KONICA MINOLTA

KONICA MINOLTA, INC.

Evolving for Growth

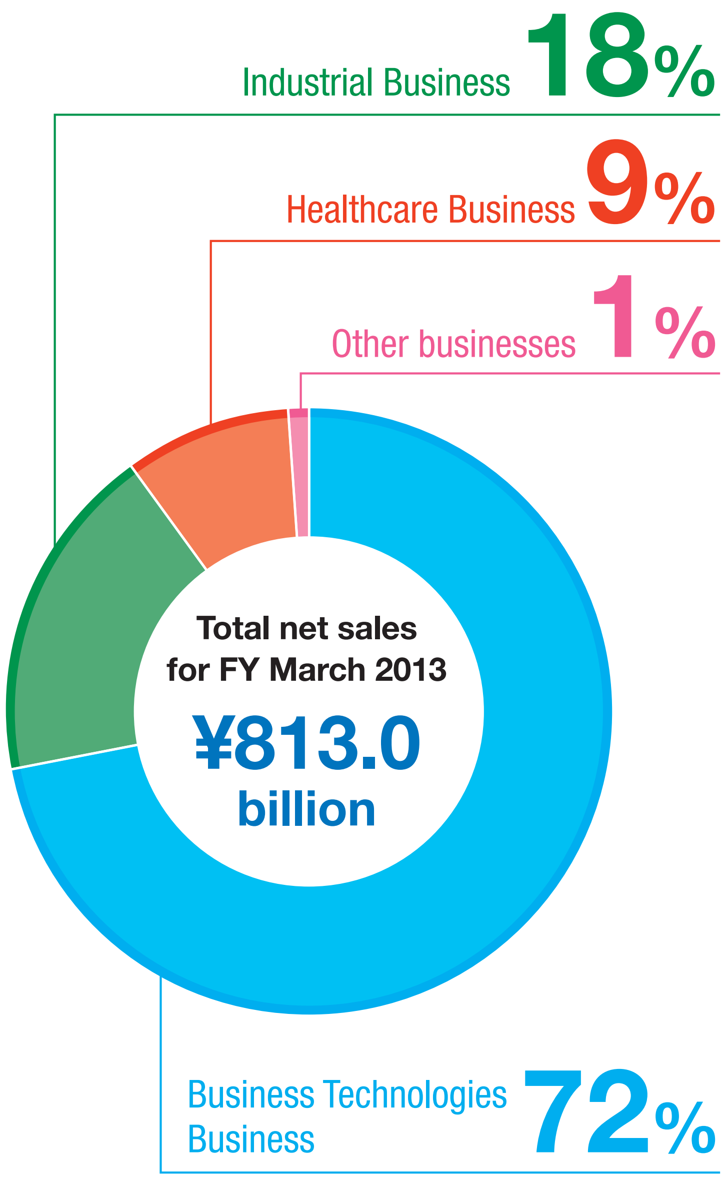
Annual Report 2013 Summary PDF

Contents

Giving Shape to Ideas

At a Glance

The Konica Minolta Group's global business operations are centered on business technologies, where our products are typified by office MFPs (multi-functional peripherals); industrial business, where we provide measuring instruments used in quality management in the manufacturing process, including TAC films and displays, which are core components of LCD panels; and healthcare, where we make digital X-ray diagnostic imaging systems.



Business Technologies Business

Industrial Business

Healthcare Business

This business company consists of the mainstay office field and the growth field of production print.

>>> Page 5

▶ Office field

Konica Minolta Business Technologies, Inc. is engaged in the worldwide manufacture and sale of office equipment centered on A3 MFPs (multi-functional peripherals) and A4 MFPs based on laser printers, as well as equipment maintenance services and IT solutions.

Market position (Konica Minolta estimate)

A3 color MFPs: **Top-level share in markets outside Japan**

	North America	Europe	China	Japan
Share by geographical region	No. 2	No. 2	No. 1	No. 5

▶ Production print field

In addition to the existing "business convenience store" business field, offering services related to intensive in-house printing as well as copying and data printouts, the Company is involved in manufacture and sales of equipment for digital printing and related solution services in the commercial printing field where high market growth is expected going forward, driven by small lot printing of multiple items.

Market position (Konica Minolta estimate)

Top ranking share of global market

	North America	Europe	China	Japan
Share by geographical region	No. 1	No. 1	No. 2	No. 1

This business company consists of businesses in the fields of display materials, optics and measuring instruments.

>>> Page 9

▶ Display materials field

Konica Minolta Advanced Layers, Inc. develops TAC film for LCD polarizers and VA-TAC film for increasing viewing angle, both of which are widely used in monitors for televisions, PCs and mobile phones.

Moreover, the Company led the industry in commencing mass production of 25μm ultra-thin TAC film for the mobile phone market, further boosting competitiveness in thin plain TAC film products.

▶ Optics field

Konica Minolta Optics, Inc. has businesses in the manufacture and sale of pickup lenses for optical disks, particularly objective lenses used in DVD and Blu-ray Disc™ drives for AV equipment and PCs, glass substrates for HDDs used mainly in 2.5-inch hard disks for notebook PCs, digital cinema projector lenses, interchangeable lenses for digital cameras and zoom lens units for compact digital cameras.

▶ Measuring instruments field

Operations include the manufacture and sale of industrial and medical measuring instruments including light source color measuring instruments such as chroma meters used in quality control of displays and LED illumination modules for smartphones and other applications during the manufacturing process and display color analyzers.

Market position (Konica Minolta estimate)

TAC films	VA-TAC film for increasing viewing angle **Top share**	Plain TAC for LCD polarizers **Ranked 2nd in industry**
Interchangeable lenses for digital SLR cameras	Supply of highly profitable, high-end lenses for digital SLR cameras based on technology accumulated over many years	
Light source color measuring instruments	Industry standard **Top global market share**	

In the healthcare field, where digitization is gaining momentum, Konica Minolta MEDICAL & GRAPHIC, INC. is promoting manufacture, sales, maintenance and related solution service businesses for healthcare equipment and materials including diagnostic imaging systems, centered on high-resolution digital X-ray systems that take advantage of cutting-edge image processing technology.

>>> Page 11

Market position (Konica Minolta estimate)

Cassette-type digital radiography system: **Top domestic market share**

Management Message

We achieved increased revenue and operating income in a challenging business environment.

We will steadily progress with transforming existing business operations and developing new business in a move toward continuous growth.

Masatoshi Matsuzaki
President and CEO

With the eurozone economy entering into negative growth due to the impact of the European debt issue and the emerging nation economies that have driven international economic growth behaving sluggishly, challenging conditions persisted in the manufacturing industry in FY March 2013. The Konica Minolta Group achieved increased revenue and operating income by aggressively pursuing M&As in growth fields and increasing sales of core products in each business in accordance with the strategy of the Medium Term Business Plan GPLAN 2013, which launched in FY March 2012 with the keyword of “Growth.” Nevertheless, the operating income for the Business Technologies Business saw a year-on-year decrease and we were unable to achieve the income target we initially set forth. One factor was that our scenario of balancing increased costs due to investment in the transformation of business operations with production cost reductions and increased income from expanded sales of core products did not develop as expected.

Meanwhile, initiatives for mid-to-long-term growth developed smoothly. Specifically, we promoted strategies aimed at expanding the scope of our business such as M&As and strategic partnerships in growth areas.

In the Business Technologies Business, customer needs are progressively diversifying and becoming more sophisticated and the provision of document and IT-related value-added services is becoming a requirement in addition to hardware and maintenance support. Accordingly, in the office field, we proceeded with the M&As of U.S. and European IT service providers and strengthened our capability to propose business process improvements to the customer. As a result, we are steadily expanding sales of multifunctional peripherals (MFPs) as we transform our existing business model in ways such as increasing sales of IT services packaged with MFPs.

In the production print field, in Japan and Korea we acquired prominent service providers with strong track records in on-demand output services, and in Europe we acquired companies with solid performance in print management services. These acquisitions will strengthen our sales, service, and solution proposal capabilities in the in-house printing market and capture the mass-quantity printing needs of businesses.

As a result, the effects of the M&As are steadily becoming apparent. For example, we have received an order for a large project from a major Japanese corporation that recognized the originality of our package proposals including output services.

In the Industrial Business, we carried out an M&A in Europe and bolstered our competitive strengths in the light source color measurement domain in the measurement instrument field, with the aim of shifting our focus to business that can maintain stable and high profitability, such as in the industrial and professional fields.

The transformation from an analogue to a digital business structure proceeded in the Healthcare Business, and we achieved substantially increased year-on-year income. In order to further expand the scale of this business, we are actively promoting measures such as strengthening strategic partnerships with sales partners that have extensive international sales networks.

Furthermore, we saw steady progress in the cultivation of new business that will create future sources of revenue. Initiatives progressed in growth fields such as the industrial inkjet business, with the launch of a high-end inkjet printer for textile print on demand applications in which we lead the market.

With regards to the functional film business, we achieved several technical breakthroughs in the ongoing development in organic light emitting diode (OLED) lighting and advanced with preparations for mass production in order to build on the TAC film and create new business fields.

In order to respond promptly to a constantly changing business climate and generate strong growth while beating global competition, the Konica Minolta Group reorganized its administrative structure. Konica Minolta Holdings, Inc., which was previously the non-operating holding company of the Group, merged with seven affiliated Group companies and changed its trade name to Konica Minolta, Inc.

In FY March 2014, which marks the final year of “GPLAN 2013,” we will steadily promote the three basic policies of “Achieving strong growth, expanding business scale,” “Changing into a ‘Global Company’” and “Increasing the recognition of the Konica Minolta brand,” with the goal of soundly achieving increased revenues.

I would once again like to ask for the ongoing support of our stockholders and investors as the Konica Minolta Group aims for continuous strong growth through the creation of new value.

August 2013
Masatoshi Matsuzaki
President and CEO

M. Matsuzaki

Business Technologies Business

Office

Growth Strategy

Advance our genre-top strategy to expand the scale of business in growth fields.

Priority measures

- **Maintain our genre-top position by launching a new series of color MFPs**
- **Further strengthen OPS (Optimized Print Services[1]), increase Global Major Account[2] (GMA) sales**

We have created a globally unified service menu to provide Optimized Print Services (OPS) to optimize the output environment of the customer. By concluding large-scale contracts with global businesses in various fields to undertake the consolidated provision, operation and management of IT devices, we will expand the number of multifunctional machines installed globally and increase sales.

1. Optimized arrangement of output devices and output management service
2. Business with major global corporate customers

- **Accelerate business development in emerging markets, especially in China and other Asian markets**

We will accelerate business development in emerging markets with continued high growth in both the number of machines in field and print volume (PV) and increase our competitive advantage.

In order to increase business scale, we will strengthen our sales structure in emerging markets, in which demand for multifunctional machines continues to expand in accordance with economic growth.

- **Strengthen our capability to propose business process improvements**

We will increase profits by strengthening our IT service capabilities and our capability to propose solutions for small- to mid-sized companies, where the Konica Minolta Group has a solid sales base.

With respect to the business process improvements for which requirements are particularly strong, we will provide comprehensive solutions that combine IT services with existing document solutions in order to increase our presence in the document market and expand sales and profits.

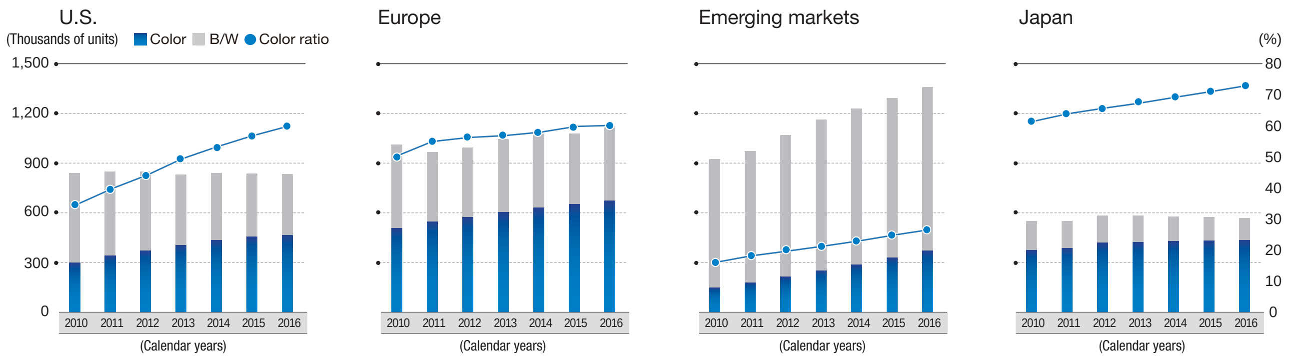
Our Strengths and Competitive Advantages

- A leading global market share in the A3 color MFP market
- Strong global sales and service network
- Superior sales proposal capabilities based on IT services and solutions

Market trends and position

A3 MFP market, where a shift toward color models is forecast in the U.S., Europe and emerging markets

Unit shipment trends and forecasts in the office A3 MFP market



Source: Konica Minolta estimate

Review of Operations

• Successfully prepared structure for the implementation of OPS and progressed smoothly with the development of GMAs

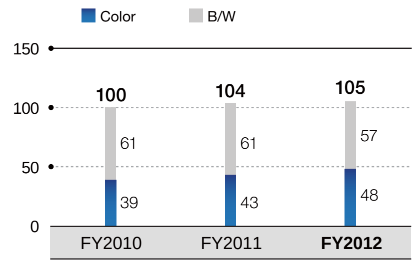
New products helped increase the number of A3 color multifunctional peripherals (MFPs) sold year on year. Although the market for A3 monochrome MFPs continues to mature and the number of units sold in major markets such as Europe decreased, total sales of A3 MFPs surpassed that of the previous fiscal year. In OPS (a service to provide an optimized print environment to the customer), which is a focus for growth in the field, structural preparations to strengthen our proposal and service provision capabilities for global projects were a success, and sales increased 44% year on year to ¥29.3 billion. We also acquired 16 new GMAs including the largest financial group in Central and Eastern Europe, Erste Group Bank AG (HO: Austria) and a major European energy company, resulting in total sales of ¥14.9 billion – a 35% increase year on year.

bizhub C554

• Strengthened the base for transforming business operations with aggressive M&As and other measures

In order to strengthen the IT service and solution proposal capabilities that are core to executing the business process improvement services we are promoting along with OPS, we acquired the IT service provider Serians S.A.S. (HO: France) in June 2012 and Raber+Märcker GmbH (HO: Germany) in December the same year. This increased our capability to propose business process improvements to small- to mid-sized companies. With a further five similar M&As in the United States, efforts to transform existing business operations made major progress. Sales for IT services and solutions for the fiscal year grew 78% year on year to ¥42.4 billion, partly as a result of these M&As.

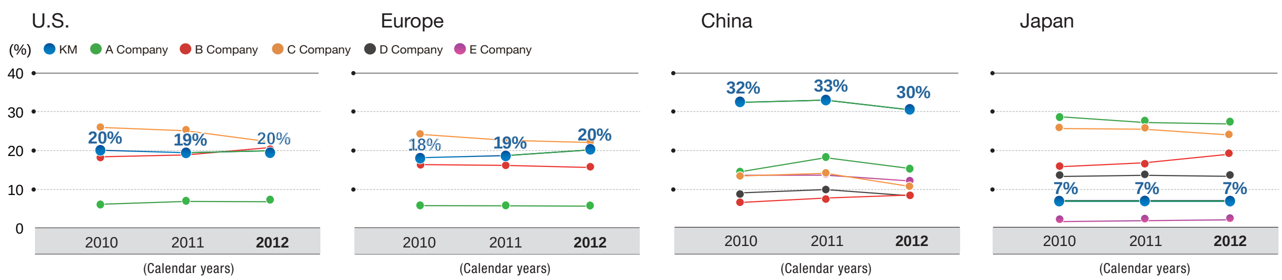
Sales of the A3 MFP for office (Units)



*Base index: FY2010=100

Solid share of the A3 color MFP market in the U.S., Europe and China, where growth is expected

Konica Minolta share of A3 office color MFPs



Source: Konica Minolta calculations

Business Technologies Business

Production Print

Growth Strategy

Advance our genre-top strategy to expand the scale of business in growth fields.

Priority measures

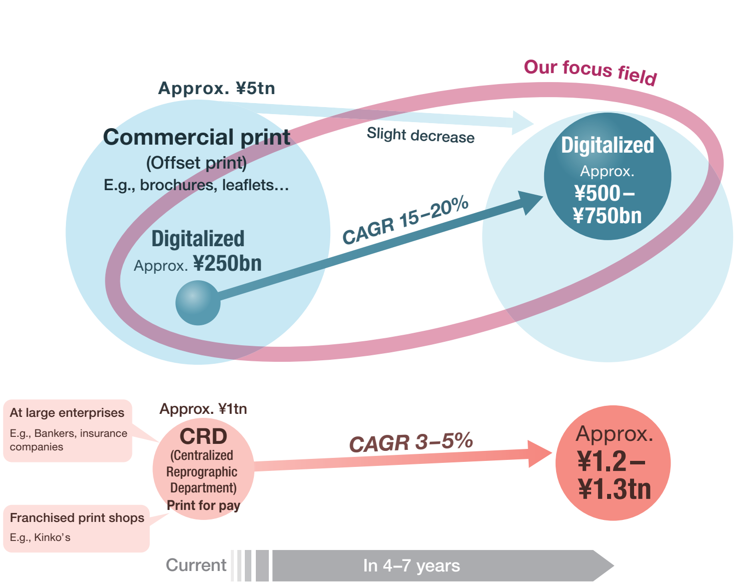
- **Expand the product line-up from lightweight to heavy systems**
  We will further promote sales in the lightweight production market, in which we have established a strong presence. In addition, we will expand our product line-up in the midweight and heavyweight production markets in order to respond to the wide-ranging needs of the commercial print domain, in which digitalization is progressing.
- **Strengthen our capabilities to meet customer needs by type of industry**
  Based on market characteristics that differ by region, we will increase our expertise with regards to the challenges of each industry and respond accurately to increasingly sophisticated and diversifying customer needs.
- **Achieve the top position in the color PV field**
  We will increase the number of our mainstay color equipment units in the PV field and seek to maximize color output in parallel with the digitalization of the commercial printing market.
- **Strengthen proposal and sales capabilities in the in-house printing market**
  We will focus on strengthening our proposal and sales capabilities in order to capture mass-quantity in-house printing needs.

Our Strengths and Competitive Advantages

- Top-class share of global color market
- Spectacular image quality, high resolution, high stability, high reliability
- Paper handling that meets professional needs and wide-ranging in-line post processing options

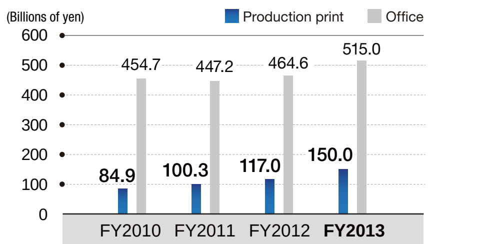
Market trends and position

Market growth potential – Production print



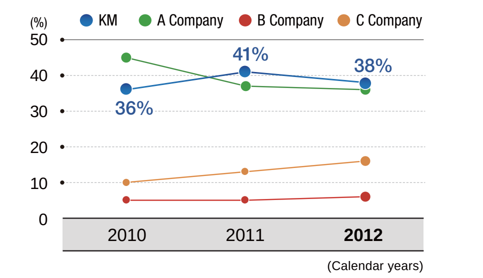
Source: Konica Minolta calculations

Net sales for production print and office



*Based on estimates for FY2013

Worldwide share of color equipment units



Source: Konica Minolta calculations

bizhub PRESS C8000

Review of Operations

• Color and monochrome equipment performs strongly

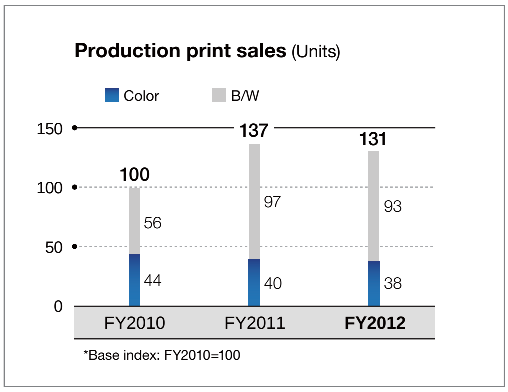
Sales of color equipment in the United States and Japan increased despite a challenging market environment. The bizhub PRO 951, bizhub PRESS 1250, and bizhub PRESS 1052–the new monochrome equipment launched in the second half–were a success, resulting in sales of color and monochrome equipment both exceeding the previous fiscal year and securing almost double-digit growth. Also, our sales alliance with Komori Corporation resulted in the achievement of our initial aim of enhancing our sales capacity for major commercial printing customers and extending our reach to large companies in North America, which contributed to an increase in the number of high-end units installed.

• Global M&As completed with the aim of strengthening capabilities in proposing solutions to major companies

To strengthen our sales, service, and solution proposal capabilities in the in-house printing market, we acquired the leading company in on-demand output services in Japan, FedEx Kinko's Japan Co., Ltd., in May 2012 and FedEx Kinko's Korea Ltd. in January 2013.

In Europe, we acquired the major print management service company Charterhouse PM Limited (HO: U.K.) which, in addition to having extensive resources relating to the production of printed material for customers, specializes in cost optimization and marketing planning and has a record of business development in 18 countries in the region.

Through these M&As, we have strengthened our capability to make proposals to major companies and avenues for central reproduction department (CRD) projects are steadily increasing with large projects from major companies in Japan having already been ordered.



New Business Domains

• Inkjet printer business for textile print-on-demand (POD) moves to full-scale expansion phase

In the industrial inkjet printer field, which holds good prospects for future growth, a structure for full-scale sales promotion of high-end models from FY March 2014 has been established in the domain of inkjet printers for textile POD, in which we lead the market. In addition to enabling the production of multiple models and small lots, inkjet textile printers are receiving attention for facilitating a drastic reduction in environmental impact. We aim to expand this domain in order to make it a new pillar of growth.

We are also jointly developing digital inkjet machines with Komori Corporation, with the goal of expanding into the commercial printing market.

Nassenger PRO1000

High-end neckties printed out on a Konica Minolta textile printer

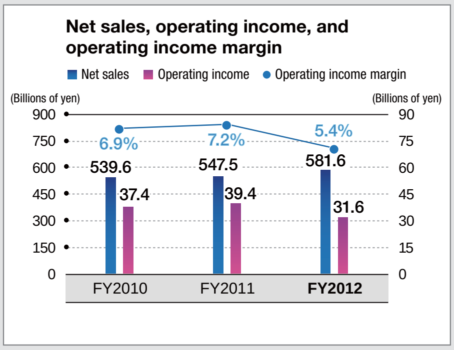
• In the production printing field, we have been expanding our business domain from light production to commercial printing with electrophotographic technology, an area in which we have excelled.

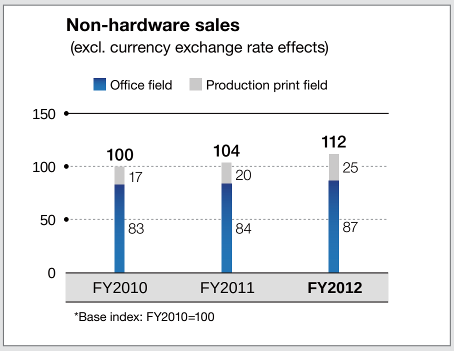
We are currently conducting joint development of a next-generation, high-speed inkjet digital press that combines Konica Minolta's inkjet technology with Komori Corporation's paper handling technology. This product will target the commercial printing market, where digitalization is expected to drive further business expansion.

Summary of Business Technologies Business

Lower profits due to falling short of cost reduction targets despite increased sales in growth fields

As a result, sales in the Business Technologies Business for the fiscal year were ¥581.6 billion (YoY +6.2%) and operating income was ¥31.6 billion (YoY -19.8%). The sales expansion of new color multifunctional peripherals and production print units contributed along with the effect of M&As, resulting in a year on year increase in sales. The overall decrease in operating income was due to the effect of delays in cost reduction planning for new products and worsening market conditions in Europe.





Industrial Business

Growth Strategy

Change into a business entity that continues to generate high growth in the Industrial Business

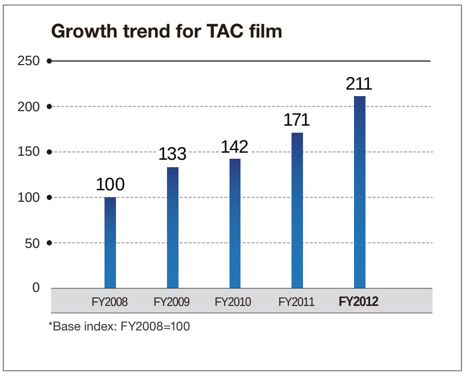
Functional materials/New business development

Priority measures

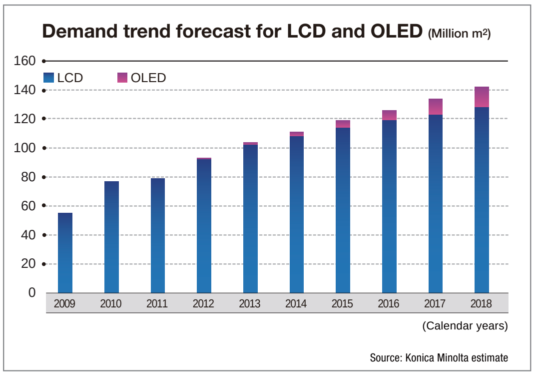
- **TAC film: Secure growth using the advantage of thin plain TAC films**
  LCD displays are widely used in a variety of applications, including TVs, personal computers, and smartphones. In addition to TAC film, which protects the LCD polarizer, we also supply products with increased added value, such as VA-TAC film, which increases the viewing angle of these displays.
- **Accelerate commercialization centered on functional materials including OLED-related products, barrier film[1] and functional window film[2]**
  We are promoting the commercialization of promising business fields such as films for organic light emitting diodes (OLED) and other functional films in a move toward establishing second and third earnings drivers in addition to TAC film.

1. Preserves the quality of mobile devices, solar panels and OLED devices, etc.
2. High-performance window film with a line-up of four types – heat insulation film, heat insulation + dirt-resistant film, dirt-resistant film and shatter-resistant film

Continued strong growth in the TAC film business



LCD panel demand has continued to grow steadily after the launch of OLED



Optical products and Sensing

Priority measures

- **Expand operations for industrial applications in China and emerging economies**
  We will move away from a business model with an unbalanced emphasis on supplying parts for products such as digital consumer electronics, and shift our focus to business that maintains stable and high profitability in domains where future growth can be expected.
- **Expand sales of lens units in growth areas such as replacement lenses for digital single-lens reflex cameras and lenses for smartphones**
  We are using our technologies developed over many years as a camera manufacturer to provide replacement lenses for digital single-lens reflex cameras. These lenses take advantage of advanced, cutting-edge optic development, design, and production technologies.

Our Strengths and Competitive Advantages

- High technological strength and competitive power in the display materials field (VA-TAC film for increasing viewing angle and TAC film for LCD polarizers)
- The technological strength to create high quality (thin film technology and high-precision optics design technology, etc.)

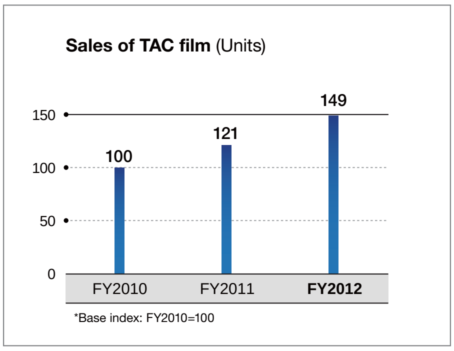
Review of Operations

Sales of main products increase, driving up income and revenue

Display Materials Field

• TAC and VA-TAC perform well
Competitive advantage of thin film products strengthened; increased presence in the mobile market

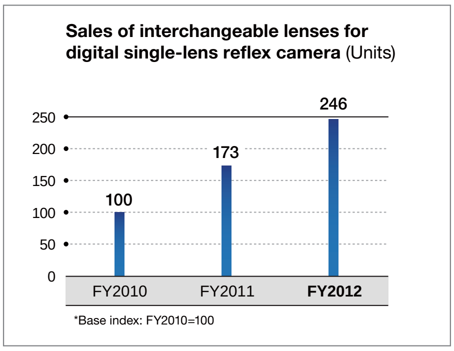
Our mainstay 40μm TAC film for LCD polarizers, VA-TAC film for increasing the viewing angle of large TVs, 60μm TAC film, and other thin-film products performed well, with a sales volume exceeding that of the previous fiscal year. The unprecedented 25μm ultra-thin TAC film for the mobile market went into mass production from November 2012, further boosting our competitive strength in thin-film products.



Optics Field

• Substantial growth in replacement lenses for digital single lens reflex cameras and other growth domains

Although under the influence of worsening market conditions sales were slow for glass substrates for HDDs and pickup lenses for optical disks, the adoption of our products grew in growth domains such as projector lenses for digital cinemas and replacement lenses for digital single lens reflex cameras. Shipments of lens units for smartphones commenced from the beginning of 2012 and the sales volume of all products exceeded the previous fiscal year.

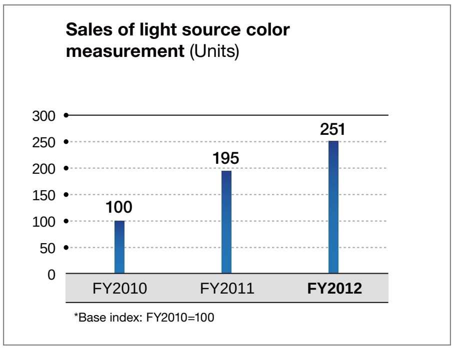


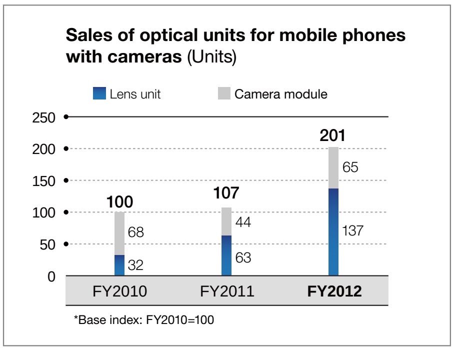
Measurement Instrument Field

• Expansion of sales through the acquisition of major accounts
Progress in efforts to strengthen the revenue structure

Sales volumes exceeded the previous fiscal year, having acquired large orders for light-source color measurement equipment such as the CL-200A Chroma Meter and the CA-310 Color Analyzer used in quality management of the manufacturing process for smartphone displays and LED lighting.

To enhance our competitive strengths in the light-source color measurement domain, in November 2012 we acquired Instrument Systems GmbH (HO: Germany), which possesses a large share in the high-end segment of such products in particular. The company is a leader in the LED and lighting industry and has strong technical and sales capabilities in the field. This acquisition will expand our product line-up in the display measurement field, in which we already possess the top share. It will also help to maintain the Group's firm leading position in comprehensive light-source color measurement, including the rapidly expanding LED lighting and OLED fields, in which strong growth is expected in the future. In addition, synergy between the next-generation lighting and materials business including OLED and this light-source measurement business is expected.



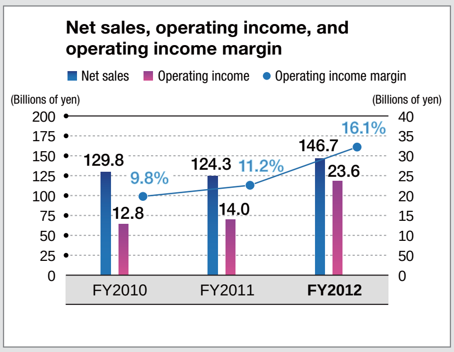


Summary of Industrial Business

Based on these results, sales for the Industrial Business were ¥146.7 billion (YoY +8.6%) and operating income was ¥23.6 billion (YoY +55.7%). Income and revenue increased year on year through the expansion of sales volumes of all main products, with the exception of some in the optics and other fields.

In this business, we will move away from a business model with an unbalanced emphasis on supplying parts for products such as digital consumer electronics, and shift to a business that maintains stable and high profitability in domains where future growth can be expected.

Our acquisitions in the measurement instrument field are also part of this strategy and made a solid contribution to business performance this fiscal year.



Healthcare Business

Growth Strategy

Change into a business entity with revenue sources in digital equipment and IT services

Digital equipment

■ Priority measures ■

- **Expand our genre-top sectors through full-scale commercialization of the Digital Radiography[1] (DR) line-up and expansion of small Computed Radiography[2] (CR) systems in the clinical market**

1. Digital X-ray diagnostic systems with high sensitivity and high resolution
2. Digital X-ray diagnostic systems for general use

- **Contribute to the digitalization and networking of medical imaging treatment**

The digitalization of medical imaging will bring innovations to the medical diagnosis market, such as efficiency improvements in the storage and management of data. The Konica Minolta Group contributes to the digitalization of medical treatment with high-resolution, low-exposure DR cassette digital X-ray photography equipment with excellent portability and operability and compact, lightweight and low power consumption CR systems for clinical applications. In this way, the Group is advancing the conversion from an analogue to a digital business structure.

Services

■ Priority measures ■

- **Expand new value-added services using the Internet in addition to revenues from services, especially maintenance, leveraging the customer base established in the digital equipment field**

Comprehensive Infomity service combines maintenance and management support features with network features and provides services to share images and other medical examination information between multiple institutions and support coordination between large hospitals with resident medical specialists and local clinics.

Asian market

■ Priority measures ■

- **Expand sales of CR systems in the Asian market, focusing on China and India**
- **Focus on optimization of revenue in emerging markets, in which stable demand for the film business is expected**

Our Strengths and Competitive Advantages

▶ The world's lightest weight, superior screen quality, low radiation emissions, high durability, environmentally friendly energy-saving design

Review of Operations

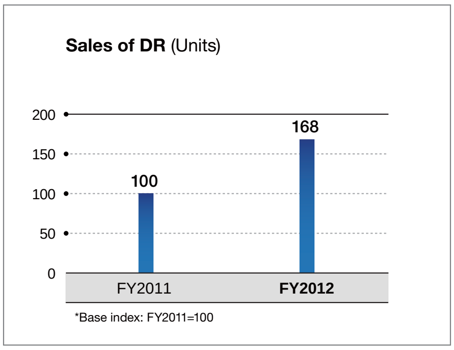
Progress in changing business structure leads to substantial increase in revenue

• Sales of digital X-ray image diagnosis systems increase backed by the competitive superiority of the product

In this business we worked to increase the sales of digital X-ray image diagnosis systems for medical institutions in Japan and overseas to facilitate the change from an analogue to a digital business structure.

The cassette digital X-ray photography equipment AeroDR is one of our main products and is equipped with a high resolution scintillator (a fluorescent body) developed and produced by the Konica Minolta Group. It has high image quality and low exposure while being both small and the lightest product of its kind in the world. Supported by such competitive advantages, the product saw increased sales in both Japan and overseas.

Computed Radiography primarily targeting small-scale clinics saw sales of strategic machines increase steadily overseas.



• Profitability for analogue products improved by moving to outsourced production

With regards to film products, we moved from the existing in-house production system to outsourced production. While the move to filmless photography continues due to the popularity of image diagnosis in advanced nations such as Japan, a continued stable increase in demand for film is forecast in China and other emerging nation markets. Further improvement in business profitability is expected due to this outsourcing of film production.

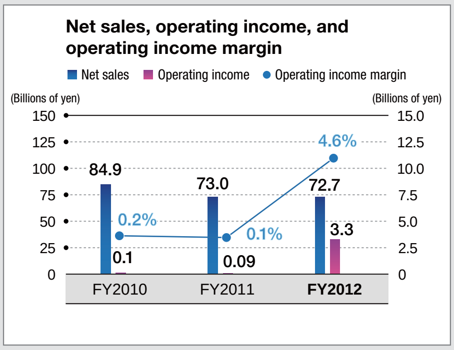
• Strategic partnership with GE Healthcare strengthened in move toward global DR sales promotions

We concluded a sales contract with GE Healthcare (HO: U.K.) in June 2013 for the global market excluding Japan, in a move toward the sales promotion of DR in overseas markets. We have been building a cooperative relationship with GE Healthcare for CR sales in the U.S. market over the past 10 years. Cooperating on the AeroDR has further strengthened our basis for sales promotions that utilize the extensive global sales network of GE Healthcare.

This strengthening of our sales partnership will accelerate our provision of solutions that support the diverse needs of customers in both advanced and developing nations.

Summary of Healthcare Business

Based on these results, sales in the Healthcare Business were ¥72.7 billion (YoY -0.4%) and operating income rose from ¥90 million in the previous fiscal year to ¥3.3 billion. In terms of sales, the growth of digital equipment was offset by a reduction in film products, resulting in a slight decrease year on year. However, with an increase in sales of digital X-ray photography equipment and successful efforts to improve profitability, there was a substantial increase in operating income.



Reinforcing Our Global Management Base

Basic policy

Reinforcing our management base to truly global standards, we aim to increase recognition of the Konica Minolta brand as an innovative corporation and realize powerful growth.

Priority measures

Changing into a global company

▶ Introducing a global human resource system to cultivate and leverage global human resources

As we consider human resource optimization from a worldwide perspective to be indispensable in providing the highest value to customers around the world, we have constructed a global HR database that we are now actively using. We are also developing initiatives to foster future management personnel from a global perspective, such as periodically implementing management training programs across the group for selected personnel. In addition, we will go on to construct and deploy a common structure for HR evaluations to appoint talented people from different organizations and countries.

▶ Structural enhancements for global Optimized Print Services (OPS)

As a new growth area for the office field in the Business Technologies Business, we are strengthening our sales structure on a global scale for the OPS concept, with the aim of providing an optimal print environment to customers. We achieved sales of ¥29.3 billion (YoY +44%) in FY March 2013.

▶ Expansion of Global Major Accounts (GMAs) by providing high-quality services worldwide

As a result of promoting marketing to GMAs operating in Europe, the United States and other parts of the world through the window of OPS, steady growth was achieved in FY March 2013, having entered into contracts with 16 companies including Erste Group Bank AG (HQ: Austria), one of the biggest financial groups in Central and Eastern Europe, and a major European energy company.

Increasing the recognition of the Konica Minolta brand

▶ Promoting the communication message “Giving Shape to Ideas”

This communication message clearly expresses our strong determination to fulfill our customers’ needs through creative technological innovation. Under this message, we will endeavor each day to resolve our customers’ problems through the reliable technological strengths and problem-solving abilities we have fostered in all the businesses in which the Group companies engage, and deliver value beyond expectations.

CSR

Basic Approach

The Konica Minolta Group aims to be a corporate group that is both supported by and essential to society while continuing strong growth through the realization of its management philosophy, "The Creation of New Value." In moving towards this goal, the Group hopes to contribute to the resolution of social issues by creating value that increases the quality of society through its business activities.

The foundation of the Konica Minolta Group's corporate social responsibility (CSR) activities is this management philosophy and the Konica Minolta Group Charter of Corporate Behavior. To promote the understanding and practice of this charter, the Konica Minolta Group Guidance on the Charter of Corporate Behavior was created for all Group companies worldwide, reflecting the recommended behavior with respect to each item of the charter. The guidance stipulates that Group companies are to respect international social codes such as the UN Global Compact, to which Konica Minolta, Inc. is a signatory, and the Universal Declaration of Human Rights, and act in accordance with such principles.

Setting Key Objectives for CSR Promotion Activities

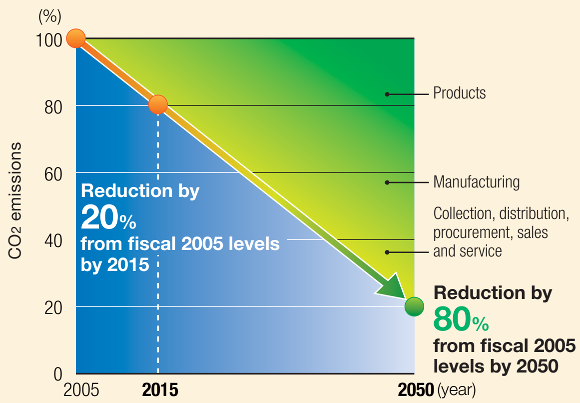
When setting key objectives for CSR activities, we worked to understand the areas where stakeholders have strong concerns and desires expressed by our stakeholders through various means of communication. In addition, we investigated international CSR-related requirements such as the Global Compact and ISO 26000. We furthermore collected and organized the risks and opportunities considered when deciding a business plan for each field. Based on the results of these, we have identified the issues deemed to have higher social priority and a greater impact on business, and made these key objectives for the Group.

For our planet's future

Konica Minolta has formulated Eco Vision 2050 as its long-term environmental vision for preventing global warming, promoting resource recycling and preserving biodiversity. In the Medium-Term Environmental Plan 2015, an action plan for realization of this vision, Konica Minolta has set priority themes and specific targets to be achieved by fiscal 2015.

Konica Minolta's Long-Term Environmental Targets

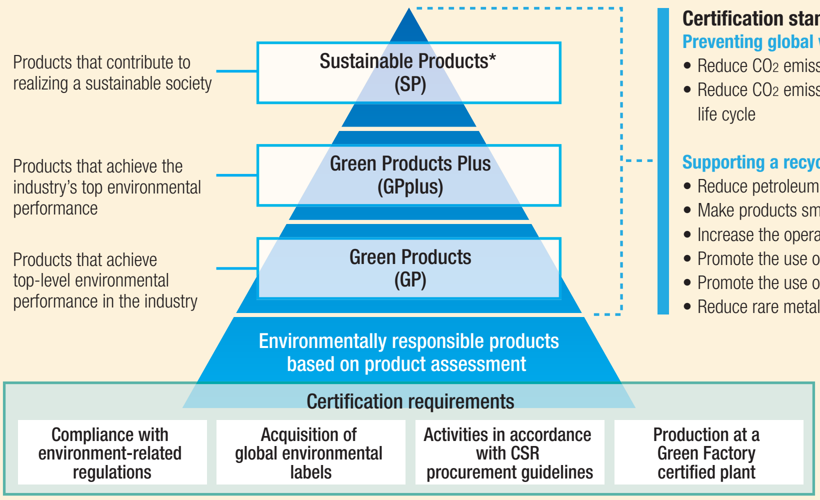
Reduction in CO_2 Emissions



Green Products Certification System

Konica Minolta has introduced the Green Products Certification System, a unique system for evaluating and certifying products with superior environmental performance. Under this system, Konica Minolta creates environmental value for each of its different businesses and product characteristics to help lessen the environmental impact of customers and society.

Green Products Certification System



Certification standards (excerpts)

Preventing global warming
- Reduce CO_2 emissions from product usage
- Reduce CO_2 emissions throughout product life cycle

Supporting a recycling-oriented society
- Reduce petroleum-based resource usage
- Make products smaller and lighter
- Increase the operating life of products
- Promote the use of re-used and recycled materials
- Promote the use of plant-based materials
- Reduce rare metals usage

Reducing the risks from chemical substances
- Restrict the use of hazardous chemical substances

Restoring and preserving biodiversity
- Use biological resources in a sustainable manner

Manufacturing process innovation

*Sustainable Products (SP) certification standards require that the product not only embody superior environmental performance not typically achieved by earlier products, but also incorporate original technology. While seeking to reduce the environmental impact of all of its products, by setting a very challenging certification level, Konica Minolta aims to promote innovation and contribute more proactively to sustainability.

Results of Activities in Fiscal 2012

- Reflecting Konica Minolta's focus on creating Green Products, the sales ratio for products with Green Products Plus certification that achieve the industry's top environmental performance was 27%.
- As a result of measures centered on the Three Green Activities, fiscal 2012 targets were achieved in most categories, including CO_2 emissions throughout the product life cycle.

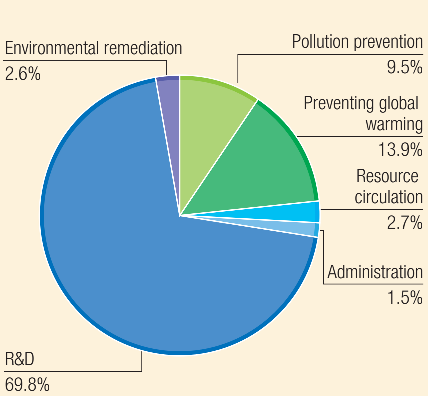
Green Products Plus sales ratio **27%**

CO_2 emissions throughout the product life cycle (vs. fiscal 2005) **50% reduction**

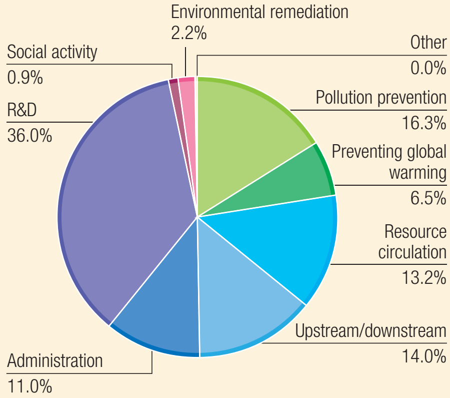
● Environmental Accounting

Konica Minolta conducts consolidated environmental accounting globally to measure the costs of environmental protection activities in its business operations and the benefits obtained from those activities. The amount invested in fiscal 2012 was approximately 2.4 billion yen, an 83% increase year on year. The increase was mainly attributable to investments in equipment for development of production technologies in the Performance Materials business. Expenditures were approximately 12.5 billion yen, essentially unchanged from the previous fiscal year.

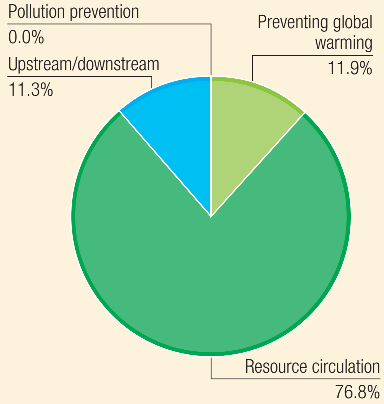
Investment
2,418 million yen



Expenditures
12,474 million yen



Economic Benefits
23,776 million yen



*Percentages do not necessarily total to 100 because of rounding.

Together with Customers

Konica Minolta aspires to maximize customer satisfaction and trust by providing products and services of superior value. The Group has articulated its commitment to customers and quality in the Konica Minolta Quality Policy, which governs Group companies worldwide.

Results of Activities in Fiscal 2012

- To prevent serious product-related accidents and quality problems, Konica Minolta thoroughly examined market quality problems, identified quality issues throughout the product life cycle, and investigated and implemented measures to deal with them.
- Konica Minolta initiated efforts to strengthen customer relationship management and developed concrete measures in each business.

Number of serious product-related accidents[1] **0**

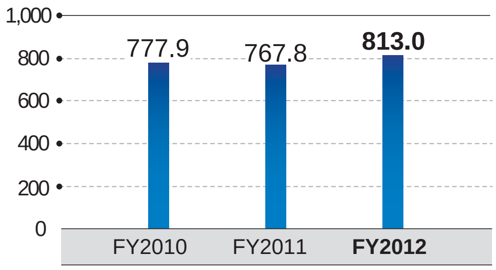
1. **Serious accidents:** Includes those in which products threaten the lives of product users or cause serious bodily injury and those in which property other than products is damaged seriously

Quality problem index[2] (vs. fiscal 2008) **78% reduction**

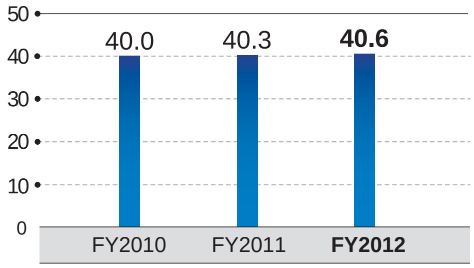
2. **Quality problem index:** An index created by Konica Minolta based on the costs related to quality problems that arise in the process of creating products or those involving products on the market

Management's Discussion and Analysis

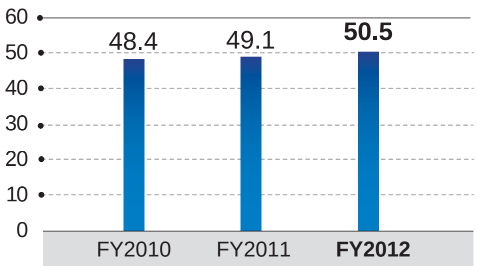
Net sales (Billions of yen)



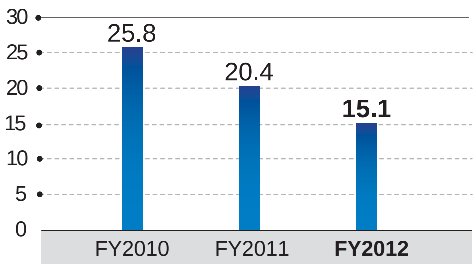
Operating income (Billions of yen)



Operating income before amortization of goodwill
(Billions of yen)



Net income (Billions of yen)



Operating Environment

The eurozone economy recorded negative growth affected by Europe's sovereign debt problem, and emerging economies, which had been leading global economic growth, were also sluggish. The U.S. economy is showing a recovery trend as improvement in the employment environment and rising asset prices push up consumption. Meanwhile, economic conditions in Japan remained challenging for the manufacturing industry during the first half of the fiscal year as compounding factors such as the end of the cycle of disaster-related demand and the appreciation of the yen coincided with each other to flatten the economy. However, together with a change of government in Japan and a steep weakening of the yen, positive expectations about the economic outlook have been rising since the end of 2012.

Operating Results

Net Sales

In the fiscal year ended March 31, 2013, net sales rose ¥45.1 billion, or 5.9%, year on year to ¥813 billion as a result of the strengthened sales of the core products in each of the Company's business segments and promotion of M&A deals, in addition to the correction of the strong yen.

Operating Income

Despite the impact from delays to the planned cost reductions for some of the new products in the Business Technologies Business and the deterioration of market conditions in Europe, initiatives to increase sales and improve profits in the Industrial Business and the Healthcare Business contributed to achieving a gross profit margin of 46.2%, which remained flat year on year.

Selling, general and administrative (SG&A) expenses increased ¥19.9 billion year on year, accompanying the rise in sales that resulted from the promotion of strategies including M&As.

As a result of the above, operating income increased ¥0.3 billion, or 0.8%, year on year to ¥40.6 billion.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests increased ¥1.0 billion, or 3.1%, year on year to ¥33.8 billion as a result of ¥4.7 billion in loss on retirement of fixed assets and impairment losses relating to some production facilities and extraordinary losses, which included restructuring expenses.

Net Income

Net income decreased ¥5.2 billion, or 25.9%, year on year to ¥15.1 billion because of an increase in income taxes from the previous fiscal year.

Operating Results by Segment

Business Technologies Business

In the office field, sales of A3 color MFPs in the current fiscal year increased year on year helped by new products. The market for A3 monochrome MFPs is becoming increasingly mature, and sales declined in leading markets such as Europe. However, sales of A3 MFPs overall increased from the previous fiscal year.

In the production print field, sales volume of color production printing equipment increased in the United States and Japan amid a challenging market environment while monochrome production printing equipment rode the success of new products bizhub PRO 951, bizhub PRESS 1250 and bizhub PRESS 1052, which went on sale in the first half of the fiscal year, and sales volume increased year on year for both color and monochrome production printing equipment.

The Company has been aggressively promoting M&As in this segment to expand sales of output units, chiefly MFPs, and business solution services and to transform the scope of its business in the future.

In the office field, the Company boosted its capability to provide proposals for business process improvement to small and medium-sized corporate customers by acquiring IT service providers Serians S.A.S. based in France in June 2012 and Raber+Marcker GmbH based in Germany in December 2012 to strengthen its IT service capability, which is the key to delivering the business process improvement services it is promoting together with Optimized Print Services (OPS). The Company made five similar acquisitions in the United States (effective during the current fiscal year). The number of customers also increased in the area of sales to major global accounts. For example, the Company concluded a global agreement with a major European energy company.

In the production print field, the Company acquired FedEx Kinko's Japan Co., Ltd., Japan's leading print on demand services company, in May 2012 and South Korea's FedEx Kinko's Korea Ltd. in January 2013 to strengthen marketing, service and solution proposal capabilities in the corporate in-house printing market. In Europe, the Company acquired U.K.-based Charterhouse PM Limited, a major print management services company specializing in material and cost optimization for production of its clients' printing needs and marketing planning with business in 18 European countries.

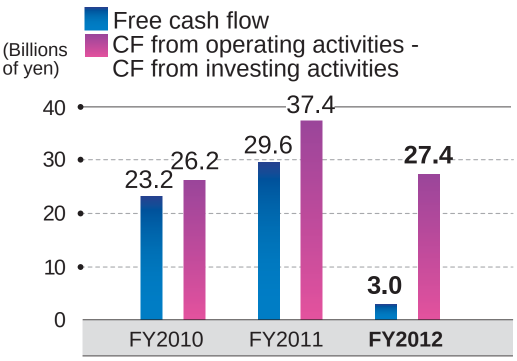
As a result, Business Technologies Business segment sales increased 6.2% year on year to ¥581.6 billion, and segment profit declined 19.8% to ¥31.6 billion. Sales increased year on year, helped by such factors as increased sales volume for new color MFPs products and production printing equipment and the effect of M&As. Profit in the segment declined, affected by the delay of the planned cost reductions for new products and the deterioration in market conditions in Europe.

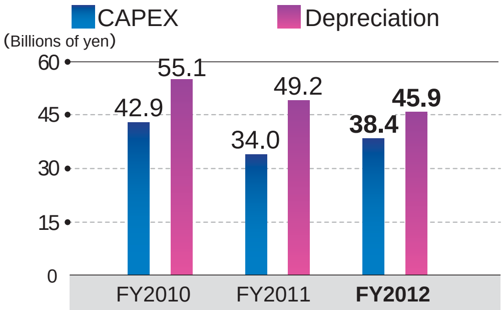
Industrial Business

In the display materials field, sales of thin plain TAC films, a strong Group product, including 40μm TAC film, VA-TAC film for large screen TVs and 60μm TAC film, remained favorable, and sales volume for these products increased year on year. Moreover, the Company led the industry in commencing mass production of 25μm ultra-thin TAC film for the mobile phone market in November 2012, further boosting competitiveness in thin plain TAC film products.

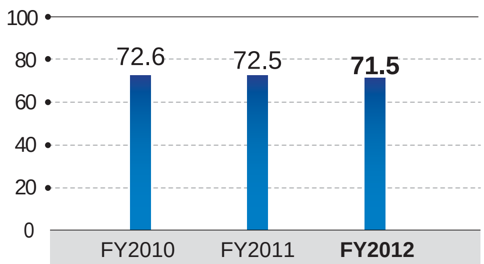
In the optical products field, sales of glass substrates for hard disk drives (HDDs) and pickup lenses for optical disks were poor, strongly affected by the deterioration in market conditions, but the Company's products were increasingly used in digital cinema projector lenses, interchangeable lenses for digital SLR cameras and zoom lens units for compact digital cameras. Moreover, the Company commenced shipments of mobile phone lens units for smartphones at the beginning of 2012, and sales volume of all products increased year on year.

In the measuring instruments field, the Company won major orders for light-source color measuring instruments, including the CL-200A chroma meter used in quality management of displays and LED illumination modules for smartphones and other applications during the manufacturing process and the CA-310 display color analyzer, and sales volume increased year on year. In November 2012, the Company acquired Germany-based Instrument Systems GmbH, which holds a large market share especially in high-end products, to strengthen competitiveness in the light-source color measurement field.

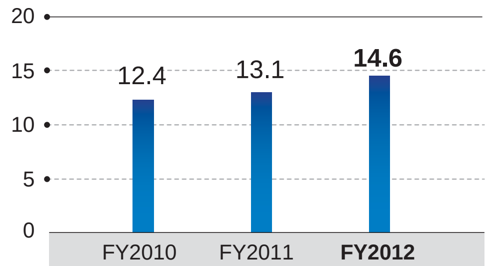




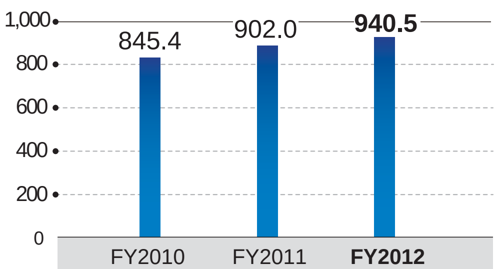
R&D expenses (Billions of yen)



R&D expenses for common technology platforms and leading-edge technologies
(Billions of yen)



Total assets (Billions of yen)



As a result, Industrial Business segment sales amounted to ¥146.7 billion, and segment profit stood at ¥23.6 billion. Sales volume increased for the segment's main products overall, with the exception of some products in fields such as the optical products field. Both segment sales and profit increased.

Healthcare Business

In the Healthcare Business, the Company worked to expand sales of digital X-ray diagnostic systems to medical facilities in Japan and overseas. The AeroDR, a cassette-style digital X-ray system featuring a proprietary high-image quality scintillator developed and manufactured by the Company is compact and the world's lightest system while delivering lower exposure and high image quality. Sales for applications such as regular X-ray equipment and hospital rounds are expanding further, offsetting the decline in sales of film products chiefly in developed countries.

As a result, Healthcare Business segment sales amounted to ¥72.7 billion, down 0.4% year on year, and segment profit increased substantially from ¥90 million in the previous fiscal year to ¥3.3 billion as a result of the increase in gross profit associated with rising sales of digital X-ray systems and initiatives to improve profitability.

Cash Flows

Cash Flows from Operating Activities:

Net cash provided by operating activities was ¥66.4 billion, compared with ¥72.3 billion for the previous fiscal year. Income before income taxes and minority interests provided cash of ¥33.8 billion. Depreciation and amortization totaled ¥45.9 billion, and amortization of goodwill totaled ¥9.8 billion. Uses of cash included a decrease in working capital of ¥11.1 billion and income taxes paid of ¥13.5 billion.

Cash Flows from Investing Activities:

Net cash used in investing activities was ¥63.4 billion, compared with ¥42.7 billion for the previous fiscal year. Payment for acquisition of property, plant and equipment used cash of ¥31 billion. Principal investments included molds for new products in the Business Technologies Business and investment in new businesses and enhancing production efficiency in the Industrial Business. Other uses of cash included ¥23.1 billion for payment for acquisition of shares in subsidiaries and transfer of business associated with acquisitions in Japan, Europe, the United States and Asia to strengthen production print and IT service capabilities in the Business Technologies Business and acquisition of equity in subsidiaries in the Industrial Business.

As a result, free cash flow, calculated as the sum of cash flows from operating and investing activities, was ¥3.0 billion, compared with free cash flow of ¥29.6 billion for the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥24.5 billion, compared with net cash provided of ¥26.3 billion in the previous fiscal year. Uses of cash included payment of ¥40 billion for the redemption of corporate bonds and cash dividends paid of ¥7.9 billion while a net increase in short-term and long-term loans payable provided cash of ¥24.9 billion.

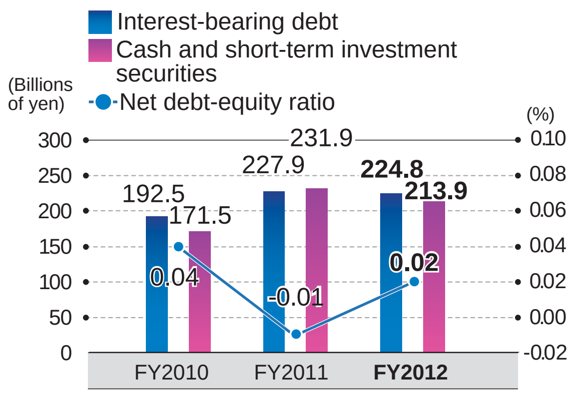
Capital Expenditure and Depreciation

Total capital expenditure for the year ended March 31, 2013 increased ¥4.4 billion, or 13.0%, year on year to ¥38.4 billion. By business segment, capital expenditure totaled ¥22.0 in the Business Technologies Business, ¥9.4 billion in the Industrial Business and ¥1.5 billion in the Healthcare Business. Principal capital expenditure for the fiscal year ended March 31, 2013 included investment in molds for new products in the

Business Technologies Business, and investment to increase production capacity in the Optics Business. Depreciation decreased ¥3.3 billion, or 6.6%, year on year to ¥45.9 billion.

Research and Development Costs

Research and development (R&D) costs decreased ¥0.9 billion, or 1.4%, year on year to ¥71.5 billion despite continued investment in future growth areas. By business segment, R&D costs were ¥39.3 billion, down 10.9% year on year, in the Business Technologies Business, ¥14.6 billion in the Industrial Business, and ¥2.8 billion, down 41.9% year on year, in the Healthcare Business. Basic research costs that were not included in the business units were ¥14.6 billion, up 11.4% year on year.



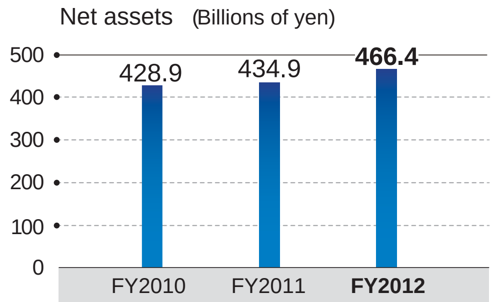
Financial Position

Assets

Current assets in the form of cash and cash equivalents at March 31, 2013 decreased ¥18.0 billion from a year earlier to ¥213.9 billion. Cash on hand and in banks increased ¥2.7 billion to ¥93.4 billion, short-term investment securities decreased ¥20.7 billion to ¥120.5 billion. Notes and accounts receivable – trade increased ¥19.8 billion to ¥194.0 billion. Inventories increased ¥7.3 billion to ¥112.4 billion.

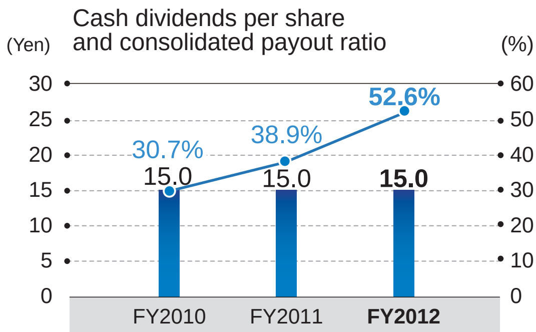
Property, plant and equipment as of March 31, 2013 decreased ¥0.9 billion from a year earlier to ¥179.9 billion due to depreciation and capital expenditure in the Business Technologies Business. Intangible assets increased ¥23.5 billion from a year earlier to ¥110.9 billion due to increased goodwill as a result of business acquisitions in the Business Technologies Business and the Industrial Business. Investments and other assets as of March 31, 2013 increased ¥0.3 billion from a year earlier to ¥70.1 billion.

As a result of these factors, total assets at March 31, 2013 increased ¥38.5 billion, or 4.3%, from a year earlier to ¥940.5 billion.



Liabilities

Notes and accounts payable – trade decreased ¥2.7 billion to ¥85.4 billion while interest-bearing debt (total of short-term and long-term debt and bonds) decreased ¥3.0 billion to ¥224.8 billion. However, total liabilities as of March 31, 2013 were ¥474.1 billion due to an increase in accrued expenses and accounts payables.



Net Assets

Accumulated other comprehensive income recorded an increase of ¥2.1 billion in unrealized gains on securities due to the effects of the stock market and an increase of ¥21.9 billion in foreign currency translation adjustments as a result of changes in foreign currency translation adjustments associated with the correction of the strong yen, mainly the U.S. dollar and the euro.

As a result of the above, net assets at March 31, 2013 increased ¥31.4 billion, or 7.2%, from a year earlier to ¥466.4 billion.

At March 31, 2013, the equity ratio increased 1.4% percentage points from a year earlier to 49.4%.

Dividend Policy

Basic Dividend Policy

The Company considers distribution of earnings to shareholders a management priority under a basic policy of sustained distribution of earnings to shareholders after comprehensive consideration of factors including consolidated business results and strategic investment in growth areas. The Company's specific medium-to-long-term benchmark for dividends is a consolidated payout ratio of 25% or higher. The Company also considers factors such as financial position and share price in making decisions about share repurchases as another means of distributing earnings to shareholders.

Dividends for the Fiscal Year Ended March 31, 2013 and Planned Dividends for the Fiscal Year Ending March 31, 2014

Business results for the fiscal year ended March 31, 2013 recorded a decline in final profit despite increased sales, and the Company paid the scheduled year-end cash dividend of ¥7.50 per share. In conjunction with the interim cash dividend, cash dividends per share for the year ended March 31, 2013 totaled ¥15.00

For the fiscal year ending March 31, 2014, the Company assumes it will achieve its performance forecasts and plans to pay an interim and a year-end ordinary cash dividend per share of ¥7.50 each.

In August 2013, the Group will mark the tenth anniversary of the management integration between Konica and Minolta in 2003. In response to the constant support of shareholders, the Company will pay a commemorative cash dividend of ¥2.50 per share with the interim cash dividend for the fiscal year ending March 31, 2014 and therefore plans to pay a cash dividend of ¥10.00 per share combined with the ordinary dividend of ¥7.50 per share. As a result, the Company plans to pay a total cash dividend of ¥17.50 per share for the fiscal year ending March 31, 2014.

Outlook for the Fiscal Year Ending March 31, 2014

Looking at the global economic conditions surrounding the Group, the outlook for the European economy remains uncertain due to its fiscal problems. We expect that a trend of recovery in personal consumption underpinned by better employment conditions and rising asset prices will push up the economy in the United States. Growth in emerging economies is expected to remain high in the ASEAN countries and some others although ongoing monitoring will be required for the Chinese economy, which showed signs of slowing down in the second half of 2012. A marked recovery in the Japanese economy is expected from the second half of 2013 with the correction of the strong yen and a recovery in personal consumption in anticipation of rising prices.

In demand forecasts for the Company's principal markets, we expect that in the Business Technologies Business, demand for color MFPs will continue to expand in developed countries both in the office field and the production print field. Demand is also expected to increase in parallel with GDP growth in the emerging economies. In the Industrial Business, while demand associated with the growth of the small and medium LCD market, which includes tablets, a slowdown in growth in the television market and negative growth in the PC market are also forecast, and we expect moderate growth for total TAC film demand.

In the Healthcare Business, demand for cassette-style digital X-ray systems is expected to maintain a high growth rate, primarily in Japan, the Americas and Asia.

Considering the above circumstances, we have made the following forecasts for the fiscal year ending March 31, 2014.

Performance Forecast for the Fiscal Year Ending March 31, 2013 (As of May 10, 2013)	**(Billions of yen)**
Net sales	900.0
Operating income	55.0
Operating income ratio	6.1%
Net income	26.0
Capital expenditure	47.0
Depreciation	50.0
Research and development costs	76.0
Free cash flow	2.5
CF from operating activities – CF from investing activities	32.5
Cash dividends per share	17.50 yen

We assume exchange rates of JPY93 to USD 1 and JPY 123 to EUR 1.

Business Risks

Of the business operations and accounting status described in the Group's Securities Report, the following risks could have a significant effect on the judgment of investors in the Group. Further, the forward-looking statements in the following section are the Group's judgments as of June 20, 2013.

Economic Risks

(1) Economic Trends in Primary Markets

The Group provides MFPs, production printing equipment, image input/output components, display materials, products and equipment for use in healthcare, and related services to customers worldwide. Economic conditions in national markets significantly affect sales and earnings in these businesses.

Ongoing risks of concern in the global economy include the protracted uncertainty about the economy in Europe, which is experiencing fiscal problems, a slowdown of growth in the Chinese economy and monetary policy revisions in leading countries. Recessions in national markets that cause customers to restrain investment, reduce operating expenses or reduce consumption could adversely affect the Group's results or finances in ways such as causing inventories to increase, reducing sales prices by increasing competition, or reducing sales volume.

(2) Changes in Exchange Rates

The Group ameliorates the impact of exchange rates by conducting hedging transactions centered on futures contracts for major currencies including the U.S. dollar and the euro. In addition, the impact of U.S. dollar-denominated procurement for the MFPs, printers and production printing equipment the Business Technologies Business produces in China is light because it is basically offset by sales and payables in regions where sales are denominated in U.S. dollars. However, fluctuations in euro exchange rates directly impact earnings. Generally, yen appreciation versus the U.S. dollar and euro negatively affects results, while yen depreciation versus these currencies positively affects results.

Industry and Business Activity Risks

(3) Competition in Technology Innovation

The ability to innovate faster than other companies is the primary source of competitive advantage in the Group's core businesses including MFPs, production printing equipment and other information equipment, TAC polarizing film for LCDs, and pickup lenses for optical disks, and in the Group's key areas for future development including organic electroluminescent (EL) lighting.

The Group continually takes on the challenge of innovative technology development and invests aggressively in R&D and facilities, but these efforts may not be timely enough. Moreover, competitors may develop similar or alternative technologies more quickly. Accurately determining new directions in technology innovation to meet customer needs is crucial, and failure to do so could reduce the Group's competitiveness in its core and new businesses.

(4) Operating Environment in the Equipment and Service Businesses

Solution and service needs are increasing in conjunction with rising demand for high-value-added products that are networked and multifunctional, including information equipment such as MFPs, printers and production printing equipment, and healthcare equipment. In addition, companies are strengthening their sales channels through acquisitions, reorganization and alliances with IT companies, particularly in the information equipment industry. Competition among manufacturers and distributors that respond to this trend is expected to further intensify competition within the industry.

The Group operates under a policy of being the genre leader in its Business Technologies Business, the Group's largest business and growth driver. The Group led the industry in concentrating resources to expand its office-use color MFP and production printing equipment businesses, thus establishing itself as the leading Group in European and North American markets. However, the Group cannot guarantee continued competitive advantage because technological innovation is rapid in this field and the importance of the solutions and services business is further increasing. Slower growth resulting from inability to maintain competitiveness in technology and sales channels in the Business Technologies Business could adversely affect the Group's results. Moreover, restrained corporate investment or cost reductions could cause installation of new MFPs to decrease, which could adversely affect the Group's results in the future.

(5) Operating Environment in the Industrial Business

The Industrial Business supplies components and materials for LCD televisions, DVD and HDD products, and other products in the digital home appliance market. Selling prices continue to trend downward due to intense competition among manufacturers in this market, which affects component and material suppliers such as the Group. At the same time, shorter product lifecycles require component and material manufacturers to sell mass-produced products in a short time. Rapid changes in supply and demand due to production adjustments caused by market competition could adversely affect the Group's results.

In addition, the Industrial Business's major customers are digital home appliance manufacturers. Rapid changes in demand or decreases in prices in addition to failure to respond sufficiently to the industry trends the Group identifies, such as global reorganization of the digital home appliance industry or next-generation products, could result in loss of customers and adversely affect the Group's results.

(6) Quality Problems

The Group has created a rigorous quality assurance system for Group companies and contract manufacturers in Japan and overseas, and provides customers with high-performance, reliable products and services. The Group could be responsible for compensation for damages that result if the Group should happen to provide defective products or services. Moreover, remedying such defects may result in significant expenses. In addition, media reports on such problems could adversely affect the Group's operations and image.

(7) Global Business Activities

The Group conducts a majority of its business outside Japan in North America, Europe and Asian countries. These global corporate activities entail the following risks:

- Exchange rate movements
- Political and economic uncertainties
- Unanticipated changes to legal, regulatory and tax codes
- Hiring and retaining outstanding employees
- Industrial infrastructure vulnerabilities

The Group considers it is vital to expand its business in overseas markets, and inability to respond adequately to these characteristic risks of global business activities could adversely affect the Group's results and growth strategy.

The Group is concentrating on expanding production in China to enhance cost competitiveness in its core Business Technologies Business and Industrial Business. The Business Technologies Business has established two production bases in Dongguan and Wuxi that produce and ship nearly all of the MFPs, printers and production printing equipment it sells globally. In addition, the Industrial Business has established production bases in Dalian and Shanghai that produce image input/output components and other products.

China continues to develop economically and make progress in areas such as improving its legal system and upgrading infrastructure. However, legal changes, labor policy difficulties, increased personnel expenses, appreciation of the Chinese yuan, changes in import and export regulations and the tax code, and other developments that are difficult to anticipate may occur. Inability of the Group to effectively handle the risks inherent in having a large percentage of the manufacturing activities of its core businesses in China could adversely affect the Group's results and growth strategies.

(8) Securing Human Resources

Skilled human resources are the source of growth for the Group. The Group increasingly requires outstanding engineers and highly skilled workers who can further develop core technologies in businesses including optics, materials, precision processing, and imaging in order to maintain the Group's high level of competitiveness in the future. In addition, prevailing over competitors as digitalization and networking advance requires the Group to secure outstanding engineers and systems engineers to quickly strengthen information and communication technologies such as software and control technologies. Beyond technology, the Group has a growing need for personnel in areas such as marketing, sales and service to create new sources of earnings from businesses including solutions and services. However, there is a large demand for such human resources, and competition between companies to secure human resources is intense. Inability of the Group to secure and retain skilled human resources could adversely affect the execution of the Group's growth strategies.

(9) Alliances with Other Companies

The Group is enhancing competitiveness and efficiency by collaborating with other companies through means including technology and business alliances and joint ventures.

In the Business Technologies Business, the Group has aggressively promoted M&As to expand sales of output units, chiefly MFPs, and business solution services and transform the nature of its business in the future. In the office field, the Group made two acquisitions in Europe and five in the United States to strengthen its IT service capability, which is the key to delivering the business process improvement services it is promoting together with Optimized Print Services (OPS). In the production print business, the Group made a total of three acquisitions in Japan, Europe and Asia to further strengthen competitiveness in the corporate in-house printing field and to expand the scope of its business into the entire production print field, which includes the commercial market. The Group will continue to forge alliances with other companies and make acquisitions as a strategic growth option.

Mutually supplementing technology and expertise under agreements with other companies strongly helps the Group to provide new products and services that respond to customer needs in a timely manner. Inability to continue collaborative relationships for operating, financial or other reasons or inability to achieve the expected outcomes of such relationships could adversely affect the Group's growth strategy.

(10) Rising Raw Material Prices

Rising prices for metal products including silver, steel and aluminum; petrochemical products made from crude oil; scarce natural resources such as rare earth minerals; and other raw materials that the Group uses in its production activities could affect the Group's results.

The Group works to reduce costs and raise the prices of its products as raw material prices rise, but cannot guarantee that it will be able to completely compensate higher raw material prices. Raising product selling prices may also reduce sales volume.

(11) Raw Material and Resource Procurement

The Group procures specified products, components and materials from external suppliers. Unanticipated contingencies among these suppliers could adversely affect the Group's production and supply capabilities.

Legal and Litigation Risk

(12) Intellectual Property

The Group accumulates differentiating technologies and expertise in the course of product development to ensure the competitiveness of its businesses, and works to protect these intellectual property rights. However, legal constraints in certain regional areas may preclude full protection of intellectual property and render the Group unable to prevent third parties from manufacturing and selling products that employ the Group's intellectual property.

Furthermore, the Group tries to avoid infringing on the rights of other companies in developing products. However, differences of opinion or other factors may result in the assumption that the Group is infringing on the rights of other companies, which could render the Group unable to use important technologies or make the Group responsible for paying significant monetary compensation.

Furthermore, in the future the Group may be prohibited from using intellectual property rights it currently licenses from third parties, or such use may be subject to unreasonable conditions.

(13) Healthcare Systems

The Group's Healthcare Business is subject to the ongoing influence of the healthcare systems and approval processes of the countries in which it operates. Factors including healthcare system reform could result in significant and unanticipated changes to healthcare administration policy. Inability to respond quickly to changes in the operating environment in the Healthcare Business could adversely affect the Group's results.

(14) Environmental Regulations

The Group is subject to various environmental laws and regulations governing issues including air pollution, water pollution, removal of hazardous substances, waste treatment, product recycling, and soil and groundwater contamination. The Group may incur expenses and financial liabilities for environmental obligations associated with past and present manufacturing activities. In addition, the Group may incur additional compliance obligations and expenses if environmental laws and regulations become more rigorous in the future, which could adversely affect the Group's results.

(15) Information Leaks

The Group obtains personal and confidential information on customers and business partners in the course of operations. The Group has a system for managing this information and implements measures including employee training, but unexpected contingencies could cause this information to leak externally. This could expose the Group to liability for damages to injured parties, and could adversely affect the Group's credibility and image.

In addition, leakage of the Group's confidential information related to matters including technology, contracts and personnel could adversely affect the Group's results.

Disasters and Other Risks

(16) Disasters

The Group has bases worldwide involved in activities including R&D, procurement, production and sales and operates globally. Disasters including earthquakes, fires, typhoons or flooding; pandemics similar to the outbreak of H1N1 influenza; or war, acts of terrorism or computer viruses could damage the Group's facilities, temporarily halt operations or delay production and shipments. Such disasters could also disrupt or restrict use of essential utilities such as electricity, gas and water; cause supply shortages of components and raw materials by damaging suppliers; halt distribution; or disrupt markets. Such circumstances could reduce net sales below initial plans, incur significant expenses to restore damaged facilities, or have other outcomes that could adversely affect the Group's results.

(17) Impairment of Long-Lived Assets

Effective the fiscal year ended March 31, 2006, the Group adopted accounting standards for impairment of long-lived assets including property, plant, equipment and goodwill. The Group periodically evaluates the carrying value of long-lived assets on the consolidated balance sheets to determine if their residual value is recoverable with expected future cash flows from the asset. The Group recognizes impairment when the asset no longer generates sufficient cash flow because its operating profitability has decreased due to competition or other reasons, which could adversely affect the Group's results

CONSOLIDATED BALANCE SHEETS

Konica Minolta, Inc. and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2013**	2012	**2013**
Current Assets:			
Cash on hand and in banks (Note 5)	¥ 93,413	¥ 90,640	$ 993,227
Notes and accounts receivable–trade (Notes 5 and 13)	194,038	174,193	2,063,137
Lease receivables and investment assets (Note 13)	16,007	13,775	170,197
Short-term investment securities (Notes 5 and 6)	120,501	141,293	1,281,244
Inventories (Note 11)	112,479	105,080	1,195,949
Deferred tax assets (Note 8)	20,259	20,100	215,407
Other accounts receivable	12,602	13,467	133,993
Other current assets	14,860	11,759	158,001
Allowance for doubtful accounts	(4,568)	(4,385)	(48,570)
Total current assets	579,593	565,923	6,162,605
Property, Plant and Equipment (Note 17)**:**			
Buildings and structures	178,848	169,648	1,901,627
Machinery and equipment	250,353	244,086	2,661,914
Tools and furniture	147,096	138,773	1,564,019
Land	34,043	33,631	361,967
Lease assets	1,072	818	11,398
Construction in progress	6,969	7,817	74,099
Rental business-use assets	41,224	37,373	438,320
Total	659,608	632,149	7,013,376
Accumulated depreciation	(479,704)	(453,150)	(5,100,521)
Net property, plant and equipment	179,903	178,999	1,912,844
Intangible Fixed Assets:			
Goodwill	69,465	59,727	738,596
Other intangible fixed assets	41,472	27,613	440,957
Total intangible fixed assets	110,937	87,341	1,179,553
Investments and Other Assets (Note 17)**:**			
Investment securities (Notes 5 and 6)	23,236	19,073	247,060
Long-term loans	126	133	1,340
Long-term prepaid expenses	2,387	2,650	25,380
Deferred tax assets (Note 8)	33,000	38,281	350,877
Other	12,735	10,355	135,407
Allowance for doubtful accounts	(1,366)	(706)	(14,524)
Total investments and other assets	70,118	69,788	745,540
Total assets	¥940,553	¥902,052	$10,000,564

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Liabilities and Net Assets	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 3) 2013
Current Liabilities:			
Short-term debt (Notes 5, 7 and 13)	¥ 67,398	¥ 32,913	$ 716,619
Current portion of long-term debt (Note 7)	23,990	11,994	255,077
Notes and accounts payable–trade (Note 5)	85,424	88,129	908,283
Accrued expenses	40,064	36,335	425,986
Accrued income taxes (Note 8)	7,376	6,908	78,426
Other current liabilities (Note 7)	58,416	52,678	621,116
Total current liabilities	282,671	228,958	3,005,540
Long-Term Liabilities:			
Long-term debt (Notes 5 and 7)	133,507	183,025	1,419,532
Accrued retirement benefits (Note 23)	43,754	44,545	465,221
Accrued retirement benefits for directors and statutory auditors	282	341	2,998
Deferred tax liabilities on land revaluation (Note 8)	3,269	3,269	34,758
Asset retirement obligations	981	931	10,431
Other long-term liabilities (Note 7)	9,669	5,992	102,807
Total long-term liabilities	191,465	238,105	2,035,779
Total liabilities	474,136	467,064	5,041,318
Contingent Liabilities (Note 12)			
Net Assets (Notes 10 and 28):			
Common stock:			
Authorized—1,200,000,000 shares in 2013 and 2012			
Issued—531,664,337 shares in 2013 and 2012	37,519	37,519	398,926
Capital surplus	204,140	204,142	2,170,548
Retained earnings	229,713	222,848	2,442,456
Less: Treasury stock, at cost; Common stock, 1,346,048 shares in 2013 and 1,381,591 shares in 2012	(1,548)	(1,597)	(16,459)
Unrealized gains on securities, net of taxes	3,345	1,183	35,566
Unrealized gains (losses) on hedging derivatives, net of taxes	2	(228)	21
Foreign currency translation adjustments	(8,268)	(30,199)	(87,911)
Share subscription rights (Notes 7 and 25)	764	682	8,123
Minority interests	747	635	7,943
Total net assets	466,416	434,987	4,959,234
Total liabilities and net assets	¥940,553	¥902,052	$10,000,564

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net Sales	¥813,073	¥767,879	$8,645,114
Cost of Sales (Note 14)	437,487	412,562	4,651,643
Gross profit	375,585	355,317	3,993,461
Selling, General and Administrative Expenses (Note 15)	334,926	314,971	3,561,148
Operating income	40,659	40,346	432,313
Other Income (Expenses):			
Interest and dividend income	1,476	1,563	15,694
Interest expenses	(2,499)	(2,519)	(26,571)
Foreign exchange gain (loss), net	1,508	(2,567)	16,034
Loss on sales and disposals of property, plant and equipment, net	(1,661)	(1,693)	(17,661)
Write-down of investment securities	(2)	(2,700)	(21)
Gain on sales of investment securities, net	55	2	585
Gain on sales of investments in capital	—	604	—
Loss on impairment of fixed assets (Note 17)	(2,902)	(893)	(30,856)
Gain on discontinued operations	—	19	—
Equity in income of unconsolidated subsidiaries and affiliates, net	61	67	649
Gain on reversal of foreign currency translation adjustment	—	3,730	—
Other extraordinary gain of overseas subsidiaries (Note 16)	95	241	1,010
Business structure improvement expenses (Note 18)	(379)	(1,198)	(4,030)
Group restructuring expenses	(296)	—	(3,147)
Loss on disaster	—	(57)	—
Other, net	(2,278)	(2,132)	(24,221)
Total	(6,823)	(7,531)	(72,547)
Income before income taxes and minority interests	33,836	32,815	359,766
Income Taxes (Note 8)**:**			
Current	11,745	9,553	124,880
Deferred	6,934	2,776	73,727
Total	18,680	12,330	198,618
Income before minority interests	15,155	20,484	161,138
Minority Interests in Net Income of Consolidated Subsidiaries	30	60	319
Net Income	¥ 15,124	¥ 20,424	$ 160,808

	Yen		U.S. dollars (Note 3)
	2013	2012	2013
Per Share Data (Notes 10 and 28)**:**			
Net income —Basic	¥28.52	¥38.52	$0.30
—Diluted	27.86	37.28	0.30
Cash dividends	15	15	0.16

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Income before minority interests	¥15,155	¥20,484	$161,138
Other comprehensive income			
Unrealized gains on securities, net of taxes	2,156	716	22,924
Unrealized gains (losses) on hedging derivatives, net of taxes	230	(133)	2,446
Foreign currency translation adjustments	21,939	(6,112)	233,270
Share of other comprehensive income of associates accounted for using equity method	13	(12)	138
Total other comprehensive income (Note 20)	24,340	(5,541)	258,799
Comprehensive income	¥39,495	¥14,943	$419,936
Comprehensive income attributable to			
Owners of the parent	39,448	14,990	419,436
Minority interests	47	(46)	500

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Shares of issued common stock	Millions of yen									
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2011 to March 31, 2012)											
Net Assets at April 1, 2011	531,664,337	¥37,519	¥204,140	¥211,467	¥(1,670)	¥ 478	¥ (94)	¥(24,193)	¥658	¥682	¥428,987
Dividends paid from retained earnings				(7,953)							(7,953)
Net income				20,424							20,424
Change in the scope of consolidation				(38)							(38)
Purchase of treasury stock					(11)						(11)
Re-issuance of treasury stock			1		84						86
Pension liabilities adjustment of overseas subsidiaries (Note 21)				(1,050)							(1,050)
Net changes during the period						704	(133)	(6,005)	24	(46)	(5,456)
Total changes during the period		—	1	11,381	73	704	(133)	(6,005)	24	(46)	5,999
Balance at March 31, 2012	531,664,337	¥37,519	¥204,142	¥222,848	¥(1,597)	¥1,183	¥(228)	¥(30,199)	¥682	¥635	¥434,987
(From April 1, 2012 to March 31, 2013)											
Net Assets at April 1, 2012	531,664,337	¥37,519	¥204,142	¥222,848	¥(1,597)	¥1,183	¥(228)	¥(30,199)	¥682	¥635	¥434,987
Dividends paid from retained earnings				(7,954)							(7,954)
Net income				15,124							15,124
Purchase of treasury stock					(9)						(9)
Re-issuance of treasury stock			(1)	(4)	58						52
Pension liabilities adjustment of overseas subsidiaries (Note 21)				(301)							(301)
Net changes during the period						2,162	230	21,930	82	111	24,517
Total changes during the period		—	(1)	6,865	48	2,162	230	21,930	82	111	31,429
Balance at March 31, 2013	531,664,337	¥37,519	¥204,140	¥229,713	¥(1,548)	¥3,345	¥ 2	¥ (8,268)	¥764	¥747	¥466,416

	Shares of issued common stock	Thousands of U.S. dollars (Note 3)									
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2012 to March 31, 2013)											
Net Assets at April 1, 2012	531,664,337	$398,926	$2,170,569	$2,369,463	$(16,980)	$12,578	$(2,424)	$(321,095)	$7,251	$6,752	$4,625,061
Dividends paid from retained earnings				(84,572)							(84,572)
Net income				160,808							160,808
Purchase of treasury stock					(96)						(96)
Re-issuance of treasury stock			(11)	(43)	617						553
Pension liabilities adjustment of overseas subsidiaries (Note 21)				(3,200)							(3,200)
Net changes during the period						22,988	2,446	233,174	872	1,180	260,680
Total changes during the period		—	(11)	72,993	510	22,988	2,446	233,174	872	1,180	334,173
Balance at March 31, 2013	531,664,337	$398,926	$2,170,548	$2,442,456	$(16,459)	$35,566	$ 21	$ (87,911)	$8,123	$7,943	$4,959,234

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 33,836	¥ 32,815	$ 359,766
Depreciation and amortization	45,999	49,239	489,091
Loss on impairment of fixed assets	2,902	893	30,856
Amortization of goodwill	9,863	8,804	104,870
Interest and dividend income	(1,476)	(1,563)	(15,694)
Interest expense	2,499	2,519	26,571
Loss on sales and disposals of property, plant and equipment	1,661	1,693	17,661
Loss (Gain) on sales and valuation of investment securities	(53)	2,698	(564)
Gain on sales of investments in capital	—	(604)	—
Gain on reversal of foreign currency translation adjustment	—	(3,730)	—
Decrease in provision for bonuses	(178)	(85)	(1,893)
Increase (Decrease) in accrued retirement benefits	(1,789)	359	(19,022)
Decrease in reserve for discontinued operations	—	(26)	—
Decrease (Increase) in notes and accounts receivable–trade	4,958	(13,442)	52,717
Decrease (Increase) in inventories	4,963	(6,268)	52,770
Increase (Decrease) in notes and accounts payable–trade	(21,095)	14,715	(224,296)
Transfer of rental business-use assets	(6,169)	(4,700)	(65,593)
Decrease (Increase) in accounts receivable–other	1,749	(4,449)	18,596
Increase in accounts payable–other and accrued expenses	855	866	9,091
Decrease/increase in consumption taxes receivable/payable	(473)	1,249	(5,029)
Other	2,986	(1,543)	31,749
Subtotal	81,040	79,439	861,669
Interest and dividend income received	1,530	1,534	16,268
Interest paid	(2,597)	(2,414)	(27,613)
Income taxes paid	(13,506)	(6,192)	(143,604)
Net cash provided by operating activities	66,467	72,367	706,720
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	(31,015)	(29,104)	(329,771)
Proceeds from sales of property, plant and equipment	987	504	10,494
Payment for acquisition of intangible fixed assets	(8,092)	(5,862)	(86,039)
Payment for transfer of business	(2,199)	(2,393)	(23,381)
Purchase of investments in subsidiaries resulting in change of scope of consolidation (Note 4)	(9,974)	(5,506)	(106,050)
Purchase of investments in capital of subsidiaries resulting in change of scope of consolidation (Note 4)	(10,336)	—	(109,899)
Payment for loans receivable	(301)	(248)	(3,200)
Proceeds from collection of loans receivable	96	138	1,021
Payment for acquisition of investment securities	(744)	(6)	(7,911)
Proceeds from sales of investment securities	298	2	3,169
Proceeds from sales of investments in capital	0	1,315	0
Purchase of investments in subsidiaries	(607)	—	(6,454)
Payment for acquisition of other investments	(2,347)	(1,773)	(24,955)
Other	795	177	8,453
Net cash used in investing activities	(63,442)	(42,757)	(674,556)
Cash Flows from Financing Activities:			
Increase (Decrease) in short-term loans payable	22,701	(16,439)	241,372
Proceeds from long-term loans payable	14,504	38,304	154,216
Repayment of long-term loans payable	(12,174)	(25,805)	(129,442)
Proceeds from issuance of bonds	—	40,000	—
Payment for redemption of bonds	(40,000)		(425,306)
Repayments of lease obligations	(1,661)	(1,715)	(17,661)
Proceeds from disposal of treasury stock	1	3	11
Payment for purchase of treasury stock	(9)	(11)	(96)
Dividend payments	(7,957)	(7,945)	(84,604)
Net cash provided by (used in) financing activities	(24,596)	26,390	(261,520)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,552	785	37,767
Increase (Decrease) in Cash and Cash Equivalents	(18,018)	56,785	(191,579)
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	231,933	175,148	2,466,061
Cash and Cash Equivalents at the End of the Year (Note 4)	¥213,914	¥231,933	$2,274,471

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2013 and 2012

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Konica Minolta Holdings, Inc., (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects regarding application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Accounting principles generally accepted in Japan allow consolidation of foreign subsidiaries based on their financial statements in conformity with International Financial Reporting Standards and accounting principles generally accepted in the United States.

The accompanying consolidated financial statements incorporate certain reclassifications in order to present them in a format that is more appropriate to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but is provided herein as additional information.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its 112 subsidiaries (92 subsidiaries for 2012) for which it retains control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 2 unconsolidated subsidiaries (3 unconsolidated subsidiaries for 2012) and 2 significant affiliates (2 significant affiliates for 2012) are accounted for using the equity method of accounting. Investments in the other unconsolidated subsidiaries and affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

(b) Translation of Foreign Currencies

Translation of Foreign Currency Transactions and Balances

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gains and losses are charged or credited to income.

Translation of Foreign Currency Financial Statements

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen is done by applying the exchange rates prevailing at the balance sheet dates for items in balance sheets, except common stock, additional paid-in capital and retained earnings accounts, which are translated at the historical rates, and the average exchange rates prevailing during the periods for items in the statements of income.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand and short-term investments that are due for redemption in one year or less and are easily converted into cash with little risk to change in value.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses from uncollectible receivables based on specific doubtful accounts and historical loss experience.

(e) Inventories

Inventories held by domestic consolidated subsidiaries are mainly stated using the cost price method (carrying amount in the balance sheet is calculated with consideration of write-down due to decreased profitability) determined using the total average method. Inventories held by overseas consolidated subsidiaries are mainly stated at the lower of cost or market value or net realizable value, where cost is determined using the first-in, first-out method.

(f) Property, Plant and Equipment

Depreciation of property, plant and equipment (excluding lease assets) for the Company and domestic consolidated subsidiaries is calculated using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, which are depreciated using the straight-line method over their estimated useful lives. Depreciation of property, plant and equipment (excluding lease assets) for overseas consolidated subsidiaries is calculated using the straight-line method.

For finance leases where ownership is not transferred, depreciation is calculated using the straight-line method over the lease period utilizing a residual value of zero. For finance leases held by the Company and its domestic consolidated subsidiaries that do not transfer ownership and for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as an expense.

(g) Intangible Assets

Intangible assets (excluding lease assets) are depreciated using the straight-line method. In addition, software is depreciated using the straight-line method over its estimated useful life (5 years).

(h) Goodwill

Goodwill is amortized on a straight-line basis over a period not exceeding 20 years.

(i) Income Taxes

Deferred income taxes are recognized based on temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(j) Research and Development Costs

Research and development costs are expensed as incurred.

(k) Financial Instruments

Derivatives

All derivatives are stated at fair value, with changes in fair value included in net income for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities

Investments in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method of accounting; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost due to the immaterial effect of the application of the equity method of accounting.

Held-to-maturity securities are recognized using the amortized cost method (straight-line method).

Other securities for which market quotes are available are stated at fair value. Net unrealized gains or losses on these securities are reported, net of tax, as a separate component of net assets.

Other securities for which market quotes are unavailable are stated at cost, except in cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such decrease in value is deemed other than temporary. In these instances, securities are written down to the fair value and the resulting losses are charged to income during the period.

Hedge Accounting

Gains or losses arising from changes in fair value of derivatives designated as hedging instruments are deferred as an asset or a liability and charged or credited to income in the same period that the gains and losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments are primarily interest rate swaps, currency options, currency swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable, trade accounts payable and long-term bank loans.

The Companies' policy is to utilize the above hedging instruments in order to reduce exposure to the risks of interest rate and exchange rate fluctuations. As such, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items on the date of commencement of the hedges.

(l) Retirement Benefit Plans

Retirement Benefits for Employees

The Company, domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have obligations to make defined benefit retirement payments to their employees and, therefore, provide for accrued retirement benefits based on the estimated amount of projected benefit obligations and the fair value of plan assets.

For the Company and its domestic consolidated subsidiaries, unrecognized prior service cost is amortized using the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Unrecognized net actuarial gains or losses are primarily amortized in the following year using the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Accrued Retirement Benefits for Directors and Statutory Auditors

Domestic consolidated subsidiaries recognize a reserve for retirement benefits for directors and statutory auditors based on the amount payable at the end of the period in accordance with their internal regulations.

(m) Per Share Data

Net income per share of common stock is calculated based on the weighted-average number of shares outstanding during the year.

Cash dividends per share for each year as disclosed in the accompanying consolidated financial statements are dividends declared for the respective year.

(n) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended March 31, 2009, the Company applied the *"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006).

The Company has made necessary adjustments upon consolidation to unify accounting standards for foreign subsidiaries to be consistent with the Company.

(o) Changes in Accounting Policies

Changes in Depreciation Method

Beginning the fiscal year ended March 31, 2013 with the revision of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended Corporate Tax Law.

Because of the change, operating income increased ¥646 million while income before income taxes and minority interests increased ¥647 million for the fiscal year ended March 31, 2013 compared with the amount calculated under the previous method.

(p) Accounting Standards Issued but Not Yet Applied

Accounting Standard for Retirement Benefits

ASBJ Statement No. 26, *"Accounting Standard for Retirement Benefits"*, issued by the ASBJ on May 17, 2012 and ASBJ Guidance No. 25, *"Guidance on Accounting Standard for Retirement Benefits"*, issued by the ASBJ on May 17, 2012

(1) Summary
  The treatment of unrecognized actuarial differences and unrecognized prior service costs, calculation of accrued retirement benefits and service costs were amended.

(2) Effective dates
  The Company expects to apply the revised accounting standard from the end of the fiscal year ending March 31, 2014. However, the amendment of the calculation method for the present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Effect of adoption
  The effect of adopting this revised accounting standard is under assessment at the time of preparation of these accompanying consolidated financial statements.

3. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2013, of ¥94.05 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash on hand and in banks	¥ 93,413	¥ 90,640	$ 993,227
Short-term investments	120,501	141,293	1,281,244
Cash and cash equivalents	¥213,914	¥231,933	$2,274,471

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

The Company acquired 100% of the shares of several companies during the year ended March 31, 2013. The assets and liabilities at the acquisition date and reconciliation from acquisition cost to net cash used in the acquisition are as follows. Assets and liabilities that are not material have been omitted.

Charterhouse PM Limited

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Current assets	¥ 3,635	$ 38,650
Fixed assets	3,013	32,036
Goodwill	4,878	51,866
Current liabilities	(6,891)	(73,270)
Long-term liabilities	(676)	(7,188)
Acquisition cost of shares of Charterhouse PM Limited	3,959	42,095
Cash and cash equivalents of Charterhouse PM Limited	(1,320)	(14,035)
Effect of exchange rate fluctuation	(48)	(510)
Net cash used in the acquisition	¥ 2,590	$ 27,539

Assets and liabilities of newly consolidated subsidiaries through acquisition of investments in capital

The Company acquired 100% of the investments in capital of several companies during the year ended March 31, 2013. The assets and liabilities at the acquisition date and reconciliation from acquisition cost to net cash used in the acquisition are as follows. Assets and liabilities that are not material have been omitted.

Instrument Systems GmbH

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Current assets	¥ 2,329	$ 24,763
Fixed assets	3,710	39,447
Goodwill	4,415	46,943
Current liabilities	(1,153)	(12,259)
Long-term liabilities	(1,182)	(12,568)
Acquisition cost of investments in capital of Instrument Systems GmbH	8,120	86,337
Cash and cash equivalents of Instrument Systems GmbH	(839)	(8,921)
Net cash used in the acquisition	¥ 7,281	$ 77,416

5. Financial Instruments

Conditions of Financial Instruments

The Companies raise short-term working capital mainly through bank borrowings and invest temporary surplus funds in financial instruments deemed to have low risk. The Companies enter into derivative transactions based on the need for these transactions in accordance with their internal regulations.

In principle, the risk of currency fluctuations relating to receivables and payables denominated in foreign currencies are hedged using forward exchange contracts and currency options. With respect to the interest rate volatility risk and cost fluctuation risk for future capital procurement arising on certain long-term debt, the Companies lock in interest expenses using currency swaps and interest-rate swaps.

Investment securities comprise mainly stocks, and the market values of listed stocks are determined on a quarterly basis.

The Companies try to reduce the credit risk of customers arising on notes and accounts receivable–trade through regular monitoring and comprehensive management of aging balances.

Fair Values of Financial Instruments

The book value on the consolidated balance sheets, fair value, and difference as of March 31, 2013 and 2012 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Cash on hand and in banks	¥ 93,413	¥ 93,413	¥ —	¥ 90,640	¥ 90,640	¥ —	$ 993,227	$ 993,227	$ —
(2) Notes and accounts receivable–trade	194,038	194,038	—	174,193	174,193	—	2,063,137	2,063,137	—
(3) Short-term investment securities and investment securities									
(i) Held-to-maturity securities	10	10	—	10	10	—	106	106	—
(ii) Other securities	139,411	139,411	—	156,977	156,977	—	1,482,307	1,482,307	—
Total	¥426,872	¥426,872	¥ —	¥421,820	¥421,820	¥ —	$4,538,777	$4,538,777	$ —
Liabilities									
(1) Notes and accounts payable–trade	¥ 85,424	¥ 85,424	—	88,129	88,129	—	908,283	908,283	—
(2) Short-term debt	67,398	67,398	—	32,913	32,913	—	716,619	716,619	—
(3) Current portion of long-term debt	23,990	24,094	104	11,994	11,994	—	255,077	256,183	1,106
(4) Bonds	70,000	71,309	1,309	110,000	110,278	278	744,285	758,203	13,918
(5) Long-term debt	63,507	63,346	(161)	73,025	73,366	341	675,247	673,535	(1,712)
Total	¥310,321	¥311,573	¥1,251	¥316,062	¥316,681	¥619	$3,299,532	$3,312,844	$13,301
Derivatives (*)	¥ (1,058)	¥ (1,058)	¥ —	¥ (2,032)	¥ (2,032)	¥ —	$ (11,249)	$ (11,249)	$ —

Notes: Derivative assets and liabilities are presented on a net basis, and the net liability position is enclosed in parentheses.

(i) Methods of calculating the fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable–trade

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Short-term investment securities and Investment securities

(i) Held-to-maturity securities

The fair value approximates the book value as the securities are entirely school bonds and credit risk of the issuers has not changed significantly since the date of acquisition.

(ii) Other securities

The fair value of equity securities is determined based on the prevailing market price. The fair value of bonds is based on the prevailing market price or the price provided by third-party financial institutions. These other securities are described further in Note 6. INVESTMENT SECURITIES.

Liabilities

(1) Notes and accounts payable–trade and (2) Short-term debt

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Current portion of long-term debt and (5) Long-term debt

Fair value of long-term debt with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Fair value of long-term debt with variable interest rates approximates book value as the Company's credit risk has not significantly changed since the date of commencement of the borrowing.

For debt subject to the special treatment of interest-rate swaps (Please see 'Derivatives' below), the total amount of the principal and interest that were accounted for as a single item with the relevant interest-rate swap is discounted with a rate that is assumed to be applied when a new, similar debt is issued.

(4) Bonds

The fair value of bonds payable is based on the value provided by third-party financial institutions.

Derivatives

Derivatives are described further in Note 24. DERIVATIVES.

(ii) Financial instruments for which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Book value	Book value	Book value
Unlisted equity securities	¥1,010	¥ 560	$10,739
Investments in unconsolidated subsidiaries and affiliated companies	3,306	2,819	35,152

Above are not included in '(3)(ii) Other securities' because there is no market value and it is difficult to measure the fair value.

(iii) Redemption schedule for money claims and securities with maturity dates subsequent to the consolidated balance sheet date

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	Within one year	More than one year, within five years	Within one year	More than one year, within five years	Within one year	More than one year, within five years
Cash on hand and in banks	¥ 93,413	¥—	¥ 90,640	¥ —	$ 993,227	$ —
Notes and accounts receivable–trade	194,038	—	174,193	—	2,063,137	—
Short-term investment securities and investment securities						
Held-to-maturity securities	—	10	—	10	—	106
Other securities						
(1) Bonds	9,001	—	7,593	—	95,704	—
(2) Other	111,500	—	133,700	—	1,185,540	—
Total	¥407,952	¥10	¥406,126	¥10	$4,337,608	$106

(iv) Redemption schedule for bonds, long-term debt and other debt subsequent to the consolidated balance sheet date

	Millions of yen								Thousands of U.S. dollars			
	2013				2012				2013			
Fiscal year	Short-term debt	Bonds	Long-term debt	Total	Short-term debt	Bonds	Long-term debt	Total	Short-term debt	Bonds	Long-term debt	Total
2013	¥67,398	¥ —	¥23,990	¥91,389	¥32,913	¥ —	¥11,994	¥44,907	$716,619	$ —	$255,077	$971,707
2014	—	—	27,004	27,004	—	—	23,021	23,021	—	—	287,124	287,124
2015	—	20,000	5,000	25,000	—	—	27,001	27,001	—	212,653	53,163	265,816
2016	—	20,000	4,000	24,000	—	20,000	5,000	25,000	—	212,653	42,531	255,183
2017	—	10,000	9,000	19,000	—	60,000	4,000	64,000	—	106,326	95,694	202,020
2018 and thereafter	—	20,000	18,501	38,501	—	30,000	14,001	44,001	—	212,653	196,715	409,367

6. Investment Securities

(1) Other Securities with Quoted Market Values

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value									
(1) Shares	¥ 15,259	¥ 9,556	¥5,703	¥ 9,348	¥ 6,357	¥ 2,990	$ 162,243	$ 101,606	$ 60,638
(2) Bonds	6,001	6,000	1	—	—	—	63,806	63,796	11
(3) Other									
(i) Short-term investment securities	—	—	—	—	—	—	—	—	—
(Negotiable deposits)									
(ii) Other	15	10	4	11	10	0	159	106	43
Subtotal	¥ 21,276	¥ 15,566	¥5,709	¥ 9,359	¥ 6,368	¥ 2,991	$ 226,220	$ 165,508	$ 60,702
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value									
(1) Shares	¥ 3,629	¥ 4,572	¥ (942)	¥ 6,319	¥ 7,708	¥(1,389)	$ 38,586	$ 48,612	$(10,016)
(2) Bonds	2,999	3,000	(0)	7,593	7,616	(23)	31,887	31,898	(0)
(3) Other									
(i) Short-term investment securities	111,500	111,500	—	133,700	133,700	—	1,185,540	1,185,540	—
(Negotiable deposits)									
(ii) Other	4	5	(0)	4	5	(0)	43	53	(0)
Subtotal	¥118,134	¥119,077	¥ (943)	¥147,617	¥149,030	¥(1,413)	$1,256,077	$1,266,103	$(10,027)
Total	¥139,411	¥134,644	¥4,766	¥156,977	¥155,399	¥ 1,578	$1,482,307	$1,431,621	$ 50,675

(2) Other Securities Sold during the Years Ended March 31, 2013 and 2012

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss
Shares	¥298	¥55	¥—	¥2	¥2	¥—	$3,169	$585	$ —

(3) Securities for Which Loss on Impairment is Recognized

The Companies have recognized loss on impairment for securities of ¥2 million ($21 thousand) and ¥2,700 million for the years ended March 31, 2013 and 2012, respectively.

For securities with quoted market values, if the market value has declined by more than 50% from the acquisition cost at the end of the period, or if the market value has declined by more than 30% but not more than 50% from the acquisition cost at the end of the period for two years in succession and has declined more than in the preceding year, the Companies record an impairment loss, taking into consideration recoverability and other factors, assuming that the market value has “significantly declined.”

For securities without quoted market values, if the net assets per share have fallen by more than 50% from the acquisition cost, the Companies recognize an impairment loss, assuming that the market value has “significantly declined.”

7. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt is primarily unsecured and generally represents bank overdrafts. The amounts as of March 31, 2013 and 2012 were ¥67,398 million ($716,619 thousand) and ¥32,913 million, respectively, with weighted-average interest rates of approximately 0.8% and 1.2%, respectively.

Long-term debt as of March 31, 2013 and 2012, including the current portion, is as follows:

Bonds

	Millions of yen		Interest rate	Thousands of U.S. dollars
	2013	2012	2013	2013
Zero coupon convertible unsecured bonds due in 2016	¥ —	¥ 40,000	—	$ —
1st Unsecured Bonds due in 2015	20,000	20,000	0.609%	212,653
2nd Unsecured Bonds due in 2017	10,000	10,000	0.956%	106,326
3rd Unsecured Bonds due in 2016	20,000	20,000	0.610%	212,653
4th Unsecured Bonds due in 2018	20,000	20,000	0.902%	212,653
	¥70,000	¥110,000		$744,285
Less—Current portion included in current liabilities	—	—		—
Bonds, less current portion	¥70,000	¥110,000		$744,285

The zero coupon convertible unsecured bonds due in 2016 are bonds with share subscription rights that were issued on December 7, 2006. Details of the share subscription rights are as follows:

	2016 bonds
Class of stock	Common stock
Issue price of shares (Yen)	Zero
Initial conversion prices (Yen/per share)	¥2,383
Total issue price (Millions of yen)	¥40,000
Ratio of granted rights (%)	100%
Period share subscription rights can be exercised	From December 21, 2006 to November 22, 2016

Long-term debt

	Millions of yen		Interest rate	Thousands of U.S. dollars
	2013	2012	2013	2013
Loans principally from banks, due through 2022	¥ 87,498	¥ 85,019		$ 930,335
Less—Current portion included in current liabilities	(23,990)	(11,994)	1.6%	(255,077)
Long-term loans, less current portion	¥ 63,507	¥ 73,025	0.9%	$ 675,247

The aggregate annual maturities of long-term loans at March 31, 2013 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2014	¥27,004	$287,124
2015	5,000	53,163
2016	4,000	42,531
2017	9,000	95,694
2018 and thereafter	18,501	196,715

Lease obligations

Lease obligations are included in other liabilities.

	Millions of yen		Interest rate*	Thousands of U.S. dollars
	2013	2012	2013	2013
Lease obligations, due through 2026	¥ 5,340	¥ 4,756	—	$ 56,778
Less—Current portion included in current liabilities	(1,609)	(1,417)	—	(17,108)
Lease obligations, less current portion	¥ 3,730	¥ 3,338	—	$ 39,660

* Since the book value of lease obligations includes the equivalent of interest payable, interest rates of lease obligations are not represented in the table above.

The aggregate annual maturities of long-term lease obligations at March 31, 2013 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2014	¥1,393	$14,811
2015	1,503	15,981
2016	497	5,284
2017	185	1,967
2018 and thereafter	149	1,584

8. Income Taxes

The income taxes of the Company and its domestic consolidated subsidiaries comprise corporate income taxes, local inhabitants' taxes and enterprise taxes.

The reconciliation of the Japanese statutory income tax rate to the effective income tax rate for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Statutory income tax rate	38.0%	40.7%
Decrease in valuation allowance	(5.4)	(23.1)
Tax credits for research and development costs and others	(0.8)	—
Non-taxable income	(0.9)	(0.3)
Difference in statutory tax rates of foreign subsidiaries	(2.4)	(7.9)
Expenses not deductible for tax purposes	2.7	2.1
Amortization of goodwill	11.2	10.8
Retained earnings of overseas subsidiaries	2.7	(7.1)
Ineffective portion of unrealized gain/loss	3.3	0.4
Effect of liquidation of consolidated subsidiaries	—	14.6
Expiration of net loss carried forward	7.4	0.6
Effects of changes in corporate tax rates	—	10.1
Other, net	(0.6)	(3.3)
Effective income tax rate per consolidated statements of income	55.2%	37.6%

At March 31, 2013 and 2012, the significant components of deferred tax assets and liabilities in the consolidated financial statements are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Net operating tax loss carried forward	¥ 50,283	¥ 49,046	$ 534,641
Accrued retirement benefits	22,099	22,348	234,971
Depreciation and amortization	4,323	3,928	45,965
Write-down of assets	3,460	3,177	36,789
Accrued bonuses	3,405	3,614	36,204
Elimination of unrealized intercompany profits	3,009	3,018	31,994
Tax effects related to investments	1,866	1,905	19,841
Accrued enterprise taxes	975	778	10,367
Allowance for doubtful accounts	966	992	10,271
Other	10,687	8,483	113,631
Gross deferred tax assets	101,077	97,292	1,074,716
Valuation allowance	(37,682)	(31,036)	(400,659)
Total deferred tax assets	¥ 63,395	¥ 66,255	$ 674,056
Deferred tax liabilities:			
Retained earnings of overseas subsidiaries	(3,226)	(2,316)	(34,301)
Intangible assets recognized in business combinations	(2,859)	—	(30,399)
Gains on securities contributed to employees' retirement benefit trust	(2,083)	(2,134)	(22,148)
Unrealized gains on securities	(1,413)	(381)	(15,024)
Special tax-purpose reserve for condensed booking of fixed assets	(15)	(27)	(159)
Other	(3,948)	(3,741)	(41,978)
Total deferred tax liabilities	¥ (13,546)	¥ (8,601)	$ (144,030)
Net deferred tax assets	¥ 49,849	¥ 57,654	$ 530,027
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (3,269)	¥ (3,269)	$ (34,758)

Net deferred tax assets are included in the following items in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets—deferred tax assets	¥20,259	¥20,100	$215,407
Fixed assets—deferred tax assets	33,000	38,281	350,877
Current liabilities—other current liabilities	(711)	(606)	(7,560)
Long-term liabilities—other long-term liabilities	(2,699)	(120)	(28,698)
Net deferred tax assets	¥49,849	¥57,654	$530,027

9. Acquisitions

Charterhouse PM Limited

In December 2012, the Companies acquired a 100% stake of Charterhouse PM Limited (Charterhouse), a leading European marketing services production company, through Konica Minolta Business Solutions Europe GmbH, a wholly owned subsidiary of the Company. The acquisition provides the Companies with know-how in marketing and consulting for document management, as well as Charterhouse's European sales network. The Companies aim to strengthen their marketing capabilities to offer practical solutions to customers' challenges and expand new services. The Companies have recognized the acquisition cost of ¥3,959 million ($42,095 thousand). The results of Charterhouse for the period from December 1, 2012 to March 31, 2013, are recognized in the consolidated financial statements.

The Companies have recognized goodwill of ¥4,878 million ($51,866 thousand), which is amortized on a straight-line basis over its estimated useful life (14 years). The amounts recognized in the consolidated financial statements are provisional based on information currently available to the Companies and certain assumptions that the Companies consider to be reasonable, because the purchase price allocation is incomplete.

(1) Assets acquired and liabilities assumed at the date of business combination

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Current assets	¥ 3,635	$ 38,650
Long-term assets	3,013	32,036
Total assets	¥ 6,649	$ 70,696
Current liabilities	¥(6,891)	$(73,270)
Long-term liabilities	(676)	(7,188)
Total liabilities	¥(7,567)	$(80,457)

(2) Amounts and amortization period of major items allocated to intangibles recognized separately from goodwill

Major items allocated to intangibles recognized separately from goodwill	Amounts: Millions of yen	Amounts: Thousands of U.S. dollars	Amortization period weighted average
	2013	2013	
Customer-related assets	¥2,819	$29,973	11 years
Total intangible assets	¥2,819	$29,973	11 years

(3) Allocation of acquisition costs

Allocation of acquisition costs was not completed since the assessment of identifiable assets and liabilities was not finished at the end of the fiscal year.

(4) Approximate effects on the consolidated statements of income for the year ended March 31, 2013 assuming that the business combination was completed on April 1, 2012.

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Net sales	¥8,603	$91,473
Operating profit	(239)	(2,541)
Net income for the year	(444)	(4,721)

Approximate effects correspond to the acquired company's net sales and income/loss recorded on its consolidated statements of income assuming that the business combination was completed April 1, 2012. The amortization cost was calculated based on the assumption that the intangible assets, such as goodwill, had been recognized at the beginning of the fiscal year ended March 31, 2013. These approximate effects have not been audited.

Instrument Systems GmbH

In November 2012, the Companies acquired a 100% stake of Instruments Systems Optische Messtechnik GmbH (Instrument Systems GmbH, IS), a major German lighting measurement equipment manufacturer, through Konica Minolta Optics, Inc. (KMOP), a wholly owned subsidiary of the Company. The acquisition provides KMOP an even broader product line up in the display measurement field, where IS has the top share, and further assists KMOP in maintaining its leading position in comprehensive light source measurement including not only the fast-growing LED light source but also in organic light emitting diode (OLED) lighting with great future growth potential. In addition, the Companies expect to create greater synergies between the light source measurement business and the equipment and component business for next-generation lighting, including OLED. The Companies have recognized the acquisition cost of ¥8,120 million ($86,337 thousand) including acquisition related cost of ¥178 million ($1,893 thousand) in accordance with J-GAAP. The results of IS for the period from December 1, 2012 to March 31, 2013 are recognized in the consolidated financial statements.

The Companies have recognized goodwill of ¥4,415 million ($46,943 thousand), which is amortized on a straight-line basis over its estimated useful life (12 years).

(1) Assets acquired and liabilities assumed at the date of business combination

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Current assets	¥ 2,329	$ 24,763
Long-term assets	3,710	39,447
Total assets	¥ 6,040	$ 64,221
Current liabilities	¥(1,153)	$(12,259)
Long-term liabilities	(1,182)	(12,568)
Total liabilities	¥(2,335)	$(24,827)

(2) Contents of the contingent consideration stipulated in the business combination contract and its accounting treatment in the fiscal year ended March 31, 2013 and thereafter

As stipulated in the business combination contract, an additional payment shall be made if the performance of the merged company meets the agreed target in the future. If this target is met, the acquisition cost and goodwill and its amortization amount will be amended based on the assumption that this additional payment had been made at the business combination date.

(3) Amounts and amortization period of major items allocated to intangibles recognized separately from goodwill

Major items allocated to intangibles recognized separately from goodwill	Amounts: Millions of yen	Amounts: Thousands of U.S. dollars	Amortization period weighted average
	2013	2013	
Technology-based assets	¥2,950	$31,366	7 years
Customer-based assets	631	6,709	4 years
Total intangible assets	¥3,582	$38,086	6 years

(4) Approximate effects on the consolidated statements of income for the year ended March 31, 2013 assuming that the business combination was completed on April 1, 2012

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Net sales	¥4,536	$48,230
Operating profit	1,647	17,512
Net income for the year	1,024	10,888

Approximate effects correspond to the acquired company's net sales and income/loss recorded on its consolidated statements of income assuming that the business combination was completed April 1, 2012. The amortization cost was calculated based on the assumption that the intangible assets, such as goodwill, had been recognized at the beginning of the fiscal year ended March 31, 2012. These approximate effects have not been audited.

10. Net Assets

The Japanese Corporate Law became effective on May 1, 2006, replacing the Commercial Code. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Japanese Corporate Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. No further appropriations are required when the total amount of the additional paid-in capital and the legal earnings reserve equals 25% of their respective stated capital. The Japanese Corporate Law also provides that additional paid-in capital and legal earnings reserve are available for appropriations by the resolution of the Board of Directors.

Cash dividends and appropriations to the additional paid-in capital or the legal earnings reserve charged to retained earnings for the years ended March 31, 2013 and 2012 represent dividends paid out during those years and the related appropriations to the additional paid-in capital or the legal earnings reserve.

Retained earnings at March 31, 2013 do not reflect current year-end dividends in the amount of ¥3,977 million ($42,286 thousand) approved by the Board of Directors, which was already paid in May 2013.

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the Company's nonconsolidated books of account in accordance with accounting principles generally accepted in Japan.

On October 31, 2012, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2012, totaling ¥3,977 million ($42,286 thousand), at a rate of ¥7.5 per share. On May 10, 2013, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2013, totaling ¥3,977 million ($42,286 thousand), at a rate of ¥7.5 per share.

11. Inventories

Inventories as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished goods	¥ 82,788	¥ 71,211	$ 880,255
Work in process	10,610	13,482	112,812
Raw materials and supplies	19,080	20,386	202,871
Total	¥112,479	¥105,080	$1,195,949

12. Contingent Liabilities

The Companies were contingently liable at March 31, 2013 for debt and lease guarantees of ¥456 million ($4,848 thousand) and at March 31, 2012 for debt and lease guarantees of ¥652 million.

13. Collateral Assets

Assets pledged as collateral at March 31, 2013 for short-term debt of ¥31 million ($330 thousand) are accounts receivable–trade and lease investment assets of ¥31 million ($330 thousand). Assets pledged as collateral at March 31, 2012 for short-term debt of ¥54 million are accounts receivable–trade and lease investment assets of ¥54 million.

14. Cost of Sales

The Companies have recognized valuation losses associated with the writing down of inventories of ¥979 million ($10,409 thousand) and ¥1,511 million for the years ended March 31, 2013 and 2012, respectively, due to the decline in profitability. These losses are included within the cost of sales.

15. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are ¥71,533 million ($760,585 thousand) and ¥72,530 million, respectively.

16. Other Extraordinary Gain of Overseas Subsidiaries

Other extraordinary gain of overseas subsidiaries represents the reduction in refund obligation, etc. in accordance with U.S. state laws for the U.S. subsidiary.

17. Loss on Impairment of Fixed Assets

The Companies have recognized loss on impairment of ¥2,902 million ($30,856 thousand) and ¥893 million for the following groups of assets for the years ended March 31, 2013 and 2012, respectively:

		Amount		
		Millions of yen		Thousands of U.S. dollars
Description	Classification	2013	2012	2013
Manufacturing equipment of glass pickup lenses	Machinery and equipment, Tools and furniture, Others	¥ 365	¥ —	$ 3,881
Manufacturing equipment of radiographic films	Machinery and equipment, Construction in progress, Others	1,058	—	11,249
Rental assets	Rental business-use assets	44	88	468
Idle assets	Machinery and equipment, Others	1,399	614	14,875
Others	—	34	190	362
Total		¥2,902	¥893	$30,856

(1) Cash-generating units have been identified based on product lines and geographical areas as a group of assets. For rental assets, cash-generating units are identified based on rental contracts and each geographical area. Each idle asset is also identified as a cash-generating unit.

(2) Fixed assets have been written down to the recoverable amount and the corresponding impairment losses have been recognized due to discontinuation of production of glass pickup lenses and radiographic films, and the poor performance and profitability of rental and idle assets. In addition, the revaluation of the other assets category has contributed to the write down amount.

(3) Details of impairment of fixed assets

Details of impairment of fixed assets as of March 31, 2013 are as follows:

Machinery and equipment ¥2,626 million ($27,921 thousand), Tools and furniture ¥125 million ($1,329 thousand), Construction in progress ¥48 million ($510 thousand), Others ¥101 million ($1,074 thousand).

Details of impairment of fixed assets as of March 31, 2012 are as follows:

Buildings and structures ¥254 million, Machinery and equipment ¥346 million, Rental business-use assets ¥88 million, Others ¥203 million.

(4) Measurement of recoverable amount

The recoverable amount of a cash-generating unit is the fair value less costs to sell. The fair value is supported by an appraisal report for land and buildings and structures, or a management estimate for rental business-use assets.

18. Business Structure Improvement Expenses

Business structure improvement expenses refer to expenses associated with the discontinuation of production and sale of lenses and prisms using glass molds in the Industrial Business.

19. Group Restructuring Expenses

Group restructuring expenses refer to expenses associated with the reorganization of the Group's management system conducted on April 1, 2013.

20. Other Comprehensive Income

Recycling and Tax Effect Relating to Other Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains (losses) on securities			
Increase (decrease) during the year	¥ 3,241	¥ (247)	$ 34,460
Reclassification adjustments	(53)	1,104	(564)
Sub-total, before tax	3,188	856	33,897
Tax (expense) or benefit	(1,031)	(140)	(10,962)
Sub-total, net of tax	2,156	716	22,924
Unrealized losses on hedging derivatives			
Increase (decrease) during the year	(1,297)	161	(13,791)
Reclassification adjustments	1,683	(369)	17,895
Sub-total, before tax	385	(207)	4,094
Tax (expense) or benefit	(155)	74	(1,648)
Sub-total, net of tax	230	(133)	2,446
Foreign currency translation adjustments			
Increase (decrease) during the year	21,939	(2,381)	233,270
Reclassification adjustments	—	(3,730)	—
Sub-total	21,939	(6,112)	233,270
Share of other comprehensive income of associates accounted for using the equity method			
Increase (decrease) during the year	13	(12)	138
Total other comprehensive income	¥24,340	¥(5,541)	$258,799

21. Pension Liabilities Adjustment of Overseas Subsidiaries

The pension liabilities adjustment of overseas subsidiaries results from the accounting treatment of retirement benefits that affect a certain consolidated subsidiary in the United States.

22. Lease Transactions

Proforma information on the Company and its domestic consolidated subsidiaries' finance lease transactions (except for those which are deemed to transfer ownership of the leased assets to the lessee) and operating lease transactions is as follows:

As Lessee

(1) Finance Leases (not involving transfer of ownership commencing on or before March 31, 2008)

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Purchase cost:			
Buildings and structures	¥ 5,690	¥ 6,485	$ 60,500
Machinery and equipment	24	112	255
Tools and furniture	236	560	2,509
	5,951	7,157	63,275
Less: Accumulated depreciation	(5,341)	(6,304)	(56,789)
Loss on impairment of leased assets	(0)	(0)	(0)
Net book value	¥ 609	¥ 852	$ 6,475

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥166	¥243	$1,765
Due over one year	443	610	4,710
Total	¥610	¥853	$6,486

Lease rental expenses and depreciation equivalents under the finance leases that are accounted for in the same manner as operating leases for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease rental expenses for the period	¥238	¥438	$2,531
Depreciation equivalents	238	438	2,531

Depreciation equivalents are calculated based on the straight-line method over the lease terms of the leased assets.

Accumulated loss on impairment of leased assets as of March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Reserve for loss	¥0	¥0	$0

2) Operating Leases

The scheduled maturities of future rental payments of operating noncancelable leases as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 6,051	¥ 4,439	$ 64,338
Due over one year	15,545	11,314	165,284
Total	¥21,597	¥15,753	$229,633

As Lessor

Operating Leases

The scheduled maturities of future rental incomes of operating noncancelable leases as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥2,092	¥1,616	$22,243
Due over one year	2,832	2,322	30,112
Total	¥4,924	¥3,938	$52,355

23. Retirement Benefit Plans

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans, tax-qualified pension plans and lump-sum payment plans. In addition, the Companies have defined contributory pension plans. Certain overseas consolidated subsidiaries have defined benefit retirement plans and defined contribution retirement plans. The Companies may pay additional retirement benefits to employees at their discretion.

Additionally, the Company and certain domestic consolidated subsidiaries contribute to retirement benefit trusts.

The reserve for retirement benefits as of March 31, 2013 and 2012 is calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
a. Retirement benefit obligations	¥(168,817)	¥(151,396)	$(1,794,971)
b. Plan assets	109,085	97,614	1,159,862
c. Unfunded retirement benefit obligations (a+b)	(59,731)	(53,781)	(635,098)
d. Unrecognized actuarial differences	18,214	12,681	193,663
e. Unrecognized prior service costs	(987)	(2,203)	(10,494)
f. Net amount on consolidated balance sheets (c+d+e)	(42,504)	(43,303)	(451,930)
g. Prepaid pension costs	1,249	1,242	13,280
h. Accrued retirement benefits (f-g)	¥ (43,754)	¥ (44,545)	$ (465,221)

Note: Certain subsidiaries use a simplified method for the calculation of benefit obligation.

Net retirement benefit costs for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
a. Service costs	¥ 4,597	¥ 4,973	$ 48,878
b. Interest costs	3,885	3,981	41,308
c. Expected return on plan assets	(2,196)	(2,084)	(23,349)
d. Amortization of actuarial differences	1,739	2,089	18,490
e. Amortization of prior service costs	(1,234)	(1,222)	(13,121)
f. Retirement benefit costs (a+b+c+d+e)	6,793	7,738	72,228
g. Gain/loss on changing to the defined contribution pension plan	0	—	0
h. Contributions to defined contribution pension plans	3,492	3,278	37,129
Total (f+g+h)	¥10,285	¥11,017	$109,357

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in 'a. Service costs.'

Assumptions used in the calculation of the above information for the main schemes of the Company and its domestic consolidated subsidiaries are as follows:

	2013	2012
Method of attributing retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
Discount rate	Mainly 1.7%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Amortization of unrecognized prior service costs	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years

24. Derivatives

The Companies utilize derivative instruments, including foreign currency exchange forward contracts, currency options, currency swaps, and interest rate swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rates and interest rates. Additionally, the Companies have a policy of limiting the activity of such transactions to only hedge identified exposures and not to hold transactions for speculative or trading purposes.

Risks associated with derivative transactions

Although the Companies are exposed to credit-related risks and risks associated with the changes in interest rates and foreign exchange rates, such derivative instruments are limited to hedging purposes only and the risks associated with these transactions are limited. All derivative contracts entered into by the Companies are with selected major financial institutions based upon their credit ratings and other factors. Such credit-related risks are not anticipated to have a significant impact on the Companies' results.

Risk control system for derivative transactions

In order to manage market and credit risks, the Finance Division of the Company is responsible for setting or managing the position limits and credit limits under the Company's internal policies for derivative instruments. Resources are assigned to each function, including transaction execution, administration, and risk management, independently, in order to clarify the responsibility and the role of each function.

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, a Committee that consists of management from the Company and its major subsidiaries meets regularly to discuss the principal policies on foreign currency exchange instruments and to reaffirm and reassess other derivative instruments and market risks. All derivative instruments are reported monthly to the respective responsible officer. Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules. Derivative instruments are approved by the respective president or equivalent of each subsidiary.

Interest rate swap contracts and currency swap contracts are approved by the Finance Manager of the Company and the President or equivalent of other subsidiaries, respectively.

A summary of derivative instruments at March 31, 2013 and 2012 is as follows:

Derivative transactions to which hedge accounting is not applied

Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	¥ 5,246	¥ (65)	¥ (65)	¥ 7,817	¥ (273)	¥ (273)	¥ 55,779	$ (691)	$ (691)
EURO	14,369	(939)	(939)	18,989	(1,247)	(1,247)	152,780	(9,984)	(9,984)
Other	3,617	(85)	(85)	3,310	(128)	(128)	38,458	(904)	(904)
To buy foreign currencies:									
US$	109	(1)	(1)	—	—	—	1,159	(11)	(11)
EURO	473	1	1	1,302	(26)	(26)	5,029	11	11
Other	—	—	—	707	11	11	—	—	—
Total	¥23,815	¥(1,090)	¥(1,090)	¥32,127	¥(1,664)	¥(1,664)	$253,216	$(11,590)	$(11,590)
Currency Swaps:									
Pay JPY, receive US$	¥ 1,896	¥ 14	¥ 14	¥ —	¥ —	¥ —	$ 20,159	$ 149	$ 149
Total	¥ 1,896	¥ 14	¥ 14	¥ —	¥ —	¥ —	$ 20,159	$ 149	$ 149

Note: Fair value of foreign currency forward exchange contracts is calculated based on the foreign currency forward exchange rates prevailing as of March 31, 2013 and 2012, respectively.

Derivative transactions to which hedge accounting is applied

(1) Currency-Related Derivatives

Method of hedge accounting: Forecast transactions such as forward exchange contracts

Type of derivatives transactions	Major hedged items	Millions of yen 2013 Contract value (notional principal amount)	Millions of yen 2013 Fair value	Millions of yen 2012 Contract value (notional principal amount)	Millions of yen 2012 Fair value	Thousands of U.S. dollars 2013 Contract value (notional principal amount)	Thousands of U.S. dollars 2013 Fair value
Forward foreign currency exchange contracts:							
To sell foreign currencies:							
EURO	Accounts receivable–trade	¥5,789	¥103	¥20,565	¥(378)	$61,552	$1,095
Total		¥5,789	¥103	¥20,565	¥(378)	$61,552	$1,095
Currency option transactions:							
To sell foreign currencies (Call):							
EURO	Accounts receivable–trade	¥ —	¥ —	¥ 2,200	¥ 2	$ —	$ —
To buy foreign currencies (Put):							
EURO	Accounts receivable–trade	—	—	2,200	8	—	—
Total		¥ —	¥ —	¥ 4,400	¥ 10	$ —	$ —
Currency swaps:							
Pay US$, receive JPY	Long-term debt	¥4,450	¥ (61)	¥ —	¥ —	$47,315	$ (649)
Total		¥4,450	¥ (61)	¥ —	¥ —	$47,315	$ (649)

Notes: 1. Fair value is calculated based on the currency forward exchange rates prevailing as of March 31, 2013.
Fair value of currency options is provided by the financial institutions with whom the derivative contracts were entered into and agreed.
2. We do not pay / receive option premium in currency option transactions because of zero cost option.
3. Fair value of currency swaps is provided by the financial institutions with whom the derivative contracts were entered into and agreed.

(2) Interest Rate-Related Derivatives

Method of hedge accounting: Special treatment of interest rate swaps

Type of derivatives transactions	Major hedged items	Millions of yen 2013 Contract value (notional principal amount)	Millions of yen 2013 Fair value	Millions of yen 2012 Contract value (notional principal amount)	Millions of yen 2012 Fair value	Thousands of U.S. dollars 2013 Contract value (notional principal amount)	Thousands of U.S. dollars 2013 Fair value
Interest rate swaps:							
Pay fixed, receive floating	Long-term debt	¥ 3,000	¥(23)	¥23,000	(*)	$ 31,898	$(245)
Pay fixed, receive floating	Short-term debt and Current portion of long-term debt	¥28,608	(*)	¥ —	¥ —	$304,179	(*)

(*) As interest rate swaps used to hedge long-term debt, short-term debt and current portion of long-term debt are subject to special accounting treatment under accounting principles generally accepted in Japan, their fair values are included as a single line item with the hedged underlying liability, long-term debt, short-term debt, current portion of long-term debt and are not included in the above information.

25. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2013.

Position and number of grantees	Directors and Executive Officers: 26
Class and number of stock	Common Stock: 194,500
Date of issue	August 23, 2005
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 23, 2005 to June 30, 2006
Period stock options can be exercised	From August 23, 2005 to June 30, 2025

Position and number of grantees	Directors and Executive Officers: 23
Class and number of stock	Common Stock: 105,500
Date of issue	September 1, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From September 1, 2006 to June 30, 2007
Period stock options can be exercised	From September 2, 2006 to June 30, 2026

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 113,000
Date of issue	August 22, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 22, 2007 to June 30, 2008
Period stock options can be exercised	From August 23, 2007 to June 30, 2027

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 128,000
Date of issue	August 18, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 18, 2008 to June 30, 2009
Period stock options can be exercised	From August 19, 2008 to June 30, 2028

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 199,500
Date of issue	August 19, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 19, 2009 to June 30, 2010
Period stock options can be exercised	From August 20, 2009 to June 30, 2029

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 188,000
Date of issue	August 27, 2010
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 27, 2010 to June 30, 2011
Period stock options can be exercised	From August 28, 2010 to June 30, 2030

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 239,500
Date of issue	August 23, 2011
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 23, 2011 to June 30, 2012
Period stock options can be exercised	From August 24, 2011 to June 30, 2031

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 285,500
Date of issue	August 22, 2012
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 22, 2012 to June 30, 2013
Period stock options can be exercised	From August 23, 2012 to June 30, 2032

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2013 and 2012.

	Number of Shares
Stock options outstanding at March 31, 2011	746,500
Granted	239,500
Exercised	68,000
Forfeited	2,000
Stock options outstanding at March 31, 2012	916,000
Granted	285,500
Exercised	47,500
Forfeited	6,000
Stock options outstanding at March 31, 2013	1,148,000

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2013.

Per unit information	Exercised	Outstanding at March 31, 2013
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	651	—
Fair value per unit (as of grant date)	1,242	750

26. Investment and Rental Property

(1) Conditions and Fair Values of Investment and Rental Property

The Companies have office buildings for rent and idle assets, etc., in Japan and overseas.

The book value on the consolidated balance sheet, the changes and the fair value as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Book value			
Balance at the beginning	**¥4,486**	¥3,560	**$47,698**
Increase (Decrease)–net	**(558)**	926	**(5,933)**
Balance at the end	**¥3,928**	¥4,486	**$41,765**
Fair value at the end	**¥4,457**	¥5,042	**$47,390**

Notes: 1. Book value is calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost.
2. Fair value is recorded as follows:
(1) Fair value of major domestic properties has been calculated by the Companies based on a method similar to the Real-estate Appraisal Standards.
Latest appraisal reports are utilized, or in the case where there are no significant changes in the index reflected fair value, prior period reports may be used.
Fair value of other domestic properties has been calculated based on certain appraisal or criteria, which appears to best reflect the fair value of the property.
(2) Fair value of overseas properties has been primarily calculated by local real-estate appraisers.

(2) Income and Expenses on Investment and Rental Property

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income	**¥161**	¥184	**$1,712**
Expenses	**89**	92	**946**
Difference	**72**	92	**766**
Other losses on sales, etc.	**(94)**	(164)	**(999)**

27. Segment Information

Information and Measurement of Segments

(1) Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has business companies for different products and services within Japan. Each business company creates a comprehensive domestic and overseas strategy for their products and services, and conducts its business activities accordingly.

As such, the Company is comprised of three segments for different products and services with a business company at the center of each. The three reportable segments are: Business Technologies, Industrial and Healthcare.

Business Technologies manufactures and sells MFPs, printers, and equipment for production printing systems and graphic arts, and provides related solution services. The Industrial Business manufactures and sells electronic materials (TAC films, etc.), performance materials, optical products (pickup lenses, etc.), and measuring instruments for industrial and healthcare applications. The Healthcare Business manufactures and sells consumables and equipment for healthcare systems.

Upon reorganization of the Group during the fiscal year ended March 31, 2013, the reportable segments were changed from the Business Technologies Business, Optics Business, and Healthcare Business to the Business Technologies Business, Industrial Business and Healthcare Business beginning from the first quarter of the fiscal year ended March 31, 2013. The Optics business included the manufacturing and sale of optical products (pickup lenses, etc.) and electronic materials (TAC films, etc.) while the Industrial Business includes the manufacturing and sale of electronic materials (TAC films, etc.), performance materials, optical products (pickup lenses, etc.) and measuring instruments for industrial and healthcare applications. Meanwhile the main products and types of services both in Business Technologies Business and Healthcare Business were not changed. Segment information for the previous fiscal year in accordance with the revised reportable segments is not disclosed except for external sales, amortization of goodwill and investments in equity method affiliates because it is not practicable to accurately calculate cost of sales, selling, general and administrative expenses, assets and liabilities retroactively. Also, segment information for the fiscal year ended March 31, 2013 in accordance with the reportable segments used for the previous fiscal year is not disclosed because it is not practicable to obtain the necessary information and it is not reported to management in consideration of the usefulness of the information. If we prepared segment information for the previous year in accordance with the revised reportable segments, external sales are ¥135,117 million in the Industrial Business and ¥12,139 million in Other. Also, amortization of goodwill is ¥492 million in the Industrial Business and ¥0 in Other, and unamortized goodwill is ¥5,032 million in the Industrial Business and ¥0 in Other. In addition, investments in equity method affiliates is ¥0 in the Industrial Business.

<Change in depreciation method>

Beginning the fiscal year ended March 31, 2013, with the revision of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate property, plant and equipment acquired on or after April 1, 2012 under the revised Corporation Tax Law. Because of the change, segment profit for the fiscal year increased ¥112 million in the Business Technologies Business, ¥386 million in the Industrial Business, ¥31 million in the Healthcare Business and ¥116 million in Other compared to the amounts calculated under the previous method.

(2) Methods of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

Accounting methods for reportable segments are the same as the accounting methods described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Profit by reportable segment is operating income. Intersegment net sales are based on market values.

(3) Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Segment information of the Companies for the years ended March 31, 2013 and 2012 is presented as follows:

	Millions of yen							
2013	Business Technologies	Industrial	Healthcare	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Total amounts in consolidated financial statements
Net sales								
External	¥581,639	¥146,792	¥72,753	¥801,184	¥11,889	¥813,073	¥ —	¥813,073
Intersegment	1,936	2,436	2,652	7,026	52,303	59,330	(59,330)	—
Total	583,576	149,229	75,406	808,211	64,192	872,404	(59,330)	813,073
Segment profit	31,658	23,667	3,348	58,675	4,475	63,151	(22,491)	40,659
Segment assets	465,389	150,007	66,081	681,479	51,590	733,069	207,484	940,553
Segment liabilities	239,068	83,172	41,933	364,174	22,275	386,449	87,688	474,136
Other items								
Depreciation and amortization	¥ 23,650	¥ 13,933	¥ 2,453	¥ 40,037	¥ 1,873	¥ 41,910	¥ 4,088	¥ 45,999
Amortization of goodwill	9,281	582	—	9,863	—	9,863	—	9,863
Investments in affiliated companies	3	—	499	503	—	503	990	1,494
Increases in property, plant and equipment and intangible fixed assets	22,017	9,465	1,570	33,053	2,401	35,454	2,989	38,444

Notes: 1. 'Other' consists of business segments not included in reporting segments such as Sensing Business and Industrial Inkjet Business.
2. Adjustments are as follows:
(1) Adjustments of segment profit represent the elimination of intersegment transactions and expenses relating to the corporate division of the Company, which totaled ¥(6,091) million and ¥(16,400) million, respectively. Corporate expenses are primarily general administration expenses and R&D expenses that can not be allocated to any reportable segment.
(2) Adjustments of segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥(63,201) million and ¥270,685 million, respectively. Corporate assets are primarily surplus funds of the holding company (cash on hand and in banks and short-term investment securities), long-term investment funds (investment securities), and assets owned by the holding company that can not be allocated to any reportable segment.
(3) Adjustments of segment liabilities represent the elimination of intersegment liabilities and liabilities relating to the corporate division of the Company, which totaled ¥(32,960) million and ¥120,648 million, respectively. Corporate liabilities are primarily interest-bearing debts (loans payable and bonds payable), and liabilities owned by the holding company that can not be allocated to any reportable segment.
(4) Adjustments of depreciation and amortization primarily represent depreciation of buildings of the holding company.
(5) Adjustments of investments in affiliated companies primarily represent investments by the holding company in equity method affiliates.
(6) Adjustments of increases in property, plant and equipment and intangible fixed assets primarily represent capital expenditure on buildings in relation to the holding company.

2012	Millions of yen Business Technologies	Optics	Healthcare (Note 2)	Subtotal	Other (Note 1)	Total	Adjustments	Total amounts in consolidated financial statements
Net sales								
External	¥547,576	¥124,313	¥73,046	¥744,936	¥22,943	¥767,879	¥ —	¥767,879
Intersegment	1,853	755	1,930	4,539	48,206	52,745	(52,745)	—
Total	549,430	125,068	74,976	749,475	71,149	820,625	(52,745)	767,879
Segment profit	39,479	14,038	91	53,608	5,554	59,163	(18,817)	40,346
Segment assets	399,754	118,864	65,000	583,620	56,593	640,213	261,839	902,052
Segment liabilities	195,304	66,401	41,020	302,727	25,728	328,455	138,609	467,064
Other items								
Depreciation and amortization	¥ 21,377	¥ 16,657	¥ 3,105	¥ 41,140	¥ 3,846	¥ 44,987	¥ 4,252	¥ 49,239
Amortization of goodwill	8,312	347	—	8,659	145	8,804	—	8,804
Investments in affiliated companies	3	—	734	737	—	737	985	1,722
Increases in property, plant and equipment and intangible fixed assets	17,781	6,606	2,351	26,739	5,946	32,685	1,347	34,033

Notes: 1. 'Other' consists of business segments not included in reporting segments such as Sensing Business and Industrial Inkjet Business.

2. Adjustments are as follows:

(1) Adjustments of segment profit represent the elimination of intersegment transactions and expenses relating to the corporate division of the Company, which totaled ¥(5,311) million and ¥(13,505) million, respectively. Corporate expenses are primarily general administration expenses and R&D expenses that can not be allocated to any reportable segment.

(2) Adjustments of segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥(48,363) million and ¥310,202 million, respectively. Corporate assets are primarily surplus funds of the holding company (cash on hand and in banks and short-term investment securities), long-term investment funds (investment securities), and assets owned by the holding company that can not be allocated to any reportable segment.

(3) Adjustments of segment liabilities represent the elimination of intersegment liabilities and liabilities relating to the corporate division of the Company, which totaled ¥(27,425) million and ¥166,034 million, respectively. Corporate liabilities are primarily interest-bearing debts (loans payable and bonds payable), and liabilities owned by the holding company that can not be allocated to any reportable segment.

(4) Adjustments of depreciation and amortization primarily represent depreciation of buildings of the holding company.

(5) Adjustments of investments in affiliated companies primarily represent investments by the holding company in equity method affiliates.

(6) Adjustments of increases in property, plant and equipment and intangible fixed assets primarily represent capital expenditure on buildings in relation to the holding company.

2013	Thousands of U.S. dollars Business Technologies	Industrial	Healthcare	Subtotal	Other	Total	Adjustment	Total amounts in consolidated financial statements
Net sales								
External	$6,184,359	$1,560,787	$773,557	$8,518,703	$126,411	$8,645,114	$ —	$ 8,645,114
Intersegment	20,585	25,901	28,198	74,705	556,119	630,835	(630,835)	—
Total	6,204,955	1,586,699	801,765	8,593,418	682,531	9,275,960	(630,835)	8,645,114
Segment profit	336,608	251,643	35,598	623,870	47,581	671,462	(239,139)	432,313
Segment assets	4,948,315	1,594,971	702,616	7,245,922	548,538	7,794,460	2,206,103	10,000,564
Segment liabilities	2,541,925	884,338	445,859	3,872,132	236,842	4,108,974	932,355	5,041,318
Other items								
Depreciation and amortization	$ 251,462	$ 148,145	$ 26,082	$ 425,699	$ 19,915	$ 445,614	$ 43,466	$ 489,091
Amortization of goodwill	98,682	6,188	—	104,870	—	104,870	—	104,870
Investments in affiliated companies	32	—	5,306	5,348	—	5,348	10,526	15,885
Increases in property, plant and equipment and intangible fixed assets	234,099	100,638	16,693	351,441	25,529	376,970	31,781	408,761

Related Information

(1) Information by product and service

Since the segments of products and services are the same as the reportable segments, information by product and service is omitted.

(2) Information by geographical area

Information by geographical area for the year ended March 31, 2013 and 2012 is presented as follows:

i) ***Net sales***

	Millions of yen					
2013	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	¥226,227	¥165,755	¥224,817	¥132,678	¥63,596	¥813,073

Note: Sales are divided into countries and regions based on the locations of customers.

	Millions of yen					
2012	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	¥214,776	¥149,540	¥211,272	¥129,531	¥62,757	¥767,879

Note: Sales are divided into countries and regions based on the locations of customers.

	Thousands of U.S. dollars					
2013	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	$2,405,391	$1,762,414	$2,390,399	$1,410,718	$676,194	$8,645,114

ii) ***Property, plant and equipment***

	Millions of yen				
2013	Japan	China	Malaysia	Other	Total
Property, plant and equipment	¥115,569	¥19,286	¥16,708	¥28,340	¥179,903

	Millions of yen				
2012	Japan	China	Malaysia	Other	Total
Property, plant and equipment	¥121,757	¥18,013	¥17,767	¥21,460	¥178,999

	Thousands of U.S. dollars				
2013	Japan	China	Malaysia	Other	Total
Property, plant and equipment	$1,228,804	$205,061	$177,650	$301,329	$1,912,844

(3) Information by major customer

Since there are no sales to customers that account for 10% or more of the net sales on the consolidated statements of income, information by major customer is omitted.

Information on Impairment Losses of Fixed Assets by Reportable Segment

Information on impairment losses of fixed assets for the year ended March 31, 2013 and 2012 is presented as follows:

	Millions of yen						
2013	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Loss on impairment of fixed assets	¥90	¥1,752	¥1,058	¥2,902	¥—	—	¥2,902

	Millions of yen						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Loss on impairment of fixed assets	¥227	¥603	¥—	¥830	¥—	¥62	¥893

Note: Eliminations and Corporate of impairment losses of fixed assets is impairment losses of fixed assets owned by the holding company.

	Thousands of U.S. dollars						
2013	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Loss on impairment of fixed assets	$957	$18,628	$—	$30,856	$—	—	$30,856

Information on Amortization of Goodwill and Balance of Goodwill by Reportable Segment

Information on amortization of goodwill and balance of goodwill for the years ended March 31, 2013 and 2012 is presented as follows:

	Millions of yen						
2013	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	¥ 9,281	¥ 582	¥—	¥ 9,863	¥—	¥—	¥ 9,863
Balance of goodwill	59,863	9,601	—	69,465	—	—	69,465

Note: 'Other' consists of business segments not included in reporting segments such as Sensing Business.

	Millions of yen						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	¥ 8,312	¥ 347	¥—	¥ 8,659	¥ 145	¥—	¥ 8,804
Balance of goodwill	54,694	3,355	—	58,050	1,677	—	59,727

Note: 'Other' consists of business segments not included in reporting segments such as Sensing Business.

	Thousands of U.S. dollars						
2013	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	$ 98,682	$ 6,188	$—	$104,870	$—	$—	$104,870
Balance of goodwill	636,502	102,084	—	738,596	—	—	738,596

Information on Gain on Negative Goodwill by Reportable Segments

None.

28. Net Income per Share

Calculations of net income per share for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net income:			
Income attributable to common shares	¥15,124	¥20,424	$160,808
Income available to common stockholders	15,124	20,424	160,808

	Thousands of shares	
	2013	2012
Weighted average number of common shares outstanding:		
Basic	530,292	530,254
Diluted	542,904	547,896

	Yen		U.S. dollars
	2013	2012	2013
Net income per common share:			
Basic	¥28.52	¥38.52	$0.30
Diluted	27.86	37.28	0.30

Note: Possible share dilution stems from stock options and convertible bonds, which are euro yen zero-coupon convertible bonds due in 2016. A total of ¥39,950 million and ¥50 million worth of such bonds were redeemed prior to maturity on December 7, 2012 and January 31, 2013, respectively.

29. Significant Subsequent Events

(Reorganization in the Group's management system)

Konica Minolta Holdings, Inc. absorbed seven group companies, including Konica Minolta Business Technologies, Inc. on April 1, 2013.

(1) Purpose of Business Combination

This reorganization of the Group's management system will further speed up various initiatives to increase corporate value and is designed to achieve "innovative management capabilities in the Business Technologies Business," "strategic and agile utilization of management resources," and "systems to support efficient operation."

(2) Legal Form of the Business Combination

(i) Method of absorption-type merger

An absorption-type merger was conducted with the Company as the surviving entity and the seven group companies were terminated.

(ii) Contents of allocations and contracts related to the absorption-type merger

Because the seven Group companies are the Company's wholly owned subsidiaries, no issuance of new shares, capital increases, or delivery of money resulted from the merger.

(3) Overview of Merging Companies (Non-consolidated, Fiscal year ended March 31, 2013)

i) Trade name	Konica Minolta Business Technologies, Inc.
ii) Description of business	Manufacturing and sale of multi-functional peripherals (MFP), printers, and equipment for production printing systems and graphic arts, and providing related solution services
iii) Capital	¥400 million
iv) Net assets	¥140,744 million
v) Total assets	¥203,548 million

i) Trade name	Konica Minolta Advanced Layers, Inc. (Former trade name: Konica Minolta Opto, Inc.) (The trade name was changed on April 1, 2012.)
ii) Description of business	Manufacturing and sale of electronic materials (TAC films, etc.), lighting source panels, and performance materials (including heat insulating films) (On April 1, 2012, its optical products (including pickup lenses) business was split and transferred to Konica Minolta Optics, Inc.)
iii) Capital	¥400 million
iv) Net assets	¥37,922 million
v) Total assets	¥62,257 million

i) Trade name	Konica Minolta Optics, Inc. (Former trade name: Konica Minolta Sensing, Inc.) (The trade name was changed on April 1, 2012.)
ii) Description of business	Manufacturing and sale of optical products (including pickup lenses) and measuring instruments for industrial and healthcare applications (On April 1, 2012, optical products (including pickup lenses) was transferred from Konica Minolta Opto., Inc.)
iii) Capital	¥400 million
iv) Net assets	¥11,207 million
v) Total assets	¥51,430 million

i) Trade name	Konica Minolta Medical & Graphic, Inc.
ii) Description of business	Manufacturing and sale of consumables and equipment for healthcare systems
iii) Capital	¥400 million
iv) Net assets	¥21,726 million
v) Total assets	¥47,653 million

i) Trade name	Konica Minolta IJ Technologies, Inc.
ii) Description of business	Manufacturing and sale of inkjet printheads, inks and textile printers for industrial use
iii) Capital	¥10 million
iv) Net assets	¥5,582 million
v) Total assets	¥9,329 million

i) Trade name	Konica Minolta Technology Center, Inc.
ii) Description of business	R&D, customized product design, and management of intellectual property assets
iii) Capital	¥50 million
iv) Net assets	¥2,895 million
v) Total assets	¥9,161 million

i) Trade name	Konica Minolta Business Expert, Inc.
ii) Description of business	Provision of various shared services for the Group in the fields of engineering, logistics, environment, safety and others
iii) Capital	¥495 million
iv) Net assets	¥6,683 million
v) Total assets	¥9,498 million

(4) Status after the Merger

(i) Trade name

Konica Minolta, Inc.

(ii) Location of head office

2-7-2, Marunouchi, Chiyoda-ku, Tokyo

(iii) Title and name of representative

Masatoshi Matsuzaki, President and CEO

(iv) Description of business

- Development, manufacture, and sales of products including MFPs, printers, equipment for production printing systems, equipment for healthcare systems, measuring instruments for industrial and healthcare applications, inkjet printheads and textile printers for industrial use, and providing related consumables and solution services, etc.
- Development, manufacture, and sales of electronic materials (TAC films, etc.), lighting source panels, functional films (thermal heat insulating films, etc.), and optical products (lens units, etc.)

(v) Capital

¥37,519 million

(5) Outline of Accounting Treatment

Accounting treatment is applied as transactions under common control based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

Independent Auditor's Report

Independent Auditor's Report

To the Shareholders and Board of Directors of
Konica Minolta, Inc.:

We have audited the accompanying consolidated financial statements of Konica Minolta, Inc. (formerly Konica Minolta Holdings, Inc.) and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta, Inc. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience of the reader. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

August 8, 2013
Tokyo, Japan

KONICA MINOLTA

KONICA MINOLTA, INC.
JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku,
Tokyo 100-7015, Japan
Tel (81) 3-6250-2111
http://konicaminolta.com