May 20, 2004

Financial Results (Consolidated) for the Fiscal Year Ended March 31, 2004

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
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Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Consolidated Results: May 20, 2004
U.S. accounting practices have not been adopted in this statement.

1. CONSOLIDATED FINANCIAL RESULTS FOR FISCAL 2004 (APRIL 1, 2003, TO MARCH 31, 2004)

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

(Millions of yen)

	Net sales		Operating income		Recurring profit	
Fiscal 2004	860,420	53.9%	57,530	34.2%	43,186	33.1%
Fiscal 2003	559,041	3.6%	42,855	44.7%	32,438	30.7%

	Net income (Million yen)		Net income per share (yen)	Net income per share (after full dilution)	Net income/ Shareholder s'equity	Recurring profit /Total assets	Recurring profit/Sales
Fiscal 2004	12,548	(23.4%)	26.48	—	4.9%	5.8%	5.0%
Fiscal 2003	16,375	48.1%	45.72	—	9.3%	6.2%	5.8%

Notes: 1. Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Fiscal 2004: ¥61 million
Fiscal 2003: ¥310 million
2. Average number of shares outstanding during the period (consolidated):
Year ended March 31, 2004: 473,118,848
Year ended March 31, 2003: 357,162,497
3. Changes in accounting methods: Yes
4. Percentages in the net sales, operating income, recurring profit, and net income columns indicate changes from the previous fiscal year.
5. Although the Company (the former Konica Corporation) became a new holding company, Konica Minolta Holdings, Inc., on August 5, 2003, through an exchange of shares with Minolta Co., Ltd., for accounting purposes, this merger is deemed as occurring at the end of the interim term, and figures for Minolta Co., Ltd., have therefore not been included in consolidated earnings for the first half of the fiscal year ended March 31, 2004.

(2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Fiscal 2004	969,589	335,427	34.6	631.54
Fiscal 2003	515,956	181,019	35.1	506.82

Notes: Number of shares outstanding at end of the period (consolidated):
March 31, 2004: 531,095,460
March 31, 2003: 357,074,144

(3) Cash Flows

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents year-end
Fiscal 2004	55,957	(28,784)	(33,149)	83,704
Fiscal 2003	66,437	(37,328)	(24,685)	51,876

(4) Scope of Consolidation/Equity Method Accounting

Consolidated subsidiaries: 122
Unconsolidated subsidiaries accounted for by the equity method: 14
Affiliates accounted for by the equity method: 2

(5) Changes in Scope of Consolidation/Equity Method

Newly consolidated subsidiaries: 68
Subsidiaries excluded from consolidation: 21
Companies included in equity method accounting: 2
Companies excluded from equity method accounting: 4

2. CONSOLIDATED RESULTS FORECAST FOR FISCAL 2005 (APRIL 1, 2004, TO MARCH 31, 2005)

(Millions of yen)

	Net sales	Recurring profit	Net income
Interim	550,000	26,000	9,500
Full-year	1,150,000	70,000	30,000

(Estimated net income per share: ¥56.49)

* The above forecasts and those presented in appended material are based on future-oriented assumptions, projections, and targets, so they contain elements of risk and uncertainty. Actual results may differ from these forecasts due to various important elements. Please reference page 12 for items related to the above forecasts.

1. GROUP OVERVIEW

The Konica Minolta Group consists of Konica Minolta Holdings, Inc. (the Company), 122 consolidated subsidiaries, 34 unconsolidated subsidiaries and 12 affiliates.

The Company adopted a spin-off/holding company system on April 1, 2003, and in conjunction created six new business classifications on August 5, 2003—Business Technologies Businesses, Optics Businesses, Photo Imaging and Camera Businesses, Medical and Graphic Imaging Businesses, Measurement Equipment Businesses, and Other Businesses—from the two existing classifications of photographic materials and photo-related industrial equipment and business machines, cameras, and optical products.

The organizational chart and company name changes due to the merger are as follows:

Konica Minolta Holdings, Inc

Business Technologies Businesses: 86
(Consolidated Subsidiaries: 62, Unconsolidated Subsidiaries: 18, Affiliates: 6)

Production: 11
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Konica Minolta Technoproducts Co., Ltd.
- Sankei Precision Products Co., Ltd.
- Konica Minolta Business Technologies Manufacuring (H.K.) Ltd. (H.K.)
- Other Companies: 7

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Konica Minolta Business Technologies, Inc.

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Sales: 74
- Konica Minolta Business Solutions Japan Co., Ltd.
- Konica Minolta Business Solutions U.S.A., Inc. (U.S.)
- 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: 68

Optics Businesses: 6
(Consolidated Subsidiaries: 6)

Production: 5
- Konica Minolta Opto Products Co., Ltd.
- Konica Minolta Opto (DALIAN) Co., Ltd. (China)
- Other Companies: 3

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Konica Minolta Opto, Inc.

Photo Imaging Businesses: 48
(Consolidated Subsidiaries: 34, Unconsolidated Subsidiaries: 10, Affiliates: 4)

(Photographic materials and photo-related industrial equipment)

Production: 7
- Konica Minolta Packaging Co., Ltd.
- Konica Minolta Chemical Co., Ltd.
- Konica Minolta Manufacturing U.S.A., Inc. (U.S.)
- Other Companies: 4

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Konica Minolta Photo Imaging , Inc. *3

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Sales: 28
- Konica Minolta Marketing Corporation
- Konica Minolta Photo Solutions Co., Ltd.
- Konica Minolta ID System Co., Ltd.
- Konica Minolta ID Imaging Co., Ltd.
- Konica Minolta Photo Imaging U.S.A., Inc. (U.S.)
- Konica Minolta Photo Imaging Europe. GmbH (Germany)
- Konica Minolta Photo Imaging (U.K.) Ltd. (U.K.)
- Konica Minolta Photo Imaging France S.A.S. (France)
- Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd. (Singapore)
- Other Companies: 19

(Cameras)

Production: 7
- Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China)
- Konica Minolta Precision Engineering Malaysia Sdn.Bhd. (Malaysia)
- Other Companies: 5

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Konica Minolta Camera, Inc.*3

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Sales: 4
- Konica Minolta Planetarium Co., Ltd.
- Konica Service Co., Ltd.
- Other Companies: 2

Medical and Graphic Imaging Businesses: 13
(Consolidated Subsidiaries: 9, Unconsolidated Subsidiaries: 3, Affiliates: 1)

Production: 2
- Konica Minolta Repro Co., Ltd.
- Other Companies: 1

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Konica Minolta Medical & Graphic , Inc.

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Sales: 10
- Konica Medical Inc. *4
- Kyoritsu Medical Co., Ltd. *4
- Konica Minolta Medical & Graphic Technosupport Co., Ltd.
- Konica Minolta Medical Imaging U.S.A., Inc. (U.S.)
- Konica Minolta Graphic Imaging Japan Co., Ltd.
- Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.)
- Other Companies: 4

Other Businesses: 14
(Consolidated Subsidiaries: 10, Unconsolidated Subsidiaries: 3, Affiliates: 1)
- 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 Information Systems Co., Ltd *5
- Konica Minolta Technosearch Co., Ltd.
- Other Companies: 7

Measurement Equipment Business: 1
(Consolidated Subsidiaries: 1)
- Konica Minolta Sensing , Inc.

Notes: *1: Organization chart is as of March 31, 2004.
*2: Only major consolidated subsidiaries are shown.
*3: On April 1, 2004, Konica Minolta Photo Imaging , Inc. and Konica Minolta Camera, Inc. merged, thereby establishing Konica Minolta Photo Imaging , Inc.
*4: On April 1, 2004, Konica Medical Inc. and Kyoritsu Medical Co., Ltd. merged, and Konica Minolta Medical Co., Ltd. was established.
*5: On April 1, 2004, Konica Information Systems Co., Ltd. and FAMOUS Co.,Ltd. merged, and Konica Minolta Information System Co., Ltd was established.

Changes in names of affiliates due to the reorganization effective from the second half of the fiscal year ending March 31, 2004 are as follows:

Business Technologies Business

New Company Name	Before Reorganization	
	Konica	Minolta
Konica Minolta Business Technologies, Inc.	Konica Business Technologies Corporation	
Konica Minolta Business Solutions Co., Ltd.	Konica Business Machines Japan Co., Ltd.	Minolta Sales Co., Ltd.
Konica Minolta Technoproducts Co., Ltd.	Konica Technoproducts Corporation	
Konica Minolta Business Solutions U.S.A., Inc.	Konica Business Technologies U.S.A., Inc.	Minolta Corporation
Konica Minolta Business Solutions Europe GmbH	Konica Business Machines Deutschland GmbH	Minolta Europe GmbH
Konica Minolta Business Solutions (UK)Ltd.	Konica Business Machines (U.K.)Ltd.	Minolta (UK) Ltd.
Konica Minolta Business Solutions France S.A.S.	Konica Bureautique S.A.S.	Minolta France S.A.S.
Konica Minolta Business Solutions Australia Pty. Ltd.	Konica Australia Pty. Ltd.	Minolta Business Equipment Australia Pty Ltd.
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	Konica Manufacturing (H.K.) Ltd.	Minolta Industlies(HK)Ltd.

Optics Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
Konica Minolta Opto, Inc.	Konica Opto Corporation	
Konica Minolta Opto Products Co., Ltd.	Konica Optics Products Corporation	
Konica Minolta Opto (DALIAN) Co., Ltd.	Konica (Dalian) Co., Ltd. (China)	

Photo Imaging Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
(Photographic Materials and Photo-related Industrial Equipment Businesses)		
Konica Minolta Photo Imaging, Inc.	Konica Photo Imaging Corporation	
Konica Minolta Marketing Co., Ltd.	Konica Marketing Corporation	
Konica Minolta ID System Co., Ltd.	Nihon ID System Co., Ltd.	
Konica Minolta ID Imaging Co., Ltd.	Konica ID Imaging Co., Ltd.	
Konica Minolta Photo Imaging U.S.A., Inc.	Konica Photo Imaging U.S.A., Inc.	Minolta Corporation
Konica Minolta Photo Imaging Europe GmbH.	Konica Europe GmbH	Minolta Europe GmbH
Konica Minolta Photo Imaging (UK) Ltd.	Konica UK Ltd.	Minolta (UK) Ltd.
Konica Minolta Photo Imaging France S.A.S.	Konica France S.A.S.	Minolta France S.A.S.
Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd.	Konica Asia H.Q. Pte. Ltd. Konica Singapore Pte.Ltd.	Minolta Singapore (PTE) Ltd.
Konica Minolta Packaging Co., Ltd.	Konica Packaging Corporation	
Konica Minolta Chemical Co., Ltd.	Konica Chemical Corporation	
Konica Minolta Manufacturing U.S.A., Inc.	Konica Manufacturing U.S.A.,Inc.	
(Camera Businesses)		
Konica Minolta Camera, Inc.		Minolta Camera Co., Ltd.
Konica Minolta Planetarium Co., Ltd.		Minolta Planetarium Co., Ltd.
Konica Minolta Optical Technologies (SHANGHAI) Co., Ltd.		Shanghai Minolta Precision Optics Co.,Ltd.

Medical and Graphic Imaging Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
Konica Minolta Medical & Graphic, Inc	Konica Medical & Graphic Corp.	
Konica Minolta Medical & Graphic Technosupport Co., Ltd.	Konica Meditech Service Corporation	
Konica Minolta Medical Imaging U.S.A., Inc.	Konica Medical Imaging Inc.	
Konica Minolta Graphic Imaging Japan Co., Ltd.	Konica Graphic Imaging Japan Co., Ltd.	
Konica Minolta Graphic Imaging U.S.A., Inc.	Konica Graphic Imaging International, Inc.	
Konica Minolta Repro Co., Ltd.	Konica Repro Co., Ltd.	

Measurement Equipment Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
Konica Minolta Sensing , Inc.		Minolta Sensing , Inc.

Other Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
Konica Minolta Business Expert, Inc.	Konica Business Expert Corporation	
Konica Minolta Technology Center, Inc.	Konica Technology Center Corporation	
Konica Minolta Logistics Co., Ltd.	Konica Logistics Co., Ltd.	
Konica Minolta Sogo Service Co., Ltd.	Konica Sogo Service Co., Ltd.	Minolta Quality Service Co., Ltd.
Konica Minolta Engineering Co., Ltd.	Konica Engineering Co., Ltd.	
Konica Minolta Technosearch Co., Ltd.	Konica Technosearch Corporation	

* Only those subsidiaries and affiliates that have undergone name changes or mergers are listed in this section as a comprehensive listing of subsidiaries and affiliates has been provided in the distribution of businesses diagram.

2. MANAGEMENT POLICY

(1) Basic Policy and Medium-to Long-Term Management Strategy

On August 5, 2003, Konica Corp. and Minolta Co., Ltd., integrated managements through an exchange of shares to create a new holding company—Konica Minolta Holdings, Inc. (the Company). Furthermore, to make this integration more effective, in October 2003 the Company reorganized all of the business divisions of both partners into six operating companies and two shared function companies under the holding company.

Based on a corporate philosophy of creating new value and with a corporate mandate to capture “The essentials of imaging,” the Group aims to be an innovative company that offers “inspired creativity” in the field of imaging and a global player that leads the market in terms of advanced technologies and reliability.

Management philosophy:	“Create new value.”
Management vision:	“To be an innovative company that offers “inspired creativity” in the field of imaging.”
Corporate message:	“The essentials of imaging.”

The imaging field is a promising sector that is expected to grow amid the shift to digital/networked solutions and rapid technological innovation. Meanwhile, these trends are also escalating global competition. To meet the challenges of such rapid shifts in the operating environment and ensure success against competitors worldwide, the Company, as the controlling organ of the overall Group, will pursue the management of the Group with a focus on the following policies.

- Stricter management of its business portfolio
- Implementation of a unique corporate governance system that is a model for other companies
- Enhancement of technical and brand strategies in the imaging field
- Use of an achievement-driven personnel system
- Intensified focus on corporate social responsibilities

These initiatives are aimed at strengthening the Group’s competitive capabilities and earnings power and thereby expanding new businesses. While conducting fair and transparent management under a new corporate governance system, the Company will manage its business portfolio with the objective of maximizing corporate value.

On this management philosophy, in March 2004 the Company formulated its “Integrated Medium-Term Management Plan (04-06).” Specifically, Konica Minolta will concentrate more than 80% of the Group’s resources, including capital investment and R&D expenditures, on its core Business Technologies Business and its strategic Optics Business. By the fiscal year ending March 31, 2007, the Company’s objective is to grow into a corporate group with consolidated net sales of ¥1,330.0 billion and consolidated operating income of ¥160.0 billion, primarily generated by these two business sectors.

Foremost, the Business Technologies Business is the domain expected to yield the greatest synergies from the merger. The Group intends to concentrate corporate resources and become the dominant player in the fields expected to demonstrate sharp growth. This includes the mainstay office equipment field, where the Company is using its lineup of digital color photocopiers and color laser printers to seize business opportunities generated by the shift to color and networked equipment.

In addition, the Optics Business, which boasts world-class optical device technologies is also expected to yield significant merger-related synergies. In the field of optical pickup lenses for use in CD/DVD equipment, the Company will work to maintain its dominant market share. At the same time, the Company will take steps to expand its presence in and become the market share leader in other growth fields, including digital camera lens units and micro-camera modules and micro-lens units for camera-equipped mobile phones.

The Company also shift resources to other business, including the medical, graphics, and measurement equipment businesses, where growth is being driven by the shift to digital and networked solutions to facilities migration to a business structure capable of maximizing merger synergies.

(2) Future Issues

As the inaugural year of its medium-term plan, Konica Minolta has positioned fiscal 2004 specifically as the term for building up its business foundation. In addition to the swift completion of business reorganization and integration, the Company will concentrate on merging its workforces; developing and expanding IT, personnel systems, and other infrastructure elements; and firmly establishing and raising the profile of the new Konica Minolta brand. The Company will promptly and firmly implement these and other initiatives so as to quickly reap the benefits of the merger.

Furthermore, Konica Minolta will accurately reassess the ideal configuration for the Photo Imaging and Camera Business to enable future growth, as earnings for the business struggled against the effects of upheaval in the market and competitive environments in the fiscal year ended March 31, 2004. It will also radically revise the business' strategies and policies regarding the main functions of development, production, and sales and convert its business structure into one that is fully capable of enduring such market changes.

(3) Basic Policy Regarding Distribution of Profits

The Company's medium- to long-term basic policy on profit sharing is to provide stable dividends to its shareholders in comprehensive consideration of such issues as the state of consolidated earnings and the payout ratio, and the enhancement of internal reserve for future business expansion.

Although merger-related expenses will have a temporary effect on Group earnings during fiscal 2004—which the Company has designated as the term for merger-related corporate development—and the following fiscal year, the Company will still pay out its traditional annual dividend of ¥10 per share.

In fiscal 2005 and beyond, in addition to completing initiatives for building up its business foundation, the Konica Minolta will compensate its shareholders for their untiring support by fully reflecting the effects of the merger in Group earnings and, based on expectations of substantial improvement and expansion in profitability, aim to achieve a payout ratio of 15% on a consolidated earnings basis.

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

To increase stock liquidity and to expand its shareholder base, a resolution to reduce the minimum investment unit for the Company's common stock was proposed at the 2003 annual meeting of shareholders, with the resolution being adopted upon passage by shareholders. To implement this policy at the earliest possible date, the minimum investment unit was reduced from 1,000 shares to 500 shares as of August 5, 2003, the date of holding company formation.

(5) Views and Policies Regarding Corporate Governance

The Company recognizes the strengthening of corporate governance as a crucial management issue. As such, the Company has implemented measures to clarify and strengthen auditing functions and policy execution functions to ensure that management conducts business in a transparent and impartial manner.

In April 2003, the Company adopted a spin-off/holding company system. Furthermore, in June 2003, to improve the holding company's corporate governance system, the Company put in place a company with committees system, under which an audit committee, a compensation committee, and a nominating committee were established. The Company appoints no executive officers to either of these committees, all of which are also chaired by outside directors. More over, the four appointed outside directors shall have no interest and/or stake in the Company. Although few Japanese firms have adopted these two systems—a spin-off/holding company system and a company with committees system—simultaneously, Konica Minolta believes that they are the most appropriate form of business organization for raising enterprise value.

In addition, to enhance management auditing and supervisory functions, the Konica Minolta has made its auditing committee a fixed organization composed of full-time staff. What's more, the Company has established a risk management committee and a compliance committee in addition to the installation of a management auditing office as an internal auditing body. Through these and other measures, the Company has augmented its Group internal control systems and configured its auditing committee into an organization fully capable of effective and appropriate auditing functions.

3. OPERATING RESULTS AND FINANCIAL CONDITION

(1) Operating Results

1. Fiscal 2004 Summary

Looking at the global economic situation during fiscal 2004, despite lingering uncertainty regarding the situation in Iraq, the U.S. economy remained firm, supported by large-scale tax cuts, low interest rate policies, and other government economic stimulus initiatives as well as strong consumer spending and IT sector-led recovery in private-sector capital investment. In Asia, although concern was felt over the possible effects of the SARS epidemic, these were restrained to a minimum and the Chinese economy in particular helped generate continued high-level growth for the region. In Europe, although stagnation in export industries was still witnessed due to the appreciation of the euro, the region still maintained fundamentally stable, if relatively low-level, economic activity.

Meanwhile, in Japan digital appliances and other sectors became market drivers, capital investment and exports were on the upswing, and, as indicated by stock prices and certain other economic indicators, the economy displayed a trend toward mild recovery. However, Japan’s economy remains unpredictable as there were still no clear catalysts for a turnaround in consumer spending, as job market instability and weakness in personal income persisted, and the yen continued to gain strength against the dollar in the second half of fiscal 2004. The average levels of the yen-dollar and yen-euro exchange rates were ¥113 and ¥133 respectively, representing a yen appreciation of ¥9, or 7%, against the dollar and depreciation of ¥12, or 10%, against the euro on a year-on-year basis.

Against this backdrop, the Group adopted the spin-off/holding company system in April 2003, merged with Minolta through exchange of stock in August of the same year, and in October it reorganized both companies’ businesses in line with the merger scheme and swiftly implemented a series of radical and bold reforms to its management foundation. At the same time, the Company worked to maintain and expand business profits by conducting highly efficient business management for the Group as whole and taking steps to thoroughly strengthen competitiveness amid continually escalating market competition.

In particular, the Group swiftly achieved merger synergies in its Business Technologies Business, which it has designated as its core business, as well as its strategic Optics Business, both of which served as the drivers of Groupwide earnings.

As a result, consolidated net sales were ¥860.4 billion, operating income totaled ¥57.5 billion, and recurring profit amounted to ¥43.1 billion. Net income for the term amounted to ¥12.5 billion, reflecting the recording of extraordinary losses in connection with rationalization expenses stemming from the merger.

(It should be noted that, in accordance with the Company’s rules governing consolidated financial statements, in terms of consolidated accounting, the Company deems the official date of the Konica Minolta merger to be September 30, 2003, and has therefore prepared separate earnings statements for Konica and Minolta for the first half of fiscal 2004. Hence, the above consolidated earnings figures do not include those of Minolta for the first half of the term, which were net sales of ¥1,123.5 billion, operating income of ¥73.2 billion, recurring profit of ¥52.5 billion, and net income of ¥19.3 billion.)

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including 1st half of Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Sales	860,420	1,123,591	1,087,195	36,395	3.3%
Operating Income	57,530	73,213	77,238	(4,024)	(5.2%)
Recurring profit	43,186	52,538	54,351	(1,812)	(3.3%)
Net income	12,548	19,343	29,071	(9,728)	(33.5%)

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Segment Information

Business Technologies Business [multi-function photocopiers (MFP), printers, etc.]

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Net sales to outside customers	431,118	625,753	596,389	29,364	4.9%
Operating income	46,408	62,856	52,624	10,232	19.4%

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Net sales to outside customers totaled ¥431.1 billion and operating income amounted to ¥46.4 billion. (Total net sales and operating income including those of Minolta were ¥625.7 billion and ¥62.8 billion, respectively.)

In MFP operations, under its Genre Top Strategy ("to concentrate managerial resources in specific markets and sectors and capture the top brand position"), the Company worked to expand sales of high-added-value products and maintain and expand its share of sales in Europe and North America. These high-added-value products included full-color copiers and monochrome medium- to high-speed copiers powered by Konica Minolta's industry-leading polymerization toner technologies, which are compatible with a full range of copiers, from color to monochrome as well as high-speed output in addition to low and average speeds. In the rapidly expanding full-color MFP market, the Company worked to achieve significant cultivation of its customers' needs for color output with such machines as the color MFP2 series, which the Company has traditionally aimed at the office market and achieves speeds of 20 and 31 pages per minute. Adding the 51-page-per-minute high-speed color output 8050 to its product lineup, the Company enabled the supply of high-quality highly reliable products and services to a wide spectrum of market sectors, including general office use, print-on-demand, and near-print.

Regarding the high-profit potential sector of high-speed copiers, in addition to its own sales channels, the Company worked to expand sales through proactively pursuing strategic alliances with the world's top IT companies, including Hewlett-Packard Development Company, L.P (United States) and Peking University Founder Group Corp. (China). Konica Minolta commenced shipments of 55- and 65-page-per-minute high-speed monochrome MFP2 machines to Hewlett-Packard in the summer of 2003. In addition, the Company has also signed a supply contract with Hewlett-Packard for its top-speed 85-page-per-minute MFP units, which, along with polymerization toner and other supplies, will provide further opportunities for business expansion through Hewlett-Packard.

In conjunction with the transition to the Konica Minolta brand, in February 2004 the Company introduced the new "bizhub" brand of MFPs and other products around the world. This coincided with the release of the two new products to spearhead this brand, the bizhub C350 full-color MFP and the bizhub 7235 monochrome MFP. Konica Minolta will roll out a dynamic promotions program, including exhibition at major trade shows in Japan, North America, and Europe targeting retailers and influential customers and orchestrate its development, production, and sales operations to implement its Genre Top Strategy with particular focus on the bizhub brand.

In printer operations, Konica Minolta continued to concentrate its energies on sales expansion in low-speed laser printers (LBPs) with a focus on the European and North American markets, in which it successfully obtained the number two position. In particular, the four-page-per-minute color output magicolor 2300 series, which the Company launched in the second half of the previous fiscal year, garnered widespread popularity particularly in the SOHO market sector for its polymerization toner derived high-resolution and its outstanding cost performance. In the days and months ahead, Konica Minolta will make maximum use of both its own sales channels and OEM channels and work to expand its sales share.

Optics Business (optical devices, electronic materials)

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Net sales to outside customers	76,711	85,825	57,020	28,805	50.5%
Operating income	16,168	15,281	12,638	2,643	20.9%

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Net sales to outside customers totaled ¥76.7 billion and operating income amounted to ¥16.1 billion. (Total net sales and operating income including those of Minolta were ¥85.8 billion ¥15.2 billion, respectively.)

Konica Minolta continued to maintain strong performance in its core optical pickup lens operations on the strength of unparalleled technological strength, market position, and the wide ranging compatibility of its products. In addition, the Company's newly established strategic components business, which is driven by its expertise in optics technologies and includes such products as digital camera lens units and microlenses for camera-equipped mobile phones, benefited from vigorous market growth and expanded sales and contributed to growth on the profit side.

Furthermore, the Company worked to expand sales of triacetyl cellulose (TAC) film and other high-value-added products to capitalize on the strong growth in LCD-related markets, including large-scale monitors and LCD television sets, and achieved substantial sales growth.

Photo Imaging and Camera Business (photosensitive materials, ink-jet media, and cameras)

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Net sales to outside customers	223,962	277,693	304,228	(26,535)	(8.7%)
Operating income	(5,372)	(6,644)	9,608	(16,252)	(169.2%)

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Net sales to outside customers totaled ¥223.9 billion and operating loss amounted to ¥5.3 billion. (Total net sales and operating loss including those of Minolta were ¥277.6 billion ¥6.6 billion, respectively.)

In photosensitive materials, Konica Minolta worked to capitalize on strong sales in overseas markets of its R1 Super mini labs, which it launched in spring 2003, to maintain and expand sales and profit in photographic paper operations by proactively expanding the uptake of storefront digital prints. However, the Company's color film operations were substantially affected by the decline in demand in industrialized nations (Japan, North America, Europe), and, despite strengthened regional strategies in China, India, Russia, the Middle East, and other markets with growth potential and improvements to sales efficiency, a slide in profit was unavoidable. Although progress in revamping business structure continued to produce solid results in the non-silver halide photography business, which included ink-jet media and photo ID systems, the business has yet to attain a scale sufficient to compensate for the decline in color film operations.

In digital camera operations, amid continuing strong market growth both in Japan and overseas, Konica Minolta introduced such ambitious new products as the thin and compact DiMAGE Xt and achieved substantial growth in sales that surpassed the rate of market growth. However, unexpectedly severe price competition in the world's markets, particularly in the period from summer 2003 onward, caused increased losses in this sector.

The Company will implement prompt and radical revisions to strategies and polices in these businesses in terms of the functions of development, production, and sales and strive to convert the business structure to one that is fully capable of enduring market changes.

As part of these initiatives, in April 2004 Konica Minolta consolidated and concentrated its photosensitive materials and camera businesses in Konica Minolta Photo Imaging, Inc. By providing a comprehensive range of unique Konica Minolta-only digital photo imaging related products and services covering all needs from input to output, the Company will work to improve its competitiveness and raise its market position.

Medical and Graphic Imaging Business (medical and graphic products)

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Net sales to outside customers	120,871	120,871	117,420	3,451	2.9%
Operating income	7,906	7,906	9,330	(1,424)	(15.3%)

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Net sales to outside customers totaled ¥120.8 billion and operating income amounted to ¥7.9 billion.

In medical products operations, Konica Minolta achieved prompt success in the industry in the productization of its Direct Digitizer REGIUS Model 170 digital X-ray imaging system, which it developed in response to the increasing use of digital and network technologies in hospitals, and commenced sales in the previous fiscal year. Highly regarded in the market for its sophistication, the system continued to attain strong sales growth. In addition, boosted by solid hardware sales, dry film sales were also strong.

In graphic imaging, Konica Minolta worked to expand film sales in overseas markets with a focus on Asia. In Japan, to respond to the ongoing market transition to filmless solutions, the Company obtained top market share with its Digital Konsensus Pro digital color proofing system, which is highly acclaimed for its quality and sophistication. In addition, benefiting from solid hardware sales, healthy sales were also achieved in proofing papers.

Measurement Equipment Business (colorimeters, 3D measurement devices, and others)

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Net sales to outside customers	2,657	8,030	9,321	(1,291)	(13.9%)
Operating income	801	1,774	2,035	(261)	(12.8%)

Note: Combined totals of Konica and Minolta earnings are calculated on a gross basis and do not include consolidation adjustments.

Net sales to outside customers totaled ¥2.6 billion and operating income amounted to ¥0.8 billion. (Total net sales and operating income including those of Minolta were ¥8 billion ¥1.7 billion, respectively.)

Solid sales of the CA-210 display color analyzer, which is used to control PC monitor hue, and other spectrophotometers were achieved, and, by accurately identifying target industries and companies and implementing concentrated sales and marketing, Konica Minolta worked to expand sales with a focus on the markets of Japan and other parts of Asia. On the production side, the Company worked to maintain and expand business profitability by implementing such structural reforms as reducing consolidated inventories by shortening lead times and developing production systems that are compatible with small-lot, multi-product range production.

Dividends

Although the business environment surrounding the Konica Minolta Group is expected to remain severe, in line with the aforementioned policy, with due attention paid to the maintenance of internal reserves and to live up to the loyal support of its shareholders, the Company has set the year-end dividend at ¥5 per share, the same as that for the previous fiscal year-end, which, combined with the ¥5 per share interim dividend, amounts to a total dividend of ¥10 per share for the entire fiscal year.

(2) Outlook for Fiscal 2005

In fiscal 2005, the significant resurgence of the U.S. economy is expected to continue to drive the world's economies and a general recovery is anticipated. However, many uncertainties remain, including unrest in Iraq, the political situation in the Middle East, and the persistent appreciation of the yen against the dollar, and the overall operating environment is not expected to be conducive to an optimistic view.

Against this backdrop, Konica Minolta will accelerate its implementation of merger-related initiatives and produce solid results from the accomplishment of the Konica Minolta merger.

Konica Minolta's outlook for consolidated earnings in the fiscal year ending March 31, 2005, is as follows:

<Consolidated basis>

(Millions of yen)

	Fiscal 2005		Fiscal 2004		Increase (Decrease)	
	Interim	Full year	Interim	Full year	Interim	Full year
Net sales	5,500	11,500	5,416	11,235	1.6%	2.4%
Operating income	335	850	400	732	(16.3%)	16.1%
Recurring profit	260	700	284	525	(8.5%)	33.3%
Net profit	95	300	151	193	(37.1%)	55.4%

These projections are premised on the following exchange rates in the fiscal 2005:

US$ ¥105

Euro ¥127

Furthermore, the above earnings for fiscal 2004 are the gross total of Konica's consolidated earnings and those of Minolta for the second half of the term.

*The above forecasts are estimates and incorporate elements of risk and uncertainty. Actual results may differ due to various significant factors.

Fiscal 2005 Dividends

In consideration of the need to secure the levels of internal reserves required to develop and fortify the merged company's business foundation and enable future expansion while maintaining its policy of paying steady dividends, Konica Minolta plans to pay an interim cash dividend of ¥5 per share and a year-end dividend of ¥5 per share, for a total dividend of ¥10 per share for the entire fiscal year.

(2) Financial Position

1. Fiscal 2004 Overview

	Year ended March 31, 2004	Six months ended September 30, 2003	Increase (Decrease)	Year ended March 31, 2003	Increase (Decrease)
Total assets (millions of yen)	969,589	994,460	(24,870)	515,956	453,633
Shareholders' equity (millions of yen)	335,427	337,093	(1,665)	181,019	154,408
Shareholders' equity per share	631.54	634.62	(3.08)	506.82	124.72
Equity ratio (%)	34.6	33.9	0.7	35.1	(0.5)

Note: Fiscal 2003 figures are those for Konica, and figures for the half ended September 30, 2003, are those for after the merger of Konica and Minolta.

In comparison with the level of total assets on September 30, 2003 (the date of the Konica Minolta merger), total assets at year-end decreased ¥24.8 billion, to ¥969.5 billion, as a result of the generation of free cash flow and the resulting decline in interest-bearing debt.

Likewise, in comparison with the level of shareholders' equity on September 30, 2003 (the point of the Konica Minolta merger), despite the steady increase in net income, shareholders' equity slipped ¥1.6 billion due to increased foreign currency translation adjustments caused by the appreciation of the yen. Shareholders' equity per share amounted to ¥631.54, and the equity ratio worked out to 34.6%.

Cash Flows

(Millions of yen)

	Fiscal 2004	Fiscal 2004 (Including Minolta figures)	Fiscal 2003 (Konica and Minolta combined)	Increase/ Decrease
Cash flows from operating activities	55,957	86,137	145,463	(59,326)
Cash flows from investing activities	(28,784)	(31,924)	(52,603)	20,679
Total (Free cash flow)	27,173	54,213	92,860	(38,647)
Cash flows from financing activities	(33,149)	(55,317)	(94,074)	38,757

Note: Combined totals of Konica and Minolta cash flows are calculated on a gross basis and do not include consolidation adjustments.

Cash flows from operating activities

Despite the substantial contribution from the ¥32.3 billion increase in net income before income taxes and minority interest and ¥44.3 billion in depreciation and amortization, cash provided by operating activities was held to ¥55.9 billion, primarily as a result of ¥18.3 billion in payment of corporate income taxes.

Cash flows from investing activities

Cash used in investing activities amounted to ¥28.7 billion, primarily as the result of ¥24.9 billion in expenditures for the acquisition of property, plant and equipment, which consisted mainly of increases in production capacity for medical dry film, aspherical lenses for optical disks, and polymerization toner, as well as the construction of a new materials research wing to enable the development of cutting-edge materials technologies.

As a result, free cash flow, the total of cash flows from operating activities and cash flows from investing activities amounted to ¥27.1 billion.

Cash flows from financing activities

Cash used in financing activities amounted to ¥33.1 billion. Reasons for this were primarily the repayment of bank loans and the redemption of bonds and also included ¥4.4 billion in the payment of dividends. As a result, the balance of interest bearing debt at fiscal year-end was reduced to ¥268.0 billion.

The subtraction of ¥1.3 billion in variance on currency translation caused a ¥7.2 billion decline in cash and cash equivalents. On the other hand, the merger with Minolta provided an increase in cash and cash equivalents of ¥38.4 billion and cash and cash equivalents of subsidiaries newly included in consolidated rose ¥0.6 billion, and cash and cash equivalents at year-end amounted to ¥83.7 billion.

Cash Flow Indicators

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004
Shareholders' equity ratio (%)	30.9	32.5	35.1	34.6
Market price-based shareholders' equity ratio (%)	53.1	55.5	65.0	81.5
Debt redemption period (years)	3.6	3.7	2.3	3.1
Interest coverage ratio	5.5	7.1	14.3	11.1

Notes: Shareholders' equity ratio: Shareholders' equity/total assets

Market price-based shareholders' equity ratio: Market capitalization/total assets

Debt redemption period: Interest-bearing debt/net cash flows from operating activities (omitted in interim data)

Interest coverage ratio: cash flows from operating activities/interest payments

The above ratios are calculated based on the figures at the end of the previous interim period

1. Each of these indicators is calculated based on consolidated financial data.
2. Market capitalization is calculated as share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock).
3. Net cash flows 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.

2. Outlook for the Entire Fiscal Year Cash flows

Konica Minolta projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥20.0 billion.

* Figures in this report stated in units of ¥100 million have been rounded to the nearest ¥100 million.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statements of Income

(Millions of yen)

	April 1, 2002 — March 31, 2003		April 1, 2003— March 31, 2004		Increase / Decrease	
	Amount	% of net sales	Amount	% of net sales	Amount	YoY (%)
Net Sales	559,041	100.0	860,420	100.0	301,379	53.9
Cost of sales	321,381	57.5	498,967	58.0	177,586	55.3
Gross profit	237,660	42.5	361,453	42.0	123,793	52.1
Selling, general and administrative expenses	194,804	34.8	303,922	35.3	109,117	56.0
Operating income	42,855	7.7	57,530	6.7	14,675	34.2
Non-operating income	[6,765]	1.2	[8,762]	1.0	[1,997]	29.5
Interest and dividend income	1,051		1,003		(48)	
Equity Method Profits	310		61		(249)	
Other	5,403		7,697		2,294	
Non-operating expenses	[17,181]	3.1	[23,106]	2.7	[5,924]	34.5
Interest expense	4,484		5,190		706	
Other	12,697		17,915		5,218	
Recurring profit	32,438	5.8	43,186	5.0	10,747	33.1
Extraordinary profit	[8,263]	1.5	[897]	0.1	[(7,365)]	(89.1)
Gain on sales of fixed assets	181		690		509	
Gain on sales of investment securities	0		207		206	
Return of the proxy portion of the national employees' pension fund	8,081		—		(8,081)	
Extraordinary losses	[15,973]	2.9	[11,721]	1.4	[(4,252)]	(26.6)
Loss on disposal and sale of fixed assets	3,294		3,168		(125)	
Loss on sale of investment securities	12		330		318	
Write-down on investment securities	2,167		451		(1,716)	
Provision of reserve for reorganization/liquidation expenses	5,637		—		(5,637)	
Transition obligations due to adoption of new accounting standards for retirement benefits	1,325		1,540		214	
Reserve for directors' retirement benefits	—		513		513	
Special premium withdrawal from national employees' pension fund	543		513		(29)	
Expenses related to switch to defined benefit pension plan	2,993		180		(2,812)	
Management integration rationalization expenses	—		5,022		5,022	
Income before income taxes and minority interests	24,728	4.4	32,363	3.8	7,634	30.9
Income taxes	14,375		22,466		8,090	
Deferred income taxes	(6,195)		(2,841)		3,354	
Minority interest in earnings of consolidated subsidiaries	172		189		17	
Net income	16,375	2.9	12,548	1.5	(3,827)	(23.4)

(2) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2003		**As of March 31, 2004**		Increase / Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current assets	[311,818]	[60.4]	[535,769]	[55.3]	[223,950]	[71.8]
Cash and deposits	51,876		83,574		31,698	
Trade notes and accounts receivable	129,212		223,032		93,819	
Marketable securities	0		130		129	
Inventories	98,848		173,949		75,100	
Deferred tax assets	22,759		31,033		8,273	
Other accounts receivable	9,942		13,574		3,632	
Other current assets	5,925		18,889		12,964	
Allowance for doubtful accounts	(6,746)		(8,414)		(1,668)	
Fixed assets	[204,137]	[39.6]	[433,820]	[44.7]	[229,682]	[112.5]
Tangible fixed assets	[148,040]	28.7	[220,204]	22.7	[72,163]	48.7
Buildings and structures	52,270		71,760		19,489	
Machinery and vehicles	50,002		58,694		8,691	
Land	18,672		38,514		19,841	
Rental business-use assets	14,416		20,928		6,512	
Other property, plant and equipment	12,678		30,305		17,627	
Intangible fixed assets	[10,646]	2.1	[120,204]	12.4	[109,558]	—
Consolidation goodwill	—		98,716		98,716	
Other intangible fixed assets	10,646		21,488		10,841	
Investments and others	[45,451]	8.8.	[93,411]	9.6	[47,960]	105.5
Investment securities	14,201		37,424		23,223	
Long-term loans	1,103		2,672		1,568	
Long-term prepaid expenses	5,268		4,429		(838)	
Deferred tax assets	14,343		31,926		17,583	
Other investments	12,834		18,281		5,446	
Allowance for doubtful accounts	(2,300)		(1,323)		976	
Total assets	515,956	100.0	969,589	100.0	453,633	87.9

(Millions of yen)

	As of March 31, 2003		As of March 31, 2004		Increase / Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current liabilities	[244,033]	47.3	[484,842]	50.0	[240,809]	98.7
Trade notes and accounts payable	73,311		141,783		68,472	
Short-term loans	90,592		182,429		91,837	
Long-term loans due within one year	5,121		14,251		9,129	
Bonds due within one year	5,054		18,354		13,300	
Accrued expenses	37,315		71,480		34,164	
Accrued income taxes	9,913		16,736		6,823	
Allowance for product warranty	1,148		5,164		4,016	
Reserve for restructuring/liquidation losses	5,637		—		(5,637)	
Other current liabilities	15,939		34,641		18,702	
Long-term liabilities	[88,679]	17.2	[148,076]	15.3	[59,397]	67.0
Bonds	27,192		20,138		(7,054)	
Long-term loans	24,126		32,778		8,651	
Long-term accrued liabilities	8,204		20,305		12,100	
Deferred tax assets on land revaluation	—		3,925		3,925	
Reserve for retirement benefits and pension plans	24,303		64,915		40,611	
Reserve for directors' retirement benefits	—		922		922	
Other long-term liabilities	4,852		5,091		239	
Total liabilities	332,712	[64.5]	632,919	[65.3]	300,207	[90.2]
Minority interests	2,224	[0.4]	1,242	[0.1]	(981)	[(44.1)]
Capital stock	37,519	7.3	37,519	3.9	—	
Capital reserve	79,342	15.4	226,065	23.3	146,722	
Accumulated earnings	69,052	13.4	77,254	8.0	8,201	
Net unrealized gain on securities	825	0.1	4,886	0.5	4,061	
Translation adjustment	(5,309)	(1.0)	(9,721)	(1.0)	(4,411)	
Treasury stock	(410)	(0.1)	(576)	(0.1)	(165)	
Total shareholders' equity	181,019	[35.1]	335,427	[34.6]	154,408	[85.3]
Total liabilities, minority interests, and shareholders' equity	515,956	100.0	969,589	100.0	453,633	87.9

Notes:

	Fiscal 2003	Fiscal 2004	Increase/Decrease
1. Accumulated depreciation on tangible fixed assets (million yen)	281,329	440,481	159,151
2. Discount on trade notes receivable (million yen)	—	190	190
3. Number of shares of treasury stock	581,224	568,877	(12,347)
(Breakdown)			
Treasury stock	399,141	568,877	169,736
Shares of equity-method affiliates	182,083	—	(182,083)

(3) Statement of Retained Profits (Consolidated)

(Millions of yen)

	April 1, 2002—March 31, 2003	April 1, 2003—March 31, 2004	Increase/Decrease
	Amount	Amount	Amount
(Capital surplus portion)			
Capital surplus at beginning of period	[79,342]	[79,342]	—
Increase in capital reserve	[—]	[146,722]	[146,722]
Issuance of new shares due to share exchange	—	146,706	146,706
Gain on disposal of treasury stock	—	15	15
Capital surplus at end of period	79,342	226,065	146,722
(Accumulated earnings portion)			
Accumulated earnings at beginning of period	[56,251]	[69,052]	[12,801]
Increase in accumulated earnings	[16,375]	[12,688]	[(3,687)]
Net income	16,375	12,548	(3,827)
Increase resulting from newly consolidated subsidiaries	—	139	139
Decrease in accumulated earnings	[3,574]	[4,487]	[912]
Dividends	3,574	4,442	867
Bonuses to directors and corporate auditors	—	45	45
Accumulated earnings at end of period	69,052	77,254	8,201

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2002— March 31, 2003	April 1, 2003— March 31, 2004
	Amount	Amount
I. Cash flows from operating activities		
Net income before income taxes and minority interests	24,728	32,363
Depreciation and amortization	28,497	44,386
Amortization of consolidated goodwill	—	2,869
Increase in allowance for doubtful accounts	(2,163)	(3,846)
Interest and dividend income	(1,051)	(1,003)
Interest expense	4,484	5,190
Loss (gain) on sales or disposals of tangible fixed assets	3,112	2,477
Valuation loss (gain) on investment securities	2,167	574
Transition obligations due to adoption of new accounting standards for retirement benefits	1,325	1,540
Gain on return of proxy portion of national employees' pension fund	(8,081)	—
Special premium for withdrawal from national employee's pension fund	543	513
Transfers to reserve for deferred pension and past service recognition payments to directors	—	513
Management integration rationalization expenses	—	5,022
Expenses related to switch of defined contribution benefit plan	2,993	180
Provision of reserve for reorganization/liquidation expenses	5,637	—
Decrease (increase) in trade notes and accounts receivable	7,686	(3,210)
Decrease (increase) in inventories	2,187	(2,914)
Increase (decrease) in trade notes and accounts payable	3,337	(1,060)
Increase (decrease) in accrued consumption tax payable	155	(738)
Other	4,991	(4,613)
Subtotal	80,552	78,243
Interest and dividends received	1,506	1,363
Interest paid	(4,653)	(5,263)
Income taxes paid	(10,968)	(18,385)
Net cash provided by operating activities	66,437	55,957
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(29,545)	(24,935)
Proceeds from sale of tangible fixed assets	2,177	6,102
Payment for acquisition of intangible fixed assets	(3,669)	(6,383)
Payment for borrowings	(5,743)	(1,451)
Proceeds from loan recovery	2,963	460
Payment for acquisition of investment securities	(706)	(39)
Proceeds from sale of investment securities	746	225
Payment for other investments	(3,533)	(3,296)
Other	(18)	533
Net cash used in by investing activities	(37,328)	(28,784)
III. Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(19,551)	(11,090)
Proceeds from long-term loans payable	16,000	674
Repayment of long-term loans payable	(3,300)	(13,006)
Redemption of bonds	(15,354)	(5,054)
Income from addition to capital by minority investor	1,300	—
Payment to execute buyback of Company's stock	(204)	(286)
Proceeds from sale of Company's stock	—	44
Dividend payments	(3,576)	(4,430)
Net cash used in financing activities	(24,685)	(33,149)
IV. Translation differences on cash and cash equivalents	(206)	(1,317)
V. Increase in cash and cash equivalents	4,216	(7,292)
VI. Cash and cash equivalents at beginning of the period	47,659	51,876
VII. Increase in cash and cash equivalents due to newly consolidation subsidiaries	—	667
VIII. Increase in cash and cash equivalents due to exchange of shares	—	38,453
IX. Cash and cash equivalents at end of the period	51,876	83,704

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 122

Principal consolidated subsidiaries:

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

Number of unconsolidated subsidiaries: 34

Unconsolidated subsidiaries have not been included in consolidation because they are relatively small companies and their assets, sales, net income, and retained earnings 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: 14

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

Number of affiliates accounted for by the equity method: 2

The total net income (loss) and retained earnings of the 20 equity-method non-consolidated subsidiaries and 10 affiliates were of small value and had a negligible effect on consolidated financial statements.

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

Parent company inventories are, in the main, recorded at cost as determined by the periodic-average method. Domestic consolidated subsidiaries' inventories are, in the main, recorded at cost as determined by the last purchase price 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

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.

(3) Reserves

1. Allowance for doubtful receivables

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

2. Reserves for product warranty

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

3. Reserves for retirement benefits

Reserves for employees' retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated using various actuarial assumptions as of the end of the fiscal year.

The variance in accounting standards was primarily wholly written off in the case of consolidated subsidiaries.

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.

(Additional information)

Accounting treatment of the transition from a defined benefits pension plan to a defined contribution pension plan

With the enforcement of the Defined Contribution Pension Law, on April 1, 2004, the Company and a portion of its domestic subsidiaries changed certain portions of the former Minolta Co., Ltd.'s defined benefit pension plan to a defined contribution pension plan.

The Company and a portion of its domestic subsidiaries have applied "Accounting for Transfers among Retirement Benefit Plans"(issue No. 1 of Application Guidelines in Accounting Standards for Business Enterprises and "Handling of Practices Regarding Accounting for the Transfers among Retirement Benefit Plans" (issue No.2 of the Report on the Handling of Professional Practices).

The transfer of pension plan resulted in the recording of a ¥180 million extraordinary loss.

4. Allowance for Directors' Retirement Benefits

To provide for the payment of directors' retirement benefits, reserve for benefits for retired directors and auditors is recorded in an actual amount equal to the need at the current fiscal year-end based on Konica Minolta's regulations.

(Additional Information)

On account of the transition to a "Company with Committees" system and the merger with Minolta Co., Ltd., during the term, Konica Minolta has revised its regulations regarding directors' retirement benefits. Accordingly, Konica Minolta has recorded ¥409 million in benefits expected to be paid as of the fiscal year-end as an operating expense and ¥513 million in the amount for previous years as an extraordinary loss.

(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 that

2. Hedge methods and hedge targets

Derivatives are used as the hedge method (forward exchange contracts, interest rate swaps, and commodity swaps)

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

3. Hedge policy

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

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

4. *Methods for evaluating the effectiveness of hedges*

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

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

1. Consumption tax

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

2. Accounting for directors' performance-based compensation

Due to the Company's conversion to a Company with Committees system, as of the term under review, directors' performance-based compensation is charged at the time such compensation is due.

4. Evaluation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are all valued using based on the current market price method.

5. Amortization of Consolidated Goodwill

The consolidation goodwill is amortized uniformly over 5 to 20 years.

6. Treatment of Appropriation of Earnings Items

Statements of consolidated retained earnings for consolidated subsidiaries are prepared based on the profit distribution confirmed for the fiscal year.

7. Range of Cash within Consolidated Cash Flow Statements

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

5. SEGMENT INFORMATION

(1) Information by Business Segment

Fiscal 2004 (April 1, 2003, to March 31, 2004)

(Millions of yen)

	Business Technologies	Optics Business	Photo Imaging and Camera	Medical and Graphic	Measurement Equipment	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	431,118	76,711	223,962	120,871	2,657	5,100	860,420	—	860,420
Intersegment sales/transfers	24,594	17,948	15,057	23,461	1,236	43,909	126,207	[126,207]	—
Total	455,712	94,660	239,019	144,332	3,893	49,009	986,628	[126,207]	860,420
Operating expenses	409,303	78,491	244,392	136,426	3,092	40,831	912,538	[109,647]	802,890
Operating income	46,408	16,168	(5,372)	7,906	801	8,177	74,090	[16,559]	57,530
Assets, depreciation, and capital expenditure									
Assets	431,374	86,726	196,027	106,930	7,703	479,901	1,308,664	[339,074]	969,589
Depreciation	22,151	4,846	7,229	4,698	72	5,390	44,386	—	44,386
Capital expenditure	11,660	4,976	7,815	4,529	70	6,257	35,307	—	35,307

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 and Camera, Medical and Graphic, Measurement Equipment, 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. In fiscal 2004, this amount was ¥ 17,545 million.

Fiscal 2003 (April 1, 2002, to March 31, 2003)

(Millions of yen)

	Photographic materials	Business machines	Total	Elimination & corporate	Consolidation
Sales					
Outside customers	294,319	264,721	559,041	—	559,041
Intersegment sales/transfers	3,958	1,290	5,249	(5,249)	—
Total	298,278	266,012	564,290	(5,249)	559,041
Operating expenses	282,412	229,513	511,925	4,260	516,185
Operating income	15,866	36,499	52,365	(9,510)	42,855
Assets, depreciation, and capital expenditure					
Assets	271,641	183,358	455,000	60,956	515,956
Depreciation	14,143	11,516	25,659	2,839	28,497
Capital expenditure	6,528	6,661	13,190	8,435	21,625

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Photographic materials and Business machines.
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. In fiscal 2004, this amount was ¥9,762 million.
3. The assets in the eliminations and Companywide column include ¥74,952 million in Companywide assets. These consisted mainly of excess parent company funds (cash and marketable securities) under management, long-term investments (investment securities), and various assets and other items of the administrative sections.

Change in method of business categorization

Although former Konica Corporation has traditionally categorized its business into the two segments of photographic related businesses and business technologies related businesses based on similarity in product type and sales market, as of the term under review, due to the corporate division of all businesses, in consideration of the state of businesses and their administration by the Group, and to increase the utility of categorized segment information, Konica Minolta has reorganized its businesses into the six categories of the Business Technologies Business, the Optics Business, the Photo Imaging and Camera Business, the Medical and Graphic Imaging Business, the Measurement Equipment Business, and Other Business category. Categorization of the previous fiscal year's segment information using the new business categorization method would be as follows:

Fiscal 2003 (April 1, 2002, to March 31, 2003)

(Millions of yen)

	Business Technologies	Optics Business	Photo Imaging and Camera	Medical and Graphic	Measurement Equipment	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	204,594	44,200	190,901	117,420	—	1,924	559,041	—	559,041
Intersegment sales/transfers	1,149	269	1,363	210	—	12,639	15,632	[15,632]	—
Total	205,744	44,470	192,264	117,630	—	14,563	574,673	[15,632]	559,041
Operating expenses	183,363	31,084	185,493	108,300	—	6,866	515,108	1,077	516,185
Operating income	22,381	13,385	6,771	9,330	—	7,696	59,565	[16,709]	42,855
Assets, depreciation, and capital expenditure									
Assets	151,278	50,822	140,490	103,994	—	95,122	541,708	[25,752]	515,956
Depreciation	9,332	3,941	6,699	5,687	—	2,838	28,497	—	28,497
Capital expenditure	3,840	3,660	4,946	744	—	8,435	21,625	—	21,625

(2) Information by Geographical Area

Fiscal 2004 (April 1, 2003, to March 31, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	405,787	215,554	190,178	48,901	860,420	—	860,420
Intersegment sales/transfers	223,931	9,678	2,069	95,247	330,928	[330,928]	—
Total	629,719	225,233	192,247	144,148	1,191,348	[330,928]	860,420
Operating expenses	565,964	220,802	187,730	139,638	1,114,136	[311,245]	802,890
Operating income	63,754	4,430	4,517	4,510	77,212	[19,682]	57,530
Assets	835,472	148,317	146,841	66,459	1,197,091	[227,501]	969,589

Fiscal 2003 (April 1, 2002, to March 31, 2003)

(Millions of yen)

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	323,524	124,964	83,474	27,077	559,041	—	559,041
Intersegment sales/transfers	121,857	8,424	674	41,243	172,200	[172,200]	—
Total	445,382	133,388	84,148	68,321	731,241	[172,200]	559,041
Operating expenses	401,412	128,325	82,644	66,508	678,890	[162,705]	516,185
Operating income	43,969	5,063	1,504	1,813	52,350	[9,495]	42,855
Assets	340,141	83,806	60,770	22,810	507,528	8,427	515,956

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, 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. In fiscal 2004, this amount was ¥ 17,545 million.

(3) Overseas Sales

Fiscal 2004 (April 1, 2003, to March 31, 2004)

(Millions of yen)

	North America	Europe	Asia excluding Japan, Others	Total
Overseas sales	235,270	210,899	157,038	603,207
Consolidated sales	—	—	—	860,420
Overseas sales as a percentage of consolidated sales	27.3%	24.5%	18.3%	70.1%

Fiscal 2003 (April 1, 2002, to March 31, 2003)

(Millions of yen)

	North America	Europe	Asia excluding Japan, Others	Total
Overseas sales	137,930	91,589	94,990	324,510
Consolidated sales	—	—	—	559,041
Overseas sales as a percentage of consolidated sales	24.7%	16.4%	17.0%	58.0%

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, United Kingdom
(3) Asia excluding Japan, Others: Australia, China, and Singapore

6. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET

7. TRANSACTIONS WITH A RELATED COMPANY

There were no such transactions for the term under review.

8. TAX EFFECT ACCOUNTING

Breakdown by cause of deferred tax assets and liabilities.

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004
Deferred tax assets	Millions of yen	Millions of yen
Excess of reserve for retirement benefits over deductible limit	15,046	33,194
Net loss carried forward	4,820	19,174
Excess of allowance for loss on restructuring or liquidation of businesses over deductible limit	8,170	14,185
Excess of accrued bonuses over deductible limit	2,718	6,101
Write-down on assets	6,970	5,587
Excess of depreciation and amortization over deductible limit	—	3,712
Excess of allowance for doubtful accounts over deductible limit	1,418	1,608
Investment related tax effect	3,810	1,534
Accrued enterprise taxes	—	1,436
Excess of allowance for loss on restructuring or liquidation of businesses over deductible limit	2,205	—
Other	5,924	8,689
Deferred tax assets subtotal	51,085	95,225
Valuation allowance	(6,587)	(19,483)
Total deferred tax assets	44,497	75,742
Deferred tax liabilities		
Revaluation difference of other marketable securities	(540)	(4,991)
Gain on establishment of employee pension trust	(3,592)	(3,442)
Reserve for deferred fixed assets	(3,340)	(3,296)
Retained profit of overseas subsidiaries	—	(1,155)
Other	(43)	—
Total deferred tax liabilities	(7,517)	(12,886)
Net deferred tax assets	36,980	62,855

Deferred tax liabilities related to revaluation	Millions of yen	Millions of yen
Deferred tax liabilities related to revaluation of land	—	(3,925)

9. SECURITIES

As of March 31, 2004

(1) Other Securities with Quoted Market Values

(Millions of yen)

		Original purchase value	Market value in consolidated balance sheets	Unrealized gains or losses
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value	(1) Shares (2) Other Subtotal	16,241 22 16,263	28,880 26 28,907	12,639 4 12,643
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Shares (2) Other Subtotal	1,665 186 1,851	1,292 181 1,473	(373) (4) (378)
Total		18,115	30,381	12,265

(2) Other securities sold during the fiscal year under review

(Millions of yen)

	Sale value	Total profit	Total loss
Other securities	501	228	461

(3) Securities without Quoted Market Values and Book Values in the Consolidated Balance Sheets

(Millions of yen)

	Fiscal year As of March 31, 2004 Book value in consolidated balance sheets
Unlisted securities (excluding OTC shares)	443
Unlisted foreign bonds, etc.	1,005
Other	130

As of March 31, 2003

(1) Other Securities with Quoted Market Values

(Millions of yen)

		Original purchase value	Market value in consolidated balance sheets	Unrealized gains or losses
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value	(1) Shares (2) Other Subtotal	3,995 - 3,995	5,936 - 5,936	1,940 - 1,940
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Shares (2) Other Subtotal	3,734 78 3,812	3,113 61 3,174	(620) (16) (637)
Total		7,808	9,111	1,303

(2) Other securities sold during the fiscal year under review

(Millions of yen)

	Sale value	Total profit	Total loss
Other securities	669	121	21

(3) Securities without Quoted Market Values and Book Values in the Consolidated Balance Sheets

(Millions of yen)

	Market value in consolidated balance sheets
Unlisted securities (excluding OTC shares)	742
Unlisted foreign bonds, etc.	264

(4) Future amortization schedule of other securities with maturity dates within one year and one year or more, up to five years

(Millions of yen)

	Within one year	One year or more, up to five years
Unlisted foreign bonds	264	-

10. DERIVATIVES

Notation has been omitted due to disclosure through EDINET

11. RETIREMENT BENEFITS

(1) Outline of the retirement benefit system adopted

The Company and its domestic subsidiaries adopt the following defined benefit plans: a tax-qualified benefit plan, a defined benefit corporate pension plan, and a lump-sum retirement allowance. In addition, in some cases when employees retire, the Company and consolidated subsidiaries provides for additional retirement benefits that are not related to the retirement benefit liabilities computed according to actuarial methods in accordance with retirement benefit accounting. Some of the Company's overseas subsidiaries have instituted defined benefit plans and some have instituted defined contribution pension plans, while the parent company and a portion of its domestic subsidiaries have instituted retirement benefit trusts. As of the fiscal year-end, 16 Group companies have adopted tax-qualified benefit plans and 14 have adopted defined benefit corporate pension plans. In addition, three companies have enrolled in the National Optical Industries welfare pension fund, which is a general establishment welfare pension fund, and one company has enrolled in the mutual aid system for specific retirement allowances.

The Company and a portion of its domestic subsidiaries' transition and institution of retirement benefit plans is as follows:

- On April 1, 2003, the former Konica Corporation tax-qualified benefit plan was converted to a defined benefit corporate pension plan.
- On April 30, 2003, a portion of the former Konica Corporation lump-sum retirement allowance was converted to a defined contribution pension plan.
- On February 1, 2004, return of the subrogated portions of the Konica Welfare Pension Fund to the government was approved by the Ministry of Health, Labour and Welfare, and the addition portion was integrated into a defined benefit corporate pension plan.
- On March 31, 2004, return of the subrogated portions of the Minolta Welfare Pension Fund to the government was approved by the Ministry of Health, Labour and Welfare, and the addition portion was integrated into a defined benefit corporate pension plan. Also on the same date, a portion of the former Minolta Co., Ltd., lump-sum retirement allowance was converted to a defined benefit corporate pension plan.

Furthermore, on April 1, 2004, a portion of the former Minolta Co., Ltd., lump-sum retirement allowance was converted to a defined contribution pension plan.

(2) Items related to retirement benefit liabilities

(Millions of yen)

	As of March 31, 2003	**As of March 31, 2004**
a. Retirement benefit liabilities	(79,163)	(138,418)
b. Pension assets	34,853	72,427
c. Unfunded retirement benefit liabilities (a+b)	(44,309)	(65,991)
d. Amount of difference due to changes in accounting standards not yet amortized	2,391	521
e. Unrecognized difference under actuarial calculations	19,645	14,425
f. Unrecognized liabilities for employees' prior service (reduction in liabilities)	(65)	(11,808)
g. Net amount on consolidated balance sheets (c+d+e+f)	(22,337)	(62,853)
h. Prepaid pension costs	1,965	2,061
i. Allowance for retirement benefits (g-h)	(24,303)	(64,915)

Note:

<As of March 31, 2003>	<As of March 31, 2004>
1 Regarding the return of the substituted portion of the national employee pension program, the Company applied provisional treatment under Clause No. 47-2 of “Practical Guidelines Concerning Retirement Benefits Accounting” (interim report), or Report No. 13, by the accounting system committee at the Japanese Institute of Certified Public Accountants and treated retirement benefit obligations on the subrogated portion and pension assets in the amount of the reimbursement as dissolved on the date of future payment obligation exemption was approval. As of March 31, 2003, the projected amount of pension assets to be reimbursed totaled ¥17,504 million. 2. The Company and certain consolidated subsidiaries made amendments to their welfare pension fund plans with respect to the age of eligibility for annuity payments under the employees’ pension fund system and the approved retirement annuity system. As a result, prior service cost was incurred. 3. Certain subsidiaries use a simplified method of calculated pension liabilities. 4. The conversion from a termination allowance plan to a defined contribution plan had the following effects: Decrease in pension liabilities ¥6,182 million Unrecognized actuary loss ¥371million Decrease in pension reserve ¥5,810 million The transfer of assets to the defined contribution pension plan is ¥8,204 million, to be transferred over a period of four years. Some ¥8,204 million in assets yet to be transferred at fiscal 2004 year-end have been recorded as long-term accrued liabilities.	1. The Company and certain consolidated subsidiaries made amendments to their welfare pension fund plans with respect to the age of eligibility for annuity payments under the employees’ pension fund system and the approved retirement annuity system. As a result, prior service cost was incurred. 2. Certain subsidiaries use a simplified method of calculated pension liabilities. 3. The conversion from a termination allowance plan of Minolta to a defined contribution plan had the following effects: Decrease in pension liabilities ¥4,721 million Unrecognized actuary loss ¥769million Unrecognized prior service cost ¥658 million Decrease in pension reserve ¥4,610 million The transfer of assets to the defined contribution pension plan is ¥4,409 million, to be transferred over a period of four years. Some ¥4,409 million in assets yet to be transferred at fiscal 2004 year-end have been recorded as long-term accrued liabilities. The monetary effect of the conversion from the former Konica Corporation lump-sum retirement allowance to a defined contribution pension plan was disposed of in the previous fiscal year.

(3) Items related to retirement benefit costs (From April 1, 2001 to March 31, 2002)

(Millions of yen)

	For the period April 1, 2002 - March 31, 2003	For the period April 1, 2003 - March 31, 2004
a. Employment costs	4,776	5,645
b. Interest costs	2,975	2,670
c. Expected income from management of funds	(545)	(358)
d. Amount amortized of difference due to changes in accounting standards	1,325	1,540
e. Amount amortized of difference under actuarial calculations	1,285	1,968
f. Amount amortized of liabilities for employees’ prior service	(156)	(519)
g. Retirement benefit costs (a+b+c+d+e+f)	9,662	10,946
h. Loss on reimbursement of the substituted portion of the employees’ pension fund	(8,081)	—
i. Loss on conversion to defined contribution pension plan	2,993	180
j. Account on defined contribution pension plan	—	1,488
Total (g+h+i)	4,574	12,615

Notes:

As of March 31, 2003	As of March 31, 2003
1. The amount of the National Welfare Pension Fund paid by employees has been deducted. 2. Retirement benefit costs for consolidated subsidiaries using a simplified method are included in a. Employment costs.	Retirement benefit costs for consolidated subsidiaries using a simplified method are included in a employment costs.

(4) Items forming the basis for the calculation of retirement benefit liabilities

	For the period April 1, 2002 - March 31, 2003	For the period April 1, 2003 - March 31, 2004
a. Method for intertemporal allocation of the expected amount of retirement benefits	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
b. Discount rate	Mainly 3.0%	Mainly 2.5%
c. Expected return on plan assets	Mainly 1.5 %	Mainly 1.25 %
d. Period for amortization of prior service cost	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.)	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.)
e. Period for amortization of differences under actuarial calculations years	Mainly 10 years (Amortization is made over a certain period, using the straight-line method, within the average remaining service period starting the year after actuarial loss or gain are recognized.)	Mainly 10 years (Amortization is made over a certain period, using the straight-line method, within the average remaining service period starting the year after actuarial loss or gain are recognized.)
f. Period for amortization of differences arising due to changes in accounting standards	Five years, mostly for subsidiaries	Five years, mostly for subsidiaries

12. PRODUCTION AND ORDERS

(1) Production Results

(Millions of yen)

Business Segments	April 1, 2002 - March 31, 2003	April 1, 2003 - March 31, 2004	YoY (%)
Business Technologies	103,865	218,871	110.7%
Optics	31,238	76,277	144.2%
Photo Imaging and Camera	130,393	147,752	13.3%
Medical and Graphic	86,230	86,800	0.7%
Measurement Equipment	—	3,688	—
Other	142	393	175.4%
Total	351,869	533,783	51.7%

Notes: 1. Amounts are based on manufacturers' sales prices.
2. The above amounts do not include consumption and other taxes.
3. Due to the conversion to a spin-off/holding company organization in the fiscal year under review, the method of business categorization has been changed. Moreover, to enable comparison with the fiscal year under review, figures for the previous fiscal year have been re-categorized using the new method.

(2) Orders

Konica Minolta does not conduct order production.

May 20, 2004

Financial Results (Nonconsolidated)
for the Fiscal Year Ended March 31, 2004

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
URL: http://konicaminolta.jp
Representative: Fumio Iwai, President and Representative Executive Officer
Inquiries: Yuki Kobayashi, General Manager, Corporate Communications & Advertising Division
Tel: (81) 3-6250-2100
Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Consolidated Results: May 20, 2004
Ordinary General Meeting of Shareholders: June 25, 2004
Provision for Interim Dividends: Yes
Stock unit system: Yes (number of shares per unit = 500 shares)

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

(Millions of yen)

	Net sales (Operating revenue)		Operating income		Recurring profit	
Fiscal 2004	15,036	(95.8%)	(11,076)	—	(12,005)	—
Fiscal 2003	357,853	5.6%	24,028	47.2%	20,746	10.9%

	Net income (Million yen)		Net income per share (yen)	Net income per share (after full dilution)	Net income/ Shareholders'equity	Recurring profit /Total assets	Recurring profit/Sales
Fiscal 2004	(12,063)	—	(25.50)	—	(5.9%)	(3.0%)	(79.8%)
Fiscal 2003	6,481	—	18.00	—	3.9%	5.7%	5.8%

Notes: 1. Average number of shares outstanding during the period:
Year ended March 31, 2004: 473,171,917
Year ended March 31, 2003: 357,390,370
2. Changes in accounting methods: None
3. Percentages in net sales, operating income, and recurring profit columns indicate changes from the previous fiscal year.
4. As of the fiscal year ended March 31, 2004, the Company has instituted corporate divestiture of its individual businesses and converted to a holding company system.

(2) Dividends

	Annual dividend per share (Yen)			Total cash dividends paid for the entire fiscal year	Payout ratio	Dividends-to-shareholders' equity ratio
		Interim	Year-end			
	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
Fiscal 2004	10.00	5.00	5.00	5,311	—	2.2
Fiscal 2003	10.00	5.00	5.00	3,573	55.1	2.2

(3) Financial Position

	Assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Fiscal 2003	435,266	243,829	56.0	459.11
Fiscal 2004	363,817	165,730	45.6	463.77

Notes: 1. Number of shares outstanding at end of the period (nonconsolidated):
March 31, 2004: 531,095,460
March 31, 2003: 357,256,227
2. Number of treasury stock at end of the period (nonconsolidated):
March 31, 2004: 568,877
March 31, 2003: 399,141

2. NONCONSOLIDATED RESULTS FORECAST FOR FISCAL 2005 (APRIL 1, 2004, TO MARCH 31, 2005)

	Net sales	Recurring profit	Net income	Annual dividend per share		
				Interim	End of fiscal year	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)	(Yen)	(Yen)
Interim	23,500	10,500	12,000	5.00	—	—
Full-year	40,000	14,000	17,000	—	5.00	10.00

(Estimated net income per share: ¥32.01)

* The above forecasts and those presented in appended material are based on future-oriented assumptions, projections, and targets, so they contain elements of risk and uncertainty. Actual results may differ from these forecasts due to various important elements. Please reference page 10 for items related to the above forecasts.

1. NONCONSOLIDATED FINANCIAL STATEMENTS
(1) Statements of Income and Retained Earnings

(Millions of yen)

	April 1, 2002 — March 31, 2003		**April 1, 2003— March 31, 2004**		Increase / Decrease	
	Amount	% of net sales	Amount	% of operating revenue	Amount	YoY (%)
Net Sales	357,853	100.0	—	—	(357,853)	—
Cost of sales	219,949	61.5	—	—	(219,949)	—
Gross profit	137,904	38.5	—	—	(137,904)	—
Selling, general and administrative expenses	113,875	31.8	—	—	(113,875)	—
Operating revenue	—	—	15,036	100.0	15,036	—
Operating expenses	—	—	26,113	173.7	26,113	—
Operating income (loss)	24,028	6.7	(11,076)	(73.7)	(35,105)	—
Non-operating income	[6,062]	1.7	[2,395]	16.0	[(3,666)]	(60.5)
Interest and dividend income	1,161		2,121		960	
Other	4,901		274		(4,627)	
Non-operating expenses	[9,344]	2.6	[3,324]	22.1	[(6,020)]	(64.4)
Interest expense	1,381		1,839		457	
Other	7,962		1,484		(6,478)	
Recurring profit (loss)	20,746	5.8	(12,005)	(79.8)	(32,752)	
Extraordinary profit	[7,044]	2.0	[464]	3.0	[(6,580)]	(93.4)
Gain on sales of fixed assets	71		464		392	
Return of the proxy portion of the national employees' pension fund	6,972		—		(6,972)	
Extraordinary losses	[15,427]	4.3	[3,878]	25.8	[(11,548)]	(74.9)
Loss on disposal and sale of fixed assets	2,616		1,171		(1,445)	
Write-down on investment securities	1,135		—		(1,135)	
Valuation loss on stocks on associated companies	946		—		(946)	
Valuation loss on investment of subsidiaries and affiliated companies	1,854		—		(1,854)	
Provision of reserve for loss on liquidation of subsidiaries and affiliated companies	637		—		(637)	
Provision of reserve for reorganization/liquidation expenses	5,244		—		(5,244)	
Provision of reserve for past director retirement bonuses	—		513		513	
Variance in accounting standards for employee retirement benefits	—		2,169		2,169	
Expenses related to switch to defined benefit pension plan	2,993		23		(2,969)	
Income (loss) before income taxes and minority Interests	12,363	3.5	(15,419)	(102.6)	(27,783)	
Income taxes	7,786		418		(7,368)	
Deferred income taxes	(1,904)		(3,774)		(1,869)	
Net income (loss)	6,481	1.8	(12,063)	(80.2)	(18,545)	
Retained earnings (loss) at beginning of the period	3,954		5,435		1,480	
Increase in unappropriated profits received from the management integration	—		3,346		3,346	
Interim dividend payment	1,787		2,655		868	
Unappropriated earnings (loss) at the fiscal year-end	8,649		(5,937)		(14,586)	

(2) Balance Sheets

(Millions of yen)

	As of March 31, 2003		**As of March 31, 2004**		Increase / Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current assets	[192,584]	[52.9]	[165,445]	[38.0]	[(27,138)]	[(14.1)]
Cash and deposits	13,032		21,521		8,489	
Trade notes receivable	10,113		28		(10,084)	
Accounts receivable	87,071		—		(87,071)	
Accrued revenue	—		1,613		1,613	
Manufactured and finished goods	21,648		—		(21,648)	
Raw materials	10,777		—		(10,777)	
Unfinished goods	12,932		—		(12,932)	
Supplies	2,866		—		(2,866)	
Prepaid expenses	1,995		301		(1,694)	
Deferred tax assets	9,623		102		(9,520)	
Short-term loans	10,136		138,394		128,257	
Other receivables	10,773		1,791		(8,982)	
Other current assets	1,720		1,848		127	
Allowance for doubtful accounts	(108)		(156)		(47)	
Fixed assets	[171,233]	[47.1]	[269,820]	[62.0]	[98,587]	[57.6]
Tangible fixed assets	[81,766]	22.5	[76,333]	17.5	[(5,433)]	(6.6)
Buildings	27,222		37,445		10,223	
Structures	2,681		2,962		280	
Machinery and Equipments	36,404		335		(36,069)	
Vehicles	153		0		(153)	
Equipment	3,167		598		(2,569)	
Land	10,430		32,940		22,510	
Construction in progress	1,707		2,051		344	
Intangible fixed assets	[5,632]	1.6	[5,008]	1.2	[(624)]	(11.1)
Software	4,386		4,114		(272)	
Other intangible fixed assets	1,246		894		(352)	
Investments and others	[83,833]	23.0	[188,479]	43.3	[104,645]	124.8
Investment securities	9,334		23,078		13,744	
Shares in affiliates	54,530		161,388		106,858	
Investments to affiliates	4,615		—		(4,615)	
Long-term loans	2,647		8		(2,639)	
Long-term prepaid expenses	1,384		62		(1,322)	
Deferred tax assets	6,323		1,753		(4,570)	
Other investments	5,256		2,256		(3,000)	
Allowance for doubtful accounts	(259)		(69)		190	
Total assets	363,817	100.0	435,266	100.0	71,449	19.6

(Millions of yen)

	As of March 31, 2003		**As of March 31, 2004**		Increase / Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current liabilities	[129,291]	35.5	[127,916]	29.4	[(1,374)]	(1.1)
Trade notes payable	10,172		91		(10,081)	
Accounts payable	36,190		—		(36,190)	
Short-term loans	29,000		91,521		62,521	
Long-term loans due within one year	3,513		9,014		5,501	
Bonds due within one year	5,000		18,300		13,300	
Other payables	3,662		2,671		(991)	
Accrued expenses	24,462		5,800		(18,661)	
Accrued income taxes	5,793		5		(5,788)	
Advances received	476		137		(338)	
Allowance for product warranties	1,058		—		(1,058)	
Reserve for loss on liquidation of subsidiaries	4,137		—		(4,137)	
Reserve for costs of restructuring	5,244		—		(5,244)	
Other current liabilities	580		373		(206)	
Long-term liabilities	[68,795]	18.9	[63,520]	14.6	[(5,275)]	(7.7)
Bonds	27,000		20,000		(7,000)	
Long-term loans	21,585		30,274		8,689	
Long-term payable	8,204		449		(7,755)	
Deferred tax liabilities related to revaluation	—		5,967		5,967	
Reserve for retirement benefits and pension plans	11,626		5,985		(5,641)	
Reserve for directors' retirement benefits	—		801		801	
Long-term guarantee deposits received	356		28		(327)	
Other long-term liabilities	22		12		(9)	
Total liabilities	198,086	[54.4]	191,436	[44.0]	(6,650)	[(3.4)]
Capital stock	37,519	10.3	37,519	8.6	—	—
Additional paid-in capital	[79,342]	21.9	[157,516]	36.2	[78,174]	98.5
Capital reserve	79,342		157,501		78,158	
Other additional paid-in capital	[—]		[15]		[15]	
Gain on disposal of treasury stock	—		15		15	
Retained earnings	[48,402]	13.3	[35,197]	8.1	[(13,204)]	(27.3)
Legal reserves	7,760		7,760		—	
Voluntary reserves	[31,992]		[33,375]		[1,382]	
Special reserve for redemptions	164		120		(44)	
Deduction entry surplus reserve	5,563		4,790		(773)	
Other surplus reserve	26,264		28,464		2,200	
Unappropriated earnings (including net income for the period)	8,649		(5,937)		(14,586)	
Gain on revaluation of land	—		8,698	2.0	8,698	—
Revaluation difference of other marketable securities	784	0.2	5,473	1.2	4,688	597.4
Treasury stock	(318)	(0.1)	(576)	(0.1)	(257)	80.8
Total shareholders' equity	165,730	[45.6]	243,829	[56.0]	78,099	[47.1]
Total liabilities and shareholders' equity	363,817	100.0	435,266	100.0	71,449	19.6

Note:	Fiscal 2003	Fiscal 2004	Year-on-year change
1. Accumulated depreciation on tangible fixed assets (millions of yen)	174,682	70,278	(104,404)
2. Balance of guaranteed obligations <including guarantee> (millions of yen)	26,504 <10,451>	44,054 < 7,663>	17,550 < (2,788) >

For the term under review, a joint guarantee of ¥21,065 million between Konica Minolta Holdings and its operating companies has been included, and Konica Minolta Holdings reserves to right, in the event of payment of the obligation for this guarantee, to claim compensation from its subsidiaries for the entire amount.

3. Number of shares of treasury stock	399,141	568,877	169,736

4. Increased (share exchange) issuance of outstanding shares: 174,008,969 shares; exchange ratio: 1:0.621; capital incorporation: ¥0

(3) Proposed appropriations of retained earnings

(Millions of yen)

	April 1, 2002 — March 31, 2003	April 1, 2003— March 31, 2004	Increase / Decrease
Unappropriated earnings (loss) for the year	8,649	(5,937)	(14,586)
Unappropriated reserve			
Reversal of reserve for special depreciation	71	120	48
Reversal of reserve for advanced depreciation	966	2,439	1,472
Reversal of general reserve	—	11,500	11,500
Total	9,687	8,122	(1,565)
Appropriation earnings:			
Dividends to shareholders	1,786	2,655	869
(Per share)	[5 yen]	[5 yen]	
Bonuses to directors	45	—	(45)
(Portion to corporate auditors)	[4]	[—]	
Special depreciation reserve	27	—	(27)
Reserve for advanced depreciation	193	—	(193)
Special reserves	2,200	—	(2,200)
Unappropriated earnings carried forward	5,435	5,466	30

Note: Other than the above, interim dividends of ¥2,655million (¥ 5 per share) were paid during the year under review.

BASIS OF PRESENTING NONCONSOLIDATED FINANCIAL STATEMENTS

Accounting Standards and Methods

1. Asset Valuation

(1) Shares of subsidiaries and affiliates

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

(2)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.

3. 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.

4. Reserves

(1)Allowance for doubtful receivables

For general receivables, an amount is provided according to the historical percentage of uncollectables. (The legal provision rate will be used when the legal provision rate specified by the transitional measure of the Corporation Tax Law exceeds the historical percentage.) 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 retirement benefits

Reserves for employees' retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated using various actuarial assumptions as of the end of the interim period.

The variance in accounting standards was wholly written off.

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.

(Additional information)

(1) Handling of variance at time of change in accounting standards adopted along with the merger with Minolta.

In accordance with the Company's accounting policies, the variance at the time of change in accounting standards adopted along with the merger with Minolta has been wholly written off, with a corresponding extraordinary loss of ¥2,169 million recorded accordingly.

(2) Accounting treatment of the transition from a defined benefit pension plan to a defined contribution pension plan.

With the enforcement of the Defined Contribution Pension Law, on April 1, 2004, the Company changed certain portions of the former Minolta Co., Ltd.'s defined benefits pension plan to a defined contribution pension plan.

The Company has applied "Accounting for the Transfers among Retirement Benefit Plans"(issue No. 1 of Application Guidelines in Accounting Standards for Business Enterprises) and "Handling of Practices regarding Accounting for the Transfers Among Retirement Benefit Plans" (issue No. 2 of the Report on the Handling of Professional Practices).

The transfer of pension plan resulted in the recording of an ¥23 million extraordinary loss.

(3) Allowance for Directors' Retirement Benefits

To provide for the payment of directors' retirement benefits, reserve for benefits for retired directors and auditors is recorded in an actual amount equal to the need at the current fiscal year-end based on the Company's regulations.

(Additional Information)

On account of the transition to a "Company With Committees" system and the merger with Minolta Co., Ltd., during the term, the Company revised its regulations regarding directors' retirement benefits. Accordingly, the Company recorded ¥287 million in benefits expected to be paid at the fiscal year-end as an operating expense and ¥513 million in the amount for previous years as an extraordinary loss.

5. 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.

6. 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

Derivatives (forward exchange contracts and interest rate swaps)

Hedged items

Anticipated foreign currency denominated transactions, corporate bonds, and borrowings

(3)Hedge policy

Hedges are implemented within a certain range for the purpose of hedging foreign exchange rate fluctuation risk, interest rate fluctuation risk, and raw-material price fluctuation risk, based on internal regulations regarding derivative 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.

7. Revaluation of Land

As a result of the merger with Minolta, the Company has land that has been acquired land that has been re-evaluated in accordance with the Law Concerning Revaluation of Land (Law No. 34, October 31, 1998). The Company handled revaluation excess by recording the value of tax on corresponding revaluations as deferred tax assets related to revaluation and recording the sum minus these deferred tax assets as variation on land revaluation in shareholders' equity.

(1)Method of revaluation

Calculated by value of land facing a thoroughfare as stipulated in Item 4 of Article 2, or assessed value of fixed assets as stipulated in Item 3 of Article 2, of the Enforcement Order for the Land Revaluation Law (Cabinet Order No. 19, published on March 31, 1998).

(2)Revaluation date March 31, 2002

(3) Loss on the difference between the market value of revaluated land at fiscal year-end and book value:

(¥ 5,042) million

8. Other important items included in the basis for preparing financing statements

(1)Accounting for consumption taxes

National and local consumption taxes are accounted for by the net-of-tax method.

(2)Accounting for directors' performance-based compensation

Due to the Company's conversion to a Company with Committees system, as of the term under review, directors' performance-based compensation is charged at the time such compensation is due.

15. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET

16. TAX EFFECT ACCOUNTING

Breakdown by cause of deferred tax assets and liabilities.

	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004
Deferred tax assets	Millions of yen	Millions of yen
Net loss carried forward	—	5,001
Excess of reserve for retirement benefits over deductible limit	11,938	4,976
Excess of depreciation and amortization over deductible limit	—	374
Write-down on investment securities	—	354
Excess of accrued bonuses over deductible limit	1,558	92
Valuation loss on stocks on associated companies	14,654	—
Loss on restructuring or liquidation of businesses	2,205	—
Loss on liquidation of subsidiaries and affiliated companies	1,739	—
Valuation loss on investment of subsidiaries and affiliated companies	750	—
Write-down on inventories	730	—
Other	3,715	81
Deferred tax assets subtotal	37,293	10,881
Valuation allowance	(13,878)	(2,575)
Total deferred tax assets	23,414	8,305
Deferred tax liabilities		
Revaluation difference of other marketable securities	(533)	(3,755)
Reserve for deferred fixed assets	(3,340)	(1,612)
Gain on establishment of employee pension trust	(3,592)	(1,082)
Total deferred tax liabilities	(7,467)	(6,450)
Net deferred tax assets	15,947	1,855

Deferred tax liabilities related to revaluation	Millions of yen	Millions of yen
Deferred tax liabilities related to revaluation of land	—	(5,967)