

# 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	—
<b>Operating income (loss)</b>	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)	
<b>Recurring profit (loss)</b>	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)	
<b>Income (loss) before income taxes and minority interests</b>	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)	
<b>Net income (loss)</b>	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 (%)
<b>Current assets</b>	[ 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)	
<b>Fixed assets</b>	[ 171,233 ]	[ 47.1 ]	[ 269,820 ]	[ 62.0 ]	[ 98,587 ]	[ 57.6 ]
<i>Tangible fixed assets</i>	[ 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	
<i>Intangible fixed assets</i>	[ 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)	
<i>Investments and others</i>	[ 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	
<b>Total assets</b>	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 (%)
<b>Current liabilities</b>	[ 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)	
<b>Long-term liabilities</b>	[ 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)	
<b>Total liabilities</b>	198,086	[ 54.4 ]	191,436	[ 44.0 ]	(6,650)	[ (3.4) ]
<i>Capital stock</i>	37,519	10.3	37,519	8.6	—	—
<i>Additional paid-in capital</i>	[ 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	
<i>Retained earnings</i>	[ 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
<b>Total shareholders' equity</b>	165,730	[ 45.6 ]	243,829	[ 56.0 ]	78,099	[ 47.1 ]
<b>Total liabilities and shareholders' equity</b>	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
	Millions of yen	Millions of yen
Deferred tax assets		
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)