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

↓
Konica Minolta Business Technologies, Inc.
↓

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

↓
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

↓
Konica Minolta Photo Imaging , Inc. *3
↓

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

↓
Konica Minolta Camera, Inc.*3
↓

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

↓
Konica Minolta Medical & Graphic , Inc.
↓

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.