4. Consolidated Financial Statements
(1) Consolidated Statements of Income

[Millions of yen]

	Six months ended September 30, 2005		Six months ended September 30, 2004		Fiscal year ended March 31, 2005	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
Net sales	517,598	100.0	535,115	100.0	1,067,447	100.0
Cost of sales	278,459	53.8	300,469	56.2	597,800	56.0
Gross profit	239,138	46.2	234,646	43.8	469,647	44.0
Selling, general and administrative expenses	199,730	38.6	202,121	37.7	402,069	37.7
Operating income	39,408	7.6	32,524	6.1	67,577	6.3
Non-operating income	[7,715]	1.5	[7,503]	1.4	[8,971]	0.8
Interest income	584		438		968	
Dividends earned	342		268		384	
Gains on sales of securities	-		9		3	
Equity method profits	-		6		108	
Loss (gain) on foreign exchange	2,310		2,901		684	
Other	4,476		3,878		6,821	
Non-operating expenses	[11,877]	2.3	[11,861]	2.2	[22,931]	2.1
Interest expense	2,811		2,826		5,549	
Equity method loss	682		-		-	
Disposal/valuation losses of inventories	3,339		2,537		8,698	
Other	5,045		6,497		8,683	
Recurring profit	35,245	6.8	28,166	5.3	53,617	5.0
Extraordinary profit	[677]	0.1	[301]	0.0	[3,177]	0.3
Gain on sales of fixed assets	132		141		559	
Gain on sales of investment securities	545		-		2,458	
Return of the proxy portion of the national employees' pension fund	-		160		160	
Extraordinary losses	[28,691]	5.5	[5,220]	1.0	[21,364]	2.0
Loss on disposal and sale of fixed assets	1,830		2,217		4,569	
Loss on sale of investment in affiliates	9		-		-	
Loss on sale of investment securities	-		-		3	
Write-down on investment securities	-		67		325	
Loss on revaluation of investment	-		-		47	
Transition obligations due to adoption of new accounting standards for retirement benefits	-		264		521	
Loss due to impairment	23,299		-		-	
Management integration rationalization expenses	-		2,671		4,020	
Restructuring expenses	1,179		-		4,851	
Transfers to allowance for doubtful accounts	-		-		1,627	
Amortization of consolidation goodwill	-		-		5,397	
Other extraordinary loss	2,372		-		-	
Income before income taxes and minority interests	7,231	1.4	23,247	4.3	35,430	3.3
Income taxes	9,815	1.9	15,716	2.9	27,947	2.6
Deferred income taxes	585	0.1	(693)	(0.1)	(594)	(0.0)
Minority interests in earnings of consolidated subsidiaries	312	0.1	23	0.0	553	0.0
Net Income (loss)	(3,482)	(0.7)	8,200	1.5	7,524	0.7

(2) Consolidated Balance Sheets

[Millions of yen]

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
	Amount	% of total	Amount	% of total	Amount	% of total
Current Assets		%		%		%
Current assets	[547,403]	57.6	[550,969]	56.2	[542,728]	[56.8]
Cash and deposits	64,023		70,622		59,330	
Trade notes and accounts receivable	245,203		236,688		243,098	
Marketable securities	152		329		155	
Inventories	181,410		180,721		177,505	
Deferred tax assets	34,772		32,615		37,850	
Other accounts receivable	7,799		18,396		12,845	
Other current assets	23,236		20,294		20,045	
Allowance for doubtful accounts	(9,194)		(8,698)		(8,102)	
Fixed assets	[402,546]	[42.4]	[428,935]	[43.8]	[412,813]	[43.2]
Tangible fixed assets	[214,954]	22.6	[225,763]	23.1	[222,617]	23.3
Buildings and structures	66,863		74,181		73,978	
Machinery and vehicles	53,887		58,871		57,081	
Tools and equipment	26,609		27,128		25,857	
Land	36,134		38,632		36,374	
Construction in progress	9,469		5,194		7,672	
Rental business-use assets	21,990		21,754		21,652	
Intangible fixed assets	[105,923]	11.2	[117,626]	12.0	[109,625]	11.5
Consolidated goodwill	85,411		96,557		88,212	
Other intangible fixed assets	20,512		21,068		21,413	
Investments and others	[81,668]	8.6	[85,545]	8.7	[80,570]	8.4
Investment securities	32,126		34,156		33,194	
Long-term loans	1,546		1,516		1,442	
Long-term prepaid expenses	4,496		4,329		5,257	
Deferred tax assets	30,449		32,671		27,049	
Other investments	14,558		14,783		15,163	
Allowance for doubtful accounts	(1,508)		(1,912)		(1,536)	
Total assets	949,949	100.0	979,904	100.0	955,542	100.0

[Millions of yen]

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
	Amount	% of total	Amount	% of total	Amount	% of total
Liabilities						
Current liabilities	[453,218]	47.7	[477,159]	48.7	[460,047]	48.1
Notes and account payable - trade	142,327		143,961		138,074	
Short-term loans	160,199		176,374		157,174	
Long-term loans due within one year	8,216		7,796		7,261	
Bonds due within one year	12,038		16,354		17,221	
Account payable - other	12,839		13,685		16,163	
Accrued expenses	76,770		77,170		75,958	
Accrued income taxes	6,628		16,333		18,838	
Allowance for product warranty	5,397		5,027		5,137	
Notes payable-equipment	6,347		3,301		3,145	
Other current liabilities	22,453		17,155		21,070	
Long-term liabilities	[157,739]	16.6	[158,636]	16.2	[154,044]	16.1
Bonds	10,030		15,084		10,084	
Long-term loans	51,405		50,780		54,604	
Deferred tax assets on land revaluation	4,290		3,925		3,926	
Reserve for retirement benefits and pension plans	67,596		65,138		63,044	
Reserve for directors' retirement benefits	360		952		1,189	
Other long-term liabilities	24,056		22,754		21,196	
Total liabilities	610,957	[64.3]	635,795	[64.9]	614,092	[64.2]
Minority Interests	2,129	0.2	1,213	0.1	1,720	0.2
Capital stock	37,519	3.9	37,519	3.8	37,519	3.9
Additional pain-in capital	226,069	23.8	226,067	23.1	226,069	23.7
Retained earnings	71,679	7.5	82,776	8.5	79,491	8.3
Unrealized gain on securities	6,148	0.7	3,676	0.4	4,780	0.5
Translation adjustment	(3,722)	(0.3)	(6,476)	(0.7)	(7,339)	(0.7)
Treasury stock	(832)	(0.1)	(666)	(0.1)	(791)	(0.1)
Total shareholders' equity	336,862	[35.5]	342,896	[35.0]	339,729	[35.6]
Total liabilities, minority interests, and shareholders' equity	949,949	100.0	979,904	100.0	955,542	100.0

Notes:	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
1.Accumulated depreciation on tangible fixed assets (millions of yen)	465,475	461,685	456,344
2. Discounted trade notes receivable (millions of yen)	6	107	39

(3) Consolidated Statements of Retained Earnings

[Millions of yen]

	Six months ended September 30, 2005	Six months ended September 30, 2004	Fiscal year ended March 31, 2005
	Amount	Amount	Amount
(Additional paid-in capital portion)			
Additional paid-in capital at beginning of period	[226,069]	[226,065]	[226,065]
Increase in additional paid-in capital	[-]	[2]	[4]
Gain on disposal of treasury stock	-	2	4
Decrease in additional paid-in capital	[0]	[-]	[-]
Reversal of the provision for gain on disposal of treasury stock	0	-	-
Additional paid-in capital at period end	226,069	226,067	226,069
(Retained earnings portion)			
Retained earnings at beginning of period	[79,491]	[77,254]	[77,254]
Increase in retained earnings	[200]	[8,200]	[7,579]
Net income	-	8,200	7,524
Increase resulting from newly consolidated subsidiaries	200	-	55
Decrease in retained earnings	[8,012]	[2,677]	[5,342]
Dividends	2,654	2,655	5,310
Bonuses to directors and corporate auditors	32	22	22
Net loss	3,482	-	-
Increase resulting from newly consolidated subsidiaries	-	-	9
Retirement allowance payments for U.K. subsidiaries	1,842	-	-
Retained earnings at period end	71,679	82,776	79,491

(4) Consolidated Statement of Cash Flow Highlights

[Millions of yen]

	Six months ended September 30, 2005	Six months ended September 30, 2004	Fiscal year ended March 31, 2005
I. Cash flows from operating activities			
Net income before income taxes and minority interests	7,231	23,247	35,430
Depreciation and amortization	25,380	25,167	52,953
Impairment loss	23,299	-	-
Amortization of consolidated goodwill	2,801	2,950	5,906
Increase (decrease) in allowance for doubtful accounts	931	171	101
Interest and dividend income	(927)	(706)	(1,353)
Interest expense	2,811	2,826	5,549
Loss (gain) on disposals and sale of tangible fixed assets	1,698	2,076	4,010
Valuation loss (gain) on investment securities	(545)	67	(2,129)
Transition obligations due to adoption of new accounting standards for retirement benefits	–	264	521
Management integration rationalization expenses	-	2,671	4,020
Gain (loss) related to switch of defined contribution benefit plan	-	(160)	(160)
Restructuring expenses	1,179	-	4,851
Other extraordinary loss	2,372	-	-
Transfers to allowance for doubtful accounts	-	-	1,627
Amortization of consolidated goodwill	-	-	5,397
(Increase) decrease in trade notes and accounts receivable	289	(6,301)	(14,056)
(Increase) decrease in inventories	(1,391)	(1,485)	128
Increase (decrease) in trade notes and accounts payable	695	(4,937)	(9,239)
Increase (decrease) in accrued consumption tax payable	(341)	(1,358)	646
Other	(8,951)	(485)	(2,970)
Subtotal	56,533	44,007	91,235
Interest and dividends received	950	743	1,417
Interest paid	(2,841)	(2,887)	(5,524)
Income taxes paid	(17,428)	(19,320)	(31,447)
Net cash provided by operating activities	37,213	22,543	55,680
II . Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(26,534)	(23,953)	(46,585)
Proceeds from sale of tangible fixed assets	461	1,018	3,604
Payment for acquisition of intangible fixed assets	(2,897)	(4,276)	(9,088)
Payment for loans receivable	(101)	(428)	(1,670)
Proceeds from return of loan receivable	719	1,557	1,431
Payment for acquisition of investment securities	(25)	(29)	(348)
Proceeds from sale of investment securities	3,213	55	4,976
Payment for other investments	(1,264)	(1,460)	(3,395)
Other	719	190	1,732
Net cash used in investing activities	(25,707)	(27,325)	(49,343)
III . Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	2,798	(10,724)	(29,640)
Proceeds from long-term loans payable	-	20,258	29,257
Repayment of long-term loans payable	(2,356)	(9,013)	(14,535)
Proceeds from issuing of bonds	6,032	-	13,694
Redemption of bonds	(11,284)	(7,054)	(24,870)
Payment to execute buyback of Company's stock	7	6	24
Proceeds from sale of Company's stock	(48)	(95)	(233)
Dividend payments	(2,653)	(2,655)	(5,310)
Net Cash used in financing activities	(7,505)	(9,278)	(31,614)
IV. Effect of exchange rate changes on cash and cash equivalents	687	859	642
V. Increase (decrease) in cash and cash equivalents	4,688	(13,199)	(24,635)
VI. Cash and cash equivalents at beginning of the period	59,485	83,704	83,704
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	1	447	416
VIII. Cash and cash equivalents at end of the period	64,175	70,951	59,485

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 123

Principal consolidated subsidiaries:

Konica Minolta Business Technologies, Inc.	Konica Minolta Medical Co., Ltd.
Konica Minolta Opto, Inc.	Konica Minolta Marketing Corporation
Konica Minolta Photo Imaging, Inc.	Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Medical & Graphic , Inc.	Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Sensing, Inc.	Konica Minolta Business Solutions Europe GmbH
Konica Minolta Technology Center, Inc.	Konica Minolta Photo Imaging U.S.A., Inc.
Konica Minolta Business Expert, Inc.	Konica Minolta Manufacturing U.S.A., Inc.
Konica Minolta Business Solutions Japan Co., Ltd.	Konica Minolta Photo Imaging Europe GmbH

Number of unconsolidated subsidiaries: 31

Unconsolidated subsidiaries have not been included in consolidation because they are relatively small and their assets, sales, net income, and retained earnings (in proportion to scale of equity ownership) do not have a material influence on interim consolidated results.

2. Scope of the Use of Equity Accounting

Number of unconsolidated subsidiaries accounted for by the equity method: 13

Principal unconsolidated subsidiaries: Konica Minolta Photochem (Thailand) Co., Ltd.

Number of affiliates accounted for by the equity method: 2

The total net income (loss) and retained earnings of the 18 equity-method non-consolidated subsidiaries and 7 affiliates were of small scale and had negligible effect on interim consolidated financial statements. Therefore they have been excluded from the scope of the equity method

3. Accounting Standards and Methods

(1) Asset valuation

1. Securities

Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the balance sheet date. (Total net unrealized gains or losses after tax effect adjustments are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market values are primarily stated at cost using the moving value average.

2. Derivatives

Derivatives are stated using the mark-to-market method.

3. Inventories

Domestic consolidated subsidiaries' inventories are, in the main, recorded at cost as determined by the periodic-average method. Overseas consolidated subsidiaries' inventories are recorded at the lower of cost or market value, with cost determined by the first-in, first-out method.

(2) Depreciation and amortization of major depreciable assets

1. Tangible fixed assets

The depreciable assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. Overseas consolidates subsidiaries adopt the straight-line method for depreciation. However, the parent and its domestic consolidated subsidiaries have used the straight-line method for their buildings (excluding annexed structures) acquired since April 1, 1998.

2. Intangible fixed assets

We have adopted the straight-line method based on an estimated in-house working life of five years for the software we use.

(3) Reserves

1. Allowance for doubtful receivables

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For specific receivables for which there is some concern regarding collectability, an amount is recorded by investigating the possibility of collection for each individual account.

2. Reserves for product warranty

Regarding the provision of after-sales service for cameras, facsimiles, and copiers, reserves for product warranties for cameras and facsimiles are calculated based on the estimated amount of service costs during the warranty period. For copiers, the amount is recorded based on past after-sales service expenses as a percentage of net sales.

3. Reserves for retirement benefits

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the interim consolidated accounting period based on projected benefit obligations and pension assets.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized, primarily by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

4. Allowance for Directors' Retirement Benefits

Consolidated subsidiaries, to provide for the payment of directors' retirement benefits, record reserve for benefits for retired directors and auditors in an actual amount equal to the need at the end of the interim period under review based on the Company's regulations.

(Additional information)

Konica Minolta, at its Annual Meeting of Shareholders held on June 24, 2005, abolished its directors' retirement benefits system, with the aim of raising morale and increasing the willingness of its directors and executive officers to work toward improving performance, as well as to clarify management responsibility. This system was replaced with a stock option compensation scheme.

The total value of existing accumulated reserves has been frozen and recorded as "Other fixed liabilities.

(4) Lease transactions

Finance leases are principally accounted for as operating leases that do not transfer ownership rights of the leased property to the lessee.

(5) Principal accounting methods for hedge transactions

1. Hedge accounting methods

The deferred hedge method is used. Special accounting methods are used for interest rate swaps.

2. Hedge methods and hedge targets

The hedge methods are forward exchange contracts, interest rate swaps and commodity future trade.

The hedge targets are scheduled foreign currency denominated transactions, corporate bonds, borrowings, and raw materials.

3. Hedge policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts as hedging instruments only, not for trading purpose to make profits, within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates with respect to export and import.

In addition, the Company and consolidated subsidiaries enter into interest rate swaps to make interest rates on bonds and borrowings stable or reduce costs fluctuations for future capital procurement and enter into commodity swaps to make material costs stable, both as hedging instruments only, not for speculation purpose, within the limit of actual financial or operating transactions.

4. *Methods for evaluating the effectiveness of hedges*

Verification is made to ascertain a high correlation between value fluctuations of hedged items and hedging instruments.

(6) Other important items regarding the preparation of consolidated financial statements

1. Consumption tax

National and local consumption taxes are accounted for by the tax excluded method.

2. Consolidated tax payment system

From the interim fiscal period under review, the consolidated tax payment system was applied.

4. Range of Cash within Consolidated Cash Flow Statements

Cash (cash and cash equivalents) in the interim consolidated cash flow statements comprises cash on hand and short-term investments easily converted into cash with little risk to a change in value.

Discrepancies between methods recognized in the most recent consolidated fiscal accounting year and accounting procedures for the interim period under review.

(Accounting standards pertaining to the impairment of fixed assets)

Accounting standards pertaining to the impairment of fixed assets—The "Written Opinion Concerning the Establishment of Accounting Standards Pertaining to the Impairment of Fixed Assets" (Corporate Accounting Commission, August 9, 2002), and "Guidelines for the Application of Accounting Standards Pertaining to the Impairment of Fixed Assets" (Corporate Accounting Standards Application Guidelines, Issue 6, October 31, 2003), were applied from this interim period.

As a result, operating income increased by ¥405 million, recurring profit declined by ¥271 million, and income before income taxes and minority interests declined by ¥23,570 million. The impact on segment results is showed in the segment information section.

Regarding accumulated impairment losses, the total amount of each asset was directly written off in accordance with revised regulations regarding interim consolidated financial statements.

Accounting standards regarding retirement allowance payments in the United Kingdom

From the interim fiscal period under review, consolidated subsidiaries Konica Minolta Business Solutions (UK) Ltd. and Konica Minolta Photo Imaging (UK) Ltd. have applied new accounting standards regarding retirement allowance payments in the U.K. As a result, retained earnings have declined by ¥1,842 million compared to their level under the former method.