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 subsidiarie*s:

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 subsidiarie*s: 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	Consolidation
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	Consolidation
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	16,241	28,880	12,639
	(2) Other	22	26	4
	Subtotal	16,263	28,907	12,643
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Shares	1,665	1,292	(373)
	(2) Other	186	181	(4)
	Subtotal	1,851	1,473	(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	3,995	5,936	1,940
	(2) Other	-	-	-
	Subtotal	3,995	5,936	1,940
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Shares	3,734	3,113	(620)
	(2) Other	78	61	(16)
	Subtotal	3,812	3,174	(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>

<As of March 31, 2003>

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.

<As of March 31, 2004>

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

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.

As of March 31, 2003

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.