



*Fumio Iwai* President & CEO

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**Q.** While Japan's manufacturing industry is exhibiting signs of increased capital investment activity, please tell us how you view future global economic conditions.

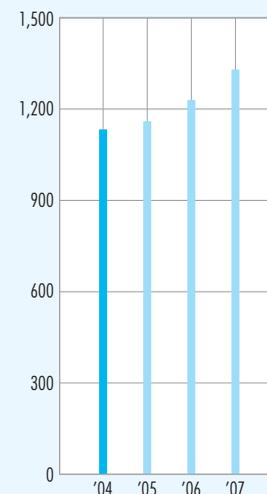
**A.** Despite uncertainty surrounding the situation in Iraq, I see global economic conditions as generally on the rise. Amid this favorable operating environment, identifying growth industries assumes critical importance. In May 2004, Japan's Ministry of Economy, Trade and Industry (METI) formulated its New Industry Promotion Strategy. In its report, METI identified home information appliances, robotics, fuel cells and contents as providing the platform for the Japanese economy's future growth. Historically, the petroleum and automobile industries have led Japan in its push onto the world stage, and I suppose this is the first time "Intelligent Capital" has assumed such a prominent position. I believe this is also representative of the major shift impacting global industries. Identified as a growth domain, digital home information appliances, a field in which we maintain close links, is of particular interest. This business is anticipated to expand significantly, representing a market of approximately ¥96 trillion by fiscal 2010. In fiscal 2003, the market was estimated at ¥54 trillion. Accordingly, we can expect growth exceeding nearly 80% over the next seven years.

**Q.** Against this backdrop of continuous change, what are the objectives, numerical targets and principal underlying themes of the Company's medium-term management integration plan?

**A.** Konica Minolta's medium-term management integration plan provides the guidelines for maximizing the benefits of management integration, and is scheduled for completion in the fiscal year ending March 31, 2007. The plan was formulated to clarify the Group's fundamental management strategies and to position Konica Minolta as a global leader in those fields in which it operates. In fiscal 2006, the final year of the plan, we have identified the numerical targets of consolidated net sales at ¥1,330 billion, operating income at ¥160 billion, and net income at ¥80 billion. To this end, we have formulated three underlying initiatives, to implement business portfolio management, to swiftly realize synergy and integration benefits, and to create a new corporate culture. In our efforts to implement business portfolio management, we

Net sales targets

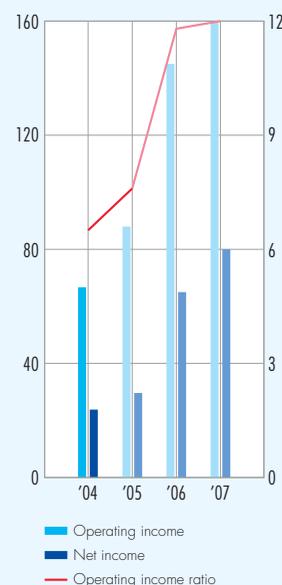
(Billions of yen)



Operating income and Net income targets

(Billions of yen)

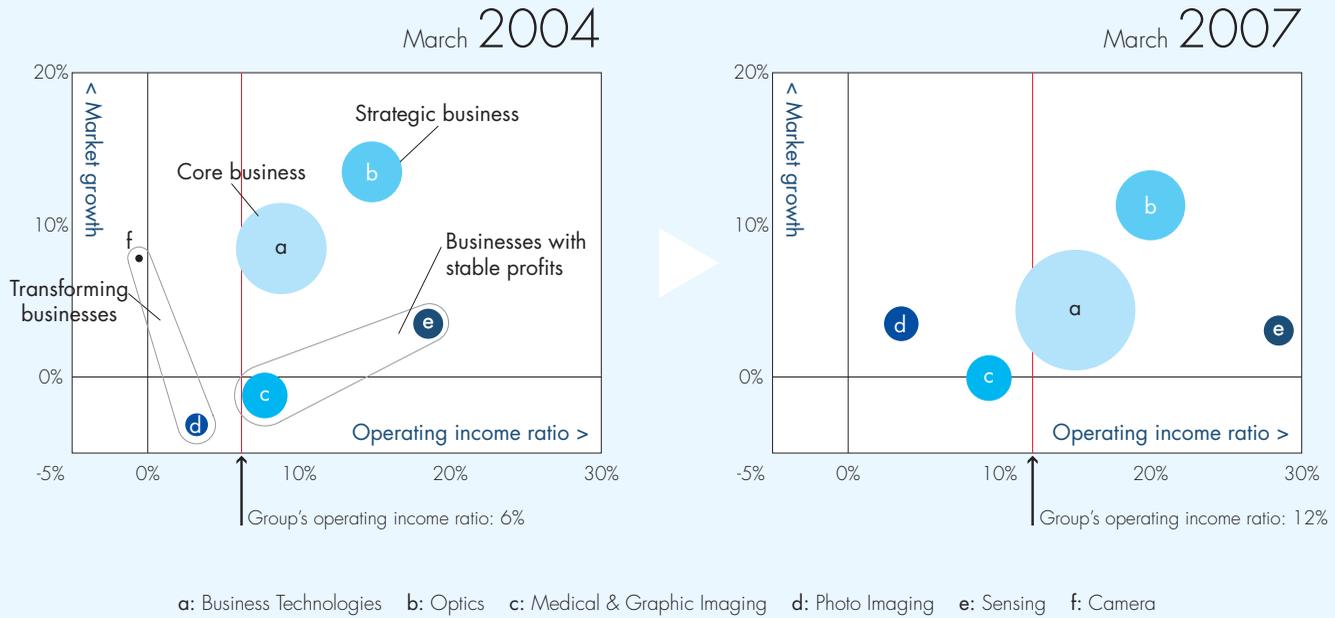
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### Fundamental Group Management Policy

1. Consistently execute business portfolio management.
2. Promote Groupwide corporate governance focusing on transparency.
3. Promote Groupwide R&D strategies and ensure penetration of the Konica Minolta brand in the field of imaging.
4. Promote performance-oriented human resource policies.
5. Enhance corporate social responsibilities.

→ Maximize Corporate Group Values



will clearly define core, strategic and stable businesses, and those businesses requiring restructuring. At the same time, we will clarify missions and objectives for each. The Business Technologies business, is a core activity and represents 55% of the Group's total sales. The Optics business is a strategic business and with its high market share and technological competitive advantage, is positioned as a driver for further growth. The Medical and Graphic Imaging and Sensing businesses are identified as stable sources of revenues and earnings, while the Photo Imaging business is recognized as requiring fundamental restructuring. Among the overall business portfolio, we will strategically allocate management resources to the Business Technologies and Optics businesses.

**Q. What is your strategy for the core Business Technologies business?**

**A.** We are not the largest player in terms of sales in the business technologies industry. The market is, however, experiencing rapid change. As digitization and colorization as well as network technology continue to advance, we are aiming for significant growth in this market. Konica Minolta will place greater emphasis on raising profitability through "genre top strategies." Put simply, our genre top strategies focus management resources on promising areas, establishing a top position in those products in which we excel such as color multifunctional peripherals (MFPs), high-speed MFPs, and color laser printers (LBPs). Our goal is to evolve from simply a supplier of hardware equipment to a total solutions provider. We will make optimal use of Konica Minolta's technical expertise, accumulated over many years, and our sales network in an effort to accurately address the needs of our customers. Through the implementation of our genre top strategies, we will increase productivity and efficiency, expand our product lineup, enhance our sales and development capabilities, and pursue strategic alliances in fields of potential growth.

*> Establishing a top position in markets and regions through "genre top strategies"*

*Q. What is your strategy for the strategic Optics business?*

*A.* The home information appliances market continues to exhibit strong growth as products such as liquid crystal display (LCD) TVs and digital cameras gain increasing acceptance. Given these circumstances, Konica Minolta is well placed to maintain a top position on the back of its unrivalled technical expertise, competitive advantage, and overwhelming share in optical pick-up lenses. We will also secure a leading share in growth fields such as lens units for digital cameras, lens and camera units for mobile phones, and micro lens units. In the Optics business, where we anticipate the synergy benefits of integration will be most prominent, we will maximize these synergy benefits, reinforce investment in facilities and personnel with the aim of becoming the world's leading optical device maker.

*> Becoming the world's leading optical device maker*

*Q. Please outline your strategy for the Photo Imaging business, a field you have identified as requiring fundamental restructuring.*

*A.* The silver halide photos sector faces harsh operating conditions impacted by the growth in digital cameras. There are of course the die-hard fans of film cameras, however their numbers remain fixed and there appears to be little hope for future growth. Under these circumstances, we will review our strategies and create a profit-oriented business structure in development, manufacture and marketing, even as the market shrinks, while also searching for new opportunities in digital photo imaging, such as in net printing and inkjet paper. We will also pursue development of the digital camera business, a market, which is attracting increasing attention and wider acceptance as digital camera functions continue to evolve. Price, however, is a major issue. Intense competition is placing significant downward pressure on prices. To offset these difficult conditions, we implemented restructuring measures and consolidated our Group film and camera businesses, integrating operations to Konica Minolta Photo Imaging, Inc. While conducting comprehensive cost reductions, we will develop unique cameras leveraging our unrivalled lens and anti-shake, superior auto-focusing technologies. Through these means, we aim to restructure our Photo Imaging business and to secure a platform for sustainable profit.

*> Restructuring the Photo Imaging business to secure a platform for sustainable profit*

*Q. What benefits have you seen from the management integration and in which business areas?*

*A.* As we had first envisaged, the benefits to flow from management integration are most noticeable in the Business Technologies and Optics businesses. In the Business Technologies business we have successfully consolidated the development expertise of Konica and Minolta and enhanced our product lineup. The impact on revenues from an overlap in sales networks was of considerable concern to us, however, we have promptly addressed this issue and maintained the strengths of each companies' marketing capabilities to the benefit of sales. I believe this reflects the positive response by our overseas sales network and customers to the integration. On the earnings front, I believe the full-scale effects of our rationalization program will emerge from and after April 2006. In our Optics business the signs of reinforcement to the development function are just now coming to light. For example, the new organization has been strengthened by the integration of the former Konica's superior expertise in the field of



plastic lenses and the former Minolta's competitive advantage in glass lenses, lens drive systems and zoom technologies. In combining the strengths of each company, we are able to meet highly extensive customer needs with high-value-added products and create new markets in which we maintain an overwhelming market share. As the trend toward more compact and lightweight personal computers (PCs) and personal digital assistance (PDA) devices increase, demands for glass hard-disk substrates are anticipated to grow. In this context, management integration has successfully merged the technological expertise of Minolta with the sales capabilities of Konica, resulting in a substantial contribution to profits.

*Q. What issues have you identified in your efforts to generate additional integration benefits?*

*A.* I believe the key to realizing additional integration benefits is to create a new corporate culture. We conducted a survey among employees in major Group companies. Overall, we found a positive attitude toward management integration exists, however, we remain convinced that further efforts are necessary to generate additional integration benefits. I feel we must break the shackles of the past and introduce new schemes related to human resource management that allow employees to attain their maximum potential. In this context, we are building an infrastructure that will support implementation of these initiatives. As a result of integration, the number of highly capable marketing staff and engineers with sophisticated technologies has increased. I believe that in providing an environment that allows employees to fulfill their potential, we will see additional benefits from management integration. In this context, employees are encouraged to engage in free and vigorous debate in an effort to achieve our common goal. This is the corporate climate we are working to establish.

On another front, in the first year of our management integration plan, we have met all targets for personnel rationalization. We anticipate meeting our targets for the second and ensuing years.

*Q. Please outline your thoughts on brand strategy.*

*A.* If we are to truly secure long-term sustainable growth through greater acceptance of the Konica Minolta brand, I believe we must first abandon preconceived ideas about the brand concept. Prior to management integration, the former Konica was closely associated with film and cameras while the Minolta brand was widely known for cameras. Put another way, both brands penetrated the BtoC market. Our future, however, lies in the Business Technologies and Optics businesses and accordingly we must make the fundamental shift toward a BtoB business model. In recognizing this necessity, it is imperative that we develop the optimal brand strategy. An example is the commercial launch of "bizhub," Konica Minolta's new brand for MFPs. The fundamental concept of bizhub, is to put business people at the hub of their business. Konica Minolta's brand strategy will play an increasingly important role in identifying new markets to secure positive contributions to our business overall. We launched bizhub as a global brand in Spring 2004 and plan to introduce 20 new models over the three years through March 2007.

*> Realizing concrete benefits in the Business Technologies and Optics businesses through management integration*

*> Realizing additional integration benefits through the creation of a new corporate culture*

*> Promoting brand strategy in clearly defined markets*

**Q. Please outline improvements to your financial position.**

**A.** We have taken concrete steps to improve the Company's financial position and have reduced interest-bearing debt to ¥268 billion as of March 31, 2004. On the other hand, in order to secure acceptable growth, we recognize the need for capital and R&D investment, particularly in the Business Technologies and Optics businesses. Our goals are to further reduce interest-bearing debt to ¥175 billion through the use of internal cash flows and to secure a robust shareholders' equity ratio. With this as our platform, we will embark on an aggressive investment program with the aim of achieving dynamic growth.

### Strengthen Financial Position

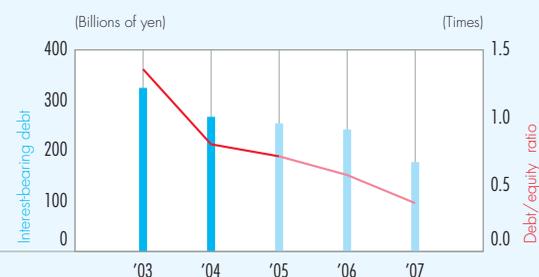
#### Shareholders' equity & Equity ratio

	Results			Targets	
	Mar '03	Mar '04	Mar '05	Mar '06	Mar '07
Shareholders' equity (Billions of yen)	239.0	335.4	370.0	430.0	505.0
Equity ratio (%)	27.1	34.6	37.4	42.0	49.0



#### Interest-bearing debt & Debt/equity ratio

	Results			Targets	
	Mar '03	Mar '04	Mar '05	Mar '06	Mar '07
Interest-bearing debt (Billions of yen)	322.8	268.0	255.0	240.0	175.0
Debt/equity ratio (Times)	1.35	0.80	0.71	0.56	0.35



**Q. What is your strategy for the growing Chinese market?**

**A.** China represents not only a manufacturing base, but also a vast and lucrative market in its own right. Currently, China is the Konica Minolta Group's largest production base. In terms of marketing, we are still in the early stages of development. China is clearly recognized, however, as a strategic region for Konica Minolta and its importance extends beyond the individual business company level, impacting the fortunes of the Group overall. We allocated specialist staff to assist in developing marketing strategies in China for each business company, whose missions include formulating and implementing business strategies specific to China, promoting management integration, and actively building a dynamic brand for the Chinese market. While a number of issues require clarification, we will continue to focus on China and its market trends with the aim of establishing a leading position.

*> Positioning China as a strategic region*

*Q. Konica Minolta simultaneously undertook corporate reorganization through a company spin-off, established a holding company, and soon after adopted a board-with-committees system. What have been the results?*

*A.* The example of a Japanese company simultaneously incorporating corporate reorganization through a company spin-off, the establishment of a holding company, and the adoption of a board-with-committees system is indeed quite rare. The merits on the other hand are significant and I believe we are seeing positive effects throughout the entire Group. In particular, executive officers are able to focus entirely on executive functions, while directors concentrate on managerial supervisory functions. I believe our current structure provides the optimal foundation for improving corporate value. With our shareholders very much in mind, we are working to boost our performance by enhancing the executive function and maintaining the highest standards in corporate governance.

*Q. What are your thoughts on Konica Minolta's corporate social responsibility (CSR)?*

*A.* CSR is a core issue for any corporate entity. Of equal importance however, is to clarify exactly what that responsibility is. Our raison d'être is to deliver products and services beneficial to customers and society as a whole for an acceptable profit and at the same time to increase our corporate value. Konica Minolta is active in environmental conservation and community relations activities in its efforts to contribute to society as a corporate citizen. These must go hand in hand with its raison d'être. In the area of corporate governance, strict adherence to the highest standards of ethical conduct is an integral feature of every facet of our operations. We have established and continue to implement a Groupwide global compliance system that promotes adherence with statutory regulations and ordinances as well as corporate ethics as the basis for ensuring sustainable growth.

*Q. Please summarize your dividend policy in relation to management integration.*

*A.* Our goals are to increase corporate value and to consistently raise business performance for the benefit of all our stakeholders, including our shareholders. The Company's medium- to long-term policy on profit sharing is to provide stable dividends to its shareholders after giving due consideration to the state of consolidated earnings, the payout ratio, and the level of internal reserves, a key source for future business expansion. For the fiscal year ending March 31, 2006 and thereafter, upon completion of our integration initiatives, Konica Minolta will aim for a dividend payout ratio in excess of 15% on a consolidated earnings basis, reflecting the benefits of management integration.

*> Implementing a board-with-committees system as the ideal management model to enhance corporate value*

*> Promoting comprehensive compliance systems to ensure sustainable growth*

