11. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of Income and Retained Earnings

(Millions of yen)

	Six months ended September 30, 2005		Six months ended September 30, 2004		Fiscal year ended March 31, 2005	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	% of operating revenue
Operating revenue	22,423	100.0	25,041	100.0	41,014	100.0
Operating expenses	14,275	63.7	13,404	53.5	26,852	65.5
Operating income	8147	36.3	11,637	46.5	14,162	34.5
Non-operating income	[1,467]	6.6	[1,678]	6.7	[3,102]	7.6
Interest income	1,126		1,215		2,424	
Dividends earned	203		163		210	
Other	137		299		466	
Non-operating expenses	[979]	4.4	[1,139]	4.6	[2,214]	5.4
Interest expense	554		523		1,096	
Cooperate bond interest	235		412		715	
Other	189		203		402	
Recurring profit	8,636	38.5	12,176	48.6	15,050	36.7
Extraordinary profit	[1,155]	5.1	[18]	0.1	[2,962]	7.2
Gain on sales of fixed assets	98		18		277	
Gain on sales of investment securities	1,057		-		2,684	
Extraordinary losses	[17,203]	76.7	[531]	2.1	[35,667]	86.9
Loss on disposal and sale of fixed assets	306		253		1,578	
Loss due to impairment	566		-		-	
Provision to the reserve for doubtful receivables	16,331		-		-	
Write-down on investment securities	-		277		278	
Valuation loss on stocks on associated companies	-		-		33,810	
Income before income taxes for the period under review (loss)	(7,412)	(33.1)	11,663	46.6	(17,654)	(43.0)
Income taxes	(5,338)		2		5	
Tax refunds for income and other taxes	-		(76)		(76)	
Deferred income taxes	3,797		(1,187)		(1,987)	
Interim net income (loss)	(5,872)	(26.2)	12,924	51.6	(15,596)	(38.0)
Retained earnings (loss) at beginning of the period	3,886		5,466		5,466	
Amount lost through land reappraisal differential	37		8		10	
Interim dividend payment	-		-		2,655	
Undistributed income for interim period (loss)	(1,947)		18,399		(12,774)	

Notes:	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Actual depreciation and amortization amount			
Tangible fixed assets (millions of yen)	1,952	1,745	3,619
Intangible fixed assets (millions of yen)	808	727	1,495

(2) 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	[151,948]	[38.0]	[176,645]	[39.5]	[157,113]	[38.9]
Cash and deposits	12,068		13,408		14,969	
Trade notes receivable	—		14		5	
Accrued revenue	1,741		1,565		1,528	
Prepaid expenses	1,206		992		288	
Deferred tax assets	179		108		4,294	
Short-term loans	139,482		155,826		129,263	
Other receivables	11,418		495		547	
Tax receivable	—		3,256		4,674	
Other current assets	2,309		1,151		1,684	
Allowance for doubtful accounts	(16,458)		(173)		(144)	
Fixed assets	[247,463]	[62.0]	[270,397]	[60.5]	[246,272]	[61.1]
Tangible fixed assets	[75,905]	19.0	[76,367]	17.1	[76,919]	19.1
Buildings	39,522		39,428		40,013	
Structures	3,094		2,928		3,243	
Machinery and Equipments	1,406		363		1,427	
Vehicles	0		0		0	
Equipment	667		612		754	
Land	30,952		32,760		31,381	
Construction in progress	261		274		98	
Intangible fixed assets	[4,199]	1.1	[4,754]	1.1	[4,697]	1.2
Software	3,701		3,742		3,914	
Other intangible fixed assets	498		1,012		782	
Investments and others	[167,358]	41.9	[189,274]	42.3	[164,654]	40.8
Investment securities	20,788		22,659		20,650	
Shares in affiliates	126,658		161,388		127,587	
Company concerned investment	3,794		—		105	
Company concerned long-term loans	14,100		—		14,100	
Deferred tax assets	—		2,985		—	
Other investments	2,124		2,321		2,327	
Allowance for doubtful accounts	(108)		(79)		(117)	
Total assets	399,412	100.0	447,042	100.0	403,386	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
Current liabilities	[108,186]	27.1	[116,012]	26.0	[102,513]	25.4
Trade notes payable	134		82		186	
Short-term loans	87,085		89,286		79,044	
Long-term loans due within one year	6,412		4,459		4,919	
Bonds due within one year	5,000		16,300		10,000	
Account payable - other	4,532		1,753		4,662	
Accrued expenses	4790		3,845		3,500	
Other current liabilities	231		286		200	
Long-term liabilities	[76,195]	19.1	[77,103]	17.2	[78,123]	19.4
Bonds	10,000		15,000		10,000	
Long-term loans	51,137		48,558		54,342	
Deferred tax liabilities	861		—		485	
Deferred tax liabilities related to revaluation	6,059		5,961		5,960	
Reserve for retirement benefits and pension plans	7,113		6,496		6,240	
Reserve for directors' retirement benefits	—		724		822	
Other long-term liabilities	1,023		362		274	
Total liabilities	184,381	[46.2]	193,116	[43.2]	180,637	[44.8]
Capital stock	37,519	9.4	37,519	8.4	37,519	9.3
Additional paid-in capital	[157,521]	39.4	[157,519]	35.2	[157,521]	39.0
Capital reserve	157,501		157,501		157,501	
Other additional paid-in capital	19		17		20	
Retained earnings	[5,812]	1.5	[45,475]	10.2	[14,301]	3.5
Legal reserves	7,760		7,760		7,760	
Voluntary reserves	—		19,315		19,315	
Undistributed income for interim period (loss)	(1,947)		18,399		(12,774)	
[Includes interim net income (loss)]	[(5,872)]		[12,924]		[(15,596)]	
Gain on revaluation of land	8,524	2.1	8,689	1.9	8,687	2.2
Revaluation difference of other marketable securities	6,485	1.6	5,389	1.2	5,511	1.4
Treasury stock	(832)	(0.2)	(666)	(0.1)	(791)	(0.2)
Total shareholders' equity	215,030	[53.8]	253,926	[56.8]	222,749	(55.2)
Total liabilities and shareholders' equity	399,412	100.0	447,042	100.0	403,386	100.0

Note:	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)	72,906	71,604	71,579
2. Balance of guaranteed obligations	25,649	26,618	30,416
<including guarantee> (millions of yen)	<7,000>	<8,903 >	<7,147 >

Joint liability between the Company and its affiliates included ¥8,949 million for interim period ended September 30, 2005, ¥11,962 million for interim period ended September 30, 2004, and ¥8,652 million for fiscal year ended March 31, 2005. In the event that the Company fulfills those obligations, it retains the right to recover payment in full from its subsidiaries.

BASIS OF PRESENTING INTERIM FINANCIAL STATEMENTS

1. Asset Valuation

(1) Marketable Securities

Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates are stated at cost using the moving-average method.

Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the interim settlement date. (Total net unrealized gains or losses after tax effect adjustment 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 value are primarily stated at cost using the moving-average method.

(2) Derivatives

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

2. Depreciation and amortization of major depreciable assets

(1)Tangible fixed assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding annexed structures) acquired since April 1, 1998.

(2)Intangible fixed assets

The straight-line method is used. For software for internal use, the straight-line method is adopted based on a licensing period of five years.

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) Reserve 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 at the end of the current fiscal year.

For treatment of expenses related to prior service obligations, we apply the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

Regarding actuarial loss/gain, expenses are treated from the following fiscal year of business, based on the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

(3) Allowance for Directors' Retirement Benefits

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 operating 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 that do not transfer ownership rights of the leased property to the lessee are principally accounted for based on the usual methods for operating leases.

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 that meet certain conditions.

(2)Hedging instruments

Hedge instruments

The hedge method is interest rate swaps.

The hedge targets are scheduled corporate bonds and borrowings.

(3)Hedge policy

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, 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 subject interim fiscal period, consolidated tax payment system was applied.

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 “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 and recurring profit increased by ¥100 million each, and income before income taxes declined by ¥556 million.

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

13. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

14. MARKETABLE SECURITIES

In the current interim period under review as well as in the previous interim period and the previous full fiscal year, no subsidiary nor affiliate recorded any market value for its stock.

15. MAJOR SUBSEQUENT EVENT

(New Round of Structural Reform in the Photo Imaging business)

At a meeting of the Board of Directors held November 4, 2005, a basic blueprint was decided for a new round of structural reform in the Photo Imaging business.