

The Greater the Change, the Greater the Opportunity

The fiscal year ended March 31, 2009 (FY March 2009) saw Konica Minolta complete its *FORWARD 08* medium-term management plan. We performed well in the first half of the fiscal year in keeping with the growth strategies of this initiative, particularly in our Business Technologies and Optics businesses. But a global economic deterioration in the second half hit our operations and results hard. We responded by stepping up efforts to slash costs and otherwise safeguard revenues and earnings. Despite these efforts, consolidated net sales decreased 11.5%, to ¥947.8 billion. Operating income declined 53.0%, to ¥56.3 billion, and net income dropped 77.9%, to ¥15.2 billion. So, while initially on track to reaching our *FORWARD 08* objectives a year early, we were unable to attain our targets.

I became President and CEO of Konica Minolta Holdings, Inc. in April 2009, a particularly demanding time for the Konica Minolta Group. In FY March 2010, the outlook for the business climate will remain as tough as it was in the fiscal year under review. The dramatic changes we face are not a passing phenomenon; we bear witness to a global paradigm shift in social frameworks. Given that Konica Minolta is challenging powerful rivals in these tumultuous times, we must advance and strengthen our market position. But to realize our potential, we must ourselves evolve and equip ourselves to build new momentum.

In launching our new management structure, I shared a new vision with all Group employees of making Konica Minolta sufficiently robust to achieve strong, ongoing growth while becoming essential for world society.

We formulated *MANAGEMENT POLICY <09-10>*, covering April 2009 through March 2011, as the first phase in transforming this vision into reality. I will outline the main points here. Please refer to pages 12 to 14 of this report for details.

Becoming a Robust Company

We will overcome the global recession and remain competitive amid drastic changes in the business environment by enhancing our corporate capabilities. Even when there are few prospects for sales growth, we aim to become an organization that can consistently generate free cash flow. So we will, for example, cut fixed costs and trim our balance sheet while stepping up selection and concentration with existing operations.

At the same time, we will ensure that our customers are the foundation of all our operations, aiming to become a strong corporate group that thinks and operates innovatively. We will innovate in all business processes, including development, manufacturing, and services. We will also pursue business model innovation.

As society's environmental demands are increasing, we will naturally comply with regulatory requirements while providing our customers with businesses, products, and services that offer world-class environmental performance and quality.

Achieving Strong, Sustainable Growth

We have driven forward with our genre-top strategy, through which we have concentrated resources to build positions in the top group in promising business areas and markets. These endeavors have borne considerable fruit. In Business Technologies, for example, we lead in office MFP and production printing fields in Europe and the United States. In our Optics business, we dominate the markets for VA-TAC films for large-size LCD televisions and in optical pickup lenses for Blu-ray format.

But we will never consistently deliver strong growth if we rest on our laurels. We need to bolster our genre-top strategy to establish an unchallenged market position. We must also understand that the markets for our successful businesses will ultimately encounter slower growth and mature. It will be impossible to keep expanding if we just stick with existing businesses. We have to harness core technologies to innovate and provide

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new customer value, and broaden the scope of our business. That is our scenario for expanding in the near to medium terms.

Over the medium to long terms, we seek to continue strong growth by developing new businesses that draw on our outstanding technological potential. This potential is particularly robust in environment and energy and in health, security, and safety, areas that are poised for paradigm shifts. An excellent example is OLED lighting, in which we are striving to commercialize opportunities by employing the technological assets that we have accumulated in photo film.

Becoming Essential to Society

We must fulfill our social obligations and contribute to communities if we are to earn society's acceptance and prosper.

Our primary mission as a manufacturer is to take action to prevent global warming. Recognizing that minimizing CO₂ emissions as well as conserving resources are important issues, we launched our *Eco Vision 2050* to pursue specific reductions in Group CO₂ emissions. But cutting is not enough, and we aim to employ core technologies to innovate, as we are doing in OLED lighting, helping to resolve environmental problems.

My mission as Konica Minolta's leader is to resolutely execute *MANAGEMENT POLICY <09-10>* and produce results. As I mentioned earlier, that means making us sufficiently robust to achieve strong and ongoing growth while becoming essential for world society, thereby creating an entirely new Konica Minolta.

I dedicate myself entirely to grasping the essence of the issues facing us, strategically and boldly addressing them to decisively increase Konica Minolta's value. Stay with us as we tackle the challenges of change in the year ahead.

June 23, 2009



Masatoshi Matsuzaki
President and CEO

