumption tax payable | 646 | (738) | 6,015 |
| Other | (2,970) | (4,585) | (27,656) |
| Subtotal | 91,235 | 78,243 | 849,567 |
| Interest and dividend income received | 1,417 | 1,363 | 13,195 |
| Interest expenses paid | (5,524) | (5,263) | (51,439) |
| Income taxes paid | (31,447) | (18,385) | (292,830) |
| Net cash provided by operating activities | 55,680 | 55,957 | 518,484 |
| **Cash Flows from Investing Activities:** | | | |
| Payment for acquisition of property, plant and equipment | (46,585) | (24,935) | (433,793) |
| Proceeds from disposal of property, plant and equipment | 3,604 | 6,102 | 33,560 |
| Payment for intangible assets | (9,088) | (6,383) | (84,626) |
| Payment for acquisition of loans receivables | (1,670) | (1,451) | (15,551) |
| Proceeds from repayment of loans receivable | 1,431 | 460 | 13,325 |
| Payment for acquisition of investment securities | (348) | (39) | (3,241) |
| Proceeds from sales of investment securities | 4,976 | 225 | 46,336 |
| Payment for other investments | (3,395) | (3,296) | (31,614) |
| Other | 1,732 | 533 | 16,128 |
| Net cash outflow from investing activities | (49,343) | (28,784) | (459,475) |
| **Cash Flows from Financing Activities:** | | | |
| Increase (decrease) in short-term debt | (29,640) | (11,090) | (276,003) |
| Proceeds from long-term debt | 29,257 | 674 | 272,437 |
| Redemption of long-term debt | (14,535) | (13,006) | (135,348) |
| Proceeds from bonds | 13,694 | — | 127,517 |
| Redempton of bonds | (24,870) | (5,054) | (231,586) |
| Proceeds from disposal of treasury stocks | 24 | 44 | 223 |
| Payment for repurchase of treasury stocks | (233) | (286) | (2,170) |
| Dividends paid | (5,310) | (4,430) | (49,446) |
| Net cash outflow from financing activities | (31,614) | (33,149) | (294,385) |
| **Effect of exchange rate changes on cash and cash equivalents** | 642 | (1,317) | 5,978 |
| **Decrease in cash and cash equivalents** | (24,635) | (7,292) | (229,398) |
| **Cash and cash equivalents at the beginning of the year** | 83,704 | 51,876 | 779,439 |
| **Increase in cash and cash equivalents by new consolidation** | 416 | 667 | 3,874 |
| **Increase in cash and cash equivalents due to share exchange** | — | 38,453 | — |
| **Cash and cash equivalents at fiscal year-end** | ¥ 59,485 | ¥ 83,704 | $ 553,916 |

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

# Notes to The Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2005 and 2004

## 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

On April 1, 2003, the former Konica Corporation spun off its operating activities and shifted to a holding company structure. Shortly thereafter, Konica Minolta Holdings, Inc. was established on August 5, 2003, through a share exchange with Minolta Co., Ltd. For accounting purposes, the integration with Minolta Co., Ltd. became effective September 30, 2003. Accordingly, the consolidated financial statements for the first six months of the year ended March 31, 2004 do not include the results of Minolta Co., Ltd.

The accompanying consolidated financial statements of Konica Minolta Holdings, Inc. (the "Company") and its subsidiaries (together, referred to as the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside of Japan.

Certain amounts previously reported have been reclassified to conform with the current year classifications.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sums of the individual amounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its 122 subsidiaries in which it has control. All significant intercompany transactions balances and unrealized profits among the Companies are eliminated in consolidation.

Investments in 13 unconsolidated subsidiaries and 2 significant affiliates are accounted for using the equity method. Investments in 20 other unconsolidated subsidiaries and 17 affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

The excess of cost over the underlying investments in subsidiaries is recognized as consolidation goodwill and is amortized on a straight-line basis over a period not exceeding 20 years.

### (b) Translation of Foreign Currencies

*Translation of Foreign Currency Transactions*

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and revenues and costs are translated using the average exchange rate for the period.

*Translation of Foreign Currency Financial Statements*

The translations of foreign currency financial statements of overseas consolidated subsidiaries and affiliates into Japanese yen are made by applying the exchange rates prevailing at the balance sheet dates for balance sheet items, except common stock, additional paid-in capital and retained earnings accounts, which are translated at the historical rates, and the statements of income and retained earnings are translated at average exchange rates.

### (c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less, which represent a minor risk of fluctuation in value.

### (d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the management's estimate.

### (e) Inventories

The Company and its domestic consolidated subsidiaries inventories are, in the main, recorded at cost as determined by the periodic-average method. Overseas consolidated subsidiaries' inventories are recorded at the lower of cost or market value, with cost determined by the first-in, first-out.

### (f) Property, Plant and Equipment

Depreciation of property, plant and equipment for the Company and domestic consolidated subsidiaries is computed using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, based on the estimated useful lives of assets.

Depreciation of buildings acquired after April 1, 1998 is computed using the straight-line method. Depreciation for foreign subsidiaries is computed using the straight-line method.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any differences are charged or credited to income.

### (g) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Opinion on Establishment of Asset-Impairment Accounting Standards," which requires that certain fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the criterion for impairment recognition is met, an impairment loss as the difference between the carrying amount and the higher of net discounted future cash flows or market value of the asset shall be recognized in the consolidated statements of income. In the case of the Company, this standard shall be effective for the fiscal year beginning April 1, 2005, with an earlier adoption for the fiscal year beginning April 1, 2004 being permitted. The Company is currently in the process of assessing the impact on the consolidated financial statements from the adoption of this standard.

**(h) Income Taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred income taxes are provided for based on temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

**(i) Research and Development Expenses**

Expenses for research and development activities are charged to income as incurred.

**(j) Financial Instruments**

*Derivatives*

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

*Securities*

Securities held by the Companies are classified into two categories:

Investments by the Companies in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value.

Net unrealized gains or losses on these securities are reported net-of-tax as a separate component of shareholders' equity.

Other securities for which market quotations are unavailable are stated at cost, except in cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is deemed other than temporary. In these instances, securities are written down to the fair value and the resulting losses are charged to income during the period.

*Hedge Accounting*

Gains or losses arising from changes in fair value of derivatives designated as "hedging instruments" are deferred as an asset or a liability and charged or credited to income in the same period that the gains and losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments by the Companies are principally interest rate swaps, commodity swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, raw materials, long-term bank loans and debt securities issued by the Companies.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate, commodity price and exchange rate fluctuations. As such, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

**(k) Leases**

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for using a method similar to that used for ordinary operating leases.

**(l) Retirement Benefit Plans**

*Retirement Benefits for Employees*

Pension and severance costs for employees are accrued based on the actuarial valuation of projected benefit obligations and the plan assets at the end of each fiscal year. The actuarial difference is amortized over the average remaining service period (mainly 10 years), using the straight-line method from the year subsequent to that in which the actuarial difference was incurred or determined.

On April 1, 2004, a portion of the Minolta lump-sum payment plan was transferred to a defined contribution pension plan. As a result, the Company recorded a loss of ¥180 million included in Loss on transition to defined contribution plans from defined benefit plans for the year ended March 31, 2004 as described in Note 12, Retirement Benefit Plans.

*Retirement Benefits for Directors and Corporate Auditors*

The Companies provide for the accrued costs of retirement benefits payable to directors and corporate auditors. The amount accrued for such retirement benefits is calculated as 100% of such benefits the Companies would be required to pay on condition that all eligible directors and corporate auditors had retired at the year-end date.

The Companies amended their internal rules on retirement benefits of directors and corporate auditors as a result of the business integration between former Konica, Minolta and their subsidiaries, and adopted a new corporate governance structure, including the Companies' compensation, nomination and audit committee, during the year ended March 31, 2004. Accordingly, the Companies recorded ¥409 million in benefits expected to be paid as of March 31, 2004 as an operating expense and ¥513 million as the prior periods' expenses of accrued retirement benefits for directors and corporate auditors.

**(m) Appropriation of Retained Earnings**

Appropriation of retained earnings at the end of each fiscal year are reflected in the financial statements for the following year.

**(n) Per Share Data**

Net income per share of common stock has been computed based on the weighted-average number of shares outstanding during the fiscal year.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements are dividends declared as applicable to the respective fiscal years.

## 3. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39=US$1, the rate of exchange on March 31, 2005, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31 consist of:

| | Millons of yen | | Thousands of U.S. dallars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Cash on hand in banks | ¥59,330 | ¥83,574 | $552,472 |
| Marketable securities | 155 | 130 | 1,443 |
| Cash and cash equivalents | ¥59,485 | ¥83,704 | $553,916 |

## 5. SECURITIES

As of March 31, 2005

**(1) Other Securities with Quoted Market Values**

| | Millons of yen | | |
|---|---|---|---|
| | Original purchase value | Market value at the consolidated balance sheet date | Unrealized gains or losses |
| Securities for which the amounts in the consolidated balance sheets exceed the original purchase value | | | |
| (1) Shares | ¥9,908 | ¥21,391 | ¥11,483 |
| (2) Bonds | — | — | — |
| (3) Other | 19 | 20 | 1 |
| Subtotal | 9,927 | 21,412 | 11,484 |
| Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value | | | |
| (1) Shares | 5,560 | 5,519 | (40) |
| (2) Bonds | 116 | 116 | 0 |
| (3) Other | 70 | 69 | (0) |
| Subtotal | 5,747 | 5,706 | (41) |
| Total | ¥15,675 | ¥27,119 | ¥11,443 |
| | Thousands of U.S. dollars | | |
| Total | $145,963 | $252,528 | $106,556 |

**(2) Other Securities Sold during the Fiscal Year under Review**

| | Millons of yen | | |
|---|---|---|---|
| | Sale value | Total profit | Total loss |
| Other securities | ¥5,128 | ¥2,461 | ¥3 |
| | Thousands of U.S. dollars | | |
| Other securities | $47,751 | $22,916 | $28 |

**(3) Composition and Amounts on the Consolidated Balance Sheets of Other Securities without Market Quotes**

Amounts on consolidated balance sheets

| | Millons of yen | Thousands of U.S. dallars |
|---|---|---|
| Unlisted stocks | ¥1,545 | $14,387 |
| Other | ¥155 | $1,443 |

As of March 31, 2004

**(1) Other Securities with Quoted Market Values**

| | Millons of yen | | |
|---|---|---|---|
| | Original purchase value | Market value at the consolidated balance sheet date | Unrealized gains or losses |
| Securities for which the amounts in the consolidated balance sheets exceed the original purchase value | | | |
| (1) Shares | ¥15,679 | ¥25,165 | ¥9,485 |
| (2) Other | 22 | 26 | 4 |
| Subtotal | 15,702 | 25,192 | 9,489 |
| Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value | | | |
| (1) Shares | 5,685 | 5,007 | (678) |
| (2) Other | 186 | 181 | (4) |
| Subtotal | 5,872 | 5,189 | (683) |
| Total | ¥21,574 | ¥30,381 | ¥8,806 |

**(2) Other Securities Sold during the Fiscal Year under Review**

| | Millons of yen | | |
|---|---|---|---|
| | Sale value | Total profit | Total loss |
| Other securities | ¥501 | ¥228 | ¥461 |

**(3) Composition and Amounts on the Consolidated Balance Sheets of Other Securities without Market Quotes**

Amounts on consolidated balance sheets

| | Millons of yen |
|---|---|
| Unlisted stocks | ¥1,443 |
| Unlisted foreign bonds | 5 |
| Other | ¥130 |

## 6. SHORT-TERM & LONG-TERM DEBT WITH BANKS

Short-term and long-term debt as of March 31, 2005 and 2004 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | 2005 | (Interest rate) | 2004 | 2005 |
| Short-term debt | ¥157,174 | 1.87 | ¥182,429 | $1,463,581 |
| Current portion of long-term debt | 7,261 | 2.41 | 14,251 | 67,613 |
| Long-term debt | 54,604 | 1.09 | 32,778 | 508,464 |
| Total | ¥219,040 | | ¥229,459 | $2,039,668 |

The repayment schedule of long-term debt from 2007 through 2010 is as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2007 | ¥ 8,086 | $ 75,296 |
| 2008 | 16,895 | 157,324 |
| 2009 | 6,495 | 60,480 |
| 2010 and beyond | 23,128 | 215,365 |

***Bonds***

Bonds as of March 31, 2005 and 2004 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Bonds | ¥27,305 | ¥38,492 | $254,260 |

The annual maturities of bonds as of March 31, 2005 are as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2006 | ¥17,221 | $160,359 |
| 2007 | 5,054 | 47,062 |
| 2008 | 30 | 279 |
| 2009 | 5,000 | 46,559 |

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Property, plant and equipment | ¥887 | ¥3,092 | $8,260 |

## 7. INCOME TAXES

At March 31, 2005 and 2004, significant components of deferred tax assets and liabilities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| **Gross deferred tax assets:** | | | |
| Excess of reserve for retirement benefits over deductible limit | ¥ 31,309 | ¥ 33,194 | $ 291,545 |
| Net loss carried forward | 17,112 | 19,174 | 159,344 |
| Elimination of unrealized intercompany profits | 14,651 | 14,185 | 136,428 |
| Write-down of assets | 7,119 | 5,587 | 66,291 |
| Excess of accrued bonuses over deductible limit | 5,993 | 6,101 | 55,806 |
| Excess of allowance for doubtful accounts over deductible limit | 1,693 | 1,608 | 15,765 |
| Excess of depreciation and amortization over deductible limit | 1,497 | 3,712 | 13,940 |
| Other | 13,842 | 11,660 | 128,895 |
| Subtotal | 93,220 | 95,225 | 868,051 |
| Valuation allowance | (18,264) | (19,483) | (170,072) |
| Deferred tax assets total | 74,955 | 75,742 | 697,970 |
| **Gross deferred tax liabilities:** | | | |
| Unrealized gains on securities | (4,299) | (4,991) | (40,032) |
| Gains on securities contributed to employees' retirement benefit trust | (3,353) | (3,442) | (31,223) |
| Special tax-purpose reserve for condensed booking of fixed assets | (1,440) | (3,296) | (13,409) |
| Other | (1,870) | (1,155) | (17,423) |
| Deferred tax liabilities total | (10,964) | (12,886) | (102,095) |
| Net deferred tax assets | ¥ 63,991 | ¥ 62,855 | $ 595,875 |
| Deferred tax liabilities related to revaluation of land | ¥ (3,926) | ¥ (3,925) | $ (36,558) |

Deferred tax assets relating to net losses carried forward are recorded because the Japanese accounting standard requires that the benefit be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

At March 31, 2005 and 2004, the reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

| | 2005 | 2004 |
|---|---|---|
| Statutory income tax rate | 40.7% | 42.1% |
| Valuation allowance | (3.5) | 15.9 |
| Tax deduction | (8.6) | (6.1) |
| Tax rate change | — | 2.4 |
| Amortization of consolidation goodwill | 12.9 | 3.7 |
| Effect of the introduction of a consolidated tax return system | 28.6 | — |
| Other, net | 7.1 | 2.6 |
| Effective income tax rate | 77.2% | 60.6% |

## 8. RESEARCH AND DEVELOPMENT EXPENSE

Total amounts charged to income for the fiscal years ended March 31, 2005 and 2004 are ¥65,994 million (US$614,526 thousand) and ¥49,103 million, respectively.

## 9. SHAREHOLDER'S EQUITY

On August 5, 2003, Konica Corporation (Konica) and Minolta Co., Ltd. (Minolta) integrated their management by issuing 0.621 of a Konica share to the shareholders of Minolta in an exchange for one Minolta share. Before the share exchange, the articles of incorporation were amended and as a result the number of authorized shares increased from 800,000,000 to 1,200,000,000. The number of issued and outstanding shares increased from 357,655,368 to 531,664,337 by 174,008,969, resulting in an additional paid-in capital increase of ¥146,706 million, as a result of the integration.

On May 12, 2005, the Board of Director's meeting approved cash dividends to be paid to shareholders of record as of March 31, 2005, totaling ¥2,655 million, at a rate of ¥5 per share.

## 10. CONTINGENT LIABILITIES

The Companies were contingently liable as of March 31, 2005 for loan guarantees of ¥2,131 million (US$19,844 thousand).

## 11. LEASE TRANSACTIONS

Information on the Companies' finance lease transactions (except for those which are deemed to transfer the ownership of the leased assets to the lessee) and operating lease transactions are as follows:

**Lessee**

**1) Finance Leases**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Buildings and structures | ¥ 6,098 | ¥ 7,346 | $ 56,784 |
| Machinery, equipment and other | 9,725 | 4,401 | 90,558 |
| Tools and furniture | 19,111 | 20,463 | 177,959 |
| Rental business-use assets | 6,913 | 9,045 | 64,373 |
| Intangible assets | 813 | 1,187 | 7,571 |
| | 42,662 | 42,443 | 397,262 |
| Less: Accumulated depreciation | (27,538) | (23,221) | (256,430) |
| Net book value | 15,124 | 19,222 | 140,832 |
| Depreciation | ¥ 9,389 | ¥ 5,640 | $ 87,429 |

Depreciation is based on the straight-line method over the lease terms of the leased assets.

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Due within one year | ¥ 6,790 | ¥ 8,089 | $ 63,227 |
| Due over one year | 8,333 | 11,132 | 77,596 |
| Total | 15,124 | 19,222 | 140,832 |
| Lease rental expenses for the year | ¥ 9,389 | ¥ 5,640 | $ 87,429 |

**2) Operating Leases**

The scheduled maturities of future operating lease rental payments as of March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Due within one year | ¥ 9,668 | ¥ 7,151 | $ 90,027 |
| Due over one year | 21,036 | 20,412 | 195,884 |
| Total | ¥30,705 | ¥27,564 | $285,920 |

**Lessor**

**1) Finance Leases**

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Leased rental business-use assets: | | | |
| Purchase cost | ¥ 20,345 | ¥ 18,459 | $ 189,450 |
| Accumulated depreciation | (13,060) | (11,512) | (121,613) |
| Net book value | ¥ 7,284 | ¥ 6,947 | $ 67,828 |

The scheduled maturities of future finance lease rental income as of March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Due within one year | ¥3,379 | ¥ 4,065 | $31,465 |
| Due over one year | 4,484 | 3,439 | 41,754 |
| Total | 7,863 | 7,505 | 73,219 |
| Lease rental income for the year | 5,054 | 2,890 | 47,062 |
| Depreciation for the year | ¥4,271 | ¥2,285 | $39,771 |

**2) Operating Leases**

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| Due within one year | ¥3,094 | ¥3,857 | $28,811 |
| Due over one year | 1,575 | 4,198 | 14,666 |
| Total | ¥4,669 | ¥8,055 | $43,477 |

## 12. RETIREMENT BENEFIT PLANS

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans (CDBPs), which are governed by the Japanese Welfare Pension Insurance Law, tax-qualified pension plans and lump-sum payment plans. In addition, the Company may pay additional retirement benefits to employees at its discretion.

The Company and certain of its consolidated subsidiaries recently changed their retirement plans, which are summarized as follows.

On April 1, 2003, Konica's tax-qualified benefit plan was transferred to a CDBP.

On April 30, 2003, a portion of the Konica lump-sum payment plan was transferred to a defined contribution pension plan.

On February 1, 2004, the Ministry of Health, Labour and Welfare permitted the substitutional portion of the Konica Welfare Pension Fund to be returned to the government, and the remaining portion of the Fund was integrated into a CDBP.

On March 1, 2004, the Ministry of Health, Labour and Welfare permitted that the substitutional portion of the Minolta Welfare Pension Fund to be returned to the government, and the remaining portion of the Fund was integrated into a CDBP. A portion of the Minolta lump-sum payment plan was transferred to a CDBP on the same date.

On April 1, 2004, a portion of the Minolta lump-sum payment plan was transferred to a defined contribution pension plan.

The reserve for retirement benefits as of March 31, 2005 and 2004 are analyzed follws:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| a. Retirement benefit obligations | ¥(142,123) | ¥(138,418) | $(1,323,429) |
| b. Plan assets | 76,808 | 72,427 | 715,225 |
| c. Unfunded retirement benefit obligations (a+b) | (65,315) | (65,991) | (608,204) |
| d. Unrecognized transition amounts | — | 521 | — |
| e. Unrecognized actuarial differences | 14,638 | 14,425 | 136,307 |
| f. Unrecognized prior service costs | (10,345) | (11,808) | (96,331) |
| g. Net amount on consolidated balance sheets (c+d+e+f) | (61,022) | (62,853) | (568,228) |
| h. Prepaid pension costs | 2,021 | 2,061 | 18,819 |
| i. Accrued retirement benefits (g-h) | ¥ (63,044) | ¥ (64,915) | $ (587,057) |

Notes: 1. The Company and certain consolidated subsidiaries made amendments to their welfare pension fund plans and tax-qualified pension plans in order to reduce their benefit payments. In addition, as described above, they changed some of the pension plans and transferred certain funds between the plans. As a result of these transactions, prior service costs were generated.

2. Certain subsidiaries use a simplified method for the calculation of benefit obligation.

3. The transition from a portion of the Minolta lump-sum payment plan to a defined contribution pension plan resulted in the following changes for the year ended March 31, 2005:

| | Millons of yen | Thousands of U.S. dallars |
|---|---|---|
| Decrease of the retirement benefit obligations | ¥1,667 | $15,523 |
| Unrecognized actuarial differences | 243 | 2,263 |
| Unrecognized prior service costs | (250) | (2,328) |
| Decrease of accrued retirement benefits | ¥1,660 | $15,458 |

The assets to be transferred to the defined contribution pension plan equal ¥1,500 million and will be transferred over 4 years. The amount of ¥1,161 million is recorded as other long-term liabilities at March 31, 2005.

4. The transition from a portion of the Konica lump-sum payment plan to a defined contribution pension plan resulted in the following changes for the year ended March 31, 2004:

| | Millons of yen |
|---|---|
| Decrease of the retirement benefit obligations | ¥4,721 |
| Unrecognized actuarial differences | (769) |
| Unrecognized prior service costs | 658 |
| Decrease of accrued retirement benefits | ¥4,610 |

The assets to be transferred to the defined contribution pension plan equal ¥4,790 million and will be transferred over 4 years. The amount of ¥4,790 million is recorded as accrued expenses and other long-term liabilities at March 31, 2004.

Net retirement benefit costs for the years ended March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2005 | 2004 | 2005 |
| a. Service costs | ¥ 7,426 | ¥ 5,645 | $ 69,150 |
| b. Interest costs | 2,947 | 2,670 | 27,442 |
| c. Expected return on plan assets | (736) | (358) | (6,854) |
| d. Amortization of transition amounts | 521 | 1,540 | 4,851 |
| e. Actuarial differences that are accounted for as expenses | 2,042 | 1,968 | 19,015 |
| f. Prior service costs that are accounted for as expenses | (1,233) | (519) | (11,482) |
| g. Retirement benefit costs (a+b+c+d+e+f) | 10,968 | 10,946 | 102,132 |
| h. Loss on the transition to defined contribution plans from defined benefit plans | (160) | 180 | (1,490) |
| i. Contribution to defined contribution pension plans | 1,257 | 1,488 | 11,705 |
| Total (g+h+i) | ¥12,065 | ¥12,615 | $112,348 |

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in "a. Service costs."

Assumptions used in the calculation of the above information are as follows:

| | 2005 | 2004 |
|---|---|---|
| a. Method of attributing the retirement benefits to periods of service | Periodic allocation method for projected benefit obligations | Periodic allocation method for projected benefit obligations |
| b. Discount rate | Mainly 2.5% | Mainly 2.5% |
| c. Expected rate of return on plan assets | Mainly 1.25% | Mainly 1.25% |
| d. Amortization of unrecognized prior service cost | Mainly 10 years | Mainly 10 years |
| e. Amortization of unrecognized actuarial differences | Mainly 10 years | Mainly 10 years |
| f. Amortization of transition amount due to changes in accounting standards | Mostly 5 years for subsidiaries | Mostly 5 years for subsidiaries |

## 13. DERIVATIVES

The Companies enter into derivative instruments including forward foreign currency exchange contracts, interest rate swaps and commodity swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rates, interest rates and material prices. The Companies utilize these derivatives as hedges to effectively reduce the risks inherent in their assets and liabilities. These transactions are not likely to have a material impact on the performance of the Companies. Additionally, the Companies have a policy of limiting the purpose to hedging identified exposures only and not for speculative or trading purposes.

**Risks associated with derivative instruments**

Although the Companies are exposed to credit-related risks and risks associated with the changes in interest rates and foreign exchange rates, such derivative instruments are limited to hedging purposes only and the risks associated with these transactions are limited. All derivative contracts entered into by the Companies are with selected major financial institutions based upon their credit ratings and other factors. Such credit-related risks are not anticipated and would not be expected to have a significant impact on the Companies results.

**Risk control system on derivative instruments**

In order to manage the market and credit risks, the Finance Division of the Company is responsible for setting or managing the position limits and credit limits under the Company's internal policies for derivative instruments. The resources are principally assigned to the functions, including transaction execution, administration, and risk management, independently, in order to clarify the responsibility and the role of each function.

The principal policies on foreign currency exchange instruments and other derivative instruments at the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, the Expert Committee, which consists of management from the Company and its major subsidiaries meets regularly, at which time the principal policies on foreign currency exchange instruments and other derivative instruments are reaffirmed and the market risks are assessed. All derivative instruments are reported monthly to the respective officers. Market risks and credit risks for other subsidiaries are controlled and assessed based on the internal rules, and the derivative instruments are approved by the respective President of each subsidiary.

Interest rate swap contracts are approved by the Finance Manager of the President of the Company and other subsidiaries, respectively.

Commodity swap contracts are approved by the respective President of each subsidiary based on internal rules.

The derivative instruments as of March 31, 2005 and 2004 are summarized as follows:

**(1) Currency-Related Derivatives**

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005 | | | 2004 | | | 2005 | | |
| | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) |
| Forward foreign currency exchange contracts: | | | | | | | | | |
| To sell foreign currencies: | | | | | | | | | |
| US$ | ¥39,233 | ¥40,358 | ¥(1,124) | ¥20,091 | ¥19,664 | ¥ 426 | $365,332 | $375,808 | $(10,467) |
| EURO | 28,960 | 29,268 | (308) | 29,709 | 28,505 | 1,204 | 269,671 | 272,539 | (2,868) |
| Other | 1,075 | 1,082 | (7) | 489 | 483 | 5 | 10,010 | 10,075 | (65) |
| Total | ¥69,269 | ¥70,710 | ¥(1,440) | ¥50,289 | ¥48,652 | ¥1,635 | $645,023 | $658,441 | $(13,409) |
| To buy foreign currencies: | | | | | | | | | |
| US$ | ¥ 4,342 | ¥ 4,515 | ¥ 173 | ¥ 3 | ¥ 3 | ¥ 0 | $ 40,432 | $ 42,043 | $ 1,611 |
| EURO | 614 | 622 | 7 | 671 | 679 | 7 | 5,717 | 5,792 | 65 |
| Other | 127 | 123 | (3) | 967 | 886 | (81) | 1,183 | 1,145 | (28) |
| Total | ¥ 5,084 | ¥ 5,261 | ¥ 177 | ¥ 1,641 | ¥ 1,568 | ¥ (74) | $ 47,341 | $ 48,990 | $ 1,648 |

Notes: 1. Fair value is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2005 and 2004, respectively.
2. Derivative instruments with hedge accounting applied are excluded from the above table.

**(2) Interest-Rate-Related Derivatives**

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005 | | | 2004 | | | 2005 | | |
| | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) | Contract value (notional principal amount) | Fair value | Unrealized gain (loss) |
| Interest-rate swaps: | | | | | | | | | |
| Receive fixed, pay floating | ¥ — | ¥ — | ¥ — | ¥1,056 | ¥(51) | ¥(51) | $ — | $ — | $ — |
| Pay fixed, receive floating | 6,943 | (36) | (36) | — | — | — | 64,652 | (335) | (335) |
| Total | ¥6,943 | ¥(36) | ¥(36) | ¥1,056 | ¥(51) | ¥(51) | $64,652 | $(335) | $(335) |

Notes: 1. Fair value is provided by the financial institutions with whom the derivative contracts were transacted.
2. Derivative transactions with hedge accounting applied are excluded from the above table.
3. Contract value (notional principal amount) does not show the size of the risks of interest-rate swaps.

## 14. SEGMENT INFORMATION

### (1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2005 and 2004 is presented as follows:

Although the Company (the former Konica Corporation) became a new holding company, Konica Minolta Holdings, Inc., on August 5, 2003, through an exchange of shares with Minolta Co., Ltd. for accounting purposes, this merger is deemed as occurring at the end of the interim term, and as such, figures for Minolta Co., Ltd. have not been included in consolidated earnings for the first half of the fiscal year ended March 31, 2004.

| Business segment | Related business segment products |
|---|---|
| Business Technologies: | Copy machines, printers and others |
| Optics: | Optical devices, electronic materials and others |
| Photo Imaging: | Photographic film and materials, ink-jet products, cameras and others |
| Medical and Graphic Imaging: | X-ray or graphic film, equipment for medical or graphic use and others |
| Sensing: | Industrial or medical measurement instruments |
| Other: | Others products not categorized in the above segments |

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Business Technologies | Optics | Photo Imaging | Medical and Graphic Imaging | Sensing | Other | Total | Elimination and Corporate | Consolidation |
| **2005: Net sales** | | | | | | | | | |
| **Outside** | ¥564,837 | ¥91,705 | ¥268,471 | ¥129,872 | ¥5,293 | ¥ 7,266 | ¥1,067,447 | ¥ — | ¥1,067,447 |
| **Intersegment** | 29,886 | 4,079 | 12,782 | 19,918 | 2,425 | 60,757 | 129,849 | (129,849) | — |
| **Total** | 594,724 | 95,785 | 281,253 | 149,791 | 7,719 | 68,024 | 1,197,297 | (129,849) | 1,067,447 |
| **Operating expenses** | 538,892 | 79,783 | 289,905 | 143,134 | 6,125 | 56,490 | 1,114,332 | (114,462) | 999,869 |
| **Operating income** | ¥ 55,832 | ¥16,001 | ¥ (8,651) | ¥ 6,656 | ¥1,593 | ¥ 11,533 | ¥ 82,965 | ¥ (15,387) | ¥ 67,577 |
| **Assets** | ¥451,381 | ¥95,214 | ¥169,545 | ¥103,963 | ¥7,817 | ¥443,501 | ¥1,271,424 | ¥(315,881) | ¥ 955,542 |
| **Depreciation** | 27,359 | 5,672 | 8,904 | 4,366 | 133 | 6,517 | 52,953 | — | 52,953 |
| **Capital expenditure** | 24,258 | 14,378 | 7,366 | 3,695 | 178 | 6,571 | 56,448 | — | 56,448 |

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Business Technologies | Optics | Photo Imaging | Medical and Graphic Imaging | Sensing | Other | Total | Elimination and Corporate | Consolidation |
| 2004: Net sales | | | | | | | | | |
| Outside | ¥431,118 | ¥76,711 | ¥223,962 | ¥120,871 | ¥2,657 | ¥ 5,100 | ¥ 860,420 | ¥ — | ¥860,420 |
| Intersegment | 24,594 | 17,948 | 15,057 | 23,461 | 1,236 | 43,909 | 126,207 | (126,207) | — |
| Total | 455,712 | 94,660 | 239,019 | 144,332 | 3,893 | 49,009 | 986,628 | (126,207) | 860,420 |
| Operating expenses | 409,303 | 78,491 | 244,392 | 136,426 | 3,092 | 40,831 | 912,538 | (109,647) | 802,890 |
| Operating income | ¥ 46,408 | ¥16,168 | ¥ (5,372) | ¥ 7,906 | ¥ 801 | ¥ 8,177 | ¥ 74,090 | ¥ (16,559) | ¥ 57,530 |
| Assets | ¥431,374 | ¥86,726 | ¥196,027 | ¥106,930 | ¥7,703 | ¥479,901 | ¥1,308,664 | ¥(339,074) | ¥969,589 |
| Depreciation | 22,151 | 4,846 | 7,229 | 4,698 | 72 | 5,390 | 44,386 | — | 44,386 |
| Capital expenditure | 11,660 | 4,976 | 7,815 | 4,529 | 70 | 6,257 | 35,307 | — | 35,307 |

| | Thousands of U.S. dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Business Technologies | Optics | Photo Imaging | Medical and Graphic Imaging | Sensing | Other | Total | Elimination and Corporate | Consolidation |
| **2005: Net sales** | | | | | | | | | |
| **Outside** | $5,259,680 | $853,944 | $2,499,963 | $1,209,349 | $49,288 | $ 67,660 | $ 9,939,911 | $ — | $9,939,911 |
| **Intersegment** | 278,294 | 37,983 | 119,024 | 185,474 | 22,581 | 565,760 | 1,209,135 | (1,209,135) | — |
| **Total** | 5,537,983 | 891,936 | 2,618,987 | 1,394,832 | 71,878 | 633,430 | 11,149,055 | (1,209,135) | 9,939,911 |
| **Operating expenses** | 5,018,084 | 742,928 | 2,699,553 | 1,332,843 | 57,035 | 526,027 | 10,376,497 | (1,065,853) | 9,310,634 |
| **Operating income** | $ 519,899 | $148,999 | $ (80,557) | $ 61,980 | $14,834 | $ 107,394 | $ 772,558 | $ (143,281) | $ 629,267 |
| **Assets** | $4,203,194 | $886,619 | $1,578,778 | $ 968,088 | $72,791 | $4,129,817 | $11,839,315 | $(2,941,438) | $8,897,868 |
| **Depreciation** | 254,763 | 52,817 | 82,913 | 40,656 | 1,238 | 60,685 | 493,091 | — | 493,091 |
| **Capital expenditure** | 225,887 | 133,886 | 68,591 | 34,407 | 1,658 | 61,188 | 525,636 | — | 525,636 |

### (2) Geographic Segment Information

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination and Corporate | Consolidation |
| **2005: Net sales** | | | | | | | |
| **Outside** | ¥480,522 | ¥250,207 | ¥278,164 | ¥ 58,552 | ¥1,067,447 | ¥ — | ¥1,067,447 |
| **Intersegment** | 313,852 | 8,565 | 1,624 | 145,636 | 469,679 | (469,679) | — |
| **Total** | 794,375 | 258,773 | 279,789 | 204,188 | 1,537,127 | (469,679) | 1,067,447 |
| **Operating expenses** | 719,788 | 256,412 | 276,369 | 200,856 | 1,453,427 | (453,557) | 999,869 |
| **Operating income** | ¥ 74,587 | ¥ 2,360 | ¥ 3,419 | ¥ 3,332 | ¥ 83,699 | ¥ (16,122) | ¥ 67,577 |
| **Assets** | ¥819,494 | ¥154,093 | ¥158,021 | ¥ 75,106 | ¥1,206,715 | ¥ (251,173) | ¥ 955,542 |

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination and Corporate | Consolidation |
| 2004: Net sales | | | | | | | |
| Outside | ¥405,787 | ¥215,554 | ¥190,178 | ¥ 48,901 | ¥ 860,420 | ¥ — | ¥860,420 |
| Intersegment | 223,931 | 9,678 | 2,069 | 95,247 | 330,928 | (330,928) | — |
| Total | 629,719 | 225,233 | 192,247 | 144,148 | 1,191,348 | (330,928) | 860,420 |
| Operating expenses | 565,964 | 220,802 | 187,730 | 139,638 | 1,114,136 | (311,245) | 802,890 |
| Operating income | ¥ 63,754 | ¥ 4,430 | ¥ 4,517 | ¥ 4,510 | ¥ 77,212 | ¥ (19,682) | ¥ 57,530 |
| Assets | ¥835,472 | ¥148,317 | ¥146,841 | ¥ 66,459 | ¥1,197,091 | ¥(227,501) | ¥969,589 |

| | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination and Corporate | Consolidation |
| **2005: Net sales** | | | | | | | |
| **Outside** | $4,474,551 | $2,329,891 | $2,590,223 | $ 545,228 | $ 9,939,911 | $ — | $9,939,911 |
| **Intersegment** | 2,922,544 | 79,756 | 15,122 | 1,356,141 | 4,373,582 | (4,373,582) | — |
| **Total** | 7,397,104 | 2,409,656 | 2,605,354 | 1,901,369 | 14,313,502 | (4,373,582) | 9,939,911 |
| **Operating expenses** | 6,702,561 | 2,387,671 | 2,573,508 | 1,870,,342 | 13,534,100 | (4,223,457) | 9,310,634 |
| **Operating income** | $ 694,543 | $ 21,976 | $ 31,837 | $ 31,027 | $ 779,393 | $ (150,126) | $ 629,267 |
| **Assets** | $7,631,008 | $1,434,892 | $1,471,468 | $ 699,376 | $11,236,754 | $(2,338,886) | $8,897,868 |

Note: Major countries or areas other than Japan are as follows:
North America ............U.S.A. and Canada
Europe ........................Germany, France and U.K.
Asia and Other ...........Australia, China and Singapore

### (3) Overseas Sales

| | Millions of yen | Thousands of U.S. dollars | Percentage of net sales |
|---|---|---|---|
| **2005: Sales to** | | | |
| **North America** | ¥264,718 | $2,465,015 | 24.8% |
| **Europe** | 282,475 | 2,630,366 | 26.5 |
| **Asia and Other** | 213,435 | 1,987,476 | 20.0 |
| 2004: Sales to | | | |
| North America | ¥235,270 | $ — | 27.3% |
| Europe | 210,899 | — | 24.5 |
| Asia and Other | 157,038 | — | 18.3 |

Notes: 1. Major countries or areas are as follows:
North America ............U.S.A. and Canada
Europe ........................Germany, France and U.K.
Asia and Other ...........Australia, China and Singapore
2. "Overseas sales" represents sales recognized outside of Japan by the Companies.

# Report of Independent Auditors

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

**ChuoAoyama PricewaterhouseCoopers**

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors of
Konica Minolta Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Konica Minolta Holdings, Inc. and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, of shareholders' equity, and of cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 24, 2005

# The Konica Minolta Group

As of March 31, 2005

## Business Technologies

| | Country |
|---|---|
| **Business Company** | |
| Konica Minolta Business Technologies, Inc. | Japan |
| **Production Companies** | |
| Konica Minolta Supplies Manufacturing Co., Ltd. | Japan |
| Konica Minolta Supplies Manufacturing Kansai Co., Ltd. | Japan |
| Konica Minolta Technoproducts Co., Ltd. | Japan |
| Sankei Precision Products Co., Ltd. | Japan |
| Toyohashi Precision Products Co., Ltd. | Japan |
| Konica Supplies Manufacturing U.S.A., Inc. | U.S.A. |
| Minolta Advance Technology, Inc. | U.S.A. |
| Konica Minolta Supplies Manufacturing France S.A.S. | France |
| Konica Minolta Business Technologies (WUXI) Co., Ltd. | China |
| Konica Minolta Business Technologies Manufacturing (HK) Ltd. | China (Hong Kong) |
| Taiwan Sanseiki | Taiwan |
| **Sales Companies** | |
| F&M Imaging Technology Co., Ltd. | Japan |
| Konica Minolta Business Solutions Japan Co., Ltd. | Japan |
| Konica Minolta Printing Solutions Japan Co., Ltd. | Japan |
| Konica Minolta Techno Tokyo Co., Ltd. | Japan |
| Konica Minolta Software Laboratory Co., Ltd. | Japan |
| Konica Minolta Business Solutions do Brasil Ltda. | Brazil |
| Konica Minolta Business Solutions (Canada) Ltd. | Canada |
| Konica Minolta Business Solutions (MONTREAL) Inc. | Canada |
| Konica Minolta Business Solutions de Mexico SA de CV. | Mexico |
| Albin Industries, Inc. | U.S.A. |
| Alpha Omega Business Systems Inc. | U.S.A. |
| Alternative Business Systems, LCC | U.S.A. |
| Business Systems, Inc. | U.S.A. |
| Frontier Business Systems, Inc. | U.S.A. |
| Konica Computer Solutions, Inc. | U.S.A. |
| Konica Minolta Business Solutions U.S.A., Inc. | U.S.A. |
| Konica Minolta Printing Solutions U.S.A., Inc. | U.S.A. |
| Konica Minolta Systems Laboratory, Inc. | U.S.A. |
| Nevada Business Systems, Inc. | U.S.A. |
| Konica Minolta Business Solutions Austria GmbH | Austria |
| Konica Minolta Business Solutions (BELGIUM) N.V. | Belgium |
| Konica Minolta Croatia-Business Solutions d.o.o. | Croatia |
| Konica Minolta Business Solutions Czech spol. S.r.o. | Czech |
| Konica Minolta Business Solutions Denmark a/s | Denmark |
| Konica Minolta Business Solutions France S.A.S. | France |
| Konica Minolta Printing Solutions France S.a.r.l | France |
| Repro Conseil S.A.S. | France |
| S.C.I. Performance 35 | France |
| Develop GmbH | Germany |
| ECS Buero-und Datensysteme GmbH | Germany |
| Konica Minolta Business Solutions Deutschland GmbH | Germany |
| Konica Minolta Business Solutions Europe GmbH | Germany |
| Konica Minolta Printing Solutions Deutschland GmbH | Germany |
| Office-boerse. de Internet GmbH | Germany |
| Plankopie Gesellschaft fur Burosysteme (Monchengladbach) mbH | Germany |
| Konica Minolta Hungary Business Solutions Ltd. | Hungary |
| Konica Minolta Business Solutions Italia S.p.A. | Italy |
| Konica Minolta Baltia UAB | Lithuania |
| Konica Minolta Printing Solutions Europe B.V. | Netherlands |
| Hoyseter Utleie AS | Norway |
| Konica Minolta Business Solutions Norway AS | Norway |
| Konica Minolta Printing Solutions Nordic AB | Norway |
| Konica Minolta Business Solutions Polska s.p. z.o.o. | Poland |
| Konica Minolta Business Solutions Portugal Lda. | Portugal |
| Konica Minolta Business Solutions Romania s.r.l | Romania |
| Konica Minolta Slovakia spol. s.r.o. | Slovakia |
| Konica Minolta Business Solutions Slovenia d.o.o. | Slovenia |
| Konica Minolta Business Solutions Spain S.A. | Spain |
| Konica Minolta Business Solutions Sweden AB | Sweden |
| Konica Minolta Business Solutions (UK) Ltd. | U.K. |
| Konica Minolta Business Solutions East Ltd. | U.K. |
| Konica Minolta Printing Solutions (UK) Ltd. | U.K. |
| Konica Minolta Ukraine | Ukraine |
| A.B.E. Rentals Pty. Ltd. | Australia |
| Apeco of Australia Pty. Ltd. | Australia |
| K.B.A. Properties Pty. Ltd. | Australia |
| Konica Holding Australia Pty. Ltd. | Australia |
| Konica Minolta Business Solutions Australia Pty. Ltd. | Australia |
| Konica Minolta Printing Solutions Asia Pty. Ltd. | Australia |
| Konica Minolta Business Solutions (WUHAN) Co., Ltd. | China |
| Konica Minolta Consulting (SHENZHEN) Co., Ltd. | China |
| Konica Minolta International Trading (SHANGHAI) Co., Ltd. | China |
| Konica Minolta Business Solutions (HK) Ltd. | China (Hong Kong) |
| Konica Minolta Business Solutions (M) Sdn. Bhd. | Malaysia |
| Konica Minolta Business Solutions (S) Pte. Ltd. | Singapore |
| (Plus 4 others in Japan) | |

## Optics

| | Country |
|---|---|
| **Business Company** | |
| Konica Minolta Opto, Inc. | Japan |
| **Production Companies** | |
| Konica Minolta Components Co., Ltd. | Japan |
| Konica Minolta Opto Products Co., Ltd. | Japan |
| MYG Disk Co., Ltd. | Japan |
| Nankai Optical Co., Ltd. | Japan |
| Konica Minolta Opto (DALIAN) Co., Ltd. | China |

## Photo Imaging

| | Country |
|---|---|
| **Business Company** | |
| Konica Minolta Photo Imaging, Inc. | Japan |
| **Production Companies** | |
| Kansai Optim Co., Ltd. | Japan |
| Konica Minolta Chemical Co., Ltd. | Japan |
| Konica Minolta Packaging Co., Ltd. | Japan |
| Okayama Minolta Seimitsu Co., Ltd. | Japan |
| Konica Minolta Manufacturing U.S.A., Inc. | U.S.A. |
| P-PROFOT LLC | Russia |

| | |
|---|---|
| Guang Dong Konica Minolta Camera Co., Ltd. | China |
| Konica Minolta Optical Products (SHANGHAI) Co., Ltd. | China |
| Konica Minolta Precision Engineering Malaysia Sdn. Bhd. | Malaysia |
| Konica Minolta Photochem (Thailand) Co., Ltd. | Thailand |
| Konica Minolta Manufacturing Vietnam Co., Ltd. | Vietnum |
| (Plus 2 other in Japan) | |

**Sales Companies**

| | |
|---|---|
| Konica Minolta Camera Service Co., Ltd. | Japan |
| Konica Minolta ID Imaging Co., Ltd. | Japan |
| Konica Minolta ID System Co., Ltd. | Japan |
| Konica Minolta Marketing Corporation | Japan |
| Konica Minolta Photo Solutions Co., Ltd. | Japan |
| Konica Minolta Planetarium Co., Ltd. | Japan |
| Konica Minolta Photo Imaging de Amazonia Ltda. | Brazil |
| Konica Minolta Photo Imaging Canada, Inc. | Canada |
| Astro-Tec Manufacturing Inc. | U.S.A. |
| Konica Minolta Photo Imaging U.S.A., Inc. | U.S.A. |
| Konica Minolta Photo Imaging Czech spol. S.r.o. | Czech |
| Konica Minolta Photo Imaging France S.A.S. | France |
| Konica Minolta Photo Imaging Europe GmbH | Germay |
| Konica Minolta Photo Imaging Benelux B.V. | Netherlands |
| Konica Minolta Photo Imaging Polska s.p. z.o.o. | Poland |
| LLC Konica Minolta Photo Imaging Russia | Russia |
| Konica Minolta Photo Imaging Svenska AB | Sweden |
| Konica Minolta Photo Imaging (Schweiz) AG | Switzerland |
| Konica Minolta Photo Imaging (UK) Ltd. | U.K. |
| Konica Minolta Photo Imaging Australia Pty. Ltd. | Australia |
| Konica Minolta Photo Imaging (SHANGHAI) Co., Ltd. | Canada |
| Konica Minolta Photo Imaging (HK) Ltd. | China (Hong Kong) |
| Konica Minolta Photo Imaging Malaysia Sdn. Bhd. | Malaysia |
| Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd. | Singapore |
| Konica Minolta Photo Imaging (Thailand) Co., Ltd. | Thailand |
| (Plus 1 other in Japan) | |

## Medical and Graphic Imaging

| | Country |
|---|---|
| **Business Company** | |
| Konica Minolta Medical & Graphic, Inc. | Japan |
| **Production Companies** | |
| Konica Minolta Repro Co., Ltd. | Japan |
| (Plus 1 other in Japan) | |
| **Sales Companies** | |
| Konica Minolta Graphic Imaging Japan Co., Ltd. | Japan |
| Konica Minolta Medical & Graphic Technosupport Co., Ltd. | Japan |
| Konica Minolta Medical Co., Ltd. | Japan |
| Konica Minolta Graphic Imaging U.S.A., Inc. | U.S.A. |
| Konica Minolta Medical Imaging U.S.A., Inc. | U.S.A. |
| Konica Minolta Medical & Graphics Imaging Europe GmbH | Germany |
| Konica Minolta Medical & Graphics (SHANGHAI) Co., Ltd. | China |
| (Plus 2 others in Japan) | |

## Sensing

| | Country |
|---|---|
| **Business Company** | |
| Konica Minolta Sensing, Inc. | Japan |

## Other Businesses

| | Country |
|---|---|
| **Business Companies** | |
| Konica Minolta Business Expert, Inc. | Japan |
| Konica Minolta Technology Center, Inc. | Japan |
| Konica Minolta IJ Technologies, Inc. | Japan |
| **Production Companys** | |
| Media Tech Co., Ltd.. | Japan |
| **Other** | |
| Konica Minolta Information Systems Co., Ltd. | Japan |
| Konica Minolta Engineering Co., Ltd. | Japan |
| Konica Minolta Logistics Co., Ltd. | Japan |
| Konica Minolta Sogo Service Co., Ltd. | Japan |
| Konica Minolta Technosearch Co., Ltd. | Japan |
| Koncia Minolta Technology U.S.A., Inc. | U.S.A. |
| Konica Minolta Headquarters North America, Inc. | U.S.A. |
| Konica Minolta Holdings U.S.A. Inc. | U.S.A. |
| Konica Minolta (CHINA) Investment Ltd. | China |

(In order of business, region and alphabetical order by country name.)

## Board of Directors

As of June 24, 2005

*Chairman of the Board*

Tomiji Uematsu

*Directors*

Fumio Iwai

Yoshikatsu Ota

Kikuo Fujiwara
*Senior Corporate Advisor, Shimadzu Corporation*

Tetsuya Katada
*Senior Advisor, Komatsu Ltd.*

Noriyuki Inoue
*Chairman of the Board and Chief Executive Officer, Daikin Industries, Ltd.*

Hisashi Nakayama
*Chairman of the Board of Directors, Meiji Dairies Corporation*

Yoshihiko Higashiyama

Takeo Koitabashi

Masanori Hondo

Teruo Kawaura

Hiroshi Ishiko

## Executive Officers

As of June 24, 2005

Fumio Iwai
*President and CEO,*
*Representative Executive Officer*

Yoshikatsu Ota
*Vice President,*
*Representative Executive Officer*
*President, Konica Minolta Business Technologies, Inc.*

*Senior Executive Officers*

Masanori Hondo
*In charge of Corporate Accounting, Corporate Finance, and IT Planning*

Teruo Kawaura
*In charge of Corporate Strategy, and Technology Strategy*
*Chairman of Crisis Control Committee*

Hiroshi Ishiko
*In charge of legal affairs and Compliance*

Tateomi Kono
*Executive Director, Konica Minolta Business Technologies, Inc.*

Yoshihiko Someya
*In charge of Coroprate Auditing*

Hiroshi Fujii
*In charge of General Affairs, Corporate Communications and Kansai Headquarters*

Toshifumi Hori
*In charge of Human Resources*

Takashi Matsumaru
*President, Konica Minolta Opto, Inc.*

Tsuyoshi Miyachi
*President, Konica Minolta Photo Imaging, Inc.*

Shoei Yamana
*Executive Director, Konica Minolta Business Technologies, Inc.*

*Executive Officers*

Mitsuharu Oura
*President, Konica Minolta Business Expert, Inc.*

Hideki Okamura
*Director, Konica Minolta Business Technologies, Inc.*
*President, Konica Minolta Business Solutions Europe GmbH*

Kaoru Onodera
*General Manger, Environment and Quality Control Division*
*General Manger, Technolgy Strategy Division*

Akio Kitani
*Executive Director, Konica Minolta Business Technologies, Inc.*

Atsushi Kodama
*Director, Konica Minolta Business Technologies, Inc.*

Tomohisa Saito
*Director, Konica Minolta Photo Imaging, Inc.*
*President, Konica Minolta Photo Imaging U.S.A., Inc.*

Takashi Sugiyama
*Executive Director, Konica Minolta Business Technologies, Inc.*

Kiyofumi Tanida
*President, Konica Minolta Medical & Graphic, Inc.*

Hiroshi Furukawa
*President, Konica Minolta Sensing, Inc.*

Masatoshi Matsuzaki
*President, Konica Minolta Technology Center, Inc.*

Yasuo Matsumoto
*General Manager, Corporate Strategy Division*

## Corporate Data

As of March 31, 2005

*Company Name*
Konica Minolta Holdings, Inc.

*Address*
1-6-1 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel: (81) 3-6250-2100
Fax: (81) 3-3218-1368
URL: http://konicaminolta.com

*Established:*
August 2003

*Paid-in Capital:*
¥37,519 million (US$354 million)

*Number of Employees:*
Parent company: 90
Group: 33,388

*Investor Relations Contact:*
Tel: (81) 3-6250-2011
Fax: (81) 3-3218-1362
E-mail:
ir-support@pub.konicaminolta.jp

## Investor Information

Konica Minolta Holdings, Inc.
As of March 31, 2005

### Common Stock

Authorized: 1,200,000,000 shares
Outstanding: 531,664,337 shares

### Stock Exchange Listings

Tokyo, Osaka, 1st Sections

### Number of Shareholders

40,288

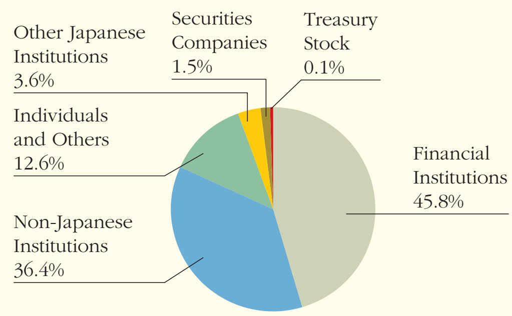
### Independent Auditor

ChuoAoyama PricewaterhouseCoopers

### Transfer Agent for Common Stock

UFJ Trust Bank Limited
1-4-3, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

### Types of Shareholders



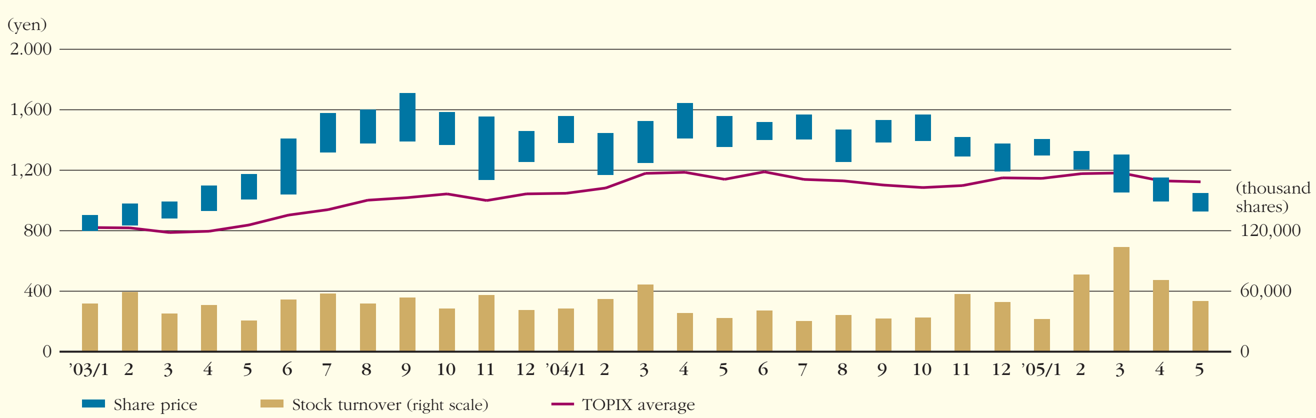

### Principal Shareholders

| Name | Investment in Konica Minolta Holdings, Inc.: Number of shares held (Thousand shares) | Investment ratio (%) |
|---|---|---|
| Japan Trustee Services Bank, Ltd. (Trust account) | 43,398 | 8.2 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 42,052 | 7.9 |
| The Chase Manhattan Bank NA London | 20,212 | 3.8 |
| The Bank of Tokyo-Mitsubishi, Ltd. | 17,794 | 3.3 |
| State Street Bank and Trust Company | 12,333 | 2.3 |
| Nippon Life Insurance Company | 12,009 | 2.3 |
| Japan Trustee Services Bank, Ltd. (Mitsui Asset Trust and Banking Company Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account) | 11,875 | 2.2 |
| The Master Trust Bank of Japan, Ltd. (Holder in Retirement Benefit Trust for UFJ Bank Limited) | 10,801 | 2.0 |
| Daido Life Insurance Company | 9,040 | 1.7 |
| Resona Bank, Ltd. | 8,562 | 1.6 |

Note: Although significant shareholder reports from the following companies claim that they hold substantial numbers of shares in Konica Minolta Holdings, Inc. as of March 31, 2005 the Company is unable to confirm the number of shares held and hence these companies have not been included in the major shareholders overview stated above.

| Companies submitting significant shareholder reports | Reporting obligation accrual date | Number of shares held (Thousand shares) | Percentage of shares held |
|---|---|---|---|
| Fidelity Investments Japan Limited | February 28, 2005 | 20,866 | 3.9% |
| Capital Research and Management Company (Joint holding) | March 31, 2005 | 18,607 | 3.5% |
| Morgan Stanley Japan Limited (Joint holding) | November 30, 2004 | 11,832 | 2.2% |

### Stock Price Chart



Optics BUSINESS TECHNO
Photo Imaging Medical and Graphic Imaging
Business Technologies Sensing

KONICA MINOLTA

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