



To Our Shareholders

The Beginning of *FORWARD 08*

Our *FORWARD 08* medium-term management plan marked the start of a new phase of growth. During the first fiscal year of this plan ended March 2007, we were able to achieve significant progress.

In order to further strengthen our growth potential, we will emphasize the Business Technologies and Optics businesses as growth areas, focus management resources, and unflinchingly execute our “genre-top” strategy to establish a position as the top brand in selected markets and business domains.

Growth Strategy Produces Significant Results

We believe the fiscal year ended March 2007 was a year which confirmed the effectiveness of our growth strategy.

In Business Technologies business, we expanded our product line-up in the high- and medium-speed segment of color MFPs and emphasized sales expansion. As a result, we were able to grow unit sales mainly in the European market. In the Optics business on the other hand, the sales increase was supported by contributions from highly functional TAC film centering on large LCD TV-use viewing angle expansion film and optical pickup lenses used in next generation DVDs.

As a result, consolidated sales for the fiscal year ended March 2007 were ¥1,027.6 billion, while sales in our two main business lines of Business Technologies and Optics were ¥658.7 billion and ¥139.0 billion respectively. As the Photo Imaging business is in the process of being wound down, related sales recorded a decline of 3.8% year-on-year, while sales in all other business areas recorded year-on-year growth.

In terms of earnings, operating income increased ¥20.6 billion year-on-year to ¥104.0 billion, and net income was ¥72.5 billion, both of which represented historical highs. By major segment, Business Technologies operating income was ¥80.0 billion, while Optics operating income was ¥21.0 billion.

Both of these sales and operating income results were significantly higher than the numerical targets established in *FORWARD 08* for the fiscal year ended March 2007.

Further, we now expect to completely exit from the Photo Imaging business, which was also a theme of *FORWARD 08*, by the end of September 2007.

One Milestone toward Sustainable Growth

As can be seen, we have unflinchingly exceeded our targets in the first fiscal year of *FORWARD 08*. However, we are still not satisfied. We believe that we must continually pursue sustainable growth. Now that we have established one milestone on the road to sustainable growth under *FORWARD 08*, we need to carefully build the base for the next stage of growth.

In order to do this, *FORWARD 08* outlines a growth strategy to strengthen and develop our core businesses, expand our domain in areas peripheral to our core businesses, and to nurture future businesses. From this perspective, we were also checking the progress in our growth strategy as we were meeting our numerical targets for the fiscal year ended March 2007. Our conclusion is that we cannot afford to be complacent. Going forward, we will be brushing up our strategies in the pursuit of further growth and will also be seeking to accelerate the speed at which we reach the plan's goals and targets.

In addition, in the technology development area, we also made progress in enhancing our R&D capabilities as stipulated by *FORWARD 08*. For further details, please refer to the *FORWARD 08* section which follows.

Emphasis on Shareholder Value

The Konica Minolta Group recognizes that enhancing shareholder value is an important management issue. As a result, based on our medium-term management plan which aims to enhance corporate value through Group growth, we seek to provide returns to shareholders while at the same time expanding retained earnings, actively promoting strategic investment in growth areas, and strengthening our financial condition.

In summary, we have made a good start in our *FORWARD 08* medium-term management plan. Rather than relaxing, however, we remain strongly committed to achieving the goals in the plan, and continue to build the platform for further growth brick by brick in order to build a solid base for continuous growth.

We look forward to your continued support and guidance in this effort.



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Yoshikatsu Ota
President and CEO