

Konica Minolta Group

Consolidated 1Q March 2005 Financial Results

Three months ended June 30, 2004

August 4, 2004
Masanori Hondo
Senior Executive Officer
Konica Minolta Holdings, Inc.

Cautionary Statement

The forecasts mentioned in this material are the results of estimations based on currently available information, and accordingly, contain risks and uncertainties. The actual results of business performance may sometimes differ from those forecasts due to various factors.

IN THIS MATERIAL.....

Financial results for fiscal year ended March 31, 2004 include Minolta's interim term results, and those for fiscal year ended March 31, 2003 are aggregation of Konica and Minolta.

Highlight



	[Billions of yen]				
	Results			Plan	
	[a] 1Q / Mar05	[b] 1Q / Mar04	[a] / [b] Growth	[c] 1Q / Mar05	[a] / [c] vs. Plan
Net sales	262.0	255.7	102.5%	263.4	99.5%
Gross income	116.7	116.3	100.3%	---	---
Operating income	17.0	19.6	86.7%	16.0	106.3%
Ordinary income	17.1	20.5	83.4%	12.5	136.8%
Income before taxes	16.1	20.3	79.3%	9.0	178.9%
Net income	7.2	11.3	63.7%	4.5	160.0%
EPS [Yen]	13.64				

■ Foreign exchange rates for P/L

[Yen]	Results			Plan	
	1Q / Mar05	1Q / Mar04	Change	1Q / Mar05	Change
US\$	109.8	118.5	-8.7	105.0	4.8
Euro	132.3	134.7	-2.4	127.0	5.3

JPY appreciation

JPY depreciation

Summary of business performance



Overall

- Profits declined Y-O-Y basis due to yen appreciation and integration-related costs including goodwill amortization posted during the term. Outside of those factors, overall 1Q performance maintained the same level as the same period of the previous year.
- We defined this fiscal year as “preparatory phase for building a solid management platform”, and will execute business activities with two underlying objectives, namely: executing business portfolio management and realizing benefits from management integration. Up to this point, each business segment is basically making steady growth as planned.

KEY POINTS

- ◆ **Business Technologies:** Color MFP and color LBP businesses sustained favorable performance. Sales of B/W high-speed models remained strong.
 - ◆ **Optics:** Revenue as well as profits increased by 30% Y-O-Y due to synergy benefits from the integration.
 - ◆ **Photo Imaging:** Film and inkjet paper businesses made sound performance in Asia. Sluggishness in digital camera business did not show a sign of recovery, however, falling margin of the business remained within the management’s anticipation.
- ◆ Key issues: Generating greater free cash flow and reducing inventories. Restructuring camera business.

Integration

- Final stage of preparations for new human resources systems.
Date of implementation: July 2004 for managers, April 2005 for non-exempt
- Good progress on manpower rationalization. IT-related integration in Business Technologies marketing companies will be completed by March 2005. Direct marketing channels will be reorganized.

Highlight - Business segment



Net sales

	[Billions of yen]				
	Results			Plan	
	[a] 1Q / Mar05	[b] 1Q / Mar04	[a]/[b] % Growth	[c] 1Q / Mar05	[a]/[c] % vs. Plan
Business Technologies	137.0	144.0	95.1	137.0	100.0
Optics	22.3	17.2	129.7	21.0	106.2
Photo Imaging	71.9	63.6	113.1	72.0	99.9
Medical & Graphic	28.1	27.8	101.2	31.0	90.6
Sensing	1.2	2.3	---	2.4	---
Holdings, others	1.5	0.8	---	0.0	---
Total	262.0	255.7	102.5	263.4	99.5

Operating income

	[Billions of yen]				
	Results			Plan	
	[a] 1Q / Mar05	[b] 1Q / Mar04	[a]/[b] Growth	[c] 1Q / Mar05	[a]/[c] % vs. Plan
Business Technologies	14.9	14.0	106.4	12.0	124.2
Optics	3.9	3.0	131.6	3.5	111.4
Photo Imaging	-2.0	1.4	---	-1.7	---
Medical & Graphic	1.2	2.4	50.7	1.7	70.6
Sensing	0.3	0.4	79.4	0.5	60.0
Holdings, others	-1.3	-1.6	---	0.0	---
Total	17.0	19.6	86.8	16.0	106.3

Factor analysis -- Business segment



KONICA MINOLTA

[Billions of yen]							
Net sales	1Q /	1Q /	[a]	[b]	[c]	[d]	a-(b+c+d)
	Mar05	Mar04	Change	Forex impact	Change of accounting term	Elimination*	Actual change
Business Technologies	137.0	144.0	-7.0	-4.8	0.0	-6.2	4.0
Optics	22.3	17.2	5.1	-0.3	0.0	0.0	5.4
Photo Imaging	71.9	63.6	8.3	-1.1	13.8	0.0	-4.4
Medical & Graphic	28.1	27.8	0.3	-0.7	0.0	0.0	1.0
Sensing	1.2	2.3	-1.1	0.0	0.0	0.0	-1.1
Holdings, others	1.5	0.8	0.7	0.0	0.0	0.0	0.7
Total	262.0	255.7	6.3	-7.0	13.8	-6.2	5.7

Operating income	1Q /	1Q /	[a]	[b]	[c]	[d]	a-(b+c+d)
	Mar05	Mar04	Change	Forex impact	Integration costs	Goodwill amortization	Actual change
Business Technologies	14.9	14.0	0.9	-0.7	-0.4	-1.0	3.1
Optics	3.9	3.0	0.9	-0.3	-0.1	-0.1	1.4
Photo Imaging	-2.0	1.4	-3.4	-1.0	-0.1	-0.1	-2.3
Medical & Graphic	1.2	2.4	-1.2	-0.3	0.0	0.0	-0.8
Sensing	0.3	0.4	-0.1	0.0	0.0	0.0	-0.1
Holdings, others	-1.3	-1.6	0.3	0.0	-0.1	0.0	0.3
Total	17.0	19.6	-2.6	-2.3	-0.7	-1.2	1.6

*Elimination: Trade between Konica and Minolta before management integration.

■ **Impact to operating income if changing 1 JPY (full year basis)**

US\$	approx. 0.7 billion yen
Euro	approx. 1.1 billion yen

SG&A analysis – Yr/Yr

	[Billions of yen]		
	Results 1Q / Mar05	Results 1Q / Mar04	increase/ decrease
	99.8	96.7	3.1
Sales promotion	7.2	5.0	2.2
Salaries and wages	38.7	42.0	-3.3
R&D	15.8	14.1	1.7
Goodwill amortization	1.5	0.2	1.3
Othes	36.6	35.4	1.2

Impact of foreign exchange to SG&A: 0.2 billion yen.

SG&A actually increased by 3.3 billion yen.

Non-operating income / expenses analysis – Yr/Yr



	[Billions of yen]		
	Results 1Q / Mar05	Results 1Q / Mar04	increase/ decrease
	0.2	0.9	-0.7
Interest and dividend income	0.4	0.3	0.0
Foreign exchange gain	0.2	1.9	-1.7
Other	2.7	2.4	0.2
Non-operating income	3.2	4.7	-1.5
Interest expenses	1.5	2.2	-0.7
Disposal/valuation losses of inventories	0.1	0.2	-0.2
Other	1.4	1.3	0.1
Non-operating expenses	3.0	3.8	-0.8

Business Technologies



Overview

Actual revenue edged up slightly. Enhanced product lines including color and high-speed models boosted profitability.

MFP

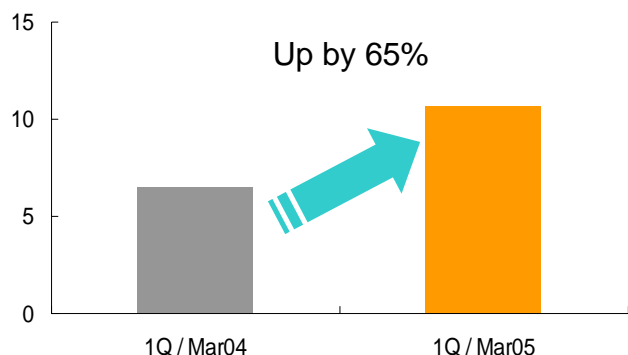
- **Color MFP:** Sales of “bizhub C350”, a strategic color MFP, increased worldwide.
- **B/W MFP:** Significant increase of sales in high-speed / Segment 5 models boosted entire B/W MFP revenues by 4% Y-O-Y.

LBP

- **Low-speed desk-top (A4 size) color LBP:** Sales remained strong in overseas and for OEM channels.

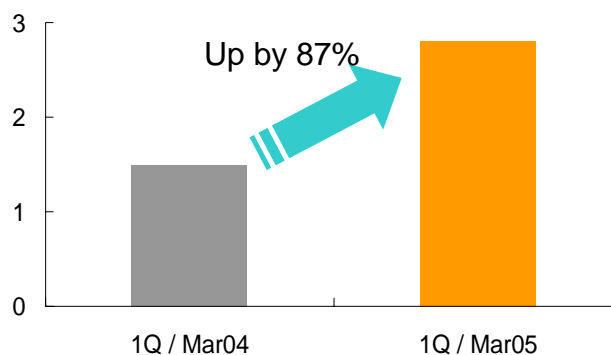
Growth in focusing areas

■ Sales of Color MFP [1,000 units]

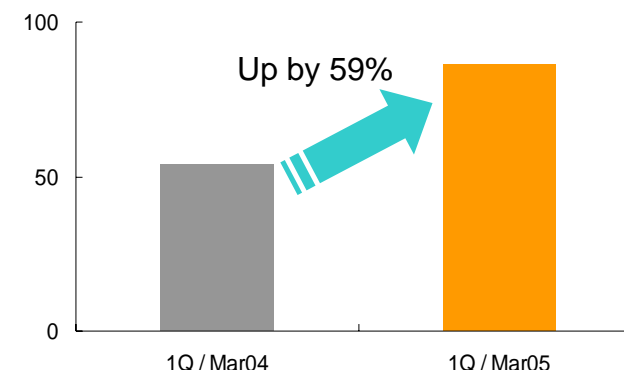


The essentials of imaging

■ Sales of high-speed (Seg. 5 -- 70ppm and above) B/W MFP [1,000 units]



■ Sales of Color LBP [1,000 units]



Optics

Overview

Strong performance in all fields Y-O-Y by leveraging integration benefits.

Optical pick-up lenses

- Pick-up lenses for DVD sustained steady growth.

Lens units for digital cameras

- Lens units for digital cameras boosted revenue, but lens units for camcorders declined.

Lens units and camera units for mobile phones

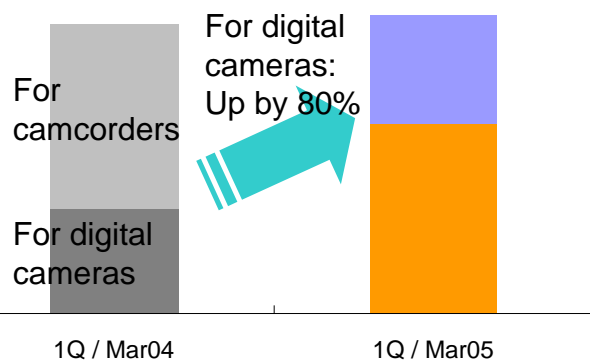
- Sales of mega-pixel and high-function models exhibited steady growth.

Films for LCD

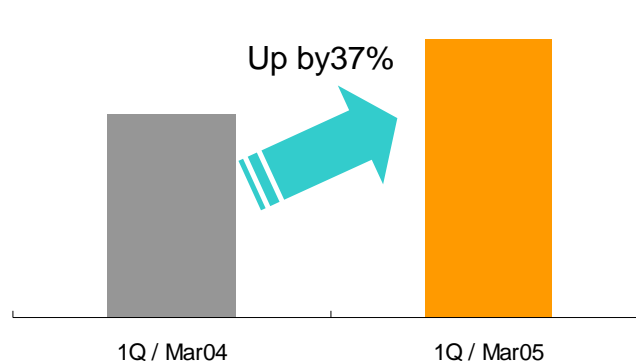
- Strong sales in high-function films boosted overall revenues and profits.

Growth in focusing areas

■ Sales of lens units for digital cameras [index]



■ Sales of lens units and camera units for mobile phones [index]



■ Sales of films for LCD [index]

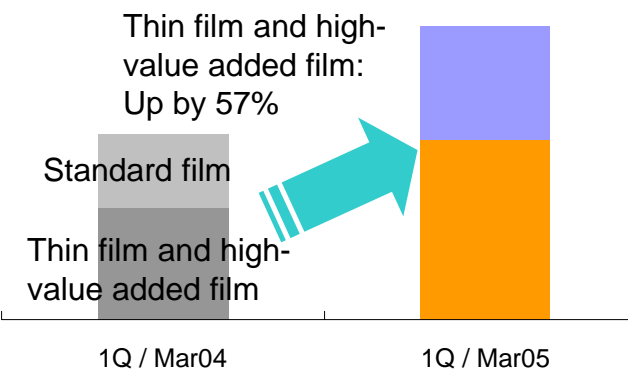


Photo Imaging



Overview

Film and mini-lab businesses showed steady performance. Digital camera business is still experiencing severe operating climate.

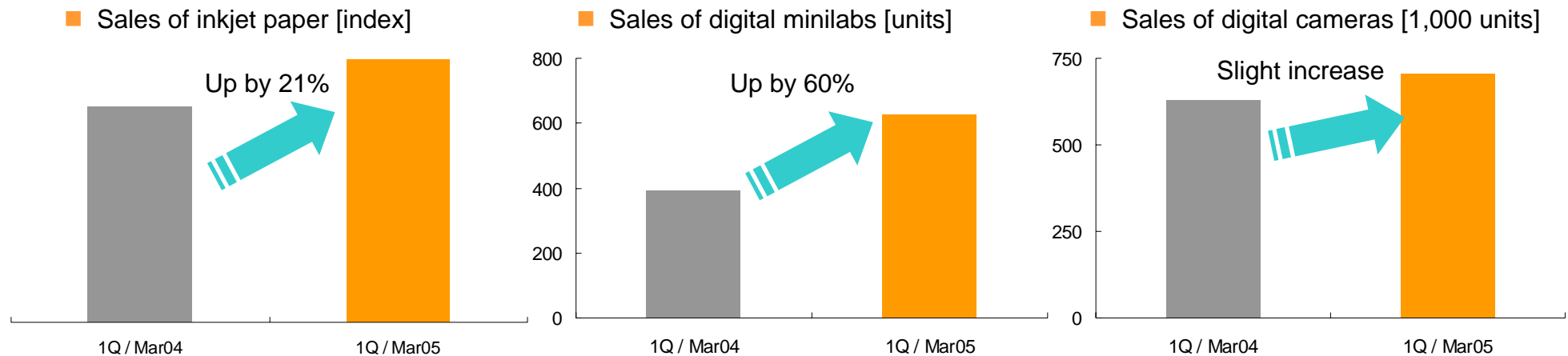
Photo Imaging

- **Color film and photo paper:** In photo paper business, strong sales in Asia made up for declined sales in Japan, US, and Europe. Sales volume overall remained the same level Y-O-Y. Sales of “R1 Super” mini-lab system significantly increased.
- **Inkjet paper (producing photo-like results):** Sales sustained steady growth.

Camera

- Digital camera business did not reach profitable line of operation due to intensifying price competition in all markets. But falling margin was within the expected range.

Growth in focusing areas



The essentials of imaging

Medical & Graphic Imaging and Sensing



Overview

Medical & Graphic

- **Medical:** Sales of digitalized systems steadily increased. Smooth shift to dry film business.
- **Graphic:** Business expansion in overseas markets especially in Asia could not make up for declined sales in Japan.

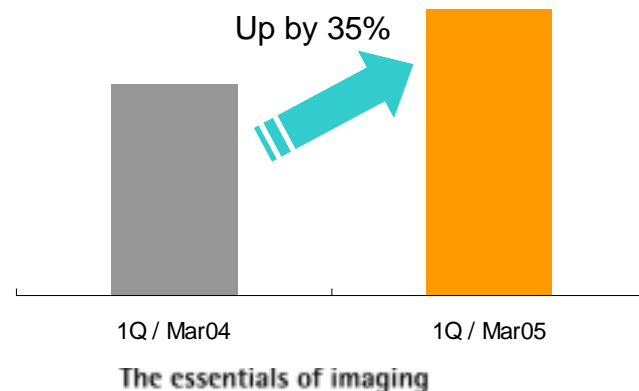
Sensing

- **Light source color measurement systems used for flat panel display:** Sales steadily increased.
- Please note, due to the change of aggregate calculation system starting this fiscal year, a portion of net sales amount for Sensing business is included in other business segments. Actual performance of Sensing business was favorable compared with the same term of the previous year.

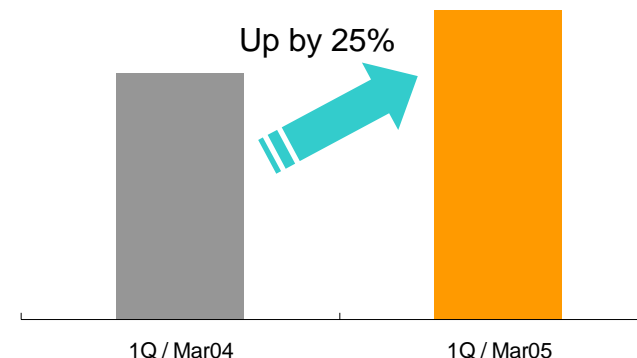
Growth in focusing areas

Medical & Graphic

■ Sales of dry film [index]



■ Sales of hardware [index]



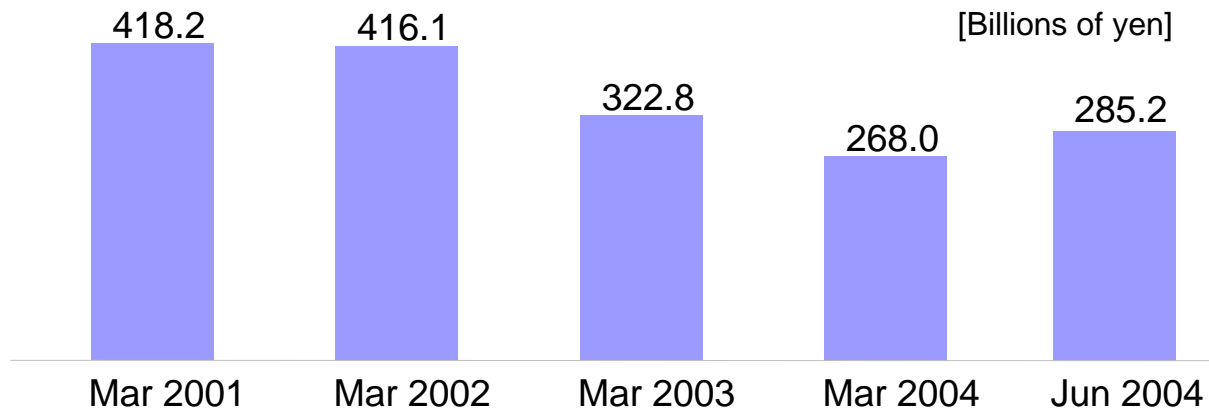
Cash flows



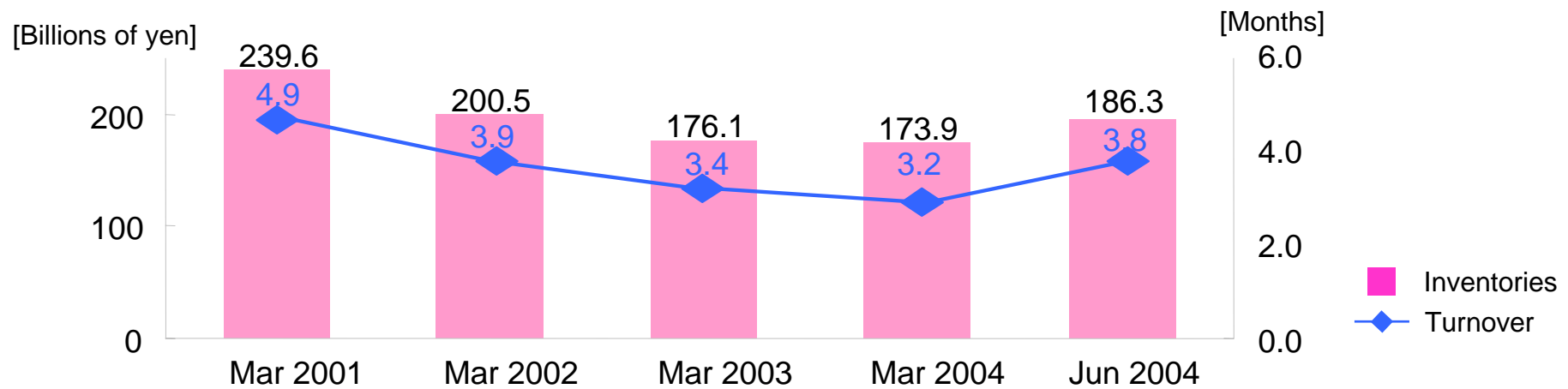
		[Billions of yen]		
		1Q / Mar05	1Q / Mar04	
		YTD	YTD	Change
	Income before income taxes	16.1	20.3	-4.1
	Depreciation and amortization	12.0	12.3	-0.3
	Increase (decrease) of working capital	-33.6	-23.9	-9.7
I.	Net cash from operating activities	-5.4	8.7	-14.1
II.	Net cash used in by investment activities	-15.2	-5.7	-9.5
I.+ II.	Free cash flow	-20.6	3.0	-23.6
	Increase (decrease) in debts and bonds	15.0	0.4	14.6
	Dividends paid	-2.5	-2.4	-0.1
	Others	0.0	-0.8	0.7
III.	Net cash used in by financing activities	12.4	-2.8	15.2

Interest-bearing debts and inventories

■ Interest-bearing debts



■ Inventories and inventory turnover



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

Group-wide manpower

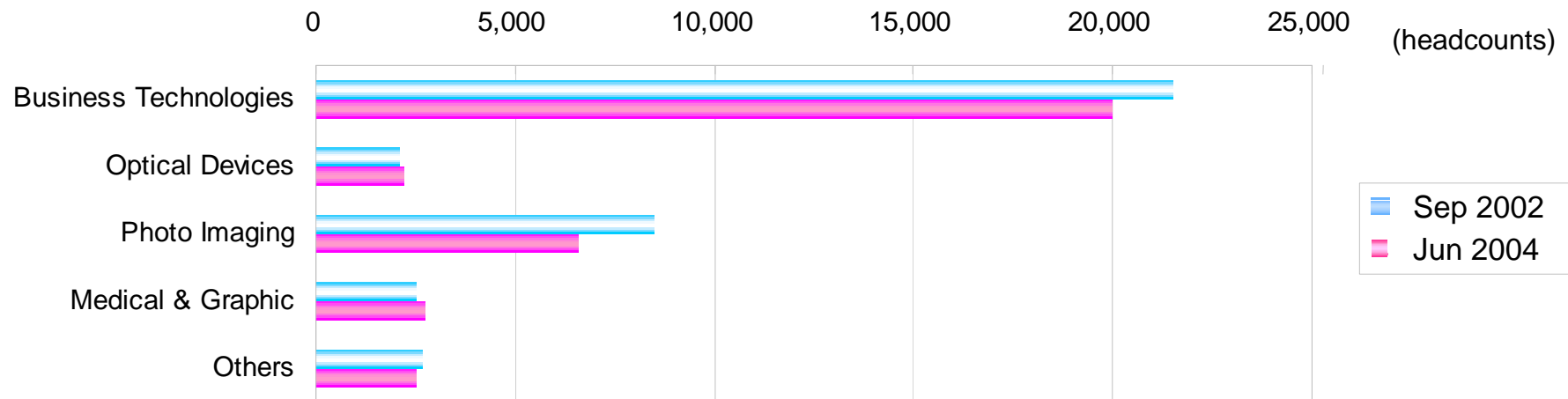
■ Group-wide manpower plan

[Medium-term plan: announced Mar 2004]

(headcounts)	Sep. 30 2002	Mar2004 YTD	Jun2004 YTD	Mar2005 YTD	Mar2006 YTD
Plan	37,300	35,200 -2,100		33,600 -3,700	32,600 -4,700
Results: YTD		34,710 -2,590	34,065 -3,235		

Downsizing among domestic organizations accounts for nearly 60% of the total.

■ Number of employees by company (YTD: Sep02 vs. Jun04)



Integration costs



[Billions of yen]	Results 1Q / Mar05	[announced May 21] Forecast 1H / Mar05
SG&A	0.7	4.6
Non-operating expenses	0.1	2.5
Extraordinary losses	0.4	2.2
Total	1.2	9.3

Moving, IT, advertising/PR

Disposal of packages

Rationalization of manpower

Note: Goodwill amortization of 1.3 billion yen is not included in the above chart.

Forecast 1st half March 2005



[Billions of yen]	[Announced May 21]	
	Results 1Q / Mar05	Forecast 1H / Mar05
Net sales	262.0	550.0
Operating income	17.0	33.5
Ordinary income	17.1	26.0
Net income	7.2	9.5
Foreign exchange	USD	109.8
[Yen]	Euro	132.9
		105.0
		127.0

Reference: Quarterly results FY ended March 2004

	[Billions of yen]						
	1Q	2Q	1H	3Q	4Q	2H	Full year
Net sales	255.7	285.9	541.6	282.1	299.9	582.0	1,123.5
Operating income	19.6	20.4	40.0	18.3	14.9	33.2	73.2
Ordinary income	20.5	8.0	28.4	15.3	8.7	24.0	52.4
Net income	11.3	3.9	15.2	10.6	-6.4	4.2	19.4

Forecast 1st half March 2005 – Business segment

	March 2005		March 2004	
	[announced May 21]			
	Results	Forecast	Results	
	1Q	1H	1Q	1H
Business Technologies	137.0	285.0	144.0	298.3
Optics	22.3	45.0	17.2	39.3
Photo Imaging	71.9	150.0	63.6	138.2
Medical & Graphic	28.1	65.0	27.8	58.8
Sensing	1.2	5.0	2.3	4.9
Holdings, others	1.5	0.0	0.8	2.1
Total	262.0	550.0	255.7	541.6

	March 2005		March 2004	
	[announced May 21]			
	Results	Forecast	Results	
	1Q	1H	1Q	1H
Business Technologies	14.9	24.0	14.0	29.5
Optics	3.9	8.5	3.0	6.6
Photo Imaging	-2.0	-1.5	1.4	1.9
Medical & Graphic	1.2	3.5	2.4	4.7
Sensing	0.3	1.0	0.4	0.9
Holdings, others	-1.3	-2.0	-1.6	-3.6
Total	17.0	33.5	19.6	40.0

Supplementary information [1]

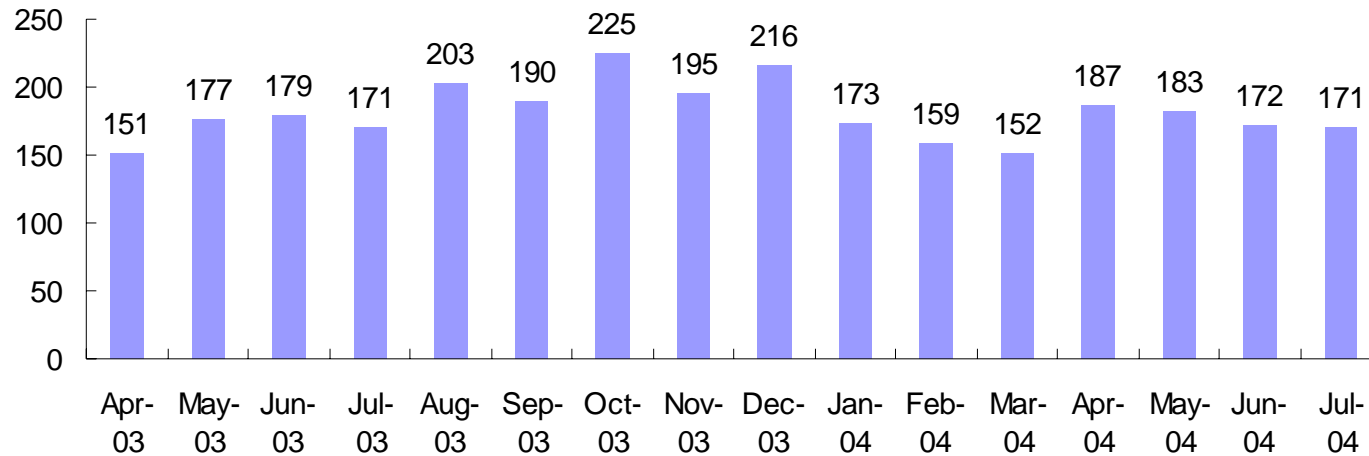


	1Q / Mar05	1Q / Mar04
Overseas sales of total net sales	72.8%	72.4%
		[Billions of yen]
Capital expenditure	12.7	8.5
Depreciation and amortization	12.0	12.3
R&D expenses	15.8	14.1
Interest expenses	1.5	2.2

Supplementary information [2]

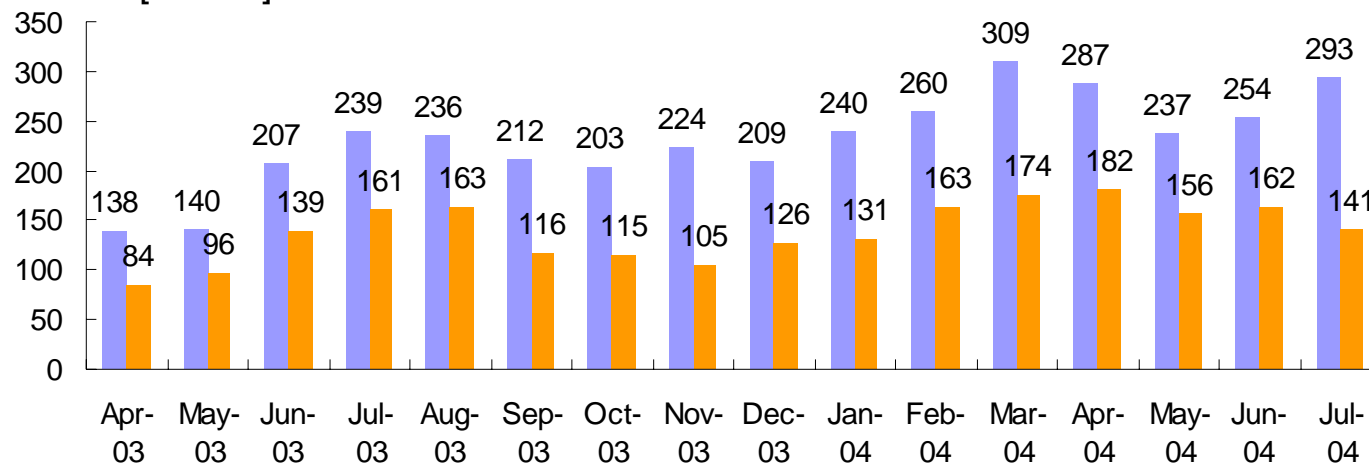


■ [Index] Unit sales of Optical pick-up lens



*Basing point:
April 2002 as 100

■ [Index] Unit sales of TAC film for LCD



*Basing point:
Total TAC sales April 2002 as 100

■ TAC total ■ Thin/high-value added film