

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statements of Income

[Millions of yen]

	Six months ended September 30, 2007		Six months ended September 30, 2006		Fiscal year ended March 31, 2007	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
Net sales	524,956	100.0	493,950	100.0	1,027,630	100.0
Cost of sales	265,275	50.5	256,130	51.9	532,714	51.8
Gross profit	259,682	49.5	237,819	48.1	494,916	48.2
Selling, general and administrative expenses	202,623	38.6	191,559	38.7	390,909	38.1
Operating income	57,059	10.9	46,260	9.4	104,006	10.1
Non-operating income	[5,710]	1.1	[8,675]	1.8	[14,653]	1.4
Interest income	1,090		794		1,789	
Dividends income	250		281		527	
Equity method profits of affiliated companies	135		24		-	
Gain on foreign exchange	504		1,666		3,432	
Other	3,729		5,907		8,904	
Non-operating expenses	[8,098]	1.6	[10,081]	2.1	[20,559]	2.0
Interest expense	2,241		2,697		5,088	
Disposal/valuation losses of inventories	2,446		2,634		7,054	
Equity method loss of affiliated companies	-		-		160	
Other	3,410		4,748		8,255	
Recurring profits	54,670	10.4	44,854	9.1	98,099	9.5
Extraordinary profits	[1,352]	0.3	[4,244]	0.9	[11,848]	1.2
Gain on sales of fixed assets	1,131		758		7,275	
Gain on sales of investment securities	0		1,575		2,788	
Gain on sale of shares in affiliates	47		1,200		1,200	
Gain on sale of investment	-		-		54	
Reversal of allowance for doubtful receivables	-		-		529	
Reversal of allowance for loss on withdrawal from operation	172		710		-	
Extraordinary losses	[2,169]	0.4	[1,218]	0.3	[5,058]	0.5
Loss on disposal and sale of fixed assets	957		1,174		2,791	
Loss on sale of investment in affiliates	-		-		619	
Loss on sale of investment securities	0		44		44	
Loss on valuation of investment securities in affiliates	14		-		-	
Write-down on investment securities	2		-		26	
Loss on impairment of fixed assets	441		-		640	
Loss on withdrawal from operations	-		-		935	
Other extraordinary loss	752		-		-	
Income before income taxes and minority interests	53,853	10.3	47,880	9.7	104,890	10.2
Income taxes	22,156	4.2	13,976	2.8	27,307	2.6
Deferred income taxes	(6,028)	(1.1)	11,023	2.3	4,827	0.5
Minority interests in earnings of consolidated subsidiaries	81	0.0	372	0.0	213	0.0
Net Income	37,644	7.2	22,508	4.6	72,542	7.1

(2) Consolidated Balance Sheets

[Millions of yen]

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	% of total
Assets						
Cash and deposits	90,430		72,222		85,677	
Trade notes and accounts receivable	239,784		237,318		257,380	
Marketable securities	-		-		909	
Inventories	146,325		143,676		133,550	
Deferred tax assets	43,947		35,165		41,336	
Other accounts receivable	8,816		12,540		10,999	
Other current assets	23,698		26,572		19,489	
Allowance for doubtful accounts	(5,108)		(6,855)		(5,106)	
Current assets	547,894	56.9	520,639	56.3	544,237	57.2
Buildings and structures	67,194		65,421		65,368	
Machinery and vehicles	79,736		66,447		69,264	
Tools and equipment	29,312		27,177		28,643	
Land	32,860		35,160		33,065	
Construction in progress	9,054		12,508		12,406	
Rental business-use assets	20,750		21,298		21,346	
Tangible fixed assets	238,908	24.8	228,014	24.7	230,094	24.2
Goodwill	79,309		84,966		82,074	
Other intangible fixed assets	16,345		15,339		15,897	
Intangible fixed assets	95,654	10.0	100,305	10.8	97,971	10.3
Investment securities	32,189		33,263		33,948	
Long-term loans	554		893		614	
Long-term prepaid expenses	4,318		4,197		4,393	
Deferred tax assets	30,287		26,130		27,306	
Other investments	12,846		12,781		13,037	
Allowance for doubtful accounts	(503)		(1,045)		(552)	
Investments and others	79,693	8.3	76,221	8.2	78,748	8.3
Fixed assets	414,256	43.1	404,541	43.7	406,814	42.8
Total assets	962,151	100.0	925,180	100.0	951,052	100.0

[Millions of yen]

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	% of total
Liabilities						
Notes and account payable - trade	114,888		121,626		121,707	
Short-term loans	81,044		138,404		79,927	
Long-term loans due within one year	10,065		16,082		17,075	
Bonds due within one year	5,000		8,027		29	
Account payable - other	45,666		50,129		44,230	
Accrued expenses	34,418		37,049		36,799	
Accrued income taxes	19,893		8,397		14,171	
Allowance for bonus	13,760		12,639		13,485	
Allowance for director's bonus	122		-		278	
Allowance for product warranty	5,115		5,068		4,994	
Allowance for loss on withdrawal from operation	17,651		43,556		28,097	
Notes payable-equipment	3,700		5,565		5,082	
Other current liabilities	12,232		14,062		11,188	
Current liabilities	363,560	37.8	460,610	49.8	377,069	39.6
Bonds	70,216		5,000		75,266	
Long-term loans	52,802		62,978		57,065	
Deferred tax assets on land revaluation	4,028		4,042		4,028	
Reserve for retirement benefits and pension plans	59,041		61,013		57,947	
Reserve for directors' retirement benefits	473		412		459	
Other long-term liabilities	9,136		12,787		10,590	
Long-term liabilities	195,699	20.3	146,234	15.8	205,358	21.6
Total liabilities	559,259	58.1	606,845	65.6	582,427	61.2

[Millions of yen]

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	% of total
Net assets						
Capital stock	37,519	3.9	37,519	4.1	37,519	3.9
Additional paid-in capital	204,140	21.2	204,142	22.1	204,143	21.5
Retained earnings	148,011	15.4	65,052	7.0	115,704	12.2
Treasury stock	(1,221)	(0.1)	(990)	(0.1)	(1,097)	(0.1)
Shareholder's equity	388,450	40.4	305,723	33.1	356,269	37.5
Unrealized gain on securities	6,038	0.6	8,092	0.9	7,454	0.8
Gain (loss) on deferred hedges	(194)	(0.0)	156	0.0	(90)	(0.0)
Translation adjustment	6,998	0.7	1,979	0.2	3,834	0.4
Revaluation and translation adjustment	12,841	1.3	10,227	1.1	11,198	1.2
Subscription warrant	184	0.0	15	0.0	108	0.0
Minority interests	1,415	0.2	2,368	0.2	1,048	0.1
Net assets	402,891	41.9	318,335	34.4	368,624	38.8
Total liabilities and net assets	962,151	100.0	925,180	100.0	951,052	100.0

Notes:

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
1. Accumulated depreciation on tangible fixed assets [millions of yen]	407,004	465,660	411,965
2. Number of shares of treasury stock [shares]	996,873	875,128	939,214

(3) Consolidated Statements of Changes in Shareholders' Equity

Interim period ended September 30, 2007 (from April 1, 2007 to September 30, 2007)

[Millions of yen]

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earning	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	37,519	204,143	115,704	(1,097)	356,269
<i>Changes during the period</i>					
Dividend of retained earnings			(5,307)		(5,307)
Net income for the period			37,644		37,644
Purchases of treasury stock				(161)	(161)
Disposal of treasury stock		(2)	(31)	37	4
Changes, net, in items other than shareholders' equity					-
Total changes during the period	-	(2)	32,306	(123)	32,181
Balance at September 30, 2007	37,519	204,140	148,011	(1,221)	388,450

[Millions of yen]

	Revaluation and Translation Adjustments				Subscription Warrants	Minority interests	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total revaluations and translation adjustments			
Balance at March 31, 2007	7,454	(90)	3,834	11,198	108	1,048	368,624
<i>Changes during the period</i>							(5,307)
Dividend of retained earnings							(5,307)
Net income for the period							37,644
Purchases of treasury stock							(161)
Disposal of treasury stock							4
Changes, net, in items other than shareholders' equity	(1,416)	(104)	3,163	1,642	76	367	2,086
Total changes during the period	(1,416)	(104)	3,163	1,642	76	367	34,267
Balance at September 30, 2007	6,038	(194)	6,998	12,841	184	1,415	402,891

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

[Millions of yen]

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earning	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	37,519	226,069	20,088	(915)	282,761
<i>Changes during the period</i>					
Net income for the period			22,508		22,508
Changes in the scope of consolidation			527		527
Deficit coverage transfer from capital surplus to retained earnings		(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				Subscription Warrants	Minority interests	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total revaluations and translation adjustments			
Balance at March 31, 2006	10,180	-	875	11,055	-	2,753	296,571
<i>Changes during the period</i>							
Net income for the period							22,508
Changes in the scope of consolidation							527
Deficit coverage transfer from capital surplus to retained earnings							-
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

Fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

[Millions of yen]

	Shareholder's Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Sub total shareholder's equity
Balance at March 31, 2006	37,519	226,069	20,088	(915)	282,761
<i>Changes during the period</i>					
Net income for the period			72,542		72,542
Changes in the scope of consolidation			527		527
Deficit coverage transfer from capital surplus to retained earnings		(21,928)	21,928		-
Purchase of treasury stock				(190)	(190)
Disposal treasury stock		2		7	9
Provision for payment of retirement allowance debt of overseas subsidiaries			618		618
Changes, net, in items other than shareholder's equity					
Total changes during the period	-	(21,926)	95,616	(182)	73,508
Balance at March 31, 2007	37,519	204,143	115,704	(1,097)	356,269

	Revaluation and Translation Adjustments				Subscription warrant	Minority interests	Total net assets
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total evaluation and transition adjustment			
Balance at March 31, 2006	10,180	-	875	11,055	-	2,753	296,571
<i>Changes during the period</i>							
Net income for the period							72,542
Changes in the scope of consolidation							527
Deficit coverage transfer from capital surplus to retained earnings							-
Purchase of treasury stock							(190)
Disposal treasury stock							9
Provision for payment of retirement allowance debt of overseas subsidiaries							618
Changes, net, in items other than shareholders' equity	(2,725)	(90)	2,958	142	108	(1,705)	(1,455)
Total changes during the period	(2,725)	(90)	2,958	142	108	(1,705)	72,053
Balance at March 31, 2007	7,454	(90)	3,834	11,198	108	1,048	368,624

(4) Consolidated Statement of Cash Flows

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Fiscal year ended March 31, 2007
I. Cash flows from operating activities			
Net income before income taxes and minority interests	53,853	47,880	104,890
Depreciation and amortization	28,550	24,618	52,692
Impairment loss	441	-	640
Amortization of goodwill	3,372	2,868	6,476
Increase (decrease) in allowance for doubtful accounts	(88)	(2,863)	(4,378)
Increase (decrease) in reserve for employees' retirement benefits	1,216	(3,901)	(8,383)
Increase (decrease) in reserve for business withdrawal losses	(10,418)	(16,036)	(29,980)
Interest and dividend income	(1,341)	(1,076)	(2,316)
Interest expense	2,241	2,697	5,088
Loss (gain) on disposals and sale of tangible fixed assets	(173)	415	(4,484)
Losses (gains) on valuation and sales of investment securities	2	(1,531)	(2,717)
Losses (gains) on valuation and sales of stock of affiliated companies	(33)	(1,200)	(580)
Restructuring expenses	-	-	935
(Increase) decrease in trade notes and accounts receivable	20,006	15,732	(976)
(Increase) decrease in inventories	(11,863)	7,115	19,262
Increase (decrease) in trade notes and accounts payable	(9,230)	(832)	(5,064)
Increase (decrease) in accrued consumption tax payable	199	(1,619)	(1,969)
Reversal of reserve for impairment of lease Assets	(12)	-	(3,129)
Increase (decrease) due to the transfer of lease assets for business use	(5,170)	(4,676)	(10,168)
Other	(2,527)	(15,186)	(17,700)
Subtotal	69,027	52,403	98,137
Interest and dividends received	1,440	1,356	2,473
Interest paid	(2,235)	(2,748)	(5,220)
Additional amount of special retirement allowance	-	(6,484)	(6,484)
Income taxes paid	(17,967)	(17,629)	(22,193)
Net cash provided by operating activities	50,264	26,898	66,712
II . Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(28,820)	(29,695)	(62,517)
Proceeds from sale of tangible fixed assets	1,822	2,127	12,064
Payment for acquisition of intangible fixed assets	(3,569)	(2,410)	(6,703)
Income from the sale of subsidiaries due to changes in the scope of consolidation	-	2,331	1,744
Payment for the purchase of additional stock of consolidated subsidiaries	(182)	(1,444)	(2,744)
Payment for loans receivable	(29)	(623)	(891)
Proceeds from return of loan receivable	76	461	1,142
Payment for acquisition of investment securities	(511)	(401)	(1,411)
Proceeds from sale of investment securities	3	2,616	3,461
Payment for other investments	(1,547)	(924)	(2,129)
Other	1,193	1,217	1,585
Net cash used in investing activities	(31,565)	(26,745)	(56,401)

[Millions of yen]

	Six months ended September 30, 2007	Six months ended September 30, 2006	Fiscal year ended March 31, 2007
III . Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	239	523	(53,125)
Repayment of long-term loans payable	(11,283)	(3,229)	(8,079)
Proceeds from issuing of bonds	-	-	70,300
Redemption of bonds	(29)	(6,411)	(14,002)
Proceeds from sale of Company's stock	4	7	9
Payment to execute buyback of Company's stock	(161)	(80)	(190)
Dividend payments	(5,296)	(7)	(12)
Dividend payments to minority shareholders	(37)	(70)	(70)
Net Cash used in financing activities	(16,564)	(9, 268)	(5,170)
IV. Effect of exchange rate changes on cash and cash equivalents	715	221	322
V. Increase (decrease) in cash and cash equivalents	2,850	(8,894)	5,463
VI. Cash and cash equivalents at beginning of the period	86,587	80,878	80,878
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	101	238	245
VIII. Cash and cash equivalents at end of the period	89,539	72,222	86,587

BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 111

Principal consolidated subsidiaries:

Konica Minolta Business Technologies, Inc.	Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Opto, Inc.	Konica Minolta Health Co., Ltd.
Konica Minolta Medical & Graphic, Inc.	Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Sensing, Inc.	Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Technology Center, Inc.	Konica Minolta Business Solutions Europe GmbH
Konica Minolta Business Expert, Inc.	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: 9

Principal unconsolidated subsidiaries: ECS Burero-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 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 consolidated subsidiaries adopt the straight-line method for depreciation. However, the Company and its domestic consolidated subsidiaries have used the straight-line method for their buildings (excluding annexed structures) acquired since April 1, 1998.

Changes in Accounting Policy

Accompanying revisions in Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, March 30, 2007, Law No. 6, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, March 30, 2007, Ordinance No. 83), beginning with

the interim period under review, the method of depreciation for tangible fixed assets purchased on or after April 1, 2007, has been changed to the method prescribed by the revised Income Tax Law. As a result of this change, compared with the previous method employed for the interim period of the previous fiscal year, operating income and recurring profit were each ¥745 million lower than under the previous method of calculating depreciation, and income before income taxes and minority interests was ¥742 million lower than these indicators would have been under the previous method. Please note that the impact of this accounting change by business and geographic segment is shown in the respective segment information sections.

Additional Information

Accompanying the change in Japan's Corporate Tax Law, the Company and its consolidated subsidiaries have adopted the following method of depreciation for assets acquired on or before March 31, 2007. For those assets that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition cost. As a result of this change in accounting method, for the interim period, operating income and recurring profit were each ¥581 million lower, and income before income taxes and minority interests was ¥570 million lower than these indicators would have been under the previous method for calculating depreciation. Please note that the impact of this accounting change by business and geographic segment is shown in the respective segment information sections.

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 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 we exit 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 Konica Minolta 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 Konica Minolta'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.

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 cash flows and hedging instruments.

(6) Other important items regarding the preparation of consolidated interim 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 in consolidated interim cash flow statements

Cash (cash and cash equivalents) in the interim consolidated cash flow statements comprises cash on hand, deposits that can be withdrawn on demand, and short-term investments that will mature in three months or less and can easily be converted into cash with little risk of a change in value.