November 11, 2004

Consolidated Financial Results
for the Interim Fiscal Period Ended September 30,2004

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
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Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Consolidated Results: November 11, 2004
U.S. accounting practices have not been adopted in this statement.

1. CONSOLIDATED FINANCIAL RESULTS FOR INTERIM PERIOD (APRIL 1, 2004, TO SEPTEMBER 30, 2004)

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

(Millions of yen)

	Net sales		Operating income		Recurring profit	
Interim period ended September 30, 2004	535,115	92.2%	32,524	33.7%	28,166	47.5%
Interim period ended September 30, 2003	278,429	(0.2)%	24,329	24.8%	19,092	46.2%
Fiscal year ended March 31, 2004	860,420		57,530		43,186	

	Net income (Millions of yen)		Net income per share (yen)	Net income per share (after full dilution)
Interim period ended September 30, 2004	8,200	(2.1%)	15.44	—
Interim period ended September 30, 2003	8,379	24.4%	20.19	—
Fiscal year ended March 31, 2004	12,548		26.48	—

Notes: 1. Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Interim period ended September 30, 2004: ¥6 million
Interim period ended September 30, 2003: ¥125 million
Fiscal year ended March 31,2004: ¥61 million
2. Average number of shares outstanding during the period (consolidated):
Interim period ended September 30, 2004: 531,059,789
Interim period ended September 30, 2003: 415,117,067
Fiscal year ended March 31,2004: 473,118,848
3. Changes in accounting methods: No
4. Percentages in the net sales, operating income, recurring profit, and net income columns indicate changes from the interim period of the previous fiscal year.
5. Although the Company (the former Konica Corporation) became a new holding company, Konica Minolta Holdings, Inc., on August 5, 2003, through an exchange of shares with Minolta Co., Ltd., for accounting purposes, this merger is deemed as occurring at the end of September in 2003, and figures for Minolta Co., Ltd., have therefore not been included in consolidated results for the interim period ended September 30,2003 and the fiscal year ended March 31,2004.

(2) Financial Position

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio (%)	Shareholders' equity per share (Yen)
Interim period ended September 30, 2004	979,904	342,896	35.0	645.71
Interim period ended September 30, 2003	994,460	337,093	33.9	634.62
Fiscal year ended March 31, 2004	969,589	335,427	34.6	631.54

Notes: Number of shares outstanding at the end of the period (consolidated):
Interim period ended September 30, 2004: 531,035,138
Interim period ended September 30, 2003: 531,172,171
Fiscal year ended March 31,2004: 531,095,460

(3) Cash Flows

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents year-end
Interim period ended September 30, 2004	22,543	(27,325)	(9,278)	70,951
Interim period ended September 30, 2003	8,165	(8,806)	(745)	89,518
Fiscal year ended March 31, 2004	55,957	(28,784)	(33,149)	83,704

(4) Scope of Consolidation/Equity Method Accounting

Consolidated subsidiaries: 121
Unconsolidated subsidiaries accounted for by the equity method: 13
Subsidiaries and affiliates accounted for by the equity method: 2

(5) Changes in Scope of Consolidation/Equity Method

Newly consolidated subsidiaries: 3
Subsidiaries excluded from consolidation: 4
Companies included in equity method accounting: —
Companies excluded from equity method accounting: 1

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

(Millions of yen)

	Net sales	Recurring profit	Net income
Full-year	1,100,000	70,000	25,000

(Estimated net income per share: ¥47.08)

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

1. GROUP OVERVIEW

The Group comprises the parent company, 121 consolidated subsidiaries, 34 non-consolidated subsidiaries, and 10 affiliates. A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Businesses: 86
(Consolidated Subsidiaries: 61, Unconsolidated Subsidiaries: 20, Affiliates: 5)

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

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Konica Minolta Business Technologies, Inc.

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Sales: 74
- Konica Minolta Business Solutions Japan Co., Ltd. *3
- 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) *4
- Other Companies: 68

Optics Businesses: 6
(Consolidated Subsidiaries: 6)

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

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Konica Minolta Opto, Inc.

Photo Imaging Businesses: 47
(Consolidated Subsidiaries: 34, Unconsolidated Subsidiaries: 10, Affiliates: 3)

Production: 14
- Konica Minolta Packaging Co., Ltd.
- Konica Minolta Chemical Co., Ltd.
- Konica Minolta Manufacturing U.S.A., Inc. (U.S.)
- Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China)
- Konica Minolta Precision Engineering Malaysia Sdn. Bhd. (Malaysia)
- Other Companies: 9

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Konica Minolta Photo Imaging , Inc. *5

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Sales: 32
- Konica Minolta Marketing Corporation
- Konica Minolta Photo Solutions Co., Ltd.
- Konica Minolta ID System Co., Ltd.
- Konica Minolta ID Imaging Co., Ltd.
- Konica Minolta Planetarium 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)
- Konica Minolta Photo Imaging Australia Pty. Ltd. (Australia) *4
- Other Companies: 21

Medical and Graphic Imaging Businesses: 12
(Consolidated Subsidiaries: 9, Unconsolidated Subsidiaries: 2, Affiliates: 1)

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

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Konica Minolta Medical & Graphic , Inc.

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Sales: 9
- Konica Minolta Medical Co., Ltd. *6
- 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: 13
(Consolidated Subsidiaries: 10, Unconsolidated Subsidiaries: 2, 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 *7
- Konica Minolta Technosearch Co., Ltd.
- Other Companies: 6

Sensing Business: 1
(Consolidated Subsidiaries: 1)

- Konica Minolta Sensing , Inc.

Notes: *1: Organization chart is as of September 30, 2004.
*2: Only major consolidated subsidiaries are shown.
*3: Konica Minolta Business Solutions Japan Co., Ltd., merged with Konica Minolta Techno System Co., Ltd., on July 1, 2004.
*4: Konica Minolta Photo Imaging Australia Pty. Ltd. split off from Konica Minolta Business Solutions Australia Pty. Ltd. on April 1, 2004.
*5: On April 1, 2004, Konica Minolta Photo Imaging , Inc. and Konica Minolta Camera, Inc. merged, thereby establishing Konica Minolta Photo Imaging , Inc.
*6: On April 1, 2004, Konica Medical Inc. and Kyoritsu Medical Co., Ltd. merged, and Konica Minolta Medical Co., Ltd. was established.
*7: On April 1, 2004, Konica Information Systems Co., Ltd. and Famous Co.,Ltd. merged, and Konica Minolta Information System Co., Ltd was established.

2. MANAGEMENT POLICY

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

Konica Minolta Holdings, Inc., embarked on a three-pronged management reform strategy in 2003 when it adopted the spin-off/holding company system in April, and switched to a board-with-committees system in June, followed by the management integration between Konica Corp., and Minolta Co., Ltd. in August. These initiatives were implemented with the aim of clearly defining and strengthening group management decision making and operational execution and management supervision functions and execution functions to enable business management based on quick management decisions as well as to maximize the value of the Group through corporate governance characterized by fair and transparent management.

Management philosophy:	“Creation of new value.”
Management vision:	"Innovative corporation that continue to create impressions in the field of imaging."
	"A global market leader that offers advanced technology and reliability."
Corporate message:	“The essentials of imaging.”

The area of imaging is a promising field that is expected to continue to grow. At the same time, we are seeing rapid technological progress in digitalization and networks, while global competition among companies is intensifying. 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
- Execution of a corporate governance system with high transparency
- Enhancement of technical and brand strategies in the imaging field
- Use of an achievement-driven personnel system
- Intensified focus on corporate social responsibilities

Under this management strategy, in March 2004 the Company formulated the Medium-Term Management Integration Plan, effective from April, 2004 through March 31, 2007 to provide guidelines for the further strengthening and promotion of Group management. In particular, the Business Technologies Business, which is a core enterprise, and the strategic Optics Business have been designated areas of focus, and more than 70% of capital investments, R&D spending, and other management resources have been allocated to promote them. Through this initiative, the Company is seeking to boost net sales to ¥1,330.0 billion and operating income to ¥160.0 billion on a consolidated basis by March, 2007, the final year of the plan.

As the Business Technologies Business has been designated as central to the Company’s operations portfolio, Konica Minolta’s expectations for mutual benefits from corporate merger are highest for this area. In the mainstay area of office products, the Company is channeling its management resources to digital color multi-functional peripherals (MFP), color laser printers, and other areas for which substantial market growth is anticipated in an effort to dominate the market and emerge as the top brand in this field.

Furthermore, the Optics Business, which leverages the world’s most sophisticated optical device technology, has been designated a strategic enterprise for the entire Group that the Company aims to significantly expand by taking advantage of mutual benefits obtained through the integration of Konica and Minolta. In the area of optical pickup lenses for DVD and CD equipment, the Company is working to maintain its overwhelming market share, but in lens units for digital and video cameras, micro-lens and camera units for mobile camera phones, liquid crystal materials, and other growth areas, the Company is actively developing operations.

(2) Future Issues

Fiscal year ending March 31, 2005, the first year of the above mentioned medium-term plan, has been designated as a time for focusing Company efforts on reinforcing its management foundation. In addition to promptly completing the integration and reorganization of operations, the Company will steadily and quickly promote the consolidation of human resources, adjust and expand systems for IT, personnel, and other areas of management infrastructure, bolster public recognition of the Konica Minolta brand and reinforce its presence in the market, and take other initiatives to quickly reap the benefits of the corporate merger.

The Photo Imaging Business is beset by a harsh business climate characterized by receding demand for film, declining prices for digital cameras, and other adverse factors. In response, this business has undergone an organizational shift; the Company has reformed its structure centered on existing lab operations and introduced other business reforms to enable the business to adapt to the changes in the marketing environment. In particular, the sharp deterioration in business earnings for camera operations suffered in the previous period, is being treated as a high priority issue, and the Company has chosen a policy of focusing on the profitability rather than the scales of these operations, implementing a comprehensive restructuring program in the current fiscal period that addresses development, production, marketing, and expenses.

(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 year ending March 2005—which the Company has designated as the term for merger-related corporate development—, the Company will still pay out its traditional annual dividend of ¥10 per share.

In fiscal year ending March 2006 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 bolster its stock liquidity and expand the shareholder base, the Company obtained approval at its general shareholders meeting in June 2003 to reduce the number of shares in its trading unit. Consequently, when the holding company was created in August 2003, the number of company shares per trading unit was reduced from 1,000 to 500.

(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 board-with-committees system, under which an audit committee, a compensation committee, and a nominating committee were established. No executive officers are elected either of these committees' members, all of which are also chaired by outside directors. More over, of the 12 directors on the board, four are external to the Company, and care has been taken to ensure that no external directors selected has any direct vested interest in the Company. Although few Japanese firms have adopted these two systems—a spin-off/holding company system and a board-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 POSITION

(1) Operating Results

1. Summary

During the interim period, the global economy was buoyed by an active economy in the United States driven by ongoing robust consumer spending and vigorous capital spending in such areas as computers, semiconductors, and IT products. Growth also continued in China and the rest of Asia, while in Europe the exports of manufactured goods by Germany, France, Italy, and other countries continued to be strong and their economies recovered and grew.

In Japan, exports supported upward momentum in corporate earnings that, in turn, boosted capital spending, and the economy showed an overall gradual rebound. However, in light of the anxiety over unemployment and stagnant incomes, it is still unclear as to whether personal consumption has turned the corner. Other sources of concern include the continued excessively strong yen and the weak U.S. dollar that manifested at the end of the prior term as well as persistently high crude oil prices during the period, all of which have cast a shadow of uncertainty on the outlook for the economy.

Operating in this environment in its second year since the merger, the Group has implemented various policies to integrate human resources and worked to adjust and expand IT and personnel systems as well as other management infrastructure, while at the same time conducting effective management of operations with the aim of achieving mutual benefits to underpin Group earnings amid ever intensifying market competition. In particular, in the Business Technologies Business, the Company's core enterprise, Konica Minolta has devoted its energies to the marketing of color MFPs and color printers and has sought to protect and expand its market share in Europe and North America. Moreover, in the Optics Business, the Company focused its management resources on liquid crystal materials and optical pickup lenses, working to expand operations and improve earnings. In photography-related operations, the operating environment continues to be dampened by the shrinking market for film, the sinking prices for digital cameras, and other adverse factors, and Konica Minolta is expediting structural reform to improve business earnings. As a result, consolidated net sales were ¥535.1 billion, operating income was ¥32.5 billion, and recurring profit was ¥28.2 billion. With regard to extraordinary items, in addition to management integration rationalization expenses totaled ¥2.7 billion and other costs, corporate income tax, residence tax, and business tax were larger than usual at ¥15.7 billion, and net income for the period was only ¥8.2 billion.

Furthermore, the average exchange rate for the yen against the U.S. dollar was ¥110, while the yen to the euro rate averaged ¥133, representing a ¥8 slide against the dollar (7%) and no significant change in value against the euro compared with the interim period of the previous fiscal year.

Because Konica and Minolta exchanged shares and merged their operations to form the Company on August 5, 2003, separate statements of income for the two parent companies were drafted for the interim period of the previous year, because Konica and Minolta were regarded as integrated only from the end of September on the basis of account consolidation, in accordance with standard consolidated financial statement reporting principles. Accordingly, the data for the interim period of the previous year is that of Konica alone and does not include Minolta's performance data and thus comparison and analysis is not possible; however, the following chart covers the change from the fiscal year ended March 2004 interim period with Minolta's performance data simply added to Konica's for reference.

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
Sales	535,115	278,429	541,600	(6,484)	(1.2%)
Operating Income	32,524	24,329	40,012	(7,488)	(18.7%)
Recurring profit	28,166	19,092	28,444	(277)	(1.0%)
Net income	8,200	8,379	15,174	(6,974)	(46.0%)

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

This comparison indicates a decrease in net sales and in every other gauge of performance; however, with regard to net sales, once the aforementioned foreign exchange rate losses due to the strong yen as well as losses accounted for by trading between the two parent companies and other factors that inflated net sales in the previous interim period are accounted for, actual net sales rose nearly ¥5.5 billion. Moreover, taking into account the adverse effects of foreign exchange rates, the amortization of consolidation goodwill accounts due to management integration, which was an expense incurred in the interim period, and one-time expenses accompanying integration, actual operating income for this interim period was nearly unchanged from the interim period of the prior year, and recurring profit edged up approximately ¥1.5 billion. However, with regard to net income, the influence of corporate income taxes and other factors was substantial, for an actual decline of approximately ¥3.3 billion.

Furthermore, the “actual base” in the operating conditions by corporate division section below, indicates the adjustments against the change from the same period of the previous year taking into account foreign currency levels and other factors.

Segment Information

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

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
(1) External sales	281,394	103,644	298,280	(16,885)	(5.7%)
(2) Intersegment sales	14,500	11,346	11,432	3,067	26.8%
Total sales	295,894	114,991	309,712	(13,817)	(4.5%)
Operating income	26,733	13,100	29,548	(2,815)	(9.5%)

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

Sales to external customers were ¥281.4 billion and operating income was ¥26.7 billion. A comparison with the combined sales of Konica and Minolta in the interim period of the prior fiscal year reveals a decline in sales, but on an actual basis, external sales increased roughly ¥3.8 billion and operating income grew approximately ¥1.7 billion.

In the market for MFPs, the use of color printing for office documents in the markets of the industrially developed nations of Japan, North America, and Europe increased, and the trend to replace black and white copiers with color models continued. In the market for printers, sales of black and white models remained strong, while demand in the market for color models expanded amid declining prices.

In MFP operations, Konica Minolta strove to expand sales of high-value-added models, including color and medium- and high-speed black and white models. The Company worked to maintain and expand its market share in North America, and Europe focusing on the most advanced polymerization toner technologies in the industry compatible with high- and slow-speed output as a part of its strategy to gain dominance in this area of specialty. With regard to the market for color MFPs, which is experiencing particularly healthy growth, the Company launched bizhub C350—a strategic product superior both in image quality and reliability—and actively promoted it with media advertising that is contributing to strong sales. Volume sales of bizhub C350 and other color MFPs climbed 72% compared with the interim period of the previous year. As a result, color units accounted for 11% of all MFP sales, up from 7% in the previous year’s interim period and in line with the growing trend toward using color MFPs in business.

Furthermore, sales of black and white MFPs grew 7% over last year’s interim sales. With regard to black and white models in the high-speed segment (60-90 pages/minute output), and in particular the markets for units of special focus offering print-on-demand (POD) and other applications in which the Company excels, Konica Minolta was able to more than double its sales compared with the interim period of the previous year by increasing marketing personnel and other initiatives to augment sales as well as developing an original equipment manufacturer (OEM) business with sales to U.S. computer giant Hewlett-Packard and other companies.

In printer operations, the Company continued to work to expand sales of low-speed color printers in Europe and North America, consolidating its position as the number two company in the color printer market. The business environment grew more challenging, with new players in the market and other factors exacerbating price competition. However, our strategic magicolor 2300 series, which has been particularly well received in the SOHO market on account of superior imaging achieved through polymerized toner and superb cost performance, helped volume sales of color units jump roughly 60% from the interim period of the previous year. As a result, color units accounted for 31% of all printer sales, up 5 percentage points in last year’s interim period, reflecting the trend toward the increased use of color copiers. Moreover, the Company expanded its product lineup in August with the market launch of the magicolor 5400 series, a high-speed color model that can print 21 pages/minute to further lift its market share.

Optics Business (optical devices, electronic materials)

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
(1) External sales	44,008	30,091	39,205	4,803	12.3%
(2) Intersegment sales	2,418	8,968	9,190	(6,771)	(73.7%)
Total sales	46,427	39,059	48,395	(1,968)	(4.1%)
Operating income	7,200	7,396	6,509	691	10.6%

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

Income and sales to external customers were both strong with sales at ¥44.0 billion and operating income was ¥7.2 billion. On an actual basis, external sales rose approximately ¥5.4 billion, and operating income increased ¥1.6 billion.

The core optical pickup lenses segment maintained its dominant market position with broad applications, but final product and set manufacturers who buy our products for use in consumer DVD equipment, PCs, and other electronic devices conducted inventory adjustments in the summer, and volume sales languished somewhat.

In the lens unit business, sales in the interim period failed to surpass levels achieved in the interim period of the previous year as demand for digital cameras, which had been expected to continue to grow, dipped sharply in the second quarter, and the market for final products for video cameras slumped.

However, in the market for micro-lenses for mobile phones, the Company aggressively launched high-performance products equipped with 1.3 megapixel and better high resolution, auto-focus, and optical zoom features and sales vastly exceeded those of the prior interim period. In addition, the Company leveraged the burgeoning market for large liquid crystal monitors, liquid crystal televisions, and other liquid crystal products, focusing its energies on expanding sales of TAC film and other liquid crystal display film, and sales greatly improved on the back of continued strong demand.

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

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
(1) External sales	142,824	83,635	137,824	5,000	3.6%
(2) Intersegment sales	6,433	7,550	7,776	(1,343)	(17.3%)
Total sales	149,257	91,185	145,601	3,656	2.5%
Operating income	(4,004)	3,028	1,756	(5,761)	—

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

Sales to external customers were ¥14.3 billion and the operating loss was ¥4.0 billion. Compared with combined Konica and Minolta figures, sales improved from the prior interim period and operating income declined, but on a real basis external sales actually declined approximately ¥5.6 billion due to an extraordinary loss associated with the change in the accounting period of overseas subsidiaries and operating income declined ¥4.5 billion.

In the market for photography-related products, the rate of growth in digital camera sales slowed somewhat in Japan and other countries, with experts concluding that the market has entered a gradual growth phase. Digital single lens reflex (SLR) and other high end products in the digital camera market rapidly expanded, while price competition in the compact class further intensified. As a result of the increasing prevalence of digital cameras in the highly sophisticated markets of Japan, North America, and Europe, demand for color film continued to taper. However, demand for digital prints at retail outlets centered on digital mini-labs is growing, and sales of mini-lab equipment and photographic printing paper were robust.

In the area of photographs, the mainstay color film business was hit by diminishing demand in the markets of Japan, North America, and Europe and both sales and income suffered. However, the reinforcement of our regional strategies for China, India, Russia, the Middle East, and other areas where stable or growing demand is forecast, the large proportion of private branding in the markets of developed nations (marketing conducted using the brand of retail distributors where our products are sold), and other factors contributed to a 9% decline in sales volume in comparison with the fiscal interim period of the previous year. However, we followed up on the R1 Super digital mini-lab, which was launched in previous term and has enjoyed strong sales, with the launch of its successor, the R2 Super, in May 2004, and sales of mini-labs have grown approximately 50% from the prior interim period. Buoyed by the brisk sales of these devices, Konica Minolta is seeking to expand sales and earnings in the photographic paper business by actively encouraging retailers to offer digital printing services. The Company continues to channel its energies to support inkjet media, ID photograph systems, and other products in the non-silver halide photograph business with the aim of adapting our business structure to meet the needs of the digital age.

With regard to the digital camera business, which suffered substantial losses in the in the previous period, the Company revised its business program in the current term and is now pursuing a policy of emphasis on profitability rather than business scale. In line with its new thinking, the Company has streamlined its market lineup and has shifted the focus of its marketing to high-value-added products. However, as a result of increased overhead from the disposal of superannuated inventories during a time of intensified price competition, losses continued in the interim period under review. The Company has also raised the bar on performance with the August launch of new products that include its 5 megapixel CCD, ultra-slim DiMAGE 50 digital camera and the DiMAGE Z3 equipped with a 12x optical zoom lens and Konica Minolta's own anti-shake system, which has contributed to vigorous sales. In addition, we are striving to improve the profitability of our camera business through dramatic reforms to our business structure and the launch of the deluxe digital single-reflex α-7 DIGITAL camera in the latter half of the fiscal year.

Medical and Graphic Imaging Business (medical and graphic products)

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
(1) External sales	60,900	58,751	58,751	2,148	3.7%
(2) Intersegment sales	10,302	12,488	12,488	(2,185)	(17.5%)
Total sales	71,202	71,239	71,239	(37)	(0.1%)
Operating income	4,311	4,673	4,673	(362)	(7.7%)

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

Sales to external customers amounted to ¥60.9 billion, and operating income was ¥4.3 billion. On an actual basis, external sales increased approximately ¥3.4 billion, while operating income was virtually unchanged from the interim period of the previous year.

In the medical segment, the Company reinforced its marketing capabilities through a merger of its two Japanese marketing companies, which is Konica Minolta's primary market, and actively developed a solutions business to better meet user needs. In overseas markets, the Company aggressively implemented policies to expand business in the United States, China, and other countries. In China in particular, Konica Minolta established a medical device marketing company in Shanghai as part of an effort to set up sales channels in the Chinese market. As a result of our endeavors, sales of the REGIUS Model 170 radiography units, dry imagers, and other digital devices as well as dry film that is compatible with these products were strong, and performance surpassed that of the interim period.

With regard to printing, demand declined as a result of the steady adoption of the computer-to-plate (CTP) system—a preprinting procedure in which a digital image is transmitted directly from a computer to a plate used on a press, eliminating the need for printing film—in Japan, North America, and Europe. In the graphic segment, demand for film has dissipated both in Japan and overseas, leading to lackluster volume sales of film. However, the Company has strengthened the marketing of its digital color proofing system, Digital Consensus Pro, a product that responds to the trend toward not using film. The Digital Consensus Pro has received plaudits for its high quality and performance, and the number of units installed has been steadily expanding domestically. In addition to strong device sales, sales of proof sheets were strong. The Company is actively pursuing an operational shift toward the marketing of digital equipment and in fiscal year ended March 2005 launched Konica Minolta's Pagemaster Pro high-speed output laser proofing equipment and the LD5100 digital printer, which responds to the trend to diversification in printed matter and small lot jobs, both of which can readily handle color comprehensive layouts and color drafts.

Sensing Business (colorimeters, 3D digitizers, and others)

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2003 (Konica and Minolta combined)	Increase (Decrease)	% change
(1) External sales	2,643	—	4,915	(2,271)	(46.2%)
(2) Intersegment sales	1,200	—	114	1,085	944.8%
Total sales	3,843	—	5,030	(1,186)	(23.6%)
Operating income	873	—	972	(99)	(10.2%)

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

Sales to external customers amounted to ¥2.6 billion, and operating income was ¥0.9 billion.

In our mainstay illuminant color measurement equipment, ravenous capital spending among producers of Liquid Crystal Display(LCD) televisions and other flat panel displays (FPDs) supported strong sales. The Company's CA200 series of display color analyzers has become the de facto color evaluation equipment for work management in the FPD industry.

With object color measuring equipment, the Company developed business activities targeting the automotive industry in an effort to expand the marketing of spectrum measuring equipment. Konica Minolta is also channeling management resources to 3D digitizers, which is a new business, and in August the Company launched VIVID 9i, a new product that improves measurement accuracy from conventional models, and is also working to expand its customer base in the area of industrial instrumentation.

The classification of businesses in the preceding segment information is on a business unit basis. In contrast, pre-merger Minolta segment information was classified on an individual product basis. Combined Konica and Minolta figures for the same quarter of the previous fiscal year have been simply totaled without integrating the two approaches to business classification

The Sensing Business was the most significantly affected by the differing classification approach, resulting in a substantial decline compared with the first half of the previous fiscal year. If reexamined using the previous business classification, sales to external customers would amount to ¥2,598 million and operating income would be ¥780 million—both approximately in line with their performance in the interim period of the previous year.

Dividends

The management environment is projected to continue to be challenging for Konica Minolta, but the Company will continue to pay ¥5 per share at the interim, unchanged from the interim dividend payment for the fiscal year ending March 31, 2005, to reward shareholder support, while giving due regard to retained earnings in accordance with the aforementioned policies.

(2) Outlook for Fiscal year ending March 31,2005

With regard to the business environment for the second half of fiscal 2005, the remarkable recovery in the U.S. economy is expected to drive growth in the world economy overall. However, expected intensification of competition in the digital product market in Japan and overseas, instability in the Middle East, skyrocketing crude oil prices, further weakening of the U.S. dollar/yen, and other causes for concern persist, and difficult conditions are forecast to continue.

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

<Consolidated basis>

(Billions of yen)

	New Performance Forecast	Previous Performance Forecast Announced May 20, 2004	Increase (Decrease)
Net sales	1,100	1,150	(50)
Operating income	80	85	(5)
Recurring profit	70	70	—
Net profit	25	30	(5)

These projections are premised on the following exchange rates in the fiscal year ending March 31,2005:

US$ ¥107 (Previous forecast was ¥105)

Euro ¥130 (Previous forecast was ¥127)

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

Dividends for Fiscal Year ending March 31,2005

With regard to dividend payments at the end of the fiscal year, March 31, 2005, Konica Minolta plans to pay ¥5 per share, setting cash dividends applicable to the full fiscal year at ¥10 per share, in accordance with its policy of maintaining stable dividend payments while retaining the reserves needed for future business development as well as the structuring and strengthening of its post-merger management base.

(2) Financial Position

1. Overview

	As of September 30, 2004	As of March 31,2004	Increase (Decrease)
Total assets (millions of yen)	979,904	969,589	10,315
Shareholders' equity (millions of yen)	342,896	335,427	7,468
Shareholders' equity per share(yen)	645.71	631.54	14.17
Equity ratio (%)	35.0	34.6	0.4

Total assets rose ¥10.3 billion, to ¥979.9 billion, compared with the end of fiscal year ended March 31,2004, due to increases in trade notes and accounts receivable and inventories.

With regard to shareholders' equity, earned surplus calculated from interim net income increased and foreign currency translation adjustments in the shareholders' equity section of the balance sheet shrank as a result of the progressive weakening of the yen. As a result, shareholders' equity increased ¥7.5 billion, to

¥342.9 billion. Shareholders' equity per share was ¥645.71, and the equity ratio was 35.0%, up 0.4 percentage point from the end of the fiscal year ended March 31,2004.

Cash Flows

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months endedSeptember 30, 2003 (Konica and Minolta combined)	Increase (Decrease)
Cash flows from operating activities	22,543	8,165	38,345	(15,801)
Cash flows from investing activities	(27,325)	(8,806)	(11,946)	(15,378)
Total (Free cash flow)	(4,781)	(641)	26,399	(31,180)
Cash flows from financing activities	(9,278)	(745)	(22,913)	13,635

Cash flows from operating activities

Despite income before income taxes of ¥23.2 billion and depreciation and amortization amounting to ¥25.2 billion, net cash provided by operating activities totaled ¥22.5 billion, largely reflecting the increase in working capital that resulted from an increase in trade notes and accounts receivable and inventories as well as a decline in trade notes and accounts payable, income tax payments of ¥19.3 billion, and other factors.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥27.3 billion. This was primarily due to ¥24.0 billion used in the acquisition of tangible fixed assets such as dies for new products, aspherical plastic lenses for optical disks, polymerization toner, and other investments to bolster production capacity as well as the construction of materials research facilities to conduct state-of-the-art material technology development.
As a result, free cash flows, computed from the total of cash flows from operating activities and cash flows from investing activities, amounted to an outflow of ¥4.8 billion.

Cash flows from financing activities

Net cash used in financing activities totaled ¥9.3 billion. In addition to dividend payments of ¥2.7 billion, the Company paid ¥7.1 billion toward the redemption of bonds and other interest-bearing debt. As a result, the balance of interest-bearing debt at the end of the interim period was ¥266.4 billion, down ¥1.6 billion from the end of the fiscal year ended March 31,2004.

After considering the cash flows from operating, investing, and financing activities and a ¥0.9 billion increase from the effect of foreign exchange rate changes, cash and cash equivalents at the end of the interim period declined ¥13.2 billion. Moreover, due to cash and cash equivalents of ¥0.4 billion from newly consolidated subsidiaries, cash and cash equivalents stood at ¥71.0 billion on September 30, 2004.

Cash Flow Indicators

	March 2001	March 2002	March 2003	March 2004	Six months ended September 30, 2004
Shareholders' equity ratio (%)	30.9	32.5	35.1	34.6	35.0
Market price-based shareholders' equity ratio (%)	53.1	55.5	65.0	81.5	81.7
Debt redemption period (years)	3.6	3.7	2.3	3.1	5.9
Interest coverage ratio	5.5	7.1	14.3	11.1	7.8

Notes:

Shareholders' equity ratio: Shareholders' equity/total assets

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

Years of debt redemption: interest-bearing liabilities/cash flows from operating activities (for the interim period, cash flows from operating activities x 2)

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 ¥15.0 billion.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statements of Income

(Millions of yen)

	April 1, 2004 — September 30, 2004		April 1, 2003 — September 30, 2003		April 1, 2003 — March 31, 2004	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
Net Sales	535,115	100.0	278,429	100.0	860,420	100.0
Cost of sales	300,469	56.2	152,540	54.8	498,967	58.0
Gross profit	234,646	43.8	125,889	45.2	361,453	42.0
Selling, general and administrative expenses	202,121	37.7	101,559	36.5	303,922	35.3
Operating income	32,524	6.1	24,329	8.7	57,530	6.7
Non-operating income	[7,503]	1.4	[3,186]	1.2	[8,762]	1.0
Interest and dividend income	706		353		1,003	
Equity Method Profits	6		125		61	
Foreign exchange gain	2,901		—		—	
Other	3,887		2,707		7,697	
Non-operating expenses	[11,861]	2.2	[8,423]	3.0	[23,106]	2.7
Interest expense	2,826		1,826		5,190	
Foreign exchange loss	—		2,137		4,177	
Other	9,034		4,459		13,737	
Recurring profit	28,166	5.3	19,092	6.9	43,186	5.0
Extraordinary profit	[301]	0.0	[489]	0.1	[897]	0.1
Gain on sales of fixed assets	141		292		690	
Gain on sales of investment securities	—		197		207	
Earnings accompanying the transfer of defined contribution pensions	160		—		—	
Extraordinary losses	[5,220]	1.0	[2,870]	1.0	[11,721]	1.3
Loss on disposal and sale of fixed assets	2,217		1,259		3,168	
Loss on sale of investment securities	—		14		330	
Write-down on investment securities	67		50		451	
Transition obligations due to adoption of new accounting standards for retirement benefits	264		518		1,540	
Reserve for directors' retirement benefits	—		513		513	
Special premium withdrawal from national employees' pension fund	—		513		513	
Expenses related to switch to defined benefit pension plan	—		—		180	
Management integration rationalization expenses	2,671		—		5,022	
Income before income taxes and minority interests	23,247	4.3	16,712	6.0	32,363	3.8
Income taxes	15,716		11,846		22,466	
Deferred income taxes	(693)		(3,680)		(2,841)	
Minority interest in earnings of consolidated subsidiaries	23		166		189	
Net income	8,200	1.5	8,379	3.0	12,548	1.5

(2) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	% of total
Current assets	[550,969]	[56.2]	[553,893]	[55.7]	[535,769]	[55.3]
Cash and deposits	70,622		89,513		83,574	
Trade notes and accounts receivable	236,688		224,356		223,032	
Marketable securities	329		5		130	
Inventories	180,721		184,154		173,949	
Deferred tax assets	32,615		30,388		31,033	
Other accounts receivable	18,396		17,246		13,574	
Other current assets	20,294		19,495		18,889	
Allowance for doubtful accounts	(8,698)		(11,267)		(8,414)	
Fixed assets	[428,935]	[43.8]	[440,567]	[44.3]	[433,820]	[44.7]
Tangible fixed assets	[225,763]	23.1	[226,399]	22.8	[220,204]	22.7
Buildings and structures	74,181		75,142		71,760	
Machinery and vehicles	58,871		60,236		58,694	
Land	38,632		41,019		38,514	
Rental business-use assets	21,754		23,870		20,928	
Other property, plant and equipment	32,323		26,131		30,305	
Intangible fixed assets	[117,626]	12.0	[122,190]	12.3	[120,204]	12.4
Consolidation goodwill	96,557		101,444		98,716	
Other intangible fixed assets	21,068		20,745		21,488	
Investments and others	[85,545]	8.7	[91,977]	9.2	[93,411]	9.6
Investment securities	34,156		32,736		37,424	
Long-term loans	1,516		2,424		2,672	
Long-term prepaid expenses	4,329		5,568		4,429	
Deferred tax assets	32,671		34,006		31,926	
Other investments	14,783		18,832		18,281	
Allowance for doubtful accounts	(1,912)		(1,591)		(1,323)	
Total assets	979,904	100.0	994,460	100.0	969,589	100.0

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	Amount	% of total	Amount
Current liabilities	[477,159]	48.7	[491,785]	49.5	[484,842]	50.0
Trade notes and accounts payable	143,961		139,853		141,783	
Short-term loans	176,374		204,987		182,429	
Long-term loans due within one year	7,796		15,806		14,251	
Bonds due within one year	16,354		12,054		18,354	
Accrued expenses	77,170		55,410		71,480	
Accrued income taxes	16,333		14,747		16,736	
Allowance for product warranty	5,027		2,629		5,164	
Reserve for restructuring/liquidation losses	—		1,172		—	
Other current liabilities	34,142		45,123		34,641	
Long-term liabilities	[158,636]	16.2	[164,319]	16.5	[148,076]	15.3
Bonds	15,084		31,438		20,138	
Long-term loans	50,780		40,298		32,778	
Long-term accrued liabilities	17,018		10,578		20,305	
Deferred tax assets on land revaluation	3,925		3,896		3,925	
Reserve for retirement benefits and pension plans	65,138		70,014		64,915	
Reserve for directors' retirement benefits	952		677		922	
Other long-term liabilities	5,736		7,417		5,091	
Total liabilities	635,795	[64.9]	656,104	[66.0]	632,919	[65.3]
Minority interests	1,213	0.1	1,262	0.1	1,242	0.1
Capital stock	37,519	3.8	37,519	3.8	37,519	3.9
Additional paid-in capital	226,067	23.1	226,055	22.7	226,065	23.3
Retained earnings	82,776	8.5	75,613	7.6	77,254	8.0
Unrealized gains on securities	3,676	0.4	2,533	0.2	4,886	0.5
Translation adjustment	(6,476)	(0.7)	(4,171)	(0.4)	(9,721)	(1.0)
Treasury stock	(666)	(0.1)	(457)	(0.0)	(576)	(0.1)
Total shareholders' equity	342,896	[35.0]	337,093	[33.9]	335,427	[34.6]
Total liabilities, minority interests, and shareholders' equity	979,904	100.0	994,460	100.0	969,589	100.0

Notes:	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
1. Accumulated depreciation on tangible fixed assets (millions of yen)	461,685	451,564	440,481
2. Discounted trade notes receivable (millions of yen)	107	368	190

(3) Consolidated Statement of Retained Earnings

(Millions of yen)

	April 1, 2004 — September 30, 2004	April 1, 2003 — September 30, 2003	April 1, 2003 — March 31, 2004
	Amount	Amount	Amount
(Additional paid-in capital portion)			
Additional paid-in capital at beginning of period	[226,065]	[79,342]	[79,342]
Increase in Additional paid-in capital	[2]	[146,713]	[146,722]
Issuance of new shares due to share exchange	—	146,706	146,706
Gain on disposal of treasury stock	2	6	15
Additional paid-in capital at period end	226,067	226,055	226,065
(Retained earnings portion)			
Retained earnings at beginning of period	[77,254]	[69,052]	[69,052]
Increase in retained earnings	[8,200]	[8,391]	[12,688]
Net income	8,200	8,379	12,548
Increase resulting from newly consolidated subsidiaries	—	12	139
Decrease in retained earnings	[2,677]	[1,831]	[4,487]
Dividends	2,655	1,786	4,442
Bonuses to directors and corporate auditors	22	45	45
Retained earnings at period end	82,776	75,613	77,254

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2004 — September 30, 2004	April 1, 2003 — September 30, 2003	April 1, 2003 — March 31, 2004
	Amount	Amount	Amount
I. Cash flows from operating activities			
Net income before income taxes and minority interests	23,247	16,712	32,363
Depreciation and amortization	25,167	13,598	44,386
Amortization of consolidated goodwill	2,950	—	2,896
Increase(decrease) in allowance for doubtful accounts	171	(1,327)	(3,874)
Interest and dividend income	(706)	(353)	(1,003)
Interest expense	2,826	1,826	5,190
Loss (gain) on sales or disposals of fixed assets	2,076	967	2,477
Loss (gain) on valuation and sale of investment securities	67	133	574
Transition obligations due to adoption of new accounting standards for retirement benefits	264	518	1,540
Special premium for withdrawal from national employee's pension fund	—	513	513
Transfers to reserve for deferred pension and past service recognition payments to directors	—	513	513
Management integration rationalization expenses	2,671	—	5,022
Gain (loss) related to switch of defined contribution benefit plan	(160)	—	180
Decrease (increase) in trade notes and accounts receivable	(6,301)	5,200	(3,210)
Decrease (increase) in inventories	(1,485)	(5,698)	(2,914)
Increase (decrease) in trade notes and accounts payable	(4,937)	(4,776)	(1,060)
Increase (decrease) in accrued consumption tax payable	(1,358)	(645)	(738)
Other	(485)	(6,293)	(4,585)
Subtotal	44,007	20,622	78,243
Interest and dividends received	743	396	1,363
Interest paid	(2,887)	(1,827)	(5,263)
Income taxes paid	(19,320)	(11,025)	(18,385)
Net cash provided by operating activities	22,543	8,165	55,957
II. Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(23,953)	(8,621)	(24,935)
Proceeds from sale of tangible fixed assets	1,018	1,210	6,102
Payment for acquisition of intangible fixed assets	(4,276)	(792)	(6,383)
Payment for loans receivable	(428)	(169)	(1,451)
Proceeds from return of loan receivable	1,557	98	460
Payment for acquisition of investment securities	(29)	(4)	(39)
Proceeds from sale of investment securities	55	149	225
Payment for other investments	(1,460)	(1,122)	(3,296)
Other	190	445	533
Net cash used in investing activities	(27,325)	(8,806)	(28,784)
III. Cash flows from financing activities			
Net (decrease) increase in short-term loans payable	(10,724)	5,101	(11,090)
Proceeds from long-term loans payable	20,258	193	674
Repayment of long-term loans payable	(9,013)	(4,065)	(13,006)
Redemption of bonds	(7,054)	(54)	(5,054)
Payment to execute buyback of Company's stock	(95)	(147)	(286)
Proceeds from sale of Company's stock	6	14	44
Dividend payments	(2,655)	(1,788)	(4,430)
Net cash used in financing activities	(9,278)	(745)	(33,149)
IV. Effect of exchange rate changes on cash and cash equivalents	859	159	(1,317)
V. Increase(decrease) in cash and cash equivalents	(13,199)	(1,226)	(7,292)
VI. Cash and cash equivalents at beginning of the period	83,704	51,876	51,876
VII. Increase in cash and cash equivalents due to newly consolidation subsidiaries	447	415	667
VIII. Increase in cash and cash equivalents due to exchange of shares	—	38,453	38,453
IX. Cash and cash equivalents at end of the interim period	70,951	89,518	83,704

BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 121

Principal consolidated subsidiaries:

Konica Minolta Business Technologies, Inc.
Konica Minolta Opto, Inc.
Konica Minolta Photo Imaging, 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 Minolta 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: 13

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

Number of affiliates accounted for by the equity method: 2

The total net income (loss) and retained earnings of the 21 equity-method non-consolidated subsidiaries and 8 affiliates were of small value and had a negligible effect on interim 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

Domestic consolidated subsidiaries' inventories are, in the main, recorded at cost as determined by the periodic-average 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 consolidated 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

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the interim consolidated accounting period based on projected benefit obligations and pension assets.

The variance in accounting standards is being amortized mainly five years 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 ¥160 million extraordinary gain.

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 interim period end based on Konica Minolta's regulations.

(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

Consumption tax

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

4. Range of Cash within Consolidated Cash Flow Statements

Cash (cash and cash equivalents) in the interim 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

Interim Period ended September 30, 2004

(Millions of yen)

	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	281,394	44,008	142,824	60,900	2,643	3,344	535,115	—	535,115
Intersegment sales/transfers	14,500	2,418	6,433	10,302	1,200	28,840	63,696	(63,696)	—
Total	295,894	46,427	149,257	71,202	3,843	32,184	598,811	(63,696)	535,115
Operating expenses	269,161	39,226	153,262	66,890	2,969	25,849	557,360	(54,769)	502,591
Operating income	26,733	7,200	(4,004)	4,311	873	6,335	41,450	(8,925)	32,524

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, Medical and Graphic Imaging, Sensing, 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 this interim period ended September 30,2004, this amount was ¥ 9,744 million.

Interim Period ended September 30, 2003

(Millions of yen)

	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Other	Elimination & corporate	Consoli-dation
Sales							
Outside customers	103,644	30,091	83,635	58,751	2,305	—	278,429
Intersegment sales/transfers	11,346	8,968	7,550	12,488	17,644	(57,997)	—
Total	114,991	39,059	91,185	71,239	19,950	(57,997)	278,429
Operating expenses	101,891	31,663	88,157	66,566	16,632	(50,810)	254,099
Operating income	13,100	7,396	3,028	4,673	3,318	(7,187)	24,329

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, Medical and Graphic Imaging, 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 the interim period ended September 30,2003, this amount was ¥7,336 million.

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

(Millions of yen)

	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales									
Outside customers	431,118	76,711	223,962	120,871	2,657	5,100	860,420	—	860,420
Intersegment sales/transfers	24,594	17,948	15,057	23,461	1,236	43,909	126,207	(126,207)	—
Total	455,712	94,660	239,019	144,332	3,893	49,009	986,628	(126,207)	860,420
Operating expenses	409,303	78,491	244,392	136,426	3,092	40,831	912,538	(109,647)	802,890
Operating income	46,408	16,168	(5,372)	7,906	801	8,177	74,090	(16,559)	57,530

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, Medical and Graphic Imaging, Sensing, 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.

(2) Information by Geographical Area

Interim Period ended September 30, 2004

(Millions of yen)

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	241,613	122,746	140,887	29,867	535,115	—	535,115
Intersegment sales/transfers	137,340	4,858	822	67,005	210,026	(210,026)	—
Total	378,954	127,605	141,710	96,873	745,142	(210,026)	535,115
Operating expenses	356,352	125,737	140,827	95,340	718,256	(215,666)	502,590
Operating income	22,602	1,867	882	1,533	26,885	5,641	32,524

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 the interim period ended September 30,2004, this amount was ¥ 9,744 million.

Interim Period ended September 30, 2003

(Millions of yen)

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	158,349	58,812	47,623	13,644	278,429	—	278,429
Intersegment sales/transfers	67,069	3,667	629	21,984	93,352	(93,352)	—
Total	225,419	62,480	48,252	35,629	371,781	(93,352)	278,429
Operating expenses	197,453	60,251	46,991	34,275	346,307	(84,871)	254,099
Operating income	27,966	2,228	1,260	1,354	25,473	(8,480)	24,329

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 the interim period ended September 30,2003, this amount was ¥ 7,336 million.

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

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

Interim Period ended September 30, 2004

(Millions of yen)

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	131,905	141,471	109,562	382,938
Consolidated sales	—	—	—	535,115
Overseas sales as a percentage of consolidated sales	24.6%	26.4%	20.5%	71.6%

Interim Period ended September 30, 2003

(Millions of yen)

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	65,665	52,839	59,987	178,492
Consolidated sales	—	—	—	278,429
Overseas sales as a percentage of consolidated sales	23.6%	19.0%	21.5%	64.1%

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

(Millions of yen)

	North America	Europe	Asia excluding Japan and Other Countries	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%

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. Overseas sales are those sales that are made by the Company or its consolidated subsidiaries in a country or region outside of Japan.

6. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET

7. Marketable Securities

(1) Other marketable securities with market values:

(Millions of yen)

	As of September 30, 2004			As of September 30, 2003			As of March 31, 2004		
	Acquisition cost	Total amount on interim consolidated balance sheets	Difference	Acquisition cost	Total amount on interim consolidated balance sheets	Difference	Acquisition cost	Total amount on interim consolidate d balance sheets	Difference
1. Stocks	22,082	28,025	5,942	22,206	26,486	4,279	21,365	30,173	8,807
2. Bonds	165	165	—	1	1	—	155	155	(0)
3. Other	53	52	(1)	173	170	(2)	53	52	(0)
Total	22,302	28,243	5,941	22,380	26,657	4,276	21,574	30,381	8,806

(2) Details of principal marketable securities that are not assessed at market value and interim and full year consolidated balance sheet total amounts:

(Millions of yen)

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
	Interim consolidated balance sheet total amount	Interim consolidated balance sheet total amount	Consolidated balance sheet total amount
Other marketable securities			
Unlisted stocks (does not include shares traded over-the-counter)	1,399	1,955	1,443
Unlisted foreign bonds, etc.	5	244	5
Medium-term national government bond funds	—	4	—
Other	—	—	130

8. DERIVATIVES

Notation has been omitted due to disclosure through EDINET

9. PRODUCTION AND ORDERS

(1) Production Results

(Millions of yen)

Business Segments	April 1, 2004 – September 30, 2004	April 1, 2003 – September 30, 2003	April 1, 2003 – March 31, 2004
Business Technologies	202,421	53,173	218,871
Optics	44,896	30,351	76,277
Photo Imaging	86,216	56,163	147,752
Medical and Graphic Imaging	43,420	42,713	86,800
Sensing	3,553	—	3,688
Other	730	161	393
Total	381,238	182,563	533,783

Notes: 1. Amounts are based on manufacturers' sales prices.
2. The above amounts do not include consumption and other taxes.

(2) Orders

Konica Minolta does not conduct order production.

November 11, 2004

Unconsolidated Financial Results for the Interim Fiscal Period Ended September 30, 2004

Konica Minolta Holdings, Inc.
Listed Company Name: Konica Minolta Holdings, Inc.
URL: http://konicaminolta.jp
Representative: Fumio Iwai, President and Representative Executive Officer
Inquiries: Yuki Kobayashi, General Manager, Corporate Communications & Advertising Division
Tel: (81) 3-6250-2100
Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Local Securities Code Number: 4902
Board of Directors Meeting for Approval of Consolidated Results: November 11, 2004
Provision for Interim Dividends: Yes
Start of the payment of interim dividends: December 10, 2004
Stock unit system: Yes (number of shares per unit = 500 shares)

1. UNCONSOLIDATED FINANCIAL RESULTS FOR INTERIM PERIOD (APRIL 1, 2004, TO SEPTEMBER 30, 2004)

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

(Millions of yen)

	Net sales (Operating revenue)		Operating income		Recurring profit	
Interim period ended September 30, 2004	25,041	319.4%	11,637	—	12,176	—
Interim period ended September 30, 2003	5,970	—	(4,262)	—	(4,626)	—
Fiscal year ended March 31, 2004	15,036		(11,076)		(12,005)	

	Net income (Millions of yen)		Net income per share (yen)
Interim period ended September 30, 2004	12,924	—	24.34
Interim period ended September 30, 2003	(3,911)	—	(9.42)
Fiscal year ended March 31, 2004	(12,063)		(25.50)

Notes: 1. Average number of shares outstanding during the period:
Interim period ended September 30, 2004: 531,059,789
Interim period ended September 30, 2003: 415,223,206
Fiscal year ended March 31,2004:473,171,917
2. Changes in accounting methods: None
3. The percentage presentation of net sales (operating revenues), operating income, recurring profit, and net income indicates the change from the interim period of fiscal 2004, but fiscal 2004 was the first year of the holding company transfer and so any change has not been recorded.

(2) Dividends

	Interim per share dividend	Annual per share dividend
Interim period ended September 30, 2004	5.00	—
Interim period ended September 30, 2003	5.00	—
Fiscal year ended March 31, 2004	—	10.00

(3) Financial Position

	Assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
Interim period ended September 30, 2004	447,042	253,926	56.8	478.17
Interim period ended September 30, 2003	333,656	238,436	71.5	448.89
Fiscal year ended March 31, 2004	435,266	243,829	56.0	459.11

Notes: 1. Number of shares outstanding at end of the period (nonconsolidated):
Interim period ended September 30, 2004: 531,035,138
Interim period ended September 30, 2003: 531,172,171
Fiscal year ended March 31,2004:531,095,460
2. Number of treasury stock at end of the period (nonconsolidated):
Interim period ended September 30, 2004: 629,199
Interim period ended September 30, 2003: 492,166
Fiscal year ended March 31,2004:568,877

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

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

(Estimated net income per share: ¥32.01)

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

11. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of Income and Retained Earnings

(Millions of yen)

	April 1, 2004 — September 30, 2004		April 1, 2003 — September 30, 2003		April 1, 2003 — March 31, 2004	
	Amount	% of net sales	Amount	% of operating revenue	Amount	YoY (%)
Operating revenue	25,041	100.0	5,970	100.0	15,036	100.0
Operating expenses	13,404	53.5	10,233	171.4	26,113	173.7
Operating income (loss)	11,637	46.5	(4,262)	(71.4)	(11,076)	(73.7)
Non-operating income	[1,678]	6.7	[1,017]	17.0	[2,395]	16.0
Interest and dividend income	1,378		950		2,121	
Other	299		67		274	
Non-operating expenses	[1,139]	4.6	[1,381]	23.1	[3,324]	22.1
Interest expense	936		628		1,839	
Other	203		753		1,484	
Recurring profit (loss)	12,176	48.6	(4,626)	(77,5)	(12,005)	(79.8)
Extraordinary profit	[18]	0.1	[284]	4.7	[464]	3.0
Gain on sales of fixed assets	18		284		464	
Extraordinary losses	[531]	2.1	[1,016]	17.0	[3,878]	25.8
Loss on disposal and sale of fixed assets	253		502		1,171	
Write-down on investment securities	277		—		—	
Provision of reserve for past director retirement bonuses	—		513		513	
Variance in accounting standards for employee retirement benefits	—		—		2,169	
Expenses related to switch to defined benefit pension plan	—		—		23	
Income before income taxes for the period (loss)	11,663	46.6	(5,359)	(89.8)	(15,419)	(102.6)
Income taxes	2		515		418	
Tax refunds for income and other taxes	(76)		—		—	
Deferred income taxes	(1,187)		(1,962)		(3,774)	
Net income (loss)	12,924	51.6	(3,911)	(65.5)	(12,063)	(80.2)
Retained earnings (loss) at beginning of the period	5,466		5,435		5,435	
Amount lost through land reappraisal differential	8		—		—	
Increase in unappropriated profits received from the management integration	—		—		3,346	
Interim dividend payment					2,655	
Undistributed income for the period (loss)	18,399		1,523		(5,937)	

Notes:

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Actual depreciation and amortization amount			
Tangible fixed assets (millions of yen)	1,745	1,173	2,943
Intangible fixed assets (millions of yen)	727	404	1,125

(2) Balance Sheets

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	% of total
Current assets	[176,645]	39.5	[102,799]	30.8	[165,445]	38.0
Cash and deposits	13,408		12,458		21,521	
Trade notes receivable	14		82		28	
Accrued revenue	1,565		1,174		1,613	
Prepaid expenses	992		576		301	
Deferred tax assets	108		147		102	
Short-term loans	155,826		87,648		138,394	
Other receivables	495		231		1,791	
Tax receivable	3,256		—		—	
Other current assets	1,151		577		1,848	
Allowance for doubtful accounts	(173)		(97)		(156)	
Fixed assets	[270,397]	[60.5]	[230,857]	[69.2]	[269,820]	[62.0]
Tangible fixed assets	[76,367]	17.1	[41,088]	12.3	[76,333]	17.5
Buildings	39,428		26,515		37,445	
Structures	2,928		2,553		2,962	
Machinery and Equipments	363		191		335	
Vehicles	0		0		0	
Tools and furniture	612		373		598	
Land	32,760		10,423		32,940	
Construction in progress	274		1,031		2,051	
Intangible fixed assets	[4,754]	1.1	[3,131]	1.0	[5,008]	1.2
Software	3,742		2,817		4,114	
Other intangible fixed assets	1,012		313		894	
Investments and others	[189,274]	42.3	[186,637]	55.9	[188,479]	43.3
Investment securities	24,159		4,767		23,078	
Shares in subsidiaries and affiliates	159,888		178,968		161,388	
Long-term loans	4		11		8	
Long-term prepaid expenses	136		60		62	
Deferred tax assets	2,985		1,211		1,753	
Other investments	2,180		1,657		2,256	
Allowance for doubtful accounts	(79)		(39)		(69)	
Total assets	447,042	100.0	333,656	100.0	435,266	100.0

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	% of total	Amount	% of total	Amount	% of total
Current liabilities	[116,012]	26.0	[51,736]	15.5	[127,916]	29.4
Trade notes payable	82		281		91	
Accounts payable	—		139		—	
Short-term loans	89,286		32,701		91,521	
Long-term loans due within one year	4,459		1,511		9,014	
Bonds due within one year	16,300		12,000		18,300	
Other payables	1,753		2,161		2,671	
Accrued expenses	3,845		2,642		5,800	
Accrued income taxes	79		1		5	
Advances received	81		157		137	
Other current liabilities	124		138		373	
Long-term liabilities	[77,103]	17.2	[43,484]	13.0	[63,520]	14.6
Bonds	15,000		20,000		20,000	
Long-term loans	48,558		21,772		30,274	
Long-term payable	320		296		449	
Deferred tax liabilities related to revaluation	5,961		—		5,967	
Reserve for retirement benefits and pension plans	6,496		432		5,985	
Reserve for directors' retirement benefits	724		677		801	
Long-term guarantee deposits received	28		297		28	
Other long-term liabilities	12		7		12	
Total liabilities	193,116	[43.2]	95,220	[28.5]	191,436	[44.0]
Capital stock	37,519	8.4	37,519	11.2	37,519	8.6
Additional paid-in capital	[157,519]	35.2	[157,507]	47.2	[157,516]	36.2
Capital reserve	157,501		157,501		157,501	
Other additional paid-in capital	17		6		15	
Retained earnings	[45,475]	10.2	[42,659]	12.8	[35,197]	8.1
Legal reserves	7,760		7,760		7,760	
Voluntary reserves	19,315		33,375		33,375	
Undistributed income for period (loss)	18,399		1,523		(5,937)	
[Includes net income (loss)]	[12,924]		[(3,911)]		[(12,063)]	
Gain on revaluation of land	8,689	1.9	—		8,698	2.0
Unrealized gains on securities	5,389	1.2	1,207	0.4	5,473	1.2
Treasury stock	(666)	(0.1)	(457)	(0.1)	(576)	(0.1)
Total shareholders' equity	253,926	[56.8]	238,436	[71.5]	243,829	[56.0]
Total liabilities and shareholders' equity	447,042	100.0	333,656	100.0	435,266	100.0

Note:

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
1. Accumulated depreciation on tangible fixed assets (millions of yen)	71,604	41,136	70,278
2. Balance of guaranteed obligations <including guarantee> (millions of yen)	26,618 <8,903>	21,481 < 10,648>	44,054 < 7,663 >

Joint liability between the Company and its business subsidiaries included ¥11,962 million for the interim fiscal period ended September 30,2004, ¥4,107 million for the interim fiscal period ended September 30,2003, and ¥21,065 million for fiscal year ended March 31,2004. In the event that the Company fulfills those obligations, it retains the right to recover payment in full from its business subsidiaries.

Basis of Presenting Interim Financial Statements

1. Asset Valuation

(1) Marketable Securities

Shares of subsidiaries and affiliates

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

Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the interim settlement date. (Total net unrealized gains or losses after tax effect adjustment are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market value are primarily stated at cost using the moving-average method.

(2) Derivatives

Derivatives are stated using the mark-to-market method.

2. Depreciation and amortization of major depreciable assets

(1)Tangible fixed assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding annexed structures) acquired since April 1, 1998.

(2)Intangible fixed assets

The straight-line method is used. For software for internal use, the straight-line method is adopted based on a licensing period of five years.

3. Reserves

(1)Allowance for doubtful receivables

For general receivables, an amount is provided according to the historical percentage of uncollectables. (The legal provision rate will be used when the legal provision rate specified by the transitional measure of the Corporation Tax Law exceeds the historical percentage.) For specific receivables for which there is some concern regarding collectability, an amount is recorded by investigating the possibility of collection for each individual account.

(2) Retirement Benefit Reserves

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the interim consolidated accounting period based on projected benefit obligations and pension assets at the end of the current fiscal year.

Prior service cost is being amortized as incurred by the straight-line method over periods(10 years) which are shorten than the average remaining years of service of the employees.

Actual gains and losses are amortized in the year following the year in which the gain and losses are recognized, by the straight-line method over period(10 years) which are shorten than the average remaining years of service of the employees.

(3) Allowance for Directors' Retirement Benefits

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

4. Lease Transactions

Finance leases that do not transfer ownership rights of the leased property to the lessee are principally accounted for based on the usual methods for operating leases.

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 meet certain conditions.

(2)Hedging instruments

Hedge instruments

derivatives trading (trading of forward foreign currency exchange contracts, and interest rate swaps)

Hedged items

Anticipated foreign currency denominated transactions, corporate bonds, and borrowings

(3)Hedge policy

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

(4)Methods for evaluating the effectiveness of hedges

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

6. Accounting for consumption taxes

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

12. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET

13. MARKETABLE SECURITIES

In the current interim period under review as well as in the previous interim period and the previous full fiscal year, no subsidiary nor affiliate recorded any market value for its stock.