

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.

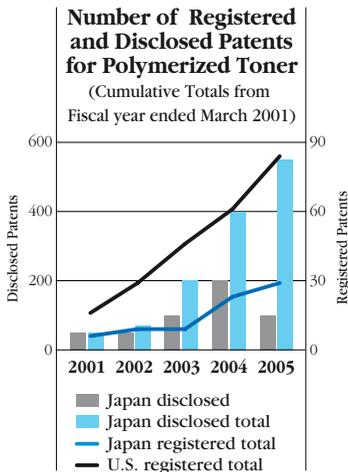
### **4. CONTRIBUTION OF LICENSING-RELATED ACTIVITIES TO BUSINESS**

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.

## 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.



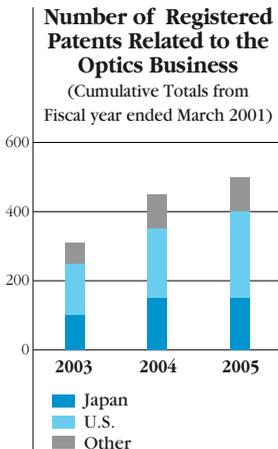
	No. of Disclosed Patents in Japan in 2004 <sup>Note 1</sup>	No. of Registered Patents in the U.S. in 2004 <sup>Note 2</sup>
Number	4,417	404
Ranking	12	50 (15th in Japan)

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).

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.