Fiscal year ending March 31, 2004 November 13, 2003

Consolidated Financial Results
for the Interim Fiscal Period Ended September 30, 2003

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
URL: http://www.konicaminolta.jp
Representative: Fumio Iwai, President and Representative Executive Officer
Inquiries: Yuki Kobayashi, General Manager, Corporate Communications & Advertising Division
Tel: (81) 3-6250-2100
Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Interim Period: November 13, 2003
U.S. accounting practices have not been adopted in this statement.

1. CONSOLIDATED FINANCIAL RESULTS FOR INTERIM PERIOD (APRIL 1, 2003, TO SEPTEMBER 30, 2003)

(1) Operating Results

(Millions of yen)

	Net sales		Operating income		Recurring profit	
Interim period ended September 30, 2003	278,429	(0.2)%	24,329	24.8%	19,092	46.2%
Interim period ended September 30, 2002	278,970	4.4	19,499	40.6	13,058	39.3
Fiscal year ended March 31, 2003	559,041		42,855		32,438	

	Net income (Millions of yen)		Net income per share (Yen)	Net income per share (after full dilution)
Interim period ended September 30, 2003	8,379	24.4%	20.19	—
Interim period ended September 30, 2002	6,738	90.0	18.86	—
Fiscal year ended March 31, 2003	16,375		45.72	—

Notes: 1. Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Interim period ended September 30, 2003: ¥125 million
Interim period ended September 30, 2002: ¥66 million
Fiscal year ended March 31, 2003: ¥310 million
2. Average number of shares outstanding during the period (consolidated):
Interim period ended September 30, 2003: 415,117,067
Interim period ended September 30, 2002: 357,235,262
Fiscal year ended March 31, 2003: 357,162,497
3. Changes in accounting methods: Yes
4. Percentages in the net sales, operating income, recurring profit, and net income columns indicate change from the interim period of the previous fiscal year.

(2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
At September 30, 2003	994,460	337,093	33.9	634.62
At September 30, 2002	524,155	173,257	33.1	485.03
At March 31, 2003	515,956	181,019	35.1	506.82

Note: Number of shares outstanding at end of the period (consolidated):
Interim period ended September 30, 2003: 531,172,171 shares
Interim period ended September 30, 2002: 357,213,037 shares
Fiscal year ended March 31, 2003: 357,074,144 shares

(3) Cash Flows

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
Interim period ended September 30, 2003	8,165	(8,806)	(745)	89,518
Interim period ended September 30, 2002	26,073	(18,819)	1,077	55,589
Fiscal year ended March 31, 2002	66,437	(37,328)	(24,685)	51,876

(4) Scope of Consolidation/Equity Method Accounting

Consolidated subsidiaries: 127
Unconsolidated subsidiaries accounted for by the equity method: 14
Affiliates accounted for by the equity method: 2

(5) Changes in Scope of Consolidation/Equity Method

Newly consolidated subsidiaries: 64
Subsidiaries excluded from consolidation: 12
Companies included in equity method accounting: 2
Companies excluded from equity method accounting: 4

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

(Millions of yen)

Net sales	Recurring profit	Net income
870,000	35,000	17,000

(Estimated net income per share: ¥32.00)

Note: The projections above and in the appended materials are based on assumptions, forecasts, and plans current at the time of their announcement, and they include potential risks and uncertainties. Actual performance and results may greatly differ from the projections above due to various important factors. For items related to the above projections, see pages 8–9.

The presentation of the consolidated operating results and consolidated cash flows for the interim period ended September 30, 2003, does not include the results of the former Minolta Co., Ltd. For the consolidated financial results of the former Minolta Co., Ltd., please reference those of Konica Minolta Holdings' (former Minolta Co., Ltd.).

1. GROUP OVERVIEW

The Konica Minolta Group consists of Konica Minolta Holdings, Inc. (the Company), 127 consolidated subsidiaries, 42 unconsolidated companies, and 12 affiliates.

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

Konica Corp. and Minolta Co., Ltd., integrated managements on August 5, 2003. However, only the organizational chart for Konica prior to the integration is shown and the one for Minolta prior to the integration is presented in another report. Before the integration, Konica had 65 consolidated subsidiaries, 18 unconsolidated subsidiaries, and 8 affiliates, while Minolta had 62 consolidated subsidiaries, 24 unconsolidated subsidiaries, and 4 affiliates.

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

Konica Minolta Holdings, Inc

Business Technologies Businesses: 31
(Consolidated Subsidiaries: 25, Unconsolidated Subsidiaries: 3, Affiliates: 3)

Production: 5
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Konica Technoproducts Corporation
- Konica Manufacturing (H.K.) Ltd. (H.K.)
- Other Companies: 2

↓

Konica Business Technologies Corporation

↓

Sales: 25
- Konica Business Machines Japan Co., Ltd.
- Konica Business Technologies U.S.A., Inc. (U.S.)
- Konica Business Machines Deutschland GmbH (Germany)
- Konica Business Machines (U.K.) Ltd. (U.K.)
- Konica Bureautique S.A.S. (France)
- Konica Australia Pty. Ltd. (Australia)
- Other Companies: 19

Medical and Graphic Imaging Businesses: 12
(Consolidated Subsidiaries: 8, Unconsolidated Subsidiaries: 3, Affiliate: 1)

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

↓

Konica Medical and Graphic Corporation

↓

Sales: 9
- Konica Medical Inc.
- Kyoritsu Medical Co., Ltd.
- Konica Meditech Service Corporation
- Konica Medical Imaging Inc. (U.S.)
- Konica Graphic Imaging Japan Co., Ltd.
- Konica Graphic Imaging International, Inc. (U.S.)
- Other Companies: 3

Other Businesses: 13
(Consolidated Subsidiaries: 9, Unconsolidated Subsidiaries: 3, Affiliate: 1)

- Konica Business Expert Corporation
- Konica Technology Center Corporation
- Konica Logistics Co., Ltd.
- Konica Sogo Service Co., Ltd.
- Konica Engineering Co., Ltd.
- Konica Information Systems, Ltd.
- Konica Technosearch Corporation
- Other Companies: 6

Optics Businesses: 3
(Consolidated Subsidiaries: 3)

Production: 2
- Konica Optics Products Corporation
- Konica (Dalian) Co., Ltd. (China)

↓

Konica Opto Corporation

Photo Imaging and Camera Businesses: 32
(Consolidated Subsidiaries: 20, Unconsolidated Subsidiaries: 9, Affiliates: 3)

Production: 8
- Konica Packaging Corporation
- Konica Chemical Corporation
- Konica Manufacturing U.S.A., Inc. (U.S.)
- Other Companies: 5

↓

Konica Photo Imaging Corporation

↓

Sales: 23
- Konica Marketing Corporation
- Konica Color Imaging Corporation
- Nihon ID System Co., Ltd.
- Konica ID Imaging Co., Ltd.
- Konica Photo Imaging U.S.A., Inc. (U.S.)
- Konica Europe GmbH (Germany)
- Konica UK Ltd. (U.K.)
- Konica France S.A.S. (France)
- Konica Asia H.Q. Pte. Ltd. (Singapore)
- Konica Singapore Pte. Ltd. (Singapore)
- Other Companies: 13

Minolta Co., Ltd.: 90
(Consolidated Subsidiaries: 62, Unconsolidated Subsidiaries: 24, Affiliates: 4)

Production: 23
- Sankei Precision Products
- Minolta Industries (HK) Ltd. (H.K.)
- Shanghai Minolta Optical Products Co., Ltd. (China)
- Minolta Precision Engineering (M) SDN. BHD. (Malaysia)
- Other Companies: 19

↓

Minolta Co., Ltd.

↓

Sales: 66
- Minolta Sales Co., Ltd.
- Minolta Quality Service Co., Ltd.
- Minolta Corporation (U.S.)
- Minolta-QMS, Inc. (U.S.)
- Minolta Europe GmbH (Germany)
- Minolta (UK) Ltd. (U.K.)
- Minolta France S.A.S. (France)
- Minolta Singapore (PTE) Ltd. (Singapore)
- Minolta Business Equipment Australia Pty. Ltd. (Australia)
- Other Companies: 57

Notes: (1) Organization chart is as of September 30, 2003.
(2) Only major consolidated subsidiaries are shown.

Changes in names of affiliates due to the reorganization effective from the second half of the fiscal year ending March 31, 2003 are as follows:

Business Technologies Businesses

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 (U.S.)
Konica Minolta Printing Solutions U.S.A., Inc.		Minolta-QMS, Inc. (U.S.)
Konica Minolta Business Solutions Deutschland GmbH	Konica Business Machines Deutschland GmbH	Minolta Europe GmbH (Germany)
Konica Minolta Business Solutions (UK) Ltd.	Konica Business Machines (UK) Ltd.	Minolta (UK) Ltd. (U.K.)
Konica Minolta Business Solutions France S.A.S.	Konica Bureautique S.A.S.	Minolta France S.A.S. (France)
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 Industries (HK) Ltd. (H.K.)

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 and Camera Businesses

New Company Name	Before Reorganization	
	Konica	Minolta
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. (U.S.)	Minolta Corporation (U.S.)
Konica Minolta Photo Imaging Europe GmbH.	Konica Europe GmbH (Germany)	Minolta Europe GmbH (Germany)
Konica Minolta Photo Imaging (UK) Ltd.	Konica UK Ltd. (U.K.)	Minolta (UK) Ltd. (U.K.)
Konica Minolta Photo Imaging France S.A.S.	Konica France S.A.S. (France)	Minolta France S.A.S. (France)
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. (U.S.)	
Konica Minolta Optical Products (SHANGHAI) Co., Ltd.		Shanghai Minolta Optical Products Co., Ltd. (China)
Konica Minolta Precision Engineering Malaysia Sdn. Bhd.		Minolta Precision Engineering (M) SDN. BHD.

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. (U.S.)	
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. (U.S.)	
Konica Minolta Repro Co., Ltd.	Konica Repro Co., Ltd.	

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.	Minolta 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	

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)—and a new corporate group, with input/output imaging as its central business field. Based on a corporate philosophy of creating new value and with a corporate mandate to capture "The essentials of imaging," the Company 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.

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 will pursue a strategy that leverages the resources of the Group as a whole, 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.

To realize these goals, the Company will base its operations on the following four key principles: 1) achieving the top position in core business fields, 2) utilizing a strong financial base to achieve ongoing growth, 3) creating an open and fair corporate environment by global standards, and 4) developing solutions based on world-class concepts and technologies.

Foremost, the Company's core 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 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.

Also, the Company has positioned its Optics Business, which boasts word-class optical device technologies, as a strategic operation. This business domain 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 microlens units for camera-equipped mobile phones.

The Company will also shift corporate resources to other business fields where growth is being driven by the shift to digital and networked solutions, to facilitate migration to a business structure capable of maximizing merger synergies.

(2) Basic Policy Regarding Distribution of Profits

The Company expects its operating environment to remain harsh both in Japan and overseas. As such, it will allocate corporate resources based on the principles of "selectivity and focus" to better manage the business portfolio of the merged company. In conjunction, the Company will take steps to improve business efficiency, increase profitability, and strengthen its financial position. In addition, the Company will seek to balance earnings fluctuations among individual operating units and create an optimal business mix with the objective of achieving long-term, sustainable growth for the Group as a whole.

While seeking to secure the levels of internal reserves required for future business expansion, the Company is intent on continuing a policy of stable dividend payments to shareholders.

(3) 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.

(4) Future Issues
In October 2003, the business organizations of Konica and Minolta were reorganized and combined under Konica Minolta Holdings. The resulting structure consists of six entirely new business companies and two common function companies. The Company will manage the eight companies under a policy of group management that is aimed at maximizing corporate value.

For the fiscal year ending March 31, 2004, the Company has identified the following as key tasks: 1) taking steps to solidify the business base resulting from the merger, 2) completing business realignment, 3) increasing recognition of new brands and firmly establishing these brands in the market, and 4) bolstering and filling out management infrastructure, including IT and personnel systems.

(5) Views and Policies Regarding Corporate Governance
The Company recognizes the great importance that both Konica and Minolta place on strengthening corporate governance. As such, the Company has implemented measures to speed up decision making as well as clarify and strengthen auditing functions and policy execution functions to ensure that management conducts business in a transparent and impartial manner.

In April 2003, a spin-off/holding company system was adopted. Furthermore, in June 2003, a company with committees system was also put in place, under which an audit committee, a compensation committee, and a nominating committee were established. The aim of these new systems is to improve the holding company's corporate governance system. As part of this, the company has decided that the head of each of these committees must be an outside director. Moreover, the four appointed outside directors shall have no interest and/or stake in the Company. Also, to improve auditing/oversight functions applicable to management, the audit committee has been made a standing organization made up of appointees.

Although few Japanese firms have adopted these two systems simultaneously, Konica Minolta Holdings believes that they are the most appropriate form of business organization.

3. OPERATING RESULTS AND FINANCIAL CONDITION

(1) Operating Results

Interim results summary
During the interim period ended September 30, 2003, the global economic environment picked up steam on the success of tax cuts and other stimulus measures enacted in the United States. Also, the People's Republic of China and other Asian economies showed signs of recovery, having rebounded from the adverse effects of the outbreak of SARS in the first half of 2003. Meanwhile, Europe failed to achieve economic growth due to a pullback in export industries due to euro appreciation. Japan saw modest recoveries in certain areas, including the stock market, where key indices moved higher. Still, employment, wages, and other indicators of the underlying economy remained depressed. The average levels of the yen-dollar and yen-euro exchange rates were ¥118.71 and ¥132.65, respectively, representing a yen appreciation of 6.8% against the dollar and depreciation of 14.0% against the euro on a year-on-year basis.

Under this economic environment, the Group adopted the spin-off/holding company system in April 2003 and introduced a company with committees system in June of the same year. In August, Konica and Minolta implemented bold measures to restructure their operating bases, including the formal management integration of their businesses through an exchange of shares. This coincided with efforts to heighten competitiveness and speed up the execution of management policy for the Group as a whole amid ongoing escalation of market competition. In conjunction, the Group took steps to increase operating efficiency and sustain or boost business profits.

As a result, interim consolidated sales were virtually level with those in the previous interim period at ¥278.4 billion, down 0.2%. Earnings at all levels rose sharply to record highs. Operating income rose 24.8%, to ¥24.3 billion, recurring profit jumped 46.2%, to ¥19.0 billion, and net income climbed 24.4%, to ¥8.3 billion.

Segment Information

The method of business classification was revised in conjunction with the adoption of the spin-off/holding company system during the interim period under review. For comparison, numbers from the previous interim period have been reclassified according to the method used in the interim period under review.

Business Technologies Businesses (digital photocopiers, printers)

(Millions of yen)

	Interim period	Interim period of previous fiscal year	Increase (decrease)	% change
Net sales to outside customers	103,644	101,596	2,048	2.0
Intersegment sales	11,346	893	10,453	—
Sales	114,991	102,490	12,501	12.2
Operating income	13,100	8,896	4,204	47.3

Net sales to outside customers totaled ¥103.6 billion, up 2.0%, and operating income amounted to ¥13.1 billion, up 47.3%.

Strong sales and earnings growth were driven by two primary factors. First, further progress was made in shifting sales toward standard- and high-speed equipment. Second, sales of products that meet customer requirements in the area of networked office environments were brisk. This was particularly true of products with high-value-added options such as controllers for color equipment and high-speed machines. Konica Minolta Supplies Manufacturing Co., Ltd., a production base for polymerization toner, started operations at its No. 2 facility in May 2003, thereby increasing production capacity for that product. Meanwhile, progress was made in expanding the lineup of digital copiers that used polymerization toner to achieve world-class print quality. The 8050 series of digital copiers, capable of an output of 51 pages per minute, was added to the lineup of high-speed equipment in September 2003. The Company is working to leverage its highly reliable, highly durable lineup of high-speed machines to cultivate the near-print market, which is expected to generate significant print volume.

Optics Businesses (optical devices, electronic materials)

(Millions of yen)

	Interim period	Interim period of previous fiscal year	Increase (decrease)	% change
Net sales to outside customers	30,091	24,226	5,864	24.2
Intersegment sales	8,968	108	8,860	—
Sales	39,059	24,335	14,724	60.5
Operating income	7,396	7,944	(548)	(6.9)

Net sales to outside customers totaled ¥30.0 billion, up 24.2%, and operating income amounted to ¥7.3 billion, down 6.9%.

This business is a key strategic operation and at the core of the Company's strong competitive advantage in optical technologies. The Group has a dominant share of the market on a volume basis for mainstay optical pickup lenses used in audiovisual equipment and PCs, which are increasingly incorporating DVD utilities. However, market share on a revenue basis has slipped somewhat, partly because of falling average unit prices and the encroachment of new market entrants. Production and outside marketing in the growing field of lens units for digital cameras is fully under way. As a result, related sales and earnings are steadily expanding.

The Group is also working to expand sales of tri-acetyl cellulose (TAC) film and other high-value-added products to capitalize on the strong growth in LCD-related markets, including those for notebook PCs, car navigation equipment, mobile phones, and LCD televisions.

Photo Imaging and Camera Businesses (photo-sensitive materials, ink-jet media, and cameras)

(Millions of yen)

	Interim period	Interim period of previous fiscal year	Increase (decrease)	% change
Net sales to outside customers	83,635	94,172	(10,537)	(11.2)
Intersegment sales	7,550	742	6,808	—
Sales	91,185	94,915	(3,730)	(3.9)
Operating income	3,028	1,832	1,196	65.3

Net sales to outside customers totaled ¥83.6 billion, down 11.2%, and operating income amounted to ¥3.0 billion, up 65.3%.

Growth in the use of digital cameras in Japan, Europe, and the United States has resulted in a marked contraction in the field of silver halide photography, which includes color film, photographic paper, and minilabs.

The Group aggressively introduced its new CENTURIA color film series, but film sales overall still declined from the previous interim period on both revenue and volume bases. Meanwhile, single-use cameras and R1 SUPER minilabs enjoyed healthy sales, mainly overseas. Also, progress in revamping the business structure produced solid growth in the non-silver halide photography business, which includes ink-jet media and photo ID systems. In digital cameras, brisk sales of the RevioKD410z four-megapixel, 3X-zoom camera contributed to sales and earnings.

The Group worked to improve the profitability of the overall photo imaging and camera business through aggressive restructuring, including a sharp downsizing of the domestic collection and delivery lab business.

Medical and Graphic Imaging Businesses (medical and graphic products)

(Millions of yen)

	Interim period	Interim period of previous fiscal year	Increase (decrease)	% change
Net sales to outside customers	58,751	58,043	707	1.2
Intersegment sales	12,488	100	12,387	—
Sales	71,239	58,144	13,095	22.5
Operating income	4,673	5,411	(737)	(13.6)

Net sales to outside customers totaled ¥58.7 billion, up 1.2%, and operating income amounted to ¥4.6 billion, down 13.6%.

The medical and graphic imaging fields, which are relatively insulated from economic fluctuations, are undergoing an across-the-board shift toward digital and networked solutions.

Sales of the Direct Digitizer REGIUS Model 170 digital X-ray imaging system, introduced to quickly respond to the increasing use of digital and network technologies in hospitals, were brisk in the interim period under review, especially in North America. An aggressive shift toward sales of dry film resulted in higher sales ratios for that product in Japan, Europe, and the United States.

Despite the movement in the graphic imaging field toward filmless solutions, the Company worked to expand sales of printing film overseas, mainly in Asia. The Company also focused on expanding sales of Digital Konsensus Pro, a digital color proofing system introduced in the previous year, with the aim of taking the top share of this market.

(2) Outlook for Entire Fiscal Year

The operating environment in the second half of the fiscal year is expected to generally improve as a marked recovery in the United States drives a rebound in the global economy. However, the outlook for the Company is not as bright, partly because of unfavorable forex trends, as the yen has risen sharply against the U.S. dollar and a high proportion of the Group's sales come from overseas.

Under this environment, the Company plans to speedily execute various policies to promote further business integration and generate merger synergies.

The outlook for consolidated earnings in the fiscal year ending March 31, 2004, is as follows:

(Billions of yen)

	Fiscal year ending March 31, 2004	
	Interim results	Outlook for the entire fiscal year
Sales	278.4	870.0
Operating income	24.3	51.0
Recurring profit	19.0	35.0
Net profit	8.3	17.0

The projections are premised on the following exchange rates in the second half of the fiscal year:
US$: ¥110
Euro: ¥125

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

(3) Dividends

In consideration of the need to secure the levels of internal reserves required to strengthen the corporate structure of the merged company and future expansion while maintaining its policy of paying steady dividends, Konica Minolta Holdings 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.

(4) Financial Position

1. Interim Period Ended September 30, 2003

Cash flows

(Millions of yen)

	Interim period	Interim period of previous fiscal year	Increase/ Decrease
Cash flows from operating activities	8,165	26,073	(17,908)
Cash flows from investing activities	(8,806)	(18,819)	10,013
Total (Free cash flow)	(641)	7,253	(7,894)
Cash flows from financing activities	(745)	1,077	(1,822)

Cash flows from operating activities

Net cash provided by operating activities decreased ¥17.9 billion, to ¥8.1 billion. This reflected ¥16.7 billion in income before income taxes and minority interests, a ¥6.0 billion increase, and ¥13.5 billion in depreciation and amortization. However, cash inflows declined because of an increase in operating capital, including a rise in inventories and a decrease in accounts payable. Corporate taxes rose ¥4.5 billion, to ¥11.0 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥8.8 billion, which was ¥18.8 billion in the previous interim period. This mainly reflected an expenditure of ¥8.6 billion, down ¥9.1 billion from the previous interim period, for the acquisition of tangible fixed assets, relating principally to an increase in production capacity for medical-use dry film.

Cash flows from financing activities

Net cash used in financing activities was ¥0.7 billion, compared to ¥1.0 billion provided by financing activities in the previous interim period.

Free cash flow, calculated as the net of cash flows from operating activities and investing activities, was negative ¥0.6 billion, compared to ¥7.2 billion in the previous interim period. Dividends of ¥1.7 billion were paid out of short-term loans from financial institutions.

Cash and cash equivalents for the period under review totaled ¥89.5 billion at the end of the interim period. This reflected the above changes, a ¥0.1 billion translation difference on foreign currencies, a decrease in cash and cash equivalents of ¥1.2 billion, an increase due to newly consolidated subsidiaries of ¥0.4 billion, and an increase in cash and cash equivalents of ¥38.4 billion related to the exchange of shares.

Cash Flow Indicators

	Fiscal year ended March 31, 2000	Fiscal year ended March 31, 2001	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003	Interim period ended September 30, 2003
Shareholders' equity ratio (%)	29.6	30.9	32.5	35.1	33.9
Market price-based shareholders' equity ratio (%)	30.4	53.1	55.5	65.0	78.9
Debt redemption period (years)	3.5	3.6	3.7	2.3	—
Interest coverage ratio	5.9	5.5	7.1	14.3	4.5

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

The Company projects that free cash flow, the net of cash flows from operating and investing activities, will amount to an inflow of approximately ¥10.0 billion.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statements of Income

(Millions of yen)

	April 1, 2003– September 30, 2003		April 1, 2002– September 30, 2002		Fiscal 2003 April 1, 2002– March 31, 2003	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	278,429	100.0	278,970	100.0	559,041	100.0
Cost of sales	152,540	54.8	161,598	57.9	321,381	57.5
Gross profit	125,889	45.2	117,371	42.1	237,660	42.5
Selling, general and administrative expenses	101,559	36.5	97,871	35.1	194,804	34.8
Operating income	24,329	8.7	19,499	7.0	42,855	7.7
Non-operating income	[3,186]	1.2	[3,365]	1.2	[6,765]	1.2
Interest and dividend income	353		427		1,051	
Equity in profit (loss) of unconsolidated subsidiaries and affiliates	125		66		310	
Other	2,707		2,871		5,403	
Non-operating expenses	[8,423]	3.0	[9,805]	3.5	[17,181]	3.1
Interest expense	1,826		2,441		4,484	
Other	6,596		7,364		12,697	
Recurring profit	19,092	6.9	13,058	4.7	32,438	5.8
Extraordinary profit	[489]	0.1	[46]	0.0	[8,263]	1.5
Gain on sale of fixed assets	292		46		181	
Gain on sale of investment securities	197		—		0	
Return of substitute portion of employees' pension insurance plan	—		—		8,081	
Extraordinary losses	[2,870]	1.0	[2,395]	0.9	[15,973]	2.9
Loss on disposal and sale of fixed assets	1,259		1,178		3,294	
Loss loss on sale of investments in securities	14		2		12	
Write-down on investment securities	50		484		2,167	
Transfers to reserve for losses on business restructuring and liquidation	—		—		5,637	
Transition obligations due to adoption of new accounting standards for retirement benefits	518		730		1,325	
Expenses related to withdrawal from employees' pension insurance plan	513		—		543	
Expenses associated with adoption of defined contribution pension plan	—		—		2,993	
Transfers to reserve for deferred pension and past service recognition payments to directors	513		—		—	
Income before income taxes and minority interests	16,712	6.0	10,710	3.8	24,728	4.4
Income taxes	11,846		8,610		14,375	
Deferred income taxes	(3,680)		(4,735)		(6,195)	
Minority interests in earnings of consolidated subsidiaries	166		97		172	
Net income	8,379	3.0	6,738	2.4	16,375	2.9

(2) Consolidated Balance Sheets

(Millions of yen)

	April 1, 2003– September 30, 2003		April 1, 2002– September 30, 2002		Fiscal 2003 April 1, 2002– March 31, 2003	
	Amount	% of total	Amount	% of total	Amount	% of total
Current assets	[553,893]	[55.7]	[311,574]	[59.4]	[311,818]	[60.4]
Cash and deposits	89,513		55,589		51,876	
Trade notes and accounts receivable	224,356		132,626		129,212	
Marketable securities	5		—		0	
Inventories	184,154		99,457		98,848	
Deferred tax assets	30,388		14,038		22,759	
Other accounts receivable	17,246		8,404		9,942	
Other current assets	19,495		9,033		5,925	
Allowance for doubtful accounts	(11,267)		(7,575)		(6,746)	
Fixed assets	[440,567]	[44.3]	[212,581]	[40.6]	[204,137]	[39.6]
Tangible fixed assets	[226,399]	22.8	[151,356]	28.9	[148,040]	28.7
Buildings and structures	75,142		53,101		52,270	
Machinery and vehicles	60,236		52,503		50,002	
Land	41,019		18,825		18,672	
Leased business-use assets	23,870		14,923		14,416	
Other tangible fixed assets	26,131		12,002		12,678	
Intangible fixed assets	[122,190]	12.3	[10,913]	2.1	[10,646]	2.1
Consolidation adjustment account	101,444		—		—	
Other intangible fixed assets	20,745		10,913		10,646	
Investments and others	[91,977]	9.2	[50,310]	9.6	[45,451]	8.8
Investment securities	32,736		12,685		14,201	
Long-term loans	2,424		2,151		1,103	
Long-term prepaid expenses	5,568		5,046		5,268	
Deferred tax assets	34,006		21,494		14,343	
Other investments	18,832		11,039		12,834	
Allowance for doubtful accounts	(1,591)		(2,106)		(2,300)	
Total assets	994,460	100.0	524,155	100.0	515,956	100.0

(Millions of yen)

	April 1, 2003– September 30, 2003		April 1, 2002– September 30, 2002		Fiscal 2003 April 1, 2002– March 31, 2003	
	Amount	% of total	Amount	% of total	Amount	% of total
Current liabilities	[491,785]	[49.5]	[247,862]	[47.3]	[244,033]	[47.3]
Trade notes and accounts payable	139,853		67,328		73,311	
Short-term loans	204,987		102,414		90,592	
Long-term loans due within one year	15,806		3,716		5,121	
Bonds due within one year	12,054		10,054		5,054	
Accrued expenses	55,410		35,337		37,315	
Accrued income taxes	13,551		8,632		9,913	
Allowance for product warranties	2,629		1,725		1,148	
Reserve for losses on business restructuring and liquidation	1,172		—		5,637	
Other current liabilities	46,319		18,653		15,939	
Long-term liabilities	[164,319]	[16.5]	[100,874]	[19.2]	[88,679]	[17.2]
Bonds	31,438		32,192		27,192	
Long-term loans	40,298		26,380		24,126	
Long-term accrued amounts payable	10,578		—		8,204	
Reserve for retirement benefits and pension plans	70,014		36,627		24,303	
Other long-term liabilities	11,990		5,673		4,852	
Total liabilities	656,104	[66.0]	348,736	[66.5]	332,712	[64.5]
Minority interests	1,262	[0.1]	2,161	[0.4]	2,224	[0.4]
Capital stock	37,519	3.8	37,519	7.2	37,519	7.3
Capital surplus	226,055	22.7	79,342	15.1	79,342	15.4
Retained earnings	75,613	7.6	61,202	11.7	69,052	13.4
Net unrealized gain on securities	2,533	0.2	1,222	0.2	825	0.1
Translation adjustment	(4,171)	(0.4)	(5,743)	(1.1)	(5,309)	(1.0)
Treasury stock	(457)	(0.0)	(285)	(0.0)	(410)	(0.1)
Total shareholders' equity	337,093	[33.9]	173,257	[33.1]	181,019	[35.1]
Total liabilities, minority interests and shareholders' equity	994,460	100.0	524,155	100.0	515,956	100.0

Notes:

	April 1, 2003– September 30, 2003	April 1, 2002– September 30, 2002	Fiscal 2003 April 1, 2002– March 31, 2003
1. Accumulated depreciation on tangible fixed assets (millions of yen)	451,564	288,109	281,329
2. Discount on trade notes receivable (millions of yen)	368	16	—

(3) Consolidated Statements of Retained Earnings

(Millions of yen)

	April 1, 2003– September 30, 2003	April 1, 2002– September 30, 2002	Fiscal 2003 April 1, 2002– March 31, 2003
	Amount	Amount	Amount
Capital surplus			
Capital surplus at beginning of period	79,342	(79,342)	79,342
Increase in additional paid-in capital	[146,713]	[—]	[—]
New stock issued in conjunction with share exchange	146,706	—	—
Differential on disposition of treasury stock	6	—	—
Capital surplus at end of period	226,055	79,342	79,342
Retained earnings			
Retained earnings at beginning of period	69,052	56,521	56,251
Increase in retained earnings	[8,391]	[6,738]	[16,375]
Interim net profit	8,379	6,738	16,375
Additional amount due to increase in equity-method affiliates	12	—	—
Decrease in retained earnings	[1,831]	[1,787]	[3,574]
Dividends	1,786	1,787	3,574
Bonuses to directors	45	—	—
Retained earnings at end of period	75,613	61,202	69,052

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2003– September 30, 2003	April 1, 2002– September 30, 2002	Fiscal 2003 April 1, 2002– March 31, 2003
	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income taxes and minority interests	16,712	10,710	24,728
Depreciation and amortization	13,598	13,555	28,497
Decrease (increase) in allowance for doubtful accounts	(1,327)	247	(2,163)
Interest and dividend income	(353)	(427)	(1,051)
Interest expense	1,840	2,441	4,484
Gain on disposal and sale of fixed assets	967	1,131	3,112
Valuation loss on investment securities	50	484	2,167
Transition obligations due to adoption of new accounting standards for retirement benefits	518	730	1,325
Gain on return of substitute portion of employees' pension insurance plan	—	—	(8,081)
Expenses related to withdrawal from employees' pension insurance plan	513	—	543
Transfers to reserve for deferred pension and past service recognition payments to directors	513	—	—
Expenses associated with adoption of defined contribution pension plan	—	—	2,993
Transfers to reserve for losses on business restructuring and liquidation	—	—	5,637
Decrease (increase) in trade notes and accounts receivable	5,200	(249)	7,686
Decrease (increase) in inventories	(5,698)	(566)	2,187
Increase (decrease) in trade notes and accounts payable	(4,776)	497	3,337
Increase (decrease) in accrued consumption tax payable	(645)	67	155
Other	(6,490)	5,808	4,991
Subtotal	20,622	34,431	80,552
Interest and dividends received	396	447	1,506
Interest paid	(1,827)	(2,375)	(4,653)
Income taxes paid	(11,025)	(6,430)	(10,968)
Net cash provided by operating activities	8,165	26,073	66,437
II. Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(8,621)	(17,743)	(29,545)
Proceeds from sale of tangible fixed assets	1,210	917	2,177
Payment to acquire intangible fixed assets	(792)	—	(3,669)
Loan payments	(169)	—	(5,743)
Proceeds from loan recovery	98	—	2,963
Payment for acquisition of investment securities	(4)	(245)	(706)
Proceeds from sale of investment securities	149	446	746
Payment related to other investments	(1,122)	—	(3,533)
Other	445	(2,193)	(18)
Net cash used in by investing activities	(8,806)	(18,819)	(37,328)
III. Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	5,101	(6,207)	(19,551)
Proceeds from long-term loans payable	193	15,000	16,000
Repayment of long-term loans payable	(4,065)	(1,833)	(3,300)
Redemption of bonds	(54)	(5,354)	(15,354)
Proceeds from the issuance of shares	—	1,300	1,300
Payment to execute buyback of Company's stock	(147)	(39)	(204)
Proceeds from sale of Company's stock	14	—	—
Dividend payments	(1,788)	(1,787)	(3,576)
Net cash used in financing activities	(745)	1,077	(24,685)
IV. Translation differences on cash and cash equivalents	159	(401)	(206)
V. Increase in cash and cash equivalents	(1,226)	7,929	4,216
VI. Cash and cash equivalents at beginning of period	51,876	47,659	47,659
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries	415	—	—
VIII. Increase in cash and cash equivalents due to exchange of shares	38,453	—	—
IX. Cash and cash equivalents at end of period	89,518	55,589	51,876