

## Basic Management Policy

The Konica Minolta Group (Konica Minolta Holdings, Inc. and its group companies) was established by a management integration of Konica Corporation and Minolta Co., Ltd., in August 2003. In October 2003, the Konica Minolta Group reorganized and integrated its business into a new corporate group having six business companies and two common function companies under Konica Minolta Holdings, Inc. In April 2004, as a result of further reorganization to maximize synergy effects, the Konica Minolta Group now consists of five business companies and two common function companies.

Based on the management philosophy of "The Creation of New Value," the Konica Minolta Group aims to engage in thorough business portfolio management; implement highly transparent corporate governance; promote its technology strategies and instill the Konica Minolta brand in the imaging field; conduct effective personnel management; and emphasize corporate social responsibility to effect the Group management visions of becoming an "Innovative Corporation that Continues to Create Impressions in the Field of Imaging" and "A Global Market Leader that Offers Advanced Technology and Reliability."

## 1. Core Technologies and Business Models

The Konica Minolta Group is working to leverage, enhance and combine its history and experience in imaging, precision processing, materials, and optics, to create new proprietary materials and devices for use in the fields of electro-photography, conventional photography, inkjet technology, and other imaging input and output products. In addition to these core technologies, we aim to allocate management

resources for the development of production, design, software, network, and electronics technologies to expand our activities in the Business Technologies, Optics, Photo Imaging, Medical and Graphic Imaging, and Sensing businesses, and to lay the platform for future growth through the creation of new businesses.

As shown in the figure below, the Konica Minolta Group aims to strengthen business competitiveness and create new businesses by allocating management resources to the core Business Technologies business, strategic Optics business, and basic and advanced technologies for common use throughout the Group.

## 2. R&D Segment and Business Strategies

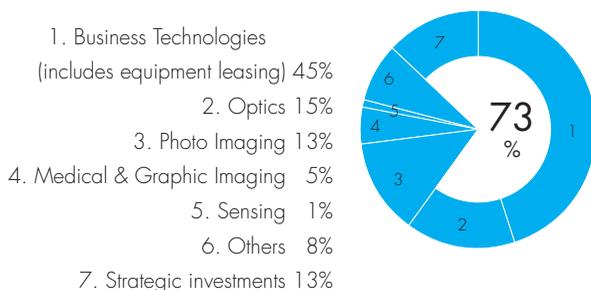
R&D at the Konica Minolta Group is conducted at each business company to increase its relevance to business strategy. Moreover, separate from the R&D activities conducted at each business company, the corporate R&D function (Konica Minolta Technology Center Co., Ltd.) advances research in common platform technologies for use throughout the Group and works to develop and enhance new cutting-edge technologies. There were approximately 4,400 employees engaged in R&D activities throughout the Konica Minolta Group as of March 31, 2004. In fiscal 2003, the Konica Minolta Group recorded approximately ¥63 billion\* in R&D expenses, included in the Company's SG&A expense, around 5% of total sales.

\*Note: The amount of R&D expenses in 2003 was obtained by adding the annual expenses of the former Konica to the R&D expenses of the former Minolta for the first half of fiscal 2003.

## Allocation of Management Resources (Three-year total through March 2007)

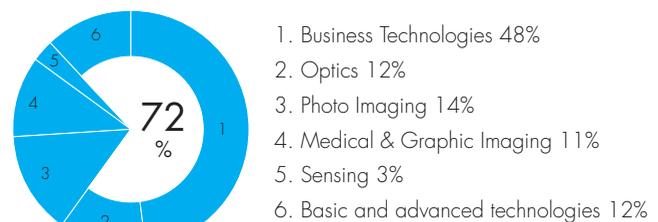
### Investment

Total Capital Investment: ¥230.0 billion



### Research and Development Expenditures

Total Research & Development Expenditures: ¥220.0 billion



More than 70% of the Group's capital investment and R&D expenditures are allocated to the Business Technologies and Optics Businesses.

The following is a description of the main research and development themes and business strategies of the Konica Minolta Group.

**(1) Business Technologies business (digital copiers, printers, etc.)**

The Konica Minolta Group aims to further expand earnings in its core business through the promotion of colorization, digitization, and high-resolution business strategies. Main business fields include color multi-functional peripherals (MFP), laser printers (LBP), high-speed MFPs, light production printing, polymerized toner and other chemical products, and network solutions.

**(2) Optics business (optical devices, electronic materials, etc.)**

The optics business is quickly growing in scale toward contributing to Group earnings through business strategies aimed at enhancing advanced functions and differentiation. Main technological fields include products compatible with next-generation optical pickups (blue laser and high-density next-generation DVDs), microcamera units offering high resolution and advanced functions, as well as high-function film for large LCDs.

**(3) Photo Imaging business (photosensitive materials, inkjet media, cameras, etc.)**

While aiming to secure earnings in the conventional business field of photosensitive materials, the Konica Minolta Group is promoting restructuring toward digitization through the stronger development of digital networking, digital cameras, inkjet media, as well as key devices and components such as lenses.

**(4) Medical and Graphic Imaging business (medical and printing products, etc.)**

We aim to secure earnings and rapidly develop businesses alongside digitization and film-less products by concentrating efforts in medical and printing hardware, software, and smallHot printing systems.

**(5) Sensing business (industrial and medical measuring instruments, etc.)**

We aim to secure earnings in the color measurement and medical measurement fields. We are concentrating efforts in the field of 3-D digitizing technology.

**(6) Common basic and advanced technologies**

By strengthening efforts in this field, we aim to pioneer the development of promising new technologies that will support the Konica Minolta Group in the future.

### 3. R&D Segment and Intellectual Property Overview

In the Business Technologies business, the Konica Minolta Group is aggressively acquiring and using patents related to high resolution and

high reliability in the core technological fields of color MFP, color LBP, high-speed MFP, light production printing, polymerized toner and other chemical products, and network solutions. In particular, polymerized toner is a key technology for achieving high resolution, and is an example of how Konica Minolta has significantly increased its number of patents in Japan recently, through measures that emphasize patent applications.

In the Optics business, we are acquiring patents in mainly the optical pickup field. We strongly support our businesses by building a portfolio of crucial technology patents in the field of CD pickups, for which our global market share is over 80%. In the DVD/CD pickup field, we continue to acquire patents covering key technologies, and already own many related patents.

In the Photo Imaging business, we acquire and use patents in the conventional business field of photosensitive materials, and are aggressively acquiring patents related to digital cameras and digital photo network printing to prepare for digitization in future business development.

In the medical imaging field of the Medical and Graphic Imaging business, we are aggressively acquiring patents related to digital imaging input and output devices, network systems, and new business fields, in preparation for business development toward digitization and a film-less era. In the graphic imaging field we are proactively acquiring patents related to printing plates, smallHot printing systems and new business fields.

In the Sensing business, we are aggressively acquiring patents related to the color measurement and medical measurement fields, as well as in the core 3-D digitizing field.

In the field of common, basic and advanced technologies, we are focusing efforts on the acquisition of patents related to inkjet heads, ink, recordable media, printing technology as well as to such technology fields as organic electroluminescent materials, piezoelectric actuators, nano-processing, thin-film coating, and image processing.

### 4. Analysis of Marketability and Technology Market Advantages

In the Business Technologies business and Optics business, synergistic effects are rapidly emerging from management integration.

In the core Business Technologies business, we aim to expand operations by strategically positioning the polymerized toner business and the networking input and output business. The polymerized toner business responds to future needs for higher resolutions backed by our advanced technological expertise, while the networking input and output business is centered on color MFPs, which are expected to continue growing in line with greater usage of color and on-demand printing in business offices.

In the strategic Optics business, we aim to expand operations centered on our extremely advanced optical technologies. The Konica Minolta Group's aspherical plastic lenses for optical discs are particu-

larly advanced and are the de facto world standard with a global market share of 80%. The Konica Minolta Group continues to accumulate intellectual property by concentrating efforts in the development of next-generation optical pickup lenses to secure a leading position now and in the future.

### 5. R&D, Intellectual Property Organization, and Collaboration and Alliances in R&D

Each business company in the Konica Minolta Group conducts its own R&D with the aim of increasing earnings in existing businesses. The corporate R&D function conducts R&D into core technologies for common use throughout the Group and works to develop and enhance cutting-edge technologies. Through these means, we endeavor to create new earnings for the overall Group.

The Group's intellectual property function is conducted by the Intellectual Property Center, which belongs to the corporate R&D function. The Intellectual Property Center, which serves as the Group's cross-functional organization, formulates intellectual property strategies, as well as acquires, uses, and manages patents. Aiming for greater sophistication, the Intellectual Property Center works closely with each Group business on their R&D activities. In addition, liaison members in the Intellectual Property Center coordinate with R&D personnel in Japan and on the west coast of the United States to promote the intellectual property strategies of the Group, each business company, and all R&D bases.

The Konica Minolta Group aims to instill within its corporate culture a greater emphasis on intellectual property in concert with the R&D function. In this manner, we will secure vitality within our research activities prompting new innovations and discoveries. In order to accelerate the development and reinforcement of technologies, we will also participate in public studies, enter into R&D alliances with other companies, and with tertiary institutions. As one concrete example of a collaborative alliance in R&D, we are participating in the Technology Research Association for Advanced Display Materials (TRADIM), a national project related to liquid crystal display technology. The Konica Minolta Group also participates in the Nano Construction Photonics project promoted by Japan's Ministry of Education, Culture, Sports, Science and Technology to encourage ties between industry, academia, and government in urban areas. Through these efforts in Japan and overseas, we are making significant contributions to the development of technology and positioning the Company as a global R&D player.

### 6. Acquisition and Management of Intellectual Property, Trade Secret Management and Policies on Technical Leakage Prevention

The Konica Minolta Group has included intellectual property management strategies in its three fundamental management strategies that also include business and R&D management strategies. In its intellectu-

al property activities, the Konica Minolta Group strives to create meaningful assets for business, leverage patents, and minimize risks in order to contribute to overall business development. In accordance with the rules and regulations of each Group company, including those regarding industrial property rights management, the Konica Minolta Group provides inventors with a payment when a patent is filed and registered, and also provides additional compensation linked to internal usage and external licensing. We offer these incentives to encourage the creation of inventions.

The Konica Minolta Group Compliance Guidelines, a basic code of conduct for the Group, outlines fundamental concepts and policies related to the protection of trade secrets and intellectual property rights. Rules and regulations at each Group company such as Rules for Trade Secret Management, state how to handle secret information. The Konica Minolta Group aims to prevent the leakage of sensitive information as well as internal secret information and secret information received from outside parties by means of appropriate management.

### 7. Contribution of Licensing-Related Activities to Business

The Konica Minolta Group owns intellectual property rights to protect its businesses, and effectively utilizes intellectual property rights as a means to distinguish its products from those of its competitors, enhance competitiveness, and secure earnings. From the viewpoint of ensuring business continuity and freedom in R&D, the Konica Minolta Group promotes cross-licensing strategies when it is necessary to use intellectual property rights owned by other companies in fields where technology is advancing and becoming more complex.

### 8. Patent Portfolio Contributions to Business

The Konica Minolta Group takes an aggressive approach to creating and securing intellectual property through liaison activities with R&D, as

#### Rankings of Patent Applications Published



well as through the invention compensation system, which fairly evaluates inventions and provides compensation for noteworthy inventions. As a result, the Konica Minolta Group published 4,096 patent applications and ranked 12th<sup>1</sup> in terms of successful patent applications in Japan in 2003.

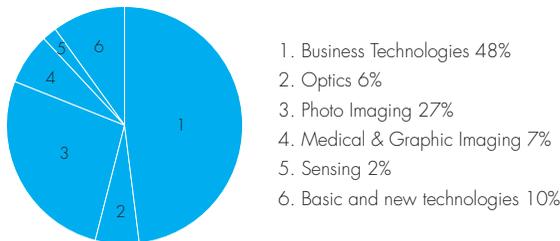
According to Diamond, Inc.'s *IP & Technology 2004-5* rankings of the number of inventions per inventor in electronics-related companies including electric appliances, precision machinery and electronics in 2003, the Konica Minolta Group scored number one with five inventions per inventor. (Diamond, Inc. is a major Japanese publishing company in the field of economics and business.) As a result of prolonged efforts to create and secure quality intellectual property, the Konica Minolta Group had approximately 6,600 patents registered in Japan as of March 31, 2004.

Moreover, we are leveraging our overseas production and sales bases to proactively develop and expand our global business. In response to the globalization of business, the Konica Minolta Group is making concerted efforts to acquire intellectual property rights overseas. With an emphasis on the mainstay market of the United States, and owing to our high quality activities in the field of intellectual property, the Konica Minolta Group registered 367 patents in 2003, placing it in 55th place in the world and in 17th place<sup>2</sup> among Japanese companies.

As of March 31, 2004, the Konica Minolta Group had approximately 5,300 patents registered in the United States. As a result of our strategic use of these patents, we are endeavoring to contribute to further business growth.

The Konica Minolta Group is working to leverage its wealth of U.S. patents in not only its traditional businesses, but also throughout all facets of its business activities. Within this framework, we invest aggressively and strategically in intellectual property resources in our core Business Technologies business and our strategic Optics business, both of which are drivers of growth for the overall Group.

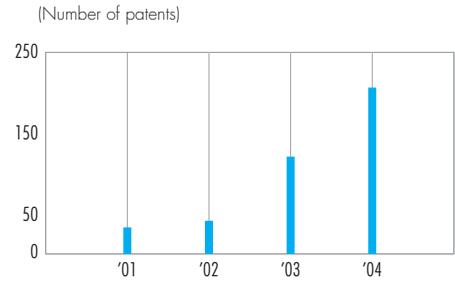
### Patents Registered in the United States by Business Segment



Accordingly, as of March 31, 2004, the number of U.S. patents held by the Business Technologies business and the Optics business were more than half of all U.S. patents held by the Konica Minolta Group in the United States.

In the Business Technologies business, where demands for high picture quality, speed, and environmentally friendly products continues to intensify, we are seeing other companies aggressively pursuing

### Polymerized Toner Patents in Japan



research in the development of a polymerized toner.

As a pioneer in this field, the Konica Minolta Group is actively pursuing patent applications in an effort to ensure continued competitive advantage. The published number of patent applications by the Group in Japan relating to polymerized toner continues to increase significantly. As a result of these efforts, we will maintain our leading position in copiers and printers and establish a patent portfolio to support future growth in our image information business.

Notes: 1. Ranked by Konica Minolta and based on data by Diamond, Inc.'s *IP & Technology 2004-5*, the total number of domestic patents published by the former Konica and the former Minolta were used for ranking the Konica Minolta Group.

2. Ranked by Konica Minolta based on data by the Intellectual Property Owners Association (<http://www.ipo.org>) of the total number of patents held by the former Konica and the former Minolta combined.

### 9. Intellectual Property Portfolio Policies

The Konica Minolta Group periodically monitors the registered patents and the published patent applications of Japan and of other countries around the world on technologies related to its businesses, and analyzes industry trends in intellectual property activity. Moreover, patents held by its business companies are periodically inventoried and categorized according to their importance in technological fields, contributions to business development, and control of other companies in order to improve intellectual property investment efficiency.

### 10. Risk-Sensitive Information

As of July 12, 2004, there were no disputes or lawsuits related to intellectual property rights that may materially affect the management of the Konica Minolta Group.

### 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.