A close-up photograph of President and CEO Yoshikatsu Ota. He is an older man with short, dark hair, smiling warmly at the camera. He is wearing a white dress shirt and a blue patterned tie. His right hand is raised, with his index and middle fingers pointing upwards. The background is a light blue wall with some faint, out-of-focus text.

**President and CEO Yoshikatsu Ota gives an overview of and explains the strategies in the new medium-term management plan to open the way for a new growth phase.**

.....

**Priority Policies**

**1. Promote growth by leveraging collective Group resources**

- Accelerate growth in the “equipment and services businesses group” and the “components business group”
- Concentrate on growth fields and thoroughly implement the “genre-top” strategy
- Create new business models by strengthening network and solution implementation capabilities for customers

**2. Build a new corporate image**

- Become a business partner that contributes to our customers’ business success  
(Provide innovative products and a professional level of service)

**3. Promote world-class CSR management**

- Become a company that society trusts, and sustain corporate value through a strengthening of global development, not only economically but socially and environmentally as well

# Plan Overview

## **Please explain the fundamental policies of “FORWARD08”.**

The Plan contains three policies, “Promoting growth by leveraging collective Group resources”, “Building a new corporate image” and “Promoting world-class CSR management”. Among these, in strengthening growth potential, I believe it is important to go beyond previous frameworks in the pursuit of synergies among businesses in order to maximize the value-added of these businesses. Consequently, we intend to accelerate growth through the two drive wheels

of “equipment and service businesses” such as multi-function peripherals (MFP), laser printers (LBPs), digital printing equipment and medical equipment on the one hand, and “components business” such as optical components and display materials on the other hand. Further, in addition to emphasizing the Business Technologies and Optics businesses as growth areas, we plan to steadfastly execute our “genre-top” strategy in establishing a position as the top brand in specific markets and domains. Moreover, we plan to strengthen our network and solution implementation capabilities for customers to evolve our business model.

## **What sort of initiatives do you plan to build a new corporate image and to promote corporate social responsibility (CSR) management?**

In terms of a new corporate image, we aim to be a business partner that leads the way to business success for customers. The Konica Minolta Group has core technologies in optics, imaging, materials and precision fabrication. By rapidly coalesc-

ing these, we can provide customers with revolutionary products and professional services. In addition, in CSR management, it is important to be a corporation that is trusted by society in order to maintain and enhance corporate value for the Group. As a result, we plan to strengthen our global development not only from an economic perspective, but from the social and environmental perspectives as well. At the same time, we will strengthen internal controls including compliance, practice highly transparent management and fulfill our social responsibilities as a corporation.

# Market Analysis

## What is the market environment for the general office and industry specific markets related to the MFP business?

In developed markets such as Japan, the U.S. and Europe, there is a rapid shift to color in office

documents, and the color MFP market is also rapidly expanding as a result. As the convenience of color, which has much more information content than monochrome is overwhelmingly high, we foresee an accelerating shift to color. In fact, in looking at global industry MFP shipments in the fiscal year ended March 2006, the color MFP segment recorded over 30% year-on-year growth while overall unit growth was flat.

## What impact is the rapid shift to color having on the industry?

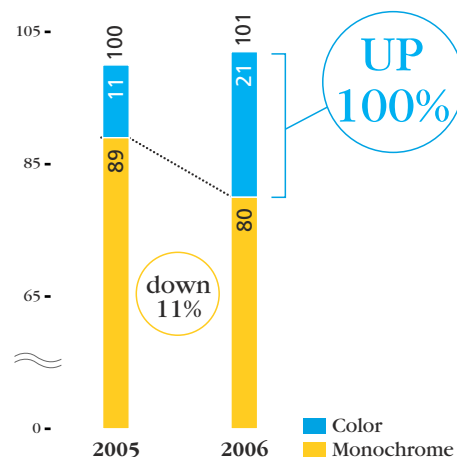
The impact is extremely significant, and we are convinced it will lead to a major change in corporate market shares in the MFP industry. For example, Konica Minolta's brand value is steadily increasing in the European and U.S. markets. Looking at segment 2\* and above color MFP market shares in calendar 2005, our market share in the European market grew from 11% in the previous year to 15%, while it increased from 16% to 19% in the U.S. market, and we have secured a position within the top group. On the other hand, while we have struggled in Japan, our market share has risen from 3% to 5% in the past fiscal year and steadily continues to expand. Overall, however, color MFP unit shipments also increased by two-fold year-on-year. This is a sig-

nificant result of our strategy to shift to color during this period. While our positioning in the Japanese market heretofore was somewhat fixed by monochrome MFP, we believe the rapid shift to color will lead to the kind of substantial repositioning that was seen in the European and U.S. markets. By the fiscal year ending March 2009, the Konica Minolta Group plans to ensure a worldwide market share of 25%, and market shares of over 30% in Europe and the U.S. in sales of segment 2 and above color MFP.

\* Note: Segment 1: 11–20 pages per minute  
 Segment 2: 21–30 pages per minute  
 Segment 3: 31–40 pages per minute  
 Segment 4: 41–69 pages per minute  
 (A4/Letter size output speeds in monochrome mode)

**MFP Unit Shipments**

(2005 MFP Shipments as an Index of 100)



# Competition

## Please explain the competitive strengths behind this increase in market share.

The reason for our strong competitiveness in color MFP is an enriched product lineup in addition to the new integrated firmware incorporated in the “bizhub C450” which was marketed from April 2005. In terms of the product lineup, four new models were introduced during the fiscal year ended March 2006 to promote a further shift

to color. In addition, the incorporation of new integrated firmware made open architecture systems possible, which made it easy for customers to incorporate our products into office environments that consisted of various equipment. In addition, having the industry’s most advanced polymerized toner is a significant factor in our strong competitiveness. Our toner, which is superior in terms of image quality, cost and durability, is compatible with monochrome or color, and low speed or high speed applications. In addition, as we have disclosed over 700 related patents in Japan alone, we believe this is a significant barrier to entry for other companies.

## Could you explain your strategies for expanding market share?

In addition to strengthening our proposal capabilities to expand sales, we are developing our solutions business. The Business Technologies business has heretofore been characterized by purchases of color MFP hardware or receiving

fees based on performance. However, given the rapid evolution in the networking of office environments, hardware also needs to fulfill its function within the network. As a result, the provision of total network solutions through software and applications development is required. In this regard, we plan to actively pursue alliances, and we have already formed corporate alliances with various IT companies in Japan and overseas including NEC Corporation and IBM® Corporation.



# New Products & Solutions

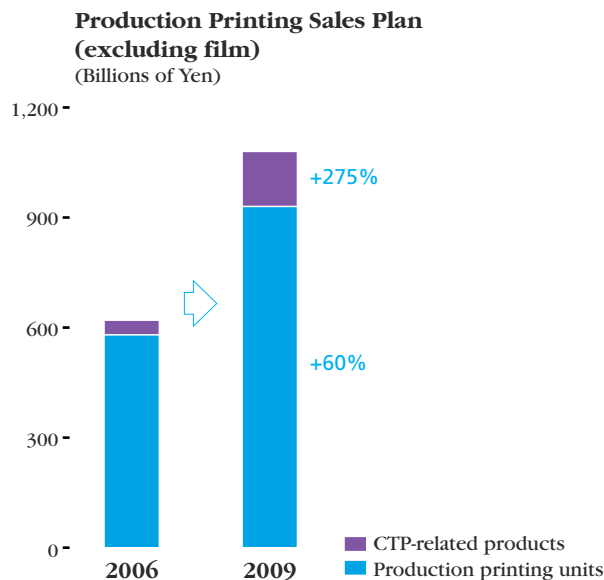
## What about the production printing market?

The market has steadily grown over the past several years. In the fiscal year ended March 2006, in addition to introducing the new high speed MFP “bizhub PRO” series, we formed a specially designated sales team and worked to provide services. As a result, high unit sales growth was seen in the high speed segment. We believe that markets such as in-house printing divisions of large corporations and major franchise copy shops will see further expansion going forward. Konica Minolta has strong productivity and is competitive in polymerized toner featuring low heat fixing technology, in accumulated workflow know-how in the printing business, color management know-how and in the utilization of a wide

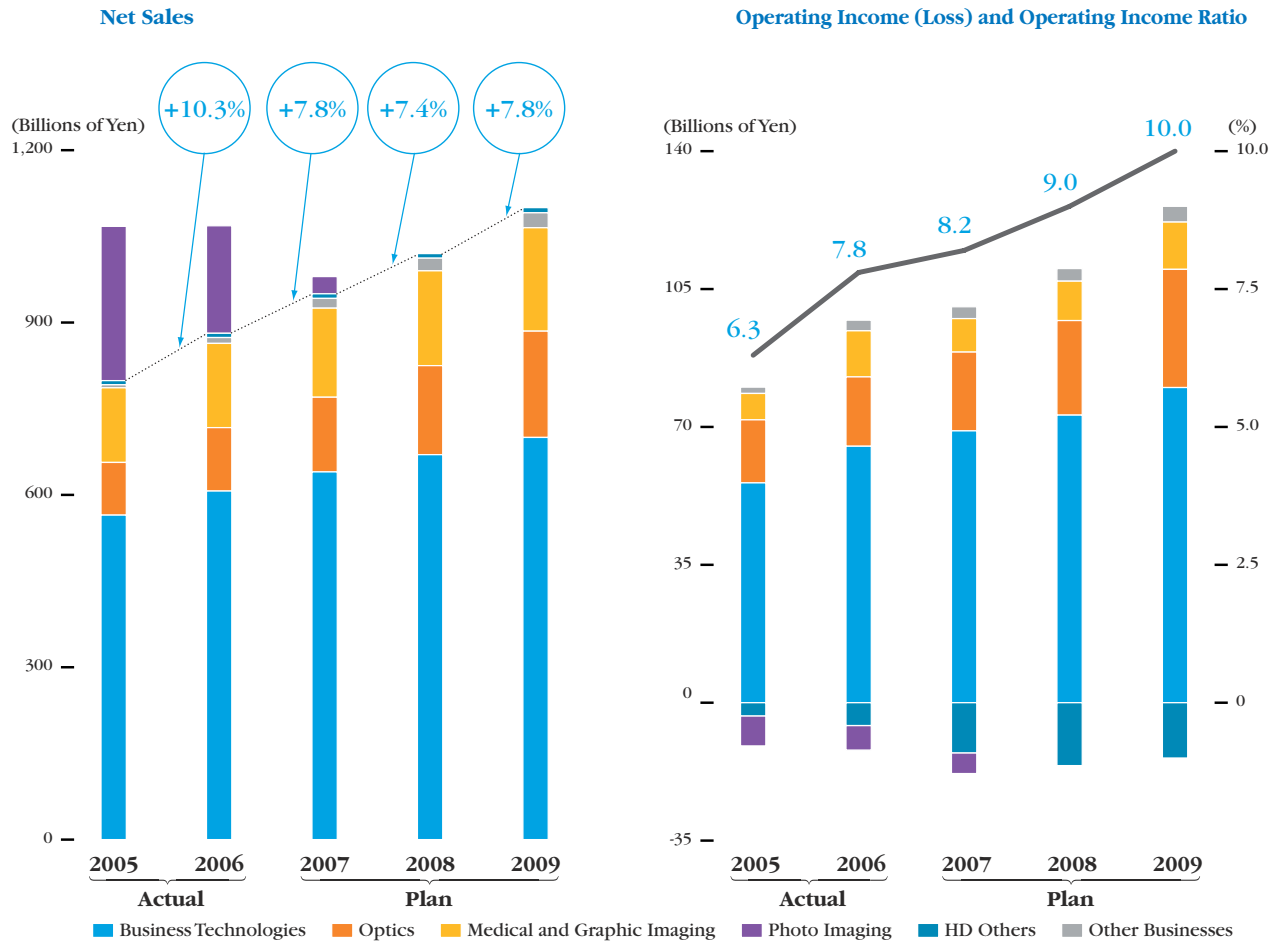
range of MFP options compared to competitors’ products. Through such initiatives, we plan to ensure a 30% worldwide market share of high speed color MFP unit sales in particular in the fiscal year ending March 2009, thereby assuring a number two or better position in the industry.

In addition to fully utilizing this competitiveness, we plan to strengthen our consulting capabilities in providing application software and contents and to strengthen our product offerings in digital printing and the computer-to-plate (CTP) area. In CTP in particular, we expect that American Litho Inc., a major U.S. printing plate maker that was acquired in 2005, will contribute to sales.

\* The production printing segment represents the total of the high speed MFP segment reported under Business Technologies business and the graphic imaging segment excluding film.



## FORWARD08 Growth Targets by Business Segment



Note: Year-on-year net sales growth and operating income ratio amounts do not include Photo Imaging.

### Performance Targets by Business Segment

		(Billions of Yen)			
		2006	2007	2008	2009
		Actual	Plan	Plan	Plan
Fiscal Years Ended March 31					
Business Technologies	Net sales	606.7	640.0	670.0	700.0
	Operating income	65.1	69.0	73.0	80.0
Optics	Net sales	110.4	130.0	155.0	185.0
	Operating income	17.6	20.0	24.0	30.0
Medical and Graphic Imaging	Net sales	146.6	155.0	165.0	180.0
	Operating income	11.7	8.5	10.0	12.0
Others	Net sales	10.2	17.0	22.0	26.0
	Operating income	2.7	3.0	3.2	4.0
<b>Segment Total</b>	Net sales	873.9	942.0	1,012.0	1,091.0
	Operating income	97.1	100.5	110.0	126.0
Photo Imaging	Net sales	187.1	30.0	0	0
	Operating income (loss)	(7.1)	(6.0)	0	0
HD Others, Elimination and Corporate	Net sales	7.4	8.0	8.0	9.0
	Operating income (loss)	(6.6)	(14.5)	(18.2)	(16.0)
<b>Group Total</b>	Net sales	1,068.4	980.0	1,020.0	1,100.0
	Operating income	83.4	80.0	92.0	110.0

.....  
**Please explain the market environment and your growth strategies for the components business.**  
.....

In the optical pickup lens business, products for DVD recorders are growing, while we do not believe the DVD-related market as a whole will see much growth. Instead, high growth is expected in next-generation pickup lenses. Konica Minolta has already completed technology development for the Blu-ray Disk (BD) format and the high definition (HD) DVD format and has made preparations for mass production. The key point is materials development for next generation pickup lenses. Through the merger, Konica Minolta has both development and production technologies to organically integrate plastic lens technology and glass molding technology, and we intend to maintain dominating competitiveness through materials development that leverages these strong points. In terms of market share, we intend to maintain the commanding market position we have built up in DVD-use object lenses in the next generation of pickup

.....  
**Please explain the market environment and your strategies for the medical and healthcare segment.**  
.....

While the conversion to digital and networks is proceeding in the medical field centering on large hospitals given the strengthened collaboration

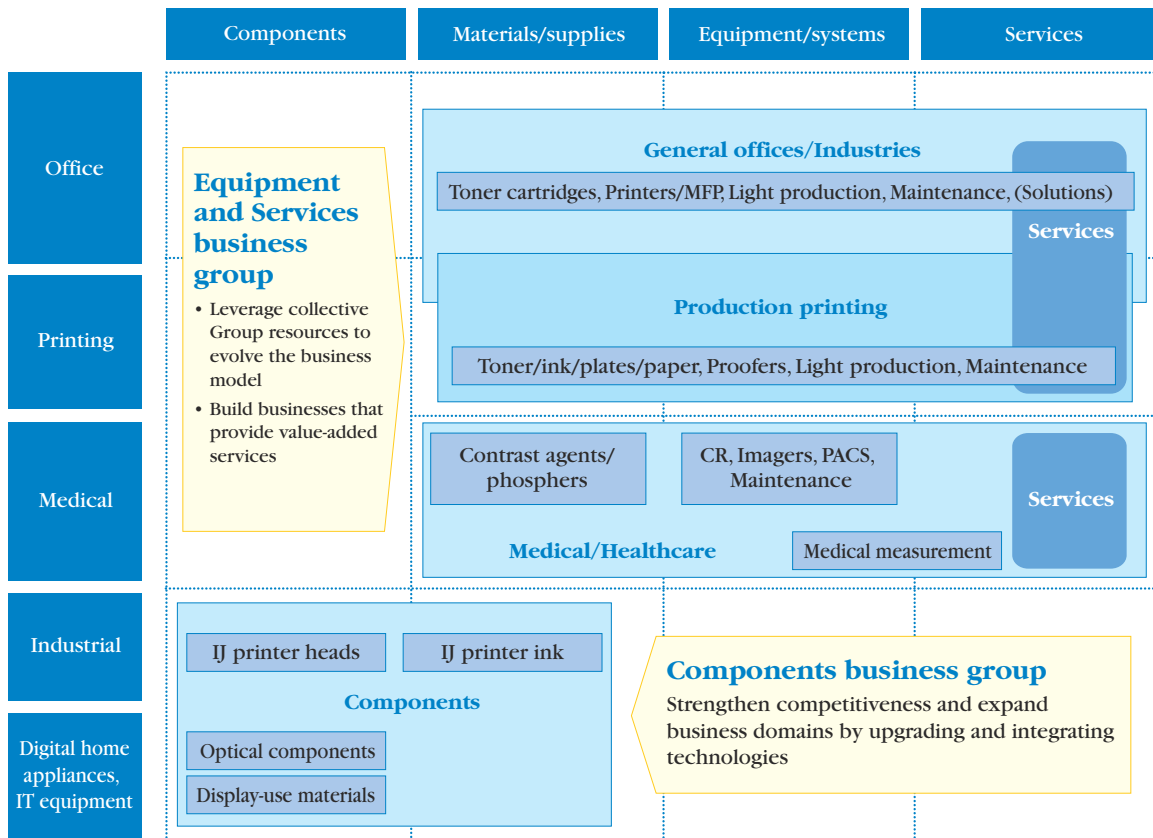
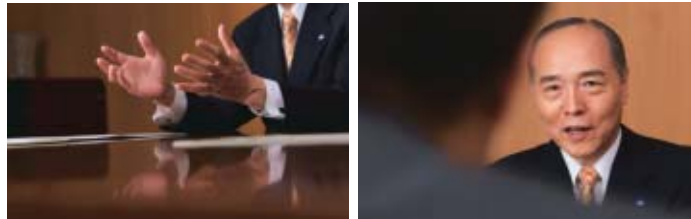
lenses. On the other hand, in the liquid crystal display (LCD) market, the shift to larger and higher definition displays for LCD TVs is supporting the market expansion of high performance products such as large LCD-use viewing angle expansion film. In addition to further raising the level of our film manufacturing technology and materials technology that we have so far fostered, we plan to expand production capacity. In micro lenses and microcamera modules, because global diffusion rates for mobile phones with built-in cameras are still low, we expect continued growth. In addition, application of these products will not be limited to mobile phones, but will expand into other areas such as PCs, security cameras and vehicles. Konica Minolta continues to maintain a high market share and popularity in the domestic market in the high pixel count segment, and it is working for full-fledged diffusion in overseas markets. In glass hard disk substrates, we have developed and established production of small diameter products in response to market growth that is being driven by the miniaturization of mobile-related equipment, and we are balancing this with existing products to develop the business.

between hospitals and clinics, this movement is broadening into the medical practitioner market and the clinical market. In particular, Konica Minolta's X-ray digital image reader series has secured high market shares both in the domestic and overseas markets, and we plan to develop the medical practitioner and clinical markets through a strengthening of system development and a sales network for these markets. In addition, the shift to digital and networks in large

## New Products & Solutions

hospitals is leading to increased diffusion of electronic medical charts, Picture Archiving and Communicating Systems (PACS) and the development of Radiology Information Systems (RIS). We plan to provide solutions in these areas through a combination of in-house development and alliances. In addition, we will strengthen the

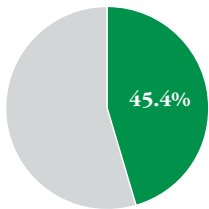
diagnostic product business such as contrast media for genetic diagnosis and Drug Delivery Systems (DDS). Overseas, on the other hand, we will emphasize such growth markets as China and Russia as we work to strengthen and expand our overseas business.



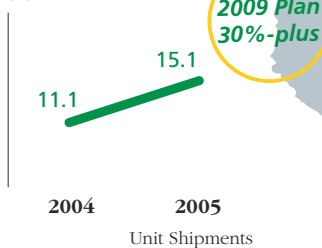


# Global Presence

**Color MFP Unit Shipments**  
(Fiscal Year Ended March 2006)



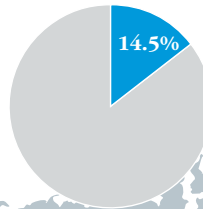
**Color MFP Shares\* (Western Europe)**  
(Segment 2 & above)  
(%)



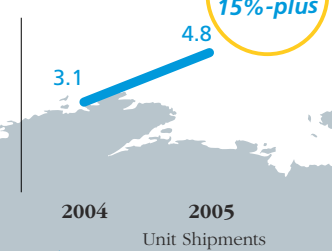
**European Market:**  
We plan to expand market share in our top group of color MFP, as this region has the highest growth in color MFP.

Europe

**Color MFP Unit Shipments**  
(Fiscal Year Ended March 2006)



**Color MFP Shares\* (Japan)**  
(Segment 2 & above)  
(%)

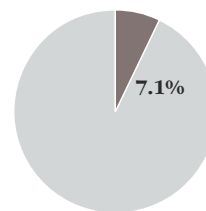


**Asian Market:**  
A new assembly plant in Wuxi, China, began operating in December 2005 with the aim of further strengthening the color area. In addition, a 100%-owned investment company (umbrella company) was established in China in an effort to strengthen the Konica Minolta Group's marketing network for further business development.

Japan

Asia  
(Other than Japan)

**Color MFP Unit Shipments**  
(Fiscal Year ended March 2006)



**Please explain your capital expenditure strategy.**

Our emphasis is on growth in the Business Technologies and Optics businesses. In Business Technologies, we plan to actively invest in software development and sales in particular in order to strengthen the solutions business. In the Optics business on the other hand, we plan to respond to growing demand for LCDs by investing in production line expansion.

## Global Presence

### Japanese Market:

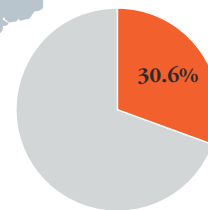
As the share of color MFP is still low, we plan to expand market share through an acceleration of the shift to color. A dedicated factory is under construction in Nagano Prefecture in order to cope with increased demand for polymerized toner as a result of world-wide growth in MFP sales.

North America

### North American Market:

In addition to color MFP where Konica Minolta has already established a position in the top group in terms of market share, the Group plans to establish a solid market position in the commercial printing area through emphasis on expanding sales of medium- and high-speed equipment.

### Color MFP Unit Shipments (Fiscal Year Ended March 2006)



### Color MFP Shares\* (United States)

(Segment 2 & above)  
(%)



2009 Plan  
30%-plus

2004 2005  
Unit Shipments

\* Source: Gartner Dataquest "Quarterly Copier Shipment Statistics" (May 2006) GJ06305

Notes: (1) MFP: Multi-Function Peripherals (Multifunction copiers)

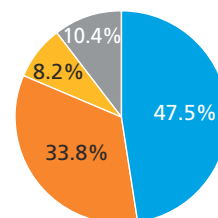
(2) Segments classified by monochrome printer speeds.

(3) Years given for market share graph are calendar years.

## Capital Expenditure

Fiscal Years Ended March 31	(Billions of Yen)		
	2005 Actual	2006 Actual	2007-2009 Cumulative Plan
Business Technologies	24.3	28.8	95.5
Optics	14.4	21.8	68.0
Medical and Graphic Imaging	3.7	6.7	16.5
Photo Imaging	7.4	3.0	—
Others	6.7	7.3	21.0

## Cumulative Capital Expenditure by Business Segment



(2007-2009 Cumulative Plan)

■ Business Technologies  
■ Optics  
■ Medical and Graphic Imaging  
■ Others

# Issues

**Please tell us the themes which you will be focusing on strengthening for the Group as a whole.**

There are three areas: optimal utilization of Photo Imaging management resources; reengineering of product planning, commercialization and production processes; and solution development reorganization. In terms of the optimal utilization of Photo Imaging management resources, we plan to utilize our camera technologies in growing lens-related segments in the Optics business and to strengthen controller development technology in the Business Technologies business. In photosensitive materials technology, we plan to allocate resources to the development of chemical-based high performance material and thin film product applications. In addition, we have converted our camera factory in Shanghai into the production base for high precision optical units. In product planning, commercialization



and production process reforms, in addition to accelerating product development and commercialization by reducing the time required for the process, we will at the same time promote internal production of major components and work to strengthen production technologies and procurement through supply chain management (SCM) restructuring. In solution development reorganization, we plan to build a global software development capability while at the same time strengthening our solution proposal capabilities and building a sales organization to support this capability.

**Please explain your philosophy regarding corporate governance.**

We believe that strengthening corporate governance is an important management issue, and we aim to provide management that is both fair and highly visible. In particular, in terms of the separation of management oversight and execution, we converted to the committee-style governance system after the management integration, and outside directors now carefully monitor the activities of the Board of Directors. The system also functioned in our decision to exit the Photo Imaging business. As both Konica and Minolta

have been continually involved in the camera and photo businesses from their establishment, the decision to exit was not an easy one. However, in addition to the Photo Imaging business being depressed over the last few years, we reached the decision after considering the opinions of investors and shareholders as well as the views of our outside directors. We believe that our attitude of emphasizing corporate governance played a big role in reaching this decision. In this regard, we believe we are a company where corporate governance actually functions. Moreover, for further details regarding our corporate governance initiatives, please refer to page 26 of this report.