

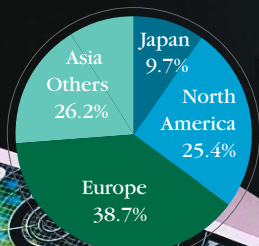
# GLOBAL COMPETITIVENESS

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)





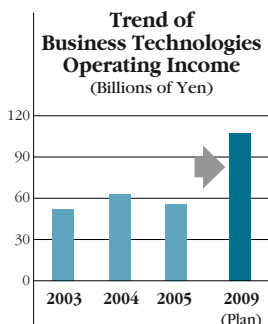
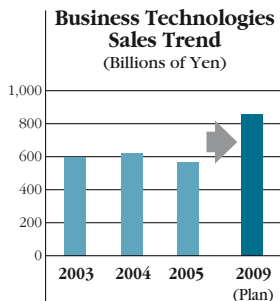
Yoshikatsu Ota  
President, Konica Minolta Business Technologies, Inc.

**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



**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.

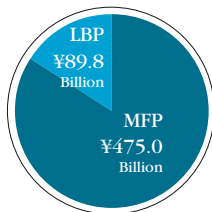
Marketed from March 2004, the bizhub C350, which features industry leading polymerized toner based high picture quality, high reliability and high operability, was well received by customers. This supported strong sales growth in the color segment, particularly in Europe and the U.S.

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<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>), and sulfur oxide (SO<sub>x</sub>) 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
<b>Location</b>	Yamanashi, Japan	Yamanashi, Japan	Nagano, Japan
<b>Annual Production Capacity</b>	~2,000 Tons	~6,000 Tons	~7,000 Tons
<b>Completed</b>	December 2000	May 2003 (To be expanded in November 2005)	September 2006