November 2, 2006

Consolidated Financial Results
Interim Fiscal Period Ended September 30, 2006

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
URL: http://konicaminolta.com
Representative:Yoshikatsu Ota, President and CEO
Inquiries: Yuki Kobayashi, General Manager, Corporate Communications & Advertising Division
Tel: (81) 3-6250-2100
Stock Exchange Listings: Tokyo, Osaka (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Consolidated Results: November 2, 2006
U.S. accounting practices have not been adopted in this statement.

1. CONSOLIDATED FINANCIAL RESULTS FOR INTERIM PERIOD (From April 1, 2006 to September 30, 2006)

(1) Operating Results (Figures less than ¥1 million have been omitted.)

[Millions of yen]

	Net sales		Operating income		Recurring profit	
Interim period ended September 30, 2006	493,950	-4.6%	46,260	17.4%	44,854	27.3%
Interim period ended September 30, 2005	517,598	-3.3%	39,408	21.2%	35,245	25.1%
Fiscal year ended March 31, 2006	1,068,390		83,415		76,838	

	Net income (loss)		Net income (loss) per share	Net income per share (after full dilution)
Interim period ended September 30, 2006	22,508	—%	42.40 (yen)	42.39 (yen)
Interim period ended September 30, 2005	(3,482)	—%	(6.56)	—
Fiscal year ended March 31, 2006	(54,305)	—%	(102.29)	—

Notes: 1. Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Interim period ended September 30, 2006: ¥ 24 million
Interim period ended September 30, 2005: ¥ -682 million
Fiscal year ended March 31,2006: ¥ -2,507 million
2. Average number of shares outstanding during the period (consolidated):
Interim period ended September 30, 2006: 530,812,917
Interim period ended September 30, 2005: 530,925,770
Fiscal year ended March 31, 2006: 530,898,148
3. Changes in accounting methods: No
4. The percentages of net sales, operating income, recurring profit, and net income columns indicate the rage of increase and decrease compared with the same interim period of the previous fiscal year.
5. No figure is shown for interim and full-year net income assuming full dilution for the interim and full-year period of the previous fiscal year as the Company reported a net loss for the said interim and full-year period.

(2) Financial Position

[Millions of yen]

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Interim period ended September 30, 2006	925,180	318,335	34.2	595.25
Interim period ended September 30, 2005	949,949	336,862	35.5	634.50
Fiscal year ended March 31, 2006	944,054	293,817	31.1	553.50

Notes: Number of shares outstanding at the end of the period (consolidated):
Interim period ended September 30, 2006: 530,789,209
Interim period ended September 30, 2005: 530,905,682
Fiscal year ended March 31,2006: 530,839,213

(3) Cash Flows

[Millions of yen]

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents year at end of period
Interim period ended September 30, 2006	26,898	(26,745)	(9,268)	72,222
Interim period ended September 30, 2005	37,213	(25,707)	(7,505)	64,175
Fiscal year ended March 31, 2006	78,924	(43,146)	(16,850)	80,878

(4) Scope of Consolidation/Equity Method Accounting

Consolidated subsidiaries: 122
Unconsolidated subsidiaries accounted for by the equity method: 11
Affiliates accounted for by the equity method: 3

(5) Changes in Scope of Consolidation/Equity Method

Newly consolidated subsidiaries: 6
Subsidiaries excluded from consolidation: 8
Companies included in equity method accounting: —
Companies excluded from equity method accounting: —

2. CONSOLIDATED RESULTS FORECAST FOR FISCAL YEAR ENDING MARCH 31, 2007 (From April 1, 2006 to March 31, 2007)

[Millions of yen]

	Net sales	Recurring profit	Net income (loss)
Full-year	1,006,000	90,000	46,000

(Estimated net income per share: ¥86.66)

* The above forecasts are expectations based on predications, outlooks, and plans related to the future at the time of this announcement and, as such, are subject to risks and uncertainties. Various significant factors in the operating environment surrounding the company may cause actual results to differ materially from these forecasts.

1. GROUP OVERVIEW

The Group comprises the parent company, 122 consolidated subsidiaries, 27 non-consolidated subsidiaries, and 10 affiliates. A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Businesses: 81
(Consolidated Subsidiaries: 60, Unconsolidated Subsidiaries: 16, Affiliates: 5)

Production: 9
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Toyohashi Precision Products Co., Ltd.
- Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
- Other Companies: 6

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Konica Minolta Business Technologies, Inc.

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Sales: 71
- Konica Minolta Business Solutions Japan Co., Ltd.
- Konica Minolta Business Solutions U.S.A., Inc. (U.S.A)
- Konica Minolta Business Solutions Europe GmbH (Germany)
- Konica Minolta Business Solutions (UK) Ltd. (U.K.)
- Konica Minolta Business Solutions France S.A.S. (France)
- Konica Minolta Business Solutions Australia Pty. Ltd. (Australia)
- Other Companies: 65

Sensing Business: 4
(Consolidated Subsidiaries: 4)

Konica Minolta Sensing, Inc.

Sales: 3
- Konica Minolta Sensing Europe B.V. (Netherlands)
- Konica Minolta Sensing America, Inc. (U.S.A)
- Other Companiy: 1

Other Businesses: 14
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 1, Affiliates: 1)
- Konica Minolta IJ Technologies, Inc.
- Konica Minolta Business Expert, Inc.
- Konica Minolta Technology Center, Inc.
- Konica Minolta Logistics Co., Ltd.
- Konica Minolta Sogo Service Co., Ltd.
- Konica Minolta Engineering Co., Ltd.
- Konica Minolta Information System Co., Ltd.
- Konica Minolta Technosearch Co., Ltd.
- Konica Minolta Planetarium Co., Ltd.
- Other Companies: 5

Optics Businesses: 8
(Consolidated Subsidiaries: 8)

Production: 6
- Konica Minolta Opto Products Co., Ltd.
- Konica Minolta Opto (DALIAN) Co., Ltd. (China)
- Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China)
- Other Companies: 3

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Konica Minolta Opto, Inc.

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Sales: 1
- Konica Minolta Opto (SHANGHAI) Co., Ltd. (China)

Medical and Graphic Imaging Businesses: 19
(Consolidated Subsidiaries: 14, Unconsolidated Subsidiaries: 3, Affiliates: 2)

Production: 4
- Konica Minolta Technoproducts Co., Ltd.
- Konica Minolta Repro Co., Ltd.
- Other Companies: 2

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Konica Minolta Medical & Graphic , Inc.

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Sales: 14
- Konica Minolta Medical Co., Ltd.
- Konica Minolta ID System Co., Ltd.
- Konica Minolta Medical Imaging U.S.A., Inc. (U.S.A)
- Konica Minolta Graphic Imaging Japan Co., Ltd.
- Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.A)
- Other Companies: 9

Photo Imaging Businesses: 33
(Consolidated Subsidiaries: 24, Unconsolidated Subsidiaries: 7, Affiliates: 2)

Production: 8

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Konica Minolta Photo Imaging, Inc.

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Sales: 24

Notes:
*1: Organization chart is as September 30, 2006.
*2: Only major consolidated subsidiaries are shown.
*3: Konica Minolta Optical Products (SHANGHAI) Co., Ltd. was re-categorized from the Photo Imaging Business to the Optics Business along with the transfer of the shares (sale) on August 31, 2006,
*4: On July 1, 2006, Konica Minolta ID Imaging Co., Ltd., was transferred to a third party.

2. MANAGEMENT POLICY

(1) Basic Management Policy

With its sights set on becoming an innovative corporate group that generates new excitement in the area of imaging input/output the Konica Minolta Group is developing its business globally under the business philosophy “Creation of new value.”

Management philosophy: “Creation of new value”
Management vision: “Innovative corporation that continues to create impressions in the field of imaging”
“A global market leader that offers advanced technology and reliability.”
Corporate message: “The essentials of imaging”

(2) Medium-to Long-Term Management Strategies and Pending Issues

Medium-Term Business Plan “FORWARD 08”

The Konica Minolta Group’s fields of business are wide ranging and include office equipment, optical devices, LCD materials, and medical and graphic printing products, all of which are undergoing increasingly rapid technological changes, including greater digitization, the ever more widespread use of color, and the increasing use of broadband networks. In addition, the industry is experiencing fierce competition for survival amongst companies due to steady corporate restructuring that transcends national boundaries. At the same time, after we withdraw from the photo-related business, which has been the driver of our brand image in a business area that has existed since the company's inception, we will make additional rigorous structural changes and work to raise employee awareness in ongoing businesses that we must transform ourselves into a corporate group that pursues growth by leveraging collective Group resources to win.

For the Group to successfully compete globally and achieve sustained growth in such an environment, we instituted “FORWARD 08,” a new medium-term business plan that covers the three-year period from Aplil 2006 through 2009, and are off to a new start. In light of our summary review and reflection on matters that have transpired over the period since the business integration, the Group will define the future direction of Group companies and prioritize the challenges they are to address, as well as increase the value added by Group businesses and optimize Group corporate value through the implementation of this plan. An overview of the plan follows.

<u>Basic Strategies and Numerical Targets of the New Medium-Term Business Plan “FORWARD 08”</u>

- Basic Strategies:
  1. Promote growth by leveraging collective Group resources
  2. Build a new corporate image
  3. Promote world-class corporate social responsibility (CSR) programs
- Numerical Targets (Consolidated targets for the fiscal year ending March 31, 2009)
  1. Net Sales: ¥1,100 billion
  2. Operating Income: ¥110 billion (operating profit margin: 10%)
  3. Net Income ¥57 billion

We consider the pursuit of business synergies beyond the Group’s current framework and the increase in the added value of our businesses to be of critical importance to the improvement of our growth potential. We will accelerate Group growth in the equipment and services business group, which include the multifunctional peripherals (MFPs), laser printers (LBPs) and digital printing, and medical imaging businesses, as well as in the component business group, which comprises optical components and display materials.

To ensure that we are viewed by customers as a company that fully integrates the Group’s core technologies, namely, optical, image processing, materials, and nano fabrication technologies, and provides innovative products and a professional level of service that contribute to our customer's business success, we will constantly maintain a customer perspective and continuously work to improve our technical capabilities in all our business fields.

In addition, to sustain corporate value it is important that we will be a company that society trusts. We will strengthen our global development not only economically but also socially and environmentally and continue to improve internal Group controls, including compliance, ensure highly transparent management, and fulfill our corporate social responsibilities.

In addition, Konica Minolta terminated business activities pertaining to cameras and minilabs on March 31, 2006, pursuant to the decision made at the Board of Directors' Meeting held in January 2006 to exit the Photo Imaging Business.

As for our film and photographic paper businesses, our offices in Japan and overseas are retreating from these businesses in line with plans to gradually scale back these operations with the goal of terminating all such business and related activities by September 30, 2007. Konica Minolta has sales bases in 23 countries engaged in film and photographic paper operations, and has already successively brought operating activities to a close in 19 countries, Meanwhile, we are making concerted efforts to effectively utilize our film and photographic paper businesses' assets and facilities through relocations and transfers to other business areas within the Group as well as third parties. For instance, we transferred the operations of our domestic sales organization for these businesses to Dai Nippon Printing Co., Ltd. (DNP), in July 2006, and transferred the operations of the Odawara site, where photographic paper is manufactured, to DNP on October 31, 2006.

(3) Basic Policy Regarding Distribution of Profits

Regarding the return of a portion of profits to shareholders, the Company has set a medium- to long-term basic policy of continuing to pay stable dividends taking comprehensive account of progress toward business objectives on a consolidated basis, the Company's dividend propensity, and the improvement in retained earnings needed to support business expansion.

From the perspective of paying stable dividends, the Company has established ¥10 per share as a benchmark dividend and, from the perspective of dividend growth, has set a goal for its dividend payout ratio of 15% on a consolidated basis. To the extent possible, the Company aims to pay dividends linked to Group performance to reward shareholders for their ongoing understanding and support.

We regret that we are unable to provide dividends for the first half of the current fiscal year due to the recording of a significant extraordinary loss in the previous fiscal year associated with the aforementioned termination of the Photo Imaging Business. However, structural reforms in preparation for the termination of these operations are on schedule. In addition, the steps that we have been taking since the business merger to strengthen operations, primarily the Business Technologies Business and the Optics Business, are steadily producing results. Furthermore, thanks to these initiatives, our performance in the interim period under review exceeded our initial projections. Thus, we plan to resume the payment of dividends at the end of the current fiscal year, assuming that various factors—notably, major economic fluctuations—do not impact Konica Minolta's business operations in Japan, Europe, and the United States.

(4) Views and Policies Regarding Lowering of Minimum Investment Unit

To improve the liquidity of Konica Minolta shares in the stock market and broaden our investor base, especially among individual investors, from August 5, 2003, the date that the Group holding company was established as a result of the business integration, the Company reduced the number of shares in a single investment unit from 1,000 to 500.

3. OPERATING RESULTS AND FINANCIAL POSITION

(1) Summary of the interim fiscal period

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
Sales	493,950	517,598	(23,647)	-4.6 %
Gross profit	237,819	239,138	(1,318)	-0.6
Operating Income	46,260	39,408	6,,852	17.4
Recurring profit	44,854	35,245	9,609	27.3
Net income before income taxes and minority interests	47,880	7,231	40,649	562.1
Net income (loss)	22,508	(3,482)	25,991	-
Net income per share (yen)	42.40	(6.56)	48.96	- %
Capital expenditure	33,761	31,404	2,357	7.5 %
Depreciation	24,618	25,380	(761)	-3.0
R&D expenses	34,826	32,171	2,655	8.3
Exchange rates (yen)				%
US dollar	115.38	109.48	5.90	5.4
Euro	145.97	135.65	10.32	7.6

Looking back at the world economy in the first half of the fiscal year ending March 31, 2007, domestic demand made for a generally strong U.S. economy despite signs of a slowing in the economy's sustained expansion marked by a downturn in housing investment growth. In Europe, exports were robust and the economy headed gradually toward recovery. In addition, Asian economies generally fared well with China and India sustaining high rates of growth.

In Japan, although concerns pertaining to soaring raw material prices as typified by crude oil prices persisted, the overall economy remained on track toward recovery with improvements in the employment environment supporting an upturn in household consumption and the currency exchange position created by a strong euro and weak yen providing a boost to exporting companies that, in turn, contributed to marked improvements in corporate performance in a wide range of industries and continued expansion in capital investment.

Against this backdrop, Konica Minolta has given paramount importance to “promoting growth by leveraging collective Group resources with the aim of enhancing new businesses' added-value” in line with its medium-term business plan “FORWARD 08,” which was established in May 2006. Accordingly, we are taking steps to bolster and enhance operations, focusing on the Group's core business, namely the Business Technologies Business, and strategic business, namely the Optics Business. At the same time, the entire Group is taking part in the largest and most extensive structural reform since the business merger, moving forward with preparations for a complete and rapid exit form the Photo Imaging Business.

Net sales for the first half of the current fiscal year were ¥493.9 billion. Although overall sales for the Group declined 4.6% year on year, owing primarily to lower sales from the Photo Imaging Businessas it goes through the process of being terminated, sales of color MFPs, particularly of new products, were strong as was the performance of protective film for polarizing plates used in LCDs (TAC film), which is seeing continuing growth in demand. In addition, other continuing operations, excluding the Photo Imaging Business, are on solid ground with increases in revenue. The gross profit margin improved 1.9 percentage points, from 46.2% to 48.1%, thanks to Groupwide cost-cutting efforts and increased sales volume, primarily of new products, which offset the impact of lower prices stemming from fiercer competition, as well as the exchange rate benefits of a weaker yen. Despite an increase in R&D spending in the Business Technologies Business, which is in the midst of a shift from black and white to color MFPs, selling, general and administrative (SG&A) expenses fell ¥8.1 billion from the same period of the previous fiscal year, owing to a significant reduction in Photo Imaging Business expenses reflecting the reinforcement of the Company's focus on select operations. As a result, operating income in the first half of the current fiscal year was ¥46.2 billion, up 17.4%, or ¥6.8 billion, from the same period of the previous fiscal year. In addition, the operating profit margin improved 1.8 percentage points, from 7.6% to 9.4%.

Recurring income increased ¥9.6 billion, or 27.3%, year on year, to ¥44.8 billion, owing mainly to a reduction in the loss on disposal of inventory assets in non-operating income. In addition, net income before income taxes recorded ¥47.8 billion, net income in the interim period under review improved a marked ¥22.5 billion, as a result of such factors as the absence of the impairment loss that was posted in the same period of the previous fiscal year.

Capital investments came to ¥33.7 billion, up ¥2.3, owing to the aggressive strengthening of production capacity in such growth areas as polymerized toner, for which demand is expected to increase in tandem with expanded sales of color MFPs, and TAC film, for which demand continues to rise. In addition, although a write-off of fixed assets was recorded in the previous fiscal year, mainly in the Photo Imaging Business, depreciation increased due to the establishment of new TAC film production facilities and an office equipment assembly plant in Wuxi, China. As a result, depreciation and amortization amounted to ¥24.6 billion.

(2) Segment Information

1. Business Technologies Business [multifunctional peripherals (MFPs), printers, etc.]

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	309,539	283,517	26,022	9.2 %
(2) Intersegment sales	1,767	1,160	607	52.3 %
Total sales	311,307	284,678	26,629	9.4 %
Operating expenses	277,210	256,610	20,600	8.0 %
Operating income	34,097	28,067	6,029	21.5 %

Anchored in the Company's "genre-top strategy" of becoming the dominant player in each of its market segments by focusing its business resources on specific markets and business areas and securing the top brand position, the Business Technologies business is focusing on expanding its operating base with regard to color MFPs, which are continuing to see growth in the domestic and overseas general office markets. We have enhanced our product lineup in the medium- to high-speed MFP market with the bizhub C250 (25 ppm output capacity for color and black and white), the bizhub C351 (35 ppm color and black and white), and the bizhub C450 (35 ppm color, 45 ppm black and white), and in May 2006, we rolled out two new models—the bizhub C352 (35 ppm color and black and white) and the bizhub C300 (30 ppm color and black and white)—to strengthen product appeal. The bizhub C (bizhub color) series sold well, mainly in Europe, winning over customers with high-quality images achieved through our industry-leading polymerized toner and image technologies as well as excellent cost performance afforded by tandem engines that realize high productivity, outstanding reliability, and great operability. In the first half of the fiscal year, unit sales of color MFPs soared 55% from the same period of the previous fiscal year, causing the share of MFP unit sales in segment 2—which refers to MFPs with an output capacity of 21 ppm or higher, an area where we have given priority to bolstering sales—as a percentage of color MFP sales to rise from 33% in the first half of the previous fiscal year to 41%. In addition, in September 2006, we added the bizhub PRO C6500 (65 ppm color and black and white) to our bizhub PRO series of high-speed MFPs, which includes bizhub PRO 920 (92 ppm black and white), bizhub PRO 1050 (105 ppm black and white), and bizhub PRO C500 (51 ppm color and black and white). This series is designed for the light production print market, for which growth is expected from in-house printing departments of major corporations, data centers, and major franchise copy shops. In this field, we are working to provide products and services that showcase Konica Minolta's superior levels of quality and reliability by reinforcing dedicated sales teams while moving forward with the formation of strategic alliances with external companies. Thanks to these key initiatives as well as our thorough response to strong demand for black and white MFPs, total unit sales of MFPs in the first half of the fiscal year climbed 13% from the same period of the previous fiscal year.

In LBP operations, we made the shift toward sales strategies that place greater emphasis on profitability a priority task and are striving to bolster sales of high-value-added, medium- to high-speed tandem color LBPs, including magicolor 5400 series (25.6 ppm color and black and white) and magicolor 7400 series (25 ppm color and black and white) products, focusing on the general office market for which print volume is expected.

As a result, sales to external customers rose 9% year on year, to ¥309.5 billion, and operating income jumped 22%, to ¥34.0 billion.

2. Optics Business [optical devices, electronic materials, etc.]

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	67,675	51,546	16,128	31.3 %
(2) Intersegment sales	769	1,002	(232)	-23.2 %
Total sales	68,444	52,548	15,896	30.3 %
Operating expenses	57,779	44,633	13,145	29.5 %
Operating income	10,664	7,914	2,750	34.7 %

. In the Optics Business, we fully leveraged our strengths in optical technology, coating technology, materials technology, and nano fabrication technology, anticipated market and technological trends, and took steps to expand our scale of business.

In displays, sales of TAC film—both regular products and such functionally sophisticated products as retardation film—were robust, supported by strong demand for use in large LCD TVs. Unit sales were up 50% year on year, thanks to greater production capacity due to the coming on stream of a third and fourth manufacturing line in September 2005 and September 2006, respectively.

As for memory-related products, unit sales of optical pickup lenses struggled to gain ground despite the start of the mass production of next-generation DVD products, including the Blue-ray Disc (BD),and the HD-DVD, for which the digital consumer electronics industry has great expectations, as production cutbacks for objective lenses for current CDs and DVDs dragged on longer than expected. In contrast, unit sales of glass hard disk substrate jumped 40% year on year, buoyed by stable growth in the notebook PC market and the expansion of such new applications for hard disk substrate as use in information appliances with built-in hard disc drives (HDDs).

Turning to image input/output components, sales of lens units for digital cameras were sluggish due to intensifying competition in the finished products market; however, unit sales of micro cameras and micro lenses nearly doubled year on year, owing to a shift in components for camera-equipped mobile phones from the 1.3 megapixel class to the 2 and 3 megapixel classes that has spurred rising demand for high-end micro cameras, an area in which Konica Minolta excels.

As a result, sales to outside customers in this segment grew 31% year on year, to ¥67.6 billion, and operating income jumped 35%, to ¥10.6 billion.

3. Medical and Graphic Imaging Business [medical and graphic products, etc.]

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)	Change
(1) External sales	76,046	68,333	7,712	11.3 %
(2) Intersegment sales	8,441	16,548	(8,107)	-49.0 %
Total sales	84,487	84,882	(394)	-0.5 %
Operating expenses	79,317	78,611	706	0.9 %
Operating income	5,170	6,271	(1,100)	-17.6 %

In the medical segment, we took steps to expand sales of digital input/output equipment, including the REGIUS series of digital radiography systems and the DRYPRO series of imaging output equipment, as well as x-ray film in response to the growing trend toward digitization and the networking of products in diagnostic and medical settings, especially in large hospitals overseas and in Japan. In the first half of the current fiscal year, although sales of equipment in Europe and the United States were strong, sales in Japan were lackluster due to sluggish demand for equipment for hospitals stemming from revisions to the payment system for medical services. In contrast, sales of film were robust, mainly in Europe, the United States, China, and other overseas markets.

In the graphic (printing) segment, the move to filmless imaging is accelerating as digital printing processes take root. Against this backdrop, unit sales in the first half of the current fiscal year edged up from the same period of the previous fiscal year, thanks to strong performance in the Middle East, Asia, and other overseas markets. Meanwhile, in the area of equipment sales, where we are taking steps to bolster operations with the aim of moving to a business structure suitable for a filmless market, we managed to generate unit sales of the digital color proofing system Digital Consensus PRO in line with those in the same period of the previous fiscal year.

As a result, sales to outside customers in this segment increased 11% from the same period of the previous fiscal year, to ¥76.0 billion. Operating income, however, declined 18%, to ¥5.1 billion, owing in part to the soaring price of silver, which is used in coating emulsion for such products as medical film and printing film, as well as National Health Insurance price revisions.

4. Others Business

Sensing Business [Colorimeters, 3D digitizers, and other measurement devices]

This segment leverages Konica Minolta's expertise in optical technology to supply customers in Japan and overseas with measurement devices to perform a variety of measurements, including light-source color, object color, luminance, illuminance, medical, and shape measurements. In the first half of the current fiscal year, sales in the photo and temperature measurement areas declined due to the termination of these operations in the interest of focusing on select businesses; however, sales in the area of color measurement were solid, supported by demand for capital investment related to flat-panel displays (FPDs). As of the current fiscal year, sales in the United States and Europe have been included in the consolidated earnings of this segment due to the establishment of new independent sales companies, and, as a result, sales to outside customers surged 62% year on year, to ¥4.5 billion. Operating income, however, declined 19%, to ¥700 million, due to such factors as higher start up costs associated with the establishment of the sales companies.

Industrial Inkjet Printer Business [Industrial inkjet printer heads, large inkjet printers, etc.]

This segment sells high-definition printer heads to major printer manufacturers and large inkjet printers for textile use as well as various ink consumables for these printers that leverage our proprietary inkjet, chemical, and ink-related technologies. Established in January 2005, this business corporation has entered its second year of full-fledged operations. Thanks to proactive initiatives during the first half of the current fiscal year aimed at developing new customers, sales to outside customers in this business were rose 45% year on year, to ¥2.8 billion, and operating income surged 69%, to ¥600 million.

Photo Imaging Business [Film, photographic paper, etc.]

In the Photo Imaging Business, as mentioned previously, Konica Minolta terminated its camera and minilab businesses on March 31, 2006, and plans to terminate the color film and photographic paper business by September 30, 2007. As a result of this policy, sales to outside customers in the first half of the current fiscal year amounted to ¥29.9 billion, reflecting a substantial year-on-year decline of 72%, and an operating loss of ¥600 million was recorded.

(3) Outlook for the fiscal year ending March 31, 2007

Although there are signs of some slowdown in the U.S. economy, which has been driving the world economy, the economic outlook is generally bright both overseas and in Japan as expansion is expected to continue; however, we recognize that conditions remain unpredictable due to an uncertain future with respect to intensifying price competition in the area of digital-related products; skyrocketing raw material prices as exemplified by high crude oil prices; fluctuations in the exchange rates for the yen against the dollar, euro, yuan, and other currencies; and the political climates in the Middle East and Northeast Asia.

In the Business Technologies Business, we believe that the willingness of the average company to invest in IT equipment remains on an expansionary track thanks to the rebound in corporate earnings and that we will continue to experience strong demand for high-function, high-performance color MFPs that are adapted to office networks. On the other hand, although we expect demand for color LBPs to continue to grow, we are concerned about the deterioration of business profits due to intensifying price competition among manufacturers. The demand for TAC film and other LCD materials in the Optics Business is expected to continue on an upswing, and, with the release of next-generation DVD products and the gathering momentum in overseas markets for mobile phones equipped with high-resolution cameras, as well as other factors, the market environment for optical devices and components for use in digital appliances is expected to improve.

Nevertheless, price softening in the finished products market is putting more intense price pressure on parts manufacturers and unit prices could fall further depending on inventory adjustments following the year-end shopping season.

As discussed previously, sales of Konica Minolta's mainstay products, primarily in the Business Technologies Business and the Optics Business, have thus far been in line with plans. Moreover, in addition to weaker than expected yen exchange rates, initiatives to pick up the pace of preparations for the termination of the Photo Imaging Business and the effects of these initiatives have fallen within the realm of our assumptions. Thus, sales, operating income, recurring profit, and net income for the first half of the current fiscal year have exceeded forecasts. In light of this performance, we have revised our forecasts for the full fiscal year as presented below, taking into consideration projections for the latter half of the current fiscal year for each business.

<Consolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced August 3, 2006	Increase (Decrease)
Net sales	10,060	9,800	260
Operating income	965	800	165
Recurring profit	900	700	200
Net income (loss)	460	300	160

<Non-consolidated basis> (Billions of yen)

	Current Performance Forecast	Previous Performance Forecast Announced August 3, 2006	Increase (Decrease)
Net sales	580	590	(10)
Operating income	280	270	10
Recurring profit	290	270	20
Net income (loss)	350	260	90

Please note that the following foreign currency exchange rates have been assumed in this outlook:

U.S. dollar: ¥115 (Previous performance forecast ¥115)
Euro: ¥140 (Previous performance forecast ¥135)

(4) Financial Position

I. Interim Fiscal Period ended September 30, 2006

Overview

		Six months ended September 30, 2006	Six months ended September 30, 2005	Increase (Decrease)
Total assets	(millions of yen)	925,180	944,054	(18,873)
Shareholders' equity	(millions of yen)	318,335	293,817	-
Shareholders' equity per share	(yen)	595.25	553.50	41.75
Equity ratio	(%)	34.2	31.1	3.1

Note: Total shareholders' equity was used for the figure for net assets at the end of the previous fiscal year.

Compared with the end of the previous fiscal year, total assets declined ¥18.8 billion, to ¥925.1 billion, partially due to downscaling in preparation for the termination of the Photo Imaging Business.

In addition, net assets totaled ¥318.3 billion due to a rise in retained earnings, owing to such factors as the posting of net income of ¥22.5 billion in the interim period under review. Net assets per share came to ¥595.25, and the equity ratio was 34.2%, up 3.1 percentage points from the end of the previous fiscal year.

Cash Flows

	As of September 30, 2006	As of September 30, 2005	Increase (Decrease)
Cash flows from operating activities	26,898	37,213	(10,315)
Cash flows from investing activities	(26,745)	(25,707)	(1,037)
Total (Free cash flow)	152	11,505	(11,353)
Cash flows from financing activities	(9,268)	(7,505)	(1,763)

Cash flows from operating activities

Despite an increase in cash flow reflecting income before income taxes of ¥47.8 billion, depreciation and amortization amounting to ¥24.6 billion, and a ¥22.0 billion upturn in working capital, net cash provided by operating activities totaled ¥26.8 billion, mainly owing to a reduction in income tax payments and the reversal of the allowance for losses stemming from the withdrawal from the Photo Imaging Business posted at the end of the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities totaled ¥26.7 billion. This was primarily due the acquisition of tangible fixed assets amounting to ¥29.6 billion, consisting primarily of dies for new products, TAC film, and polymerization toner, to bolster production capacity.

As a result, free cash flows, calculated from the total of cash flows from operating activities and cash flows from investing activities, amounted to ¥100 million as cash flows from operating activities and investing activities basically cancelled each other out.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥9.2 billion. Thanks to further reductions in interest-bearing debt, mainly through the redemption of bonds in the amount of ¥6.4 billion, the balance of interest-bearing debt at the end of the first half of the current fiscal year was ¥230.4 billion, down ¥6.0 billion from the end of the previous fiscal year.

As a result of the above, cash and cash equivalents at the end of the first half of the current fiscal year declined ¥8.8 billion, including a foreign currency translation adjustment of ¥200 million. In addition, cash and cash equivalents at the end of the first half of the current fiscal year came to ¥72.2 billion on

September 30, 2006, including an increase of ¥200 million attributable to newly consolidated companies.

Cash Flow Indicators

	FY ended March 31, 2003	FY ended March 31, 2004	FY ended March 31, 2005	FY ended March 31, 2006	Six months ended September 30, 2006
Shareholders' equity ratio (%)	35.1	34.6	35.6	31.1	34.2
Market price-based shareholders' equity ratio (%)	65.0	81.5	60.2	84.5	90.8
Debt redemption period (years)	2.3	3.1	4.4	3.0	4.3
Interest coverage ratio	14.3	11.1	10.1	14.4	9.8

Notes:

Shareholders' equity ratio:	(Net assets – subscription warrants – minority interest/total assets) / Total assets
Market price-based shareholders' equity ratio:	Market capitalization divided by total assets
Years of debt redemption:	Interest-bearing debt divided by cash flow from operating activities (for the interim period, cash flows from operating activities multiplied by two)
Interest coverage ratio:	Cash flow from operating activities divided by interest payments

1. Each of these indicators is calculated based on consolidated financial data.
2. Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
3. Net cash flow from operating activities are those stated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows.

II. Cash Flow Outlook for the Fiscal Year Ending March 31, 2007

Konica Minolta projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥20 billion.

*Figures given in the text as billions of yen have been rounded off to the nearest hundred million.

4. Consolidated Financial Statements

(1) Consolidated Statements of Income

[Millions of yen]

	Six months ended September 30, 2006		Six months ended September 30, 2005		Fiscal year ended March 31, 2006	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
Net sales	493,950	100.0	517,598	100.0	1,068,390	100.0
Cost of sales	256,130	51.9	278,459	53.8	575,163	53.8
Gross profit	237,819	48.1	239,138	46.2	493,227	46.2
Selling, general and administrative expenses	191,559	38.7	199,730	38.6	409,811	38.4
Operating income	46,260	9.4	39,408	7.6	83,415	7.8
Non-operating income	[8,675]	1.8	[7,715]	1.5	[14,879]	1.4
Interest income	794		584		1,269	
Dividends earned	281		342		487	
Gains on sales of securities	-		-		3	
Equity method profits	24		-		-	
Loss (gain) on foreign exchange	1,666		2,310		5,413	
Other	5,907		4,476		7,705	
Non-operating expenses	[10,081]	2.1	[11,877]	2.3	[21,457]	2.0
Interest expense	2,697		2,811		5,427	
Equity method loss	-		682		2,507	
Disposal/valuation losses of inventories	2.634		3,339		7,540	
Other	4,748		5,045		5,982	
Recurring profit	44,854	9.1	35,245	6.8	76,838	7.2
Extraordinary profit	[4,244]	0.9	[677]	0.1	[3,353]	0.3
Gain on sales of fixed assets	758		132		1,255	
Gain on sales of investment securities	1,575		545		1,528	
Gain on sale of shares in affiliates	1,200		-		569	
Reversal of allowance for loss on withdrawal from operation	710		-		-	
Extraordinary losses	[1,218]	0.3	[28,691]	5.5	[116,126]	10.9
Loss on disposal and sale of fixed assets	1,174		1,830		3,689	
Loss on sale of investment in affiliates	-		9		19	
Loss on sale of investment securities	44		-		420	
Write-down on investment securities	-		-		8	
Loss due to impairment	-		23,299		4,143	
Loss on withdrawal from operations	-		-		96,625	
Special additional severance benefits	-		-		6,484	
Restructuring expenses	-		1,179		-	
Amortization of consolidation goodwill	-		-		2,361	
Other extraordinary loss	-		2,372		2,372	
Income before income taxes and minority interests	47,880	9.7	7,231	1.4	(35,934)	(3.4)
Income taxes	13,976	2.8	9,815	1.9	24,650	2.3
Deferred income taxes	11,023	2.3	585	0.1	(7,116)	(0.7)
Minority interests in earnings of consolidated subsidiaries	372	0.0	312	0.1	837	0.1
Net Income (loss)	22,508	4.6	(3,482)	(0.7)	(54,305)	(5.1)

(2) Consolidated Balance Sheets

[Millions of yen]

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Current Assets		%		%		%
Current assets	[520,639]	56.3	[547,403]	57.6	[540,152]	[57.2]
Cash and deposits	72,222		64,023		80,878	
Trade notes and accounts receivable	237,318		245,203		246,264	
Marketable securities	-		152		-	
Inventories	143,676		181,410		149,428	
Deferred tax assets	35,165		34,772		43,242	
Other accounts receivable	12,540		7,799		10,048	
Other current assets	26,572		23,236		19,681	
Allowance for doubtful accounts	(6,855)		(9,194)		(9,393)	
Fixed assets	[404,541]	[43.7]	[402,546]	[42.4]	[403,902]	[42.8]
Tangible fixed assets	[228,014]	24.7	[214,954]	22.6	[216,127]	22.9
Buildings and structures	65,421		66,863		63,426	
Machinery and vehicles	66,447		53,887		55,607	
Tools and equipment	27,177		26,609		25,227	
Land	35,160		36,134		35,871	
Construction in progress	12,508		9,469		13,128	
Rental business-use assets	21,298		21,990		22,866	
Intangible fixed assets	[100,305]	10.8	[105,923]	11.2	[103,483]	11.0
Goodwill	84,966		-		-	
Consolidated goodwill	-		85,411		80,789	
Other intangible fixed assets	15,339		20,512		22,694	
Investments and others	[76,221]	8.2	[81,668]	8.6	[84,291]	8.9
Investment securities	33,263		32,126		37,459	
Long-term loans	893		1,546		1,051	
Long-term prepaid expenses	4,197		4,496		4,462	
Deferred tax assets	26,130		30,449		29,135	
Other investments	12,781		14,558		13,328	
Allowance for doubtful accounts	(1,045)		(1,508)		(1,146)	
Total assets	925,180	100.0	949,949	100.0	944,054	100.0

[Millions of yen]

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Liabilities						
Current liabilities	[460,610]	49.8	[453,218]	47.7	[476,559]	50.5
Notes and account payable - trade	121,626		142,327		117,974	
Short-term loans	138,404		160,199		135,362	
Long-term loans due within one year	16,082		8,216		8,086	
Bonds due within one year	8,027		12,038		14,037	
Account payable - other	50,129		12,839		27,948	
Accrued expenses	37,049		76,770		77,044	
Accrued income taxes	8,397		6,628		8,778	
Allowance for bonus	12,639		-		-	
Allowance for product warranty	5,068		5,397		5,084	
Allowance for loss on withdrawal from operation	43,556		-		-	
Notes payable-equipment	5,565		6,347		6,035	
Other current liabilities	14,062		22,453		18,128	
Long-term liabilities	[146,234]	15.8	[157,739]	16.6	[170,924]	18.1
Bonds	5,000		10,030		5,030	
Long-term loans	62,978		51,405		74,045	
Deferred tax assets on land revaluation	4,042		4,290		4,042	
Reserve for retirement benefits and pension plans	61,013		67,596		64,869	
Reserve for directors' retirement benefits	412		360		442	
Other long-term liabilities	12,787		24,056		22,493	
Total liabilities	606,845	[65.6]	610,957	[64.3]	647,483	[68.6]

[Millions of yen]

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Minority Interests	-	-	2,129	0.2	2,753	0.3
Capital stock	-	-	37,519	3.9	37,519	4.0
Additional pain-in capital	-	-	226,069	23.8	226,069	23.9
Retained earnings	-	-	71,679	7.5	20,088	2.1
Unrealized gain on securities	-	-	6,148	0.7	10,180	1.1
Translation adjustment	-	-	(3,722)	(0.3)	875	0.1
Treasury stock	-	-	(832)	(0.1)	(915)	(0.1)
Total shareholders' equity	-	-	336,862	[35.5]	293,817	[31.1]
Total liabilities, minority interests, and shareholders' equity	-	-	949,949	100.0	944,054	100.0
Shareholder's equity	[305,723]	[33.1]	-	-	-	-
Capital stock	37,519	4.1	-	-	-	-
Additional paid-in capital	204,142	22.1	-	-	-	-
Retained earnings	65,052	7.0	-	-	-	-
Treasury stock	(990)	(0.1)	-	-	-	-
Revaluation and translation adjustment	[10,227]	[1.1]	-	-	-	-
Unrealized gain on securities	8,092	0.9	-	-	-	-
Gain (loss) on deferred hedges	156	0.0	-	-	-	-
Translation adjustment	1,979	0.2	-	-	-	-
Subscription warrant	15	0.0	-	-	-	-
Minority interests	2,368	0.2	-	-	-	-
Total shareholder's equity	318,335	[34.4]	-	-	-	-
Total liabilities and shareholder's equity	925,180	100.0	-	-	-	-

Notes:	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1.Accumulated depreciation on tangible fixed assets (millions of yen)	465,660	465,475	460,877
2. Discounted trade notes receivable (millions of yen)	-	6	-

(4) Consolidated Statements of Retained Earnings

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005
	Amount	Amount
(Additional paid-in capital portion)		
Additional paid-in capital at beginning of period	[226,069]	[226,069]
Decrease in additional paid-in capital	[0]	[0]
Reversal of the provision for gain on disposal of treasury stock	0	0
Additional paid-in capital at period end	226,069	226,069
(Retained earnings portion)		
Retained earnings at beginning of period	[79,491]	[79,491]
Increase in retained earnings	[200]	[200]
Increase resulting from newly consolidated subsidiaries	200	200
Decrease in retained earnings	[8,012]	[59,603]
Dividends	2,654	2,654
Bonuses to directors and corporate auditors	32	32
Net loss	3,482	54,305
Retirement allowance payments for U.K. subsidiaries	1,842	2,611
Retained earnings at period end	71,679	20,088

(5) CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[Millions of yen]

	Shareholders' Equity				
	Capital stock	Additional paid-in capital	Retained earning	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	37,519	226,069	20,088	(915)	282,761
Changes during the period					
Net income for the period			22,508		22,508
Increase in retained earnings associated with the transfer of consolidated subsidiaries			527		527
Transfer of additional paid-in capital to retained earnings to compensate for losses		(21,928)	21,928		-
Purchases of treasury stock				(80)	(80)
Disposal of treasury stock		1		5	7
Changes, net, in items other than shareholders' equity					-
Total changes during the period	-	(21,926)	44,964	(75)	22,962
Balance at September 30, 2006	37,519	204,142	65,052	(990)	305,723

[Millions of yen]

	Revaluation and Translation Adjustments				Subscript-ion Warrants	Minority interests	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total revalua-tions and transla-tion adjust-ments			
Balance at March 31, 2006	10,180	-	875	11,055	-	2,753	296,571
Changes during the period							-
Net income for the period							22,508
Increase in retained earnings associated with the transfer of consolidated subsidiaries							527
Transfer of additional paid-in capital to retained earnings to compensate for losses							-
Purchases of treasury stock							(80)
Disposal of treasury stock							7
Changes, net, in items other than shareholders' equity	(2,087)	156	1,103	(828)	15	(385)	(1,198)
Total changes during the period	(2,087)	156	1,103	(828)	15	(385)	21,764
Balance at September 30, 2006	8,092	156	1,979	10,227	15	2,368	318,335

(6) Consolidated Statement of Cash Flow Highlights

[Millions of yen]

	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
I. Cash flows from operating activities			
Net income before income taxes and minority interests	47,880	7,231	(35,934)
Depreciation and amortization	24,618	25,380	51,198
Impairment loss	-	23,299	4,143
Amortization of consolidated goodwill	-	2,801	5,595
Amortization of goodwill	2,868	-	-
Increase (decrease) in allowance for doubtful accounts	(2,863)	931	465
Increase (decrease) in reserve for employees' retirement benefits	(3,901)	-	-
Increase (decrease) in allowance for business withdrawal losses	(16,036)	-	-
Interest and dividend income	(1,076)	(927)	(1,756)
Interest expense	2,697	2,811	5,427
Loss (gain) on disposals and sale of tangible fixed assets	415	1,698	2,434
Valuation loss (gain) on investment securities	(1,531)	(545)	(1,099)
Gains (losses) on the sale of stock of affiliated companies	(1,200)	-	-
Restructuring expenses	-	1,179	-
Other extraordinary loss	-	2,372	2,372
Loss on withdrawal from operations	-	-	96,625
Special additional severance benefits	-	-	6,484
Lump-sum amortization of consolidated goodwill	-	-	2,361
(Increase) decrease in trade notes and accounts receivable	15,732	289	7,257
(Increase) decrease in inventories	7,115	(1,391)	22,032
Increase (decrease) in trade notes and accounts payable	(832)	695	(31,855)
Increase (decrease) in accrued consumption tax payable	(1,619)	(341)	400
Increase (decrease) due to the transfer of lease assets for business use	(4,676)	(7,580)	(11,278)
Other	(21,670)	(1,371)	(11,821)
Subtotal	45,919	56,533	113,051
Interest and dividends received	1,356	950	1,524
Interest paid	(2,748)	(2,841)	(5,488)
Income taxes paid	(17,629)	(17,428)	(30,162)
Net cash provided by operating activities	26,898	37,213	78,924
II . Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(29,695)	(26,534)	(51,904)
Proceeds from sale of tangible fixed assets	2,127	461	5,551
Payment for acquisition of intangible fixed assets	(2,410)	(2,897)	(8,809)
Proceeds from the transfer of operations	-	-	8,599
Payments for the acquisition of newly consolidated subsidiaries	-	-	(1,729)
Income from the sale of subsidiaries due to changes in the scope of consolidation	2,331	-	-
Expenditures for the purchase of additional stock of consolidated subsidiaries	(1,444)	-	-
Payment for loans receivable	(623)	(101)	(541)
Proceeds from return of loan receivable	461	719	1,556
Payment for acquisition of investment securities	(401)	(25)	(42)
Proceeds from sale of investment securities	2,616	3,213	5,057
Payment for other investments	(924)	(1,264)	(3,236)
Other	1,217	719	2,352
Net cash used in investing activities	(26,745)	(25,707)	(43,146)
III . Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	523	2,798	(25,819)
Proceeds from long-term loans payable	-	-	27,502
Repayment of long-term loans payable	(3,229)	(2,356)	(7,396)
Proceeds from issuing of bonds	-	6,032	9,184
Redemption of bonds	(6,411)	(11,284)	(17,536)
Proceeds from sale of Company's stock	7	7	10
Payment to buyback of Company's stock	(80)	(48)	(135)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Dividend payments	(7)	(2,653)	(2,661)
Dividend payments to minority shareholders	(70)	-	-
Net Cash used in financing activities	(9, 268)	(7,505)	(16,850)
IV. Effect of exchange rate changes on cash and cash equivalents	221	687	2,463
V. Increase (decrease) in cash and cash equivalents	(8,894)	4,688	21,391
VI. Cash and cash equivalents at beginning of the period	80,878	59,485	59,485
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	2	1	1
VIII. Cash and cash equivalents at end of the period	72,222	64,175	80,878

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 122

*Principal consolidated subsidiarie*s:

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

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: 11

*Principal unconsolidated subsidiarie*s: ECS Buero-und Datensysteme GmbH

Number of affiliates accounted for by the equity method: 3

The total net income and retained earnings of equity-method non-consolidated subsidiaries and 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 Bonuses

To prepare for the payment of employee bonuses, an amount corresponding to the current interim portion of estimated bonus payments to employees in the latter half of the consolidated fiscal year is recorded.

3. Reserves for product warranty

The provisioning of free after-sales service for products is recorded based on past after-sales service expenses as a percentage of net sales.

4. Provision for loss on discontinued operations

To provide for losses when the Company exits a business, provisions to this reserve are made in the amount of the estimated losses.

5. Reserves for retirement benefits

In order to provide employee retirement benefits, the amount recorded by the Company is based on projected benefit obligations and pension assets at the end of the fiscal year.

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.

6*. 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 year period under review based on the Company's regulations.

(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, and interest rate swaps.

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

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, 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 fiscal year 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.

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

(Accounting standard for stock options)
As of the interim period under review, the Company adopted the "Accounting Standard for Stock Options" (Corporate Accounting Standard No.8, issued by the Accounting Standards Board of Japan on December 27, 2005) and the "Guidelines for Application of the Accounting Standard for Stock Options" (Corporate Accounting Standard Guidelines No.11, issued by the Accounting Standards Board of Japan on May 31, 2006). As a result, operating income, recurring income, and income before income taxes for the interim period under review declined ¥15 million. In addition, the impact of the adoption of these standards on various business segments is discussed in the relevant sections of this report.

(Accounting standard for presentation of net assets in the balance sheet)
As of the interim period under review, the Company adopted the "Accounting Standard for Presentation of New Assets in the Balance Sheet" (Corporate Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the "Guidelines for Application of the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard Guidelines No.8, issued by the Accounting Standards Board of Japan on December 9, 2005). Total assets as presented previously would amount to approximately ¥315,795 million. In addition, as of the interim period under review, net assets in consolidated financial statements for interim periods have been presented according to the revised rules pertaining to consolidated financial statements for interim periods.

Changes in presentation methods

(Balance sheet)
1. Heretofore, outstanding expenses have been presented as "accrued expenses;" however, as of the interim period under review, the portion of these expenses determined to be liabilities have been presented as "accounts payable" to ensure more appropriate presentation. In addition, "accrued expenses," including outstanding expenses determined to be liabilities, amounted to ¥38,640 million for the interim period of the previous fiscal year.

2. Estimated bonus payments to employees were previously included in "accrued expenses" under current liabilities; however, as of the interim period under review, this figure is presented as "reserve for bonuses." In addition, estimated bonus payments to employees included in "accrued expenses" amounted to ¥13,189 million for the interim period of the previous fiscal year.

3. Items recorded as consolidation goodwill in intangible fixed assets in the interim period of the previous fiscal year have been presented as goodwill as of the interim period under review.

Explanatory Notes

(Items pertaining to consolidated statements of income for the interim period under review)
Income from the reversal of provisions for business withdrawal losses
In the interim period under review, allowance for loss on withdrawal from operation—losses stemming from the decision to terminate the operations of the Photo Imaging Business—posted at the end of the previous fiscal year were reversed and added to in light of various conditions and changes in the environment. Net income from the reversal of the said provisions and net additions to the said provisions are presented below.

Income from the reversal of allowance for loss on withdrawal from operation: ¥8,808 million
Loss on withdrawal from operation: ¥8,098 million

5. SEGMENT INFORMATION

(1) Information by Business Segment

Interim period ended September 30, 2006 (from April 1, 2006 to September 30, 2006)

[Millions of yen]

	Business Technologies	Optics	Photo Imaging	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	309,539	67,675	29,901	76,046	4,538	6,250	493,950	-	493,950
Intersegment sales/transfers	1,767	769	8,913	8,441	501	31,377	51,772	(51,772)	-
Total	311,307	68,444	38,814	84,487	5,039	37,628	545,722	(51,772)	493,950
Operating expenses	277,210	57,779	39,501	79,317	4,328	31,893	490,031	(42,341)	447,690
Operating income (loss)	34,097	10,664	(686)	5,170	710	5,734	55,691	(9,430)	46,260

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 9,585 million.

Interim period ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

[Millions of yen]

	Business Technologies	Optics	Photo Imaging	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	283,517	51,546	105,731	68,333	2,804	5,664	517,598	-	517,598
Intersegment sales/transfers	1,160	1,002	5,601	16,548	1,152	29,769	55,234	(55,234)	-
Total	284,678	52,548	111,332	84,882	3,956	35,434	572,832	(55,234)	517,598
Operating expenses	256,610	44,633	112,052	78,611	3,084	30,353	525,346	(47,156)	478,189
Operating income (loss)	28,067	7,914	(719)	6,271	872	5,080	47,486	(8,078)	39,408

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 9,169 million.
3. We have adopted accounting standards for the impairment of fixed assets in the interim period under review (consolidated). This has led to declines in depreciation expenses and other categories, and increases in operating income at the Photo Imaging business (up ¥394 million) and other businesses (up ¥10 million).

Fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)

[Millions of yen]

	Business Technologies	Optics	Photo Imaging	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	606,730	110,368	187,117	146,600	5,822	11,752	1,068,390	-	1,068,390
Intersegment sales/transfers	3,488	1,803	12,179	27,269	2,352	58,734	105,828	(105,828)	-
Total	610,218	112,171	199,296	173,869	8,174	70,486	1,174,218	(105,828)	1,068,390
Operating expenses	545,098	94,578	206,412	162,180	6,319	60,041	1,074,630	(89,655)	984,974
Operating income (loss)	65,120	17,593	(7,115)	11,689	1,855	10,445	99,588	(16,172)	83,415

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 18,313 million.
3. We have adopted accounting standards for the impairment of fixed assets in the interim period under review (consolidated). This has led to declines in depreciation expenses and other categories, and increases in operating income at the Photo Imaging business (up ¥2,997 million) and other businesses (up ¥20 million).

(2) Information by Geographical Area

Interim period ended September 30, 2006 (from April 1, 2006, to September 30, 2006)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	224,238	120,284	118,740	30,686	493,950	—	493,950
Intersegment sales/transfers	136,133	1,566	492	86,794	224,985	(224,985)	—
Total	360,371	121,850	119,232	117,481	718,936	(224,985)	493,950
Operating expenses	307,113	119,413	116,219	117,245	659,991	(212,301)	447,690
Operating income	53,258	2,436	3,013	235	58,944	(12,684)	46,260

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States, and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 9,585 million.

Interim Period ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	232,987	126,909	128,988	28,712	517,598	—	517,598
Intersegment sales/transfers	151,522	3,430	670	88,231	243,855	(243,855)	—
Total	384,509	130,340	129,659	116,943	761,453	(243,855)	517,598
Operating expenses	340,447	128,125	127,955	115,841	712,370	(234,180)	478,189
Operating income	44,062	2,214	1,703	1,102	49,082	(9,674)	39,408

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 9,169 million.
4 .We have adopted accounting standards for the impairment of fixed assets in the interim period under review (consolidated). This has led to declines in depreciation expenses and other categories, and an increase in domestic operating income (up ¥405 million).

Fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	476,720	262,288	270,566	58,815	1,068,390	-	1,068,390
Intersegment sales/transfers	294,586	5,898	1,302	185,488	487,276	(487,276)	-
Total	771,307	268,186	271,868	244,304	1,555,666	(487,276)	1,068,390
Operating expenses	685,718	261,121	267,633	243,206	1,457,681	(472,706)	984,974
Operating income	85,588	7,065	4,235	1,097	97,985	(14,569)	83,415

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States, Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 18,313 million.
4. We have adopted accounting standards for the impairment of fixed assets in the fiscal year ended March 31, 2006 (consolidated). This has led to declines in depreciation expenses and other categories. Operating income in Japan, North America, Europe, and Asia and Others (excluding Japan) increased ¥1,840 million, ¥1,077 million, ¥64 million, and ¥35 million, respectively.

(3) Overseas Sales

Interim Period ended September 30, 2006 (from April 1, 2006 to September 30, 2006)

[Millions of yen]

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	125,692	129,989	103,715	359,396
Consolidated sales	-	-	-	493,950
Overseas sales as a percentage of consolidated sales	25.4%	26.3%	21.0%	72.8%

Interim Period ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

[Millions of yen]

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	131,292	133,223	99,596	364,112
Consolidated sales	-	-	-	517,598
Overseas sales as a percentage of consolidated sales	25.4%	25.7%	19.2%	70.3%

Fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)

[Millions of yen]

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	274,218	281,418	199,529	755,166
Consolidated sales	-	-	-	1,068,390
Overseas sales as a percentage of consolidated sales	25.7%	26.3%	18.7%	70.7%

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
(1) North America: United States and Canada
(2) Europe: Germany, France, and United Kingdom
(3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Overseas sales are those sales that are made by the Company or its consolidated subsidiaries in a country or region outside of Japan.

6. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

7. MARKETABLE SECURITIES

(1) Other marketable securities with market values:

[Millions of yen]

	As of September 30, 2006			As of September 30, 2005			As of March 31, 2006		
	Acquisition cost	Total amount on interim consolidated balance sheets	Difference	Acquisition cost	Total amount on interim consolidated balance sheets	Difference	Acquisition cost	Total amount on interim consolidated balance sheets	Difference
Stocks	16,040	29,361	13,321	16,786	26,555	9,768	16,570	33,111	16,541
Bonds	28	32	3	28	30	1	-	-	-
Other	112	112	-	156	156	-	136	141	4
Total	16,193	29,507	13,325	16,971	26,741	9,769	16,706	33,252	16,546

(2) Details of principal marketable securities that are not assessed at market value and interim and full year consolidated balance sheet total amounts:

[Millions of yen]

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2005
	Interim consolidated balance sheet total amount	Interim consolidated balance sheet total amount	Consolidated balance sheet total amount
Other marketable securities			
Unlisted stocks (does not include shares traded over-the-counter)	429	1,542	486
Other	-	164	-

8. DERIVATIVES

Notation has been omitted due to disclosure through EDINET.

9. PRODUCTION AND ORDERS

(1) Production Results

[Millions of yen]

Business Segments	Six months ended September 30, 2006	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Business Technologies	176,955	170,147	336,,627
Optics	62,270	52,155	109,223
Photo Imaging	20,173	61,707	104,285
Medical and Graphic	45,930	46,294	96,365
Sensing	3,956	3,555	7,741
Other	1,228	887	1,969
Total	310,514	334,746	656,212

Notes: 1. Amounts are based on manufacturers' sales prices.
2. The above amounts do not include consumption and other taxes.

(2) Orders

Konica Minolta does not conduct order production.

November 2, 2006

10. Non-consolidated Financial Results

Interim Fiscal Period Ended September 30, 2006

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
URL: http://konicaminolta.com
Representative: Yoshikatsu Ota, President and CEO
Inquiries: Yuki Kobayashi, General Manager, Corporate Communications & Advertising Division
Tel: (81) 3-6250-2100

Stock Exchange Listings: Tokyo, Osaka (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Non-consolidated Results: November 2, 2006
Provision for Interim Dividends: Yes
Scheduled Dividend Payment Date: N/A
Stock Unit System: Yes (number of share per unit = 500 shares)

1. UNCONSOLIDATED FINANCIAL RESULTS FOR INTERIM PERIOD (From April 1, 2006 to September 30, 2006)

(1) Operating Results (Figures less than ¥1 million have been omitted.)

[Millions of yen]

	Net sales		Operating income		Recurring profit	
Interim period ended September 30, 2006	50,077	123.3%	35,193	331.9%	35,904	315.7%
Interim period ended September 30, 2005	22,423	-10.5%	8,147	-30.0%	8,636	-29.1%
Fiscal year ended March 31, 2006	55,854		27,409		28,283	

	Net income (loss)		Net income (loss) per share	
Interim period ended September 30, 2006	39,620	—%	74.64	yen
Interim period ended September 30, 2005	(5,872)	—%	(11.06)	
Fiscal year ended March 31, 2006	(34,240)		(64.50)	

Notes: 1. Average number of shares outstanding during the period (consolidated):
Interim period ended September 30, 2006: 530,812,917
Interim period ended September 30, 2005: 530,925,770
Fiscal year ended March 31, 2006: 530,898,148
2. Changes in accounting methods: No
3. The percentages of net sales, operating income, recurring profit, and net income columns indicate the rage of increase and decrease compared with the same interim period of the previous fiscal year

(2) Financial Position

[Millions of yen]

	Assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (yen)
Interim period ended September 30, 2006	428,442	228,117	53.2	429.74
Interim period ended September 30, 2005	399,412	215,030	53.8	405.03
Fiscal year ended March 31, 2006	385,184	189,729	49.3	357.41

Notes: 1. Number of shares outstanding at end of the period:
Interim period ended September 30, 2006: 530,789,209
Interim period ended September 30, 2005: 530,905,682
Fiscal year ended March 31, 2006: 530,839,213
2. Number of treasury stock at end of the period:
Interim period ended September 30, 2006: 875,128
Interim period ended September 30, 2005: 758,655
Fiscal year ended March 31, 2006: 825,124

2. NONCONSOLIDATED RESULTS FORECAST FOR FISCAL YEAR ENDING MARCH 31, 2007
(From April 1, 2006, to March 31, 2007)

[Millions of yen]

	Net sales	Recurring profit	Net income	Annual dividend per share (yen)	
				End of fiscal year	
Full-year	58,000	29,000	35,000	10.00	10.00

(Estimated net income per share:¥ 65.94

3. Dividends

Cash dividends

	Dividends per share (yen)	
	End of fiscal year	Full year
March 31,2006	-	-
September 30, 2006 (results)	-	-
March 31, 2007 (forecasts)	10.00	10.00

Notes: The above forecasts are expectations based on predications, outlooks, and plans related to the future at the time of this announcement and, as such, are subject to risks and uncertainties. Various significant factors in the operating environment surrounding the company may cause actual results to differ materially from these forecasts.

11. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of Income and Retained Earnings

[Millions of yen]

	Six months ended September 30, 2006		Six months ended September 30, 2005		Fiscal year ended March 31, 2006	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	% of operatin g revenue
Operating revenue	50,077	100.0	22,423	100.0	55,854	100.0
Operating expenses	14,884	29.7	14,275	63.7	28,445	50.9
Operating income	35,193	70.3	8,147	36.3	27,409	49.1
Non-operating income	[1,959]	3.9	[1,467]	6.6	[2,875]	5.1
Interest income	1,441		1,126		2,284	
Dividends earned	171		203		369	
Other	347		137		221	
Non-operating expenses	[1,249]	2.5	[979]	4.4	[2,001]	3.6
Interest expense	730		554		1,082	
Cooperate bond interest	145		235		388	
Other	373		189		531	
Recurring profit	35,904	71.7	8,636	38.5	28,283	50.6
Extraordinary profit	[2,335]	4.6	[1,155]	5.1	[1,545]	2.8
Gain on sales of fixed assets	63		98		98	
Gain on sales of investment securities	742		1,057		1,447	
Reversal of allowance for doubtful receivables	159		-		-	
Reversal of allowance for loss on withdrawal from operation	1,370		-		-	
Extraordinary losses	[456]	0.9	[17,203]	76.7	[68,846]	123.3
Loss on disposal and sale of fixed assets	456		306		1,047	
Loss due to impairment	-		566		5,240	
Provision to the reserve for doubtful receivables	-		16,331		61,071	
Deferred allowance for loss on withdrawal from operations	-		-		1,370	
Valuation loss on stocks on associated companies	-		-		117	
Income before income taxes for the period under review (loss)	37,782	75.4	(7,412)	(33.1)	(39,017)	(69.9)
Income taxes	(2,211)		(5,338)		(6,568)	
Deferred income taxes	373		3,797		1,792	
Interim net income (loss)	39,620	79.1	(5,872)	(26.2)	(34,240)	(61.3)
Retained earnings (loss) at beginning of the period	-		3,886		3,886	
Amount lost through land reappraisal differential	-		37		666	
Undistributed income for interim period (loss)	-		(1,947)		(29,688)	

Notes:

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Actual depreciation and amortization amount			
Tangible fixed assets (millions of yen)	1,823	1,952	4,006
Intangible fixed assets (millions of yen)	702	808	1,651

(2) Balance Sheets

[Millions of yen]

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Current assets	[182,409]	[42.6]	[151,948]	[38.0]	[136,391]	[35.4]
Cash and deposits	13,077		12,068		27,902	
Accrued revenue	1,597		1,741		1,448	
Prepaid expenses	1,327		1,206		934	
Deferred tax assets	391		179		354	
Short-term loans	210,688		139,482		143,521	
Other receivables	12,292		11,418		21,784	
Tax receivable	3,235		—		—	
Other current assets	714		2,309		1,667	
Allowance for doubtful accounts	(60,915)		(16,458)		(61,221)	
Fixed assets	[246,032]	[57.4]	[247,463]	[62.0]	[248,792]	[64.6]
Tangible fixed assets	[72,707]	17.0	[75,905]	19.0	[73,095]	19.0
Buildings	37,260		39,522		37,475	
Structures	2,996		3,094		3,086	
Machinery and Equipments	1,087		1,406		1,228	
Vehicles	0		0		0	
Equipment	531		667		579	
Land	30,818		30,952		30,669	
Construction in progress	11		261		56	
Intangible fixed assets	[3,053]	0.7	[4,199]	1.1	[3,623]	0.9
Software	2,729		3,701		3,214	
Other intangible fixed assets	323		498		409	
Investments and others	[170,272]	39.7	[167,358]	41.9	[172,073]	44.7
Investment securities	23,276		20,788		24,978	
Shares in affiliates	126,632		126,658		126,632	
Company concerned investment	3,794		3,794		3,794	
Company concerned long-term loans	14,100		14,100		14,100	
Long-term prepaid expenses	671		157		732	
Other investments	1,885		1,967		1,932	
Allowance for doubtful accounts	(86)		(108)		(96)	
Total assets	428,442	100.0	399,412	100.0	385,184	100.0

[Millions of yen]

	As of September 30, 2006		As of September 30, 20056		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Current liabilities	[118,002]	27.6	[108,186]	27.1	[101,402]	26.3
Trade notes payable	127		134		54	
Short-term loans	85,305		87,085		71,585	
Long-term loans due within one year	15,763		6,412		8,085	
Bonds due within one year	5,000		5,000		5,000	
Account payable - other	8,552		4,532		9,660	
Accrued expenses	2,990		4,790		5,135	
Accrued income taxes	63		80		450	
Advanced received	6		12		17	
Allowance for bonus	157		-		-	
Allowance for loss on withdrawal from operation	-				1,370	
Other current liabilities	34		138		42	
Long-term liabilities	[82,322]	19.2	[76,195]	19.1	[94,052]	24.4
Bonds	5,000		10,000		5,000	
Long-term loans	62,863		51,137		73,752	
Deferred tax liabilities	1,265		861		1,660	
Deferred tax liabilities related to revaluation	5,591		6,059		5,591	
Reserve for retirement benefits and pension plans	7,111		7,113		7,033	
Other long-term liabilities	490		1,023		1,014	
Total liabilities	200,324	[46.8]	184,381	[46.2]	195,454	[50.7]
Capital stock	-	-	37,519	9.4	37,519	9.7
Additional paid-in capital	[-]	-	[157,521]	39.4	[157,521]	40.9
Capital reserve	-		157,501		157,501	
Other additional paid-in capital	-		19		19	
Retained earnings	[-]	-	[5,812]	1.5	[(21,928)]	(5.7)
Legal reserves	-		7,760		7,760	
Undistributed income for interim period (loss)	-		(1,947)		(29,688)	
[Includes interim net income (loss)]	[-]		[(5,872)]		[(34,240)]	
Gain on revaluation of land	-	-	8,524	2.1	7,896	2.1
Revaluation difference of other marketable securities	-	-	6,485	1.6	9,636	2.5
Treasury stock	-	-	(832)	(0.2)	(915)	(0.2)
Total shareholders' equity	-	[-]	215,030	[53.8]	189,729	[49.3]
Total liabilities and shareholders' equity	-	-	399,412	100.0	385,184	100.0

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	% of total	Amount	% of total	Amount	% of total
Shareholder's equity	[211,743]	49.4	[-]	-	[-]	-
Capital stock	37,519	8.8	-	-	-	-
Additional paid-in capital	[135,594]	31.6	[-]	-	[-]	-
Capital reserve	135,592		-		-	
Other additional paid-in capital	1		-		-	
Retained earnings	[39,620]	9.2	[-]	-	[-]	-
Other retained earnings	[39,620]		[-]		[-]	
Retained earnings carried forward	39,620		-		-	
Treasury stock	(990)	(0.2)	-	-	-	-
Revaluation and translation adjustment	[16,358]	3.8	[-]	-	[-]	-
Unrealized gain on securities	8,463	2.0	-	-	-	-
Gain (loss) on deferred hedges	(1)	(0.0)	-	-	-	-
Unrealized gain on land	7,896	1.8	-	-	-	-
Share warrant	15	0.0	-	-	-	-
Total shareholder's equity	228,117	[53.2]	-	[-]	-	[-]
Total liabilities and shareholder's equity	428,442	100.0	-	-	-	-

Note:	As of September 30,2006	As of September 30, 2005	As of March 31, 2006
1. Accumulated depreciation on tangible fixed assets (millions of yen)	75,324	72,906	74,425
2. Balance of guaranteed obligations <including guarantee> (millions of yen)	10,100 <3,000>	25,649 <7,000>	23,844 <9,000>

Joint liability between the Company and its affiliates included ¥8,989 million for interim period ended September 30, 2006, ¥8,949 million for interim period ended September 30, 2005, and ¥6,575 million for fiscal year ended March 31, 2006. In the event that the Company fulfills those obligations, it retains the right to recover payment in full from its subsidiaries.

(3) STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[Millions of yen]

	Shareholders' Equity								
	Capital stock	Additional paid-in capital: Capital reserve	Additional paid-in capital: Other additional paid-in capital	Additional paid-in capital: Total Additional paid-in capital	Retained earning: Profit reserve	Retained earning: Other retained earnings – Retained earnings carried forward	Retained earning: Total Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	37,519	157,501	19	157,521	7,760	(29,688)	(21,928)	(915)	172,196
Changes during the period									
Reversal of other additional paid-in capital (to compensate for losses)			(19)	(19)		19	19		-
Reversal of profit reserve (to compensate for losses)					(7,760)	7,760	-		-
Reversal of capital reserve (to compensate for losses)		(21,,908)		(21,908)		21,908	21,908		-
Net income for the period						39,620	39,620		39,620
Purchases of treasury stock								(80)	(80)
Disposal of treasury stock			1	1				5	7
Changes, net, in items other than shareholders' equity									
Total changes during the period	-	(21,908)	(18)	(21,926)	(7,760)	69,309	61,549	(75)	39,547
Balance at September 30, 2006	37,519	135,592	1	135,594	-	39,620	39,620	(990)	211,743

	Revaluation and Translation Adjustments				Share Warrants	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Unrealized gain on land	Total revaluations and translation adjustments		
Balance at March 31, 2006	9,636	-	7,896	17,532	-	189,729
Changes during the period						
Reversal of other additional paid-in capital (to compensate for losses)						-
Reversal of profit reserve (to compensate for losses)						-
Reversal of capital reserve (to compensate for losses)						-
Net income for the period						39,620
Purchases of treasury stock						(80)
Disposal of treasury stock						7
Changes, net, in items other than shareholders' equity	(1,173)	(1)	-	(1,174)	15	(1,159)
Total changes during the period	(1,173)	(1)	-	(1,174)	15	38,387
Balance at September 30, 2006	8,463	(1)	7,896	16,358	15	228,117

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) Reserves for Bonus

To prepare for the payment of employee bonuses, an amount corresponding to the current interim portion of estimated bonus payments to employees is recorded.

(3) 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.

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 and targets

The interest rate swaps are used as the hedge method.
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 the risk of 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 cash flows 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.

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

(Accounting standard for stock options)
As of the interim period under review, the Company adopted the “Accounting Standard for Stock Options” (Corporate Accounting Standard No.8, issued by the Accounting Standards Board of Japan on December 27, 2005) and the “Guidelines for Application of the Accounting Standard for Stock Options” (Corporate Accounting Standard Guidelines No.11, issued by the Accounting Standards Board of Japan on May 31, 2006). As a result, operating income, recurring income, and income before income taxes for the interim period under review declined ¥15 million.

(Accounting standard for presentation of net assets in the balance sheet)
As of the interim period under review, the Company adopted the “Accounting Standard for Presentation of New Assets in the Balance Sheet” (Corporate Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the “Guidelines for Application of the Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standard Guidelines No.8, issued by the Accounting Standards Board of Japan on December 9, 2005). Total assets as presented previously would amount to approximately ¥228,103 million. In addition, as of the interim period under review, net assets in financial statements for interim periods have been presented according to the revised rules pertaining to financial statements for interim periods.

(Changes in presentation methods)
Heretofore, outstanding expenses have been presented as “accrued expenses;” however, as of the interim period under review, the portion of these expenses determined to be liabilities have been presented as “accounts payable” to ensure more appropriate presentation. In addition, “accrued expenses,” including outstanding expenses determined to be liabilities, amounted to ¥1,649 million for the interim period of the previous fiscal year.

Estimated bonus payments to employees were previously included in “accrued expenses” under current liabilities; however, as of the interim period under review, this figure is presented as “reserve for bonuses.” In addition, estimated bonus payments to employees included in “accrued expenses” amounted to ¥167 million for the interim period of the previous fiscal year.

12. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

13. 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.