KONICA MINOLTA

KONICA MINOLTA, INC.

Annual Report 2014

The New Medium Term Business Plan

TRANSFORM 2016

Summary PDF

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Giving Shape to Ideas

Management's Message

I'm Shoei Yamana, President and CEO of Konica Minolta, leading our 40,000 worldwide employees forward as of April 2014.

Fiscal 2013 (April 1, 2013–March 31, 2014) marked the conclusion of our Medium Term Business Plan, GPLAN 2013. During the year, the entire Konica Minolta Group advanced its "Genre-top" strategy, working together to achieve sustainable growth. We achieved major increases in both sales and profit, with consolidated sales of ¥943.7 billion, up 16.1% year on year, and operating income of ¥58.1 billion, up 43.0%. In addition to the gradually improving global economy, the Group benefited from the effects of the persistently weak yen, increased sales of main products in our mainstay Business Technologies Business, and acquisitions.

Society today is changing faster than even before. Once upon a time, making good products was enough to ensure sales. Those days are gone. These days, only companies that work with customers to solve problems while contributing to society and the health of the environment will be able to grow sustainably.

My goal over the next three years is to shift the Company to a totally customer-centric style of business. We will use our excellent relationships with customers around the world to create new value and evolve our Genre-top strategy.

To achieve this business overhaul, we launched the new Medium Term Business Plan TRANSFORM 2016 in April 2014. Under this plan, we will strengthen service and solution proposal capabilities, seek out ways to create higher added value in our businesses while honing development and manufacturing, and support and nurture our human resources.

We will put our full strength into to building a company that is stronger and more flexible.

In leading the management at Konica Minolta, I regard the fiscal 2016 goals as a commitment. I'm completely determined to reach them. Thank you for your ongoing support and confidence.

August 2014
Shoei Yamana
President and CEO
Konica Minolta, Inc.

TRANSFORM 2016

Medium Term Business Strategy

The New Medium Term Business Plan TRANSFORM 2016

The reorganization of the Konica Minolta Group's administrative structure in April 2013 has paved the way to a greater combination of strengths throughout a more united Group. In order to maximize results with this new structure, we will fuse our products, technologies and core competencies across a wide range of fields under the new Medium Term Management Plan TRANSFORM 2016, launched in April 2014. We will work to thoroughly understand our customers' various businesses, and provide them with higher added value. By thus contributing to innovation throughout society, the environment and our customer's value chains, we will generate sustainable growth.

Q1 Could you give us an overview of the fiscal 2013 results?

A As economic conditions took a favorable turn, Konica Minolta achieved an increase in sales, driven by our mainstay Business Technologies Business. Other factors contributing to this increase included the effects of foreign exchange rates, reflecting the persistently weak yen; sales growth of mainstay products; improved product mix due to an increased share of high-end models; and acquisitions. In terms of operating income, profit in the Industrial Business fell, due in part to decreased sales of TAC films. In the Business Technologies Business, however, profit jumped significantly on the back of a sales expansion that lifted gross profit, the effect of foreign exchange rates, and the full year impact of measures to reduce production costs.

Net income grew, due in part to tax effects related to the revision of deferred tax assets in line with reorganization of the Group's administrative structure implemented in April 2013. This growth was achieved despite the posting of impairment loss associated with the withdrawal from the business of glass substrates for HDDs[1] and the termination of the Group's production of film for use in healthcare in order to create a stronger corporate structure.

Furthermore, in January 2014, to increase corporate value, the Company decided to repurchase up to 20 million of its own shares, with an upper limit of ¥20.0 billion, and executed this purchase of treasury stock between January 31 and April 14, 2014.

1. HDD (Hard Disk Drive): A fixed magnetic disk unit

Net sales ¥943.7 billion (up 16%)

Increased sales in the Business Technologies Business drove an overall sales increase.

Operating income ¥58.1 billion (up 43%)

Operating income in the Business Technologies Business doubled compared with the previous fiscal year, more than compensating for the drop in income in the Industrial Business. The Healthcare Business also contributed to the growth in income.

Net income ¥21.8 billion (up 44%)

Although we recorded costs associated with structural changes aimed at reinforcing our business structure, net income increased year on year due in part to tax effects related to the revision of deferred tax assets.

Q2 Tell us about the new Medium Term Business Plan TRANSFORM 2016.

A The new Medium Term Business Plan TRANSFORM 2016 describes what we want the Company to look like in five years, after completing the transformation to a customer-centric way of business, and lays out a path through fiscal 2016 (the year ending March 31, 2017) aimed at achieving that goal.

Under our management philosophy, "The Creation of New Value," we seek deep customer insight to locate and understand the hurdles they face and to work together with customers to overcome these hurdles, creating higher added value.

As for where we want to be in five years, the plan outlines the two goals of creating a vertical service business that provides comprehensive solutions (devices and services) from the customer's perspective as well as a functional materials business that offers materials that only Konica Minolta can provide by leveraging our proprietary materials technologies.

TRANSFORM 2016 sets out three basic policies.

Realize sustainable profit growth

Evolve the Genre-top strategy and create value.

Business Technologies Business (Office Field)	Business Technologies Business (Production Print Field)
Office Services Business Field	**Commercial and Industrial Printing Business Field**

Industrial Business	Healthcare Business
Optical Systems for Industrial Use Business Field **Performance Materials Business Field**	**Healthcare Business**

* Field name has been changed as of the year ending March 31, 2015. Details of this change can be found at the bottom of this page.

The New Medium Term Business Plan TRANSFORM 2016

Transform into a customer-centric company

Have customer insight and understand their needs. All actions and business processes of Konica Minolta should be based on pursuing customer value.

Customer: Printing | General office | Medical | Manufacturing industry | . . .

Customer-oriented, KM depth

Local company
- Evolve from a sales company into a locally-operating company
- Possess a strong direct sales system with direct sales ability (team selling) and field engineers who know the customer well
- Carry out consulting related to a customer's business, implementation/management of business reform

Business Innovation Centers in 5 regions worldwide
- Develop business in conjunction with the customer and in accord with market and customer characteristics

Business partner, academic-industrial alliance
- Alliances with promising partners, open innovation and speedy ability to take action

One Konica Minolta (secure business opportunities unique to KM)
- Combine capabilities as One KM and expand added value and strengths in accord with shared foundations and businesses

Establish a strong corporate structure

Build a strong corporate structure by pursuing sturdy production operations and restructuring of corporate administration.

Manufacturing reform
- Maximize profitability by product by introducing PLM
- Reduce production costs

Target
Consolidated gross margin ratio 50% or more
+2% over FY13

SG&A expenses structure reform
- Increase efficiency of business SG&A expenses
- Corporate reform ➡ Reduce ¥5.0 billion

Target
Consolidated SG&A expense ratio 40% or less
(2%) over FY13

Changes to Business Division Titles

As of the start of this Medium Term Business Plan, the names of some divisions have been revised to reflect the coming transformation in business content.

Fiscal 2013 Reporting	Medium Term Business Plan TRANSFORM 2016
Business Technologies Business	**Business Technologies Business**
Office Field	Office Services Business Field
Production Print Field	Commercial and Industrial Printing Business Field
Industrial Business	**Industrial Business**
Sensing Field	Optical Systems for Industrial Use Business Field
Optical Products Field	Optical Systems for Industrial Use Business Field
Display Materials Field	Performance Materials Business Field
Healthcare Business	**Healthcare Business**

Management Targets for the New Medium Term Business Plan

Q3 What are your management targets for the new Medium Term Business Plan?

A Management targets for the end of the plan

TRANSFORM 2016 describes where we want to be in 2018, five years from now. The plan lays out initiatives over the next three years and targets for 2016, the final year of the plan, as stepping stones toward achieving our goals for 2018. Specifically, our management targets for fiscal 2016 (on an IFRS basis) are sales of ¥1.1 trillion or more, operating income of ¥90 billion, and an operating income ratio of 8% or more. We are also aiming to increase capital efficiency by slimming down the balance sheet and reinforcing shareholder returns, and we seek to increase ROE to 10% or more.

	FY2013 results	FY2016 targets (on an IFRS basis)
Net sales	¥943.7 billion	¥1.1 trillion or more
Operating income	¥58.1 billion	¥90.0 billion
Operating income ratio	6.2%	8% or more
ROE	4.6%	10% or more
Assumed FOREX	U.S. dollar = ¥100 euro = ¥134	U.S. dollar = ¥100 euro = ¥135

* Assumed foreign exchange rates for the duration of the plan (fiscal 2014–fiscal 2016) are: U.S. dollar = ¥100, euro = ¥135.
* The Company will begin applying International Financial Reporting Standards (IFRS) with the Securities Report for fiscal 2014 (the year ending March 31, 2015).

Management targets by segment

We will evolve the format of each business, shifting our focus from providing products to a service and solution business that helps customers overcome challenges. We will establish new genre-top growth fields to expand the scale of our businesses as we shift focus in order to grow profit.

(Billions of yen)

Net sales	FY2013 results	FY2016 targets
Business Technologies Business	**729.8**	**917.0**
Office Services	567.1	680.0
Commercial/Industrial Print	162.8	237.0
Industrial Business	**116.1**	**140.0**
Industrial Optical Systems	58.3	60.0
Performance Materials	57.8	80.0
Healthcare Business	**82.4**	**100.0**
Group Total	**943.7**	**1,100.0**

(Billions of yen)

Operating income (right: operating income ratio)	FY2013 results		FY2016 targets	
Business Technologies Business	**63.9**	8.8%	**90.0**	9.8%
Industrial Business	**15.2**	13.1%	**17.5**	12.5%
Healthcare Business	**4.5**	5.5%	**10.0**	10.0%
Group Total	**58.1**	6.2%	**90.0**	8.2%

Management Targets for the New Medium Term Business Plan

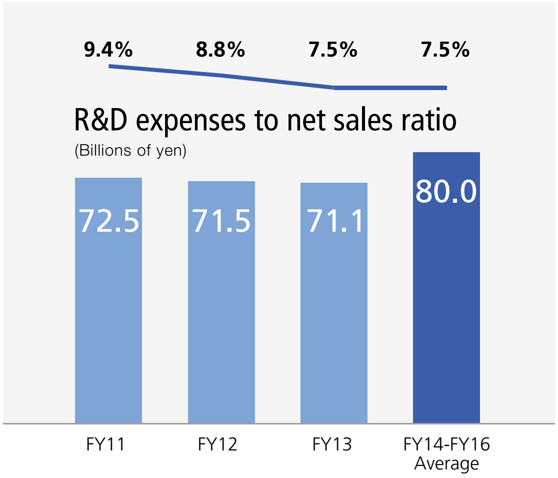
Investment Plan for Achieving TRANSFORM 2016

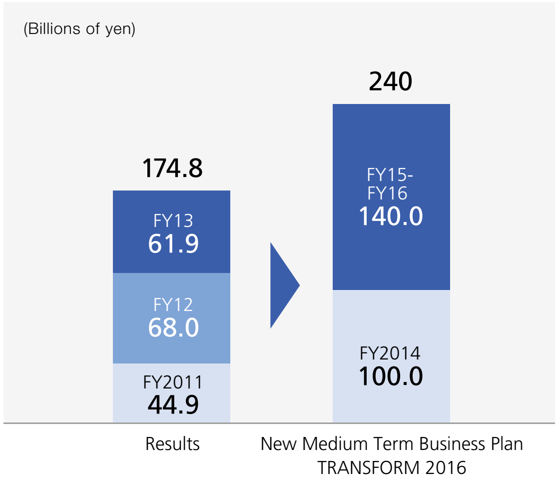
R&D expenses	**¥240 billion** (three-year cumulative total)

•Keeping these expenses at 8% or less of net sales, work to strengthen existing businesses and cultivate new ones

Capital expenditure/ Investment and financing	**¥240 billion** (three-year cumulative total)

•Make priority investments in FY14, produce results by FY16.
•Concentrate investment in growth fields and new business areas to swiftly transform businesses.





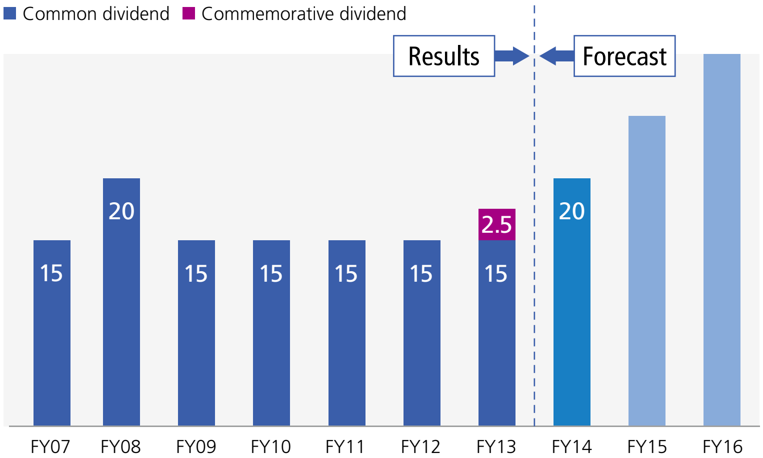
Stance Towards Returns to Shareholders

To reinforce and enhance shareholder returns, Konica Minolta aims to steadily increase dividends and works to actively repurchase treasury stock.

Dividend policy
Aim to increase dividends while working towards the certain attainment of the goals in the new Medium Term Business Plan

Acquisition of treasury stocks
Proper judgments will be made in consideration of factors such as the progress of investment for growth, the free cash flow outlook, and stock prices

Trend of dividends per share

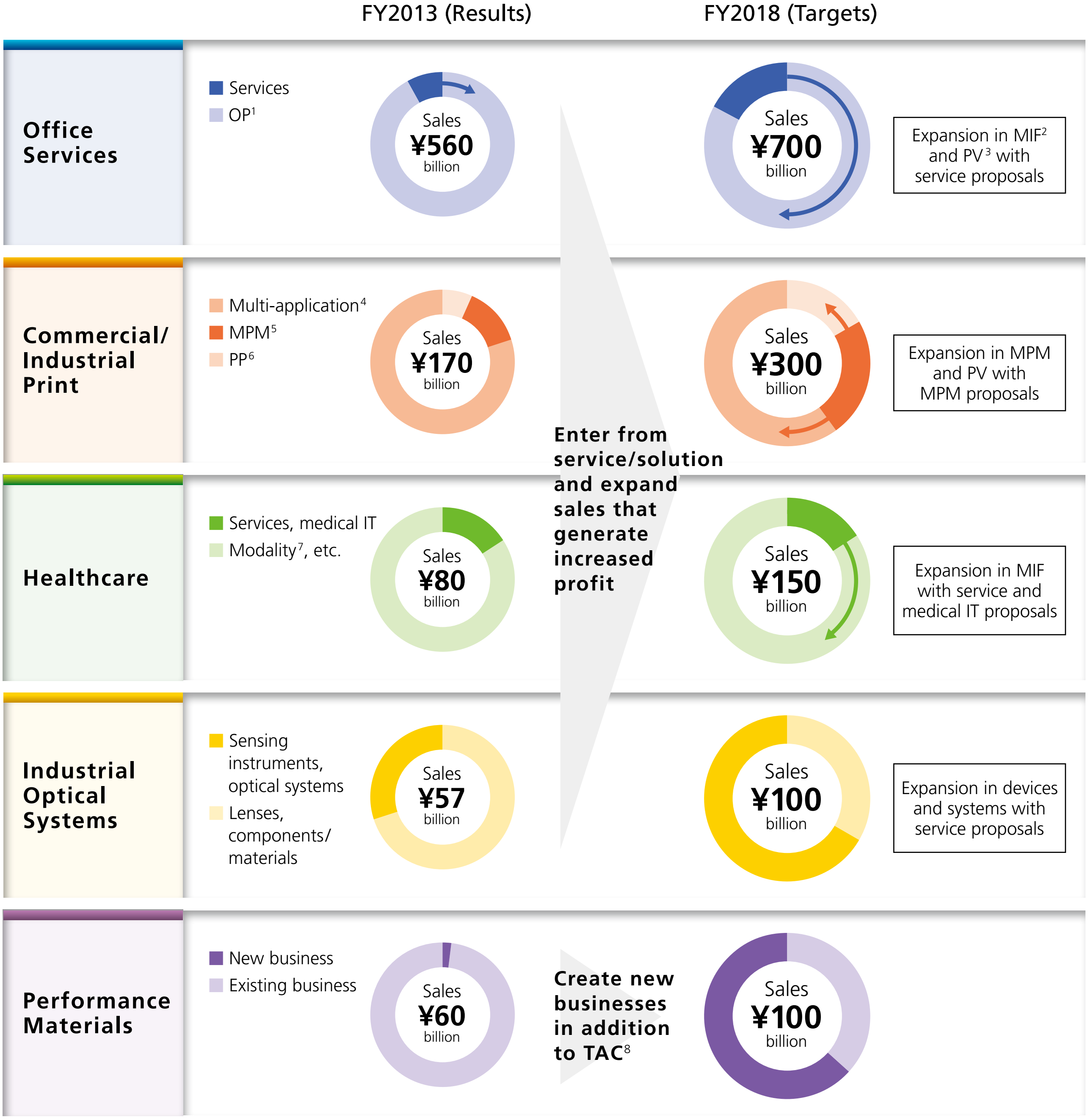


Management Targets for the New Medium Term Business Plan

Management Targets for Fiscal 2018 (IFRS basis)

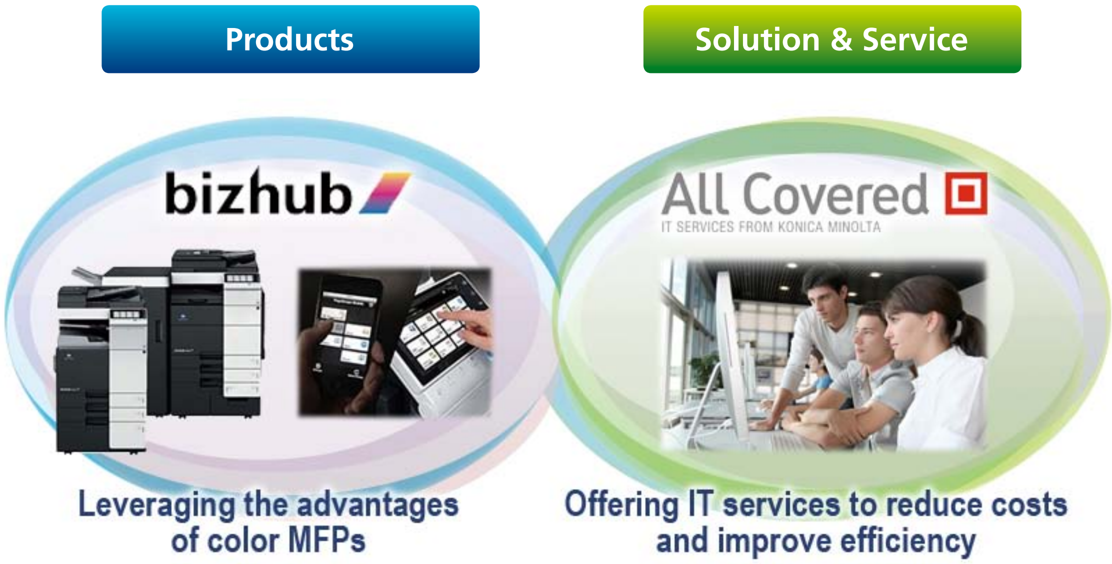
Net sales	Operating income	Operating income ratio
¥1.3 trillion or more	¥130 billion	10%

Business Goals for Fiscal 2018



1. OP: Office product
2. MIF (Machines In the Field): The total number of working units installed in the MFP and production print machine markets
3. PV (Print Volume): The number of sheets output by printers
4. Multi-application: Applications of print technology to media other than paper, such as textiles and labels
5. MPM (Marketing Print Management): Service that offers print solutions optimized for customers' marketing divisions
6. PP: Production print
7. Modality: The various diagnostic equipment used in the practice of medicine. At Konica Minolta, this refers to CR/DR and diagnostic ultrasound systems
8. TAC Film: General term for protective film for polarizers, composed primarily of cellulose acetate

Combining "Genre-Top" MFPs with IT services to form hybrid businesses



In recent years, changes in corporate office environments have often outpaced IT support. Companies routinely adopt new IT systems but inefficiencies soon emerge, creating drag or even hindering operations. Medium-sized companies often feel most pressured. With resources stretched thin, their IT departments are challenged to respond swiftly to worksite queries, and at the same time are expected to take proactive steps to improve efficiency, especially in companies spread over multiple locations.

Help Desk Services Deliver Clear Results: Higher Employee Satisfaction and Advanced Document Environment

Evergreen Packaging prides itself on delivering packaging that is Fresh by Design™. Chances are you've enjoyed fresh juice or milk out of the customized cartons and packaging they design. Headquartered in Memphis, Tennessee, this global leader in fiber-based packaging solutions depends on more than 4,500 employees to deliver solutions ranging from paperboard and barrier technologies to converting, filling equipment, and technical service expertise. In addition to the corporate headquarters, Evergreen Packaging's operations span two paper mills, seven domestic and seven international converting plants (including three joint ventures), and a global filling equipment design and manufacturing business.

Mr. Larry Shutzberg, VP & CIO, Evergreen Packaging

"To provide our customers with the services that they expect, Evergreen Packaging depends on reliable IT technology and support. With numerous IT initiatives underway, however, we really needed to supplement our internal IT department by outsourcing with a professional company to provide end-user help desk services. Previously, it had been a challenge to keep the company's in-house help desk fully staffed and delivering to the target service levels. We had worked with off-shore firms in the past, but our clear preference was to have the help desk located in the U.S."

Evergreen Packaging hired Konica Minolta's All Covered IT Services division to provide help desk services. Evergreen Packaging employees now get their first-line IT support through a dedicated Konica Minolta team that helps them with PC issues, connectivity to business applications, and system access controls. As part of the on-boarding project, Konica Minolta's team built comprehensive documentation on how to respond to each conceivable application and issue. The team now provides services according to a documented set of scripts, addressing the range of standard issues that Evergreen Packaging users encounter. Delivering consistently high first-call resolution has led to higher employee satisfaction and productivity. And one Konica Minolta success has led to another.

Mr. Larry Shutzberg, VP & CIO, Evergreen Packaging

"Because these initiatives went extremely well, we expanded this relationship by outsourcing printing services to Konica Minolta. Evergreen Packaging considered multiple companies for the job, but Konica Minolta's Site Assessment Survey pinpointed issues to be addressed with extreme precision. Konica Minolta's proposal stood out as the best for Evergreen Packaging."

Results

The deployment of more than 160 Konica Minolta MFPs to replace over 600 local print and fax devices generated significant savings for the company. In addition, employees now enjoy the latest in MFP technology. Konica Minolta's Optimized Print Services program is used to manage the entire fleet of MFPs. Overall, the relationship with Konica Minolta has rewarded Evergreen Packaging with expansive benefits for their IT and printing needs.

Based on the success of Konica Minolta's All Covered IT Services, Evergreen Packaging convinced its sister companies across North America (owned by the Rank Group) to replace their internal help desk services so they too could leverage similar benefits. As a result, All Covered now provides help desk services to all six North-America-based Rank Group companies. The relationship has been a successful one and, thanks to internal referrals from Evergreen Packaging, Konica Minolta is providing services to other companies in the holding group.

Mr. Nick Pegley, VP of Marketing, Konica Minolta All Covered Division

"Konica Minolta and All Covered are in the midst of a dramatic transformation. Since the acquisition of All Covered at the end of 2010 the division has grown to over 750 employees serving 30 markets across the United States. The synergies between the vertical market coverage, enterprise and global account teams and market coverage model of Konica Minolta have allowed the All Covered business to scale up from it's traditional SMB space to be able to provide unique, integrated hardware, software and service solutions to enterprise accounts such as Evergreen Packaging."

"Moving forward, we are delivering results through a combination of organic growth, acquisition and the expansion of service offerings such as the All Covered Cloud, enhancing our ability to provide services to a wider range of vertical market and enterprise customers. We can see the effects already in the fact that over 60% of Konica Minolta's hardware sales in North America include a combination of services, solutions and hardware."

Mr. Nick Pegley, VP of Marketing, Konica Minolta All Covered Division

"We are proud of what we have accomplished to date, but we are really excited about the future. We have barely begun to leverage the potential of selling IT Services through the Konica Minolta Sales Channels despite having record growth in IT service sales initiated by those channels. We are expanding our vertical market deliverables and coverage. We are collaborating with the Enterprise Content Management team to harmonize product and service offerings. And we will grow our unique offerings such as regulatory compliance support, for community and mid-size banks. But the biggest factor in our success is our intent to understand the customer's point of view and act on it. Our agility as a company, the ability to execute and the innovative, passionate members of our team will ensure our future success."

Standardizing workflows, simplifying administration and reducing costs

To succeed on the global stage, corporations increasingly seek to optimize asset management, ensure transparency, reduce costs and standardize operations. To meet these needs, Konica Minolta offers global Optimized Print Services (OPS), providing uniform services worldwide. In addition to lowering costs, OPS implementation provides a robust IT governance tool for globally dispersed organizations.

Fleet Management Delivers Clear Results: Enhancing Performance while Cutting Costs

Lufthansa Technik (LHT) is a leading independent provider of maintenance, repair, overhaul and modification services for civil aviation. Customers include major airlines from around the world, so there's a good chance you've flown on an aircraft serviced by Lufthansa Technik. With customized maintenance programs and state-of-the-art repair methods, LHT ensures the uninterrupted reliability and availability of its customers' fleets. The 9,000 employees in Hamburg and Frankfurt am Main, Germany, serve about 750 customers worldwide.

Mr. Henning Evers, IT Manager, LHT AG

"We are pleased to announce that this giant project came to success thanks to our close cooperation with Konica Minolta." The project was designed to modernize Lufthansa Technik's entire print output management infrastructure. The scope was expansive. "We wanted to bring transparency and homogeneity to LHT's print environment while integrating and simplifying ordering processes."

"The comprehensive project embraced the office environment of about 9,000 employees, " including about 7,000 workplaces at the two locations in Hamburg and Frankfurt am Main. "We sought to standardize workflows, make administration easier and reduce costs." The results proved in line with LHT's high expectations. "From a financial perspective, the reduction in the number of printing systems has led to significant cost savings. Furthermore, together with Konica Minolta we guarantee safe and undisturbed operation of the entire output infrastructure."

Results

The result of Konica Minolta's input was a standardized infrastructure with less hardware, easier administration through fleet-monitoring and faster service reaction times as well as lower costs.

Before choosing OPS, LHT had 35 different models of output devices from five manufacturers. Today, it uses only four systems from two manufacturers, including the Konica Minolta bizhub C360 and bizhub C552 with identical panels for high usability. LHT employees now also enjoy standardized printer drivers with graphical user interfaces.

The benefits of the new fleet management include a managed infrastructure for service calls, continuous print meter readings for tracking the total number of printouts and delivery of consumables. Logistics services for moving and delivering additional hardware and its installation and configuration were added. On-site Konica Minolta technicians now solve any service and support issues and handle ongoing monitoring, servicing and maintenance of all of the machinery using customized lifecycle management.

Mr. Sönke Söht, Senior Manager Head of Global Major Accounts Business Operations Konica Minolta Business Solutions Europe GmbH

"The LHT project successfully being conducted in both companies´ partnership approach perfectly stands for our Global Major Account approach nowadays. Following Konica Minolta´s our global OPS Concept our first aim has been to recognize and understand LHT´s requirements.

We then carefully but straight out considered our possible solution approach taking into consideration to ensure it would be optimized for the different environments employees use to print. We were aiming to very realistically and practically achieve customer intimacy and satisfaction to LHT´s benefit, smoothening related processes with our view to global application.

We are proud to have established our Global Account Program, supporting our customers to rely not only on consistent and tailored solutions, but as well on consistent account and delivery management throughout the globe. We base this on globally aligned and established GMA processes as well as related technical and organizational infrastructure being managed in the sense of Konica Minoltas "Giving Shape to Ideas" approach, keeping in mind our core values, such as being open and honest as well as innovative in creation of pragmatic solutions. Supporting customers such as LHT will find all our passion as we can realize to create values for business innovation worldwide!"

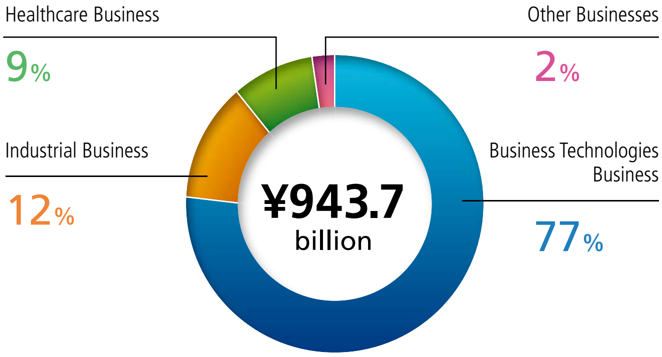
Being organized in global engagement teams our GMA approach follows always the "Think global, act local" approach, focusing to create on local level the global approach - together with the customer - while focusing on global consistency and again local delivery and support in long term partnership!"

Review of Operations / Strategy

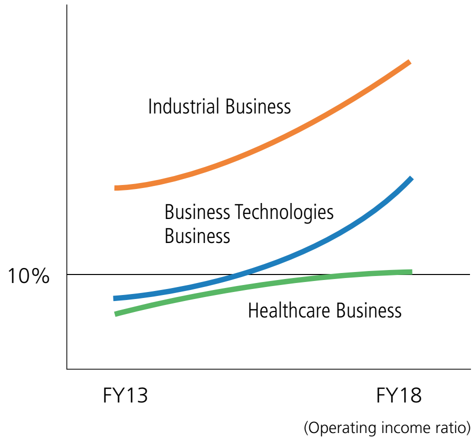
Review of Operations / Strategy

Net sales by segment

Total net sales for the year ending March 31, 2014 **¥943.7** billion



Growth forecast by segment



	Genre-top strategy	Growth strategy
Business Technologies Business (Office Field) The office field provides products and services that help to optimize office environments. These include advanced MFPs, solutions and IT services that meet the needs of the mobile and cloud-computing era, helping to optimize customers' output environments and work efficiency.	Color MFPs: No. 1 or 2 share in 29 countries *1	Expansion in MIF and PV with service proposals
Business Technologies Business (Production Print Field) The production print field brings innovation to printing through existing business domains, such as digital printing equipment and related solutions, as well as marketing print management (MPM) and on-demand output services.	Color digital printing systems:Large global market share *2	Expansion in MIF and PV with MPM proposals
Industrial Business Industrial Business refers to businesses that provide materials and equipment that contribute broadly to the evolution and development of industrial society. Such materials and equipment include high-performance film and other high-performance materials, such optical devices as lenses and camera units, and sensing equipment, such as that used at manufacturing sites.	TAC films: Large global market share *3	Expansion in devices and systems with service proposals Create new businesses in addition to TAC
Healthcare Business The Healthcare Business develops and provides a variety of diagnostic imaging systems that bring innovation to medical diagnosis. The Healthcare business aims to meet the needs of medical facilities, where medical digital networking is advancing, through its medical diagnostic imaging systems.	Cassette-type digital radiography systems: Large market share in Japan *4	Expansion in MIF with service and medical IT proposals

*1. Unit basis, Konica Minolta estimate using external 2012 data
*2. Unit basis, Konica Minolta estimate using external 2013 data
*3. Area basis, Konica Minolta estimate using external 2013 data
*4. Konica Minolta estimate using external materials on units installed at September 2013

1. Fiscal 2013 Results

Business Technologies Business Summary

Net sales to external customers in the Business Technologies Business climbed 26% year on year to ¥729.8 billion and operating income reached ¥63.8 billion, double that of the previous fiscal year. The increase in net sales was attributable to the effect of the steadily weak yen on foreign exchange rates, sales growth of mainstay color units, improved product mix and acquisitions. The considerable jump in segment profit was due to an increase in gross profit resulting from sales expansion, the effect of foreign exchange rates, and the full year impact of measures to reduce production costs. These cost reductions included decreasing fixed costs by promoting production reform and unit procurement in the production division, conducting centralized purchasing of raw materials and digital components, and implementing value engineering.[1]

Profit supported by growth in color units, especially high-end units, and steady increase in OPS[2] customers

Sales volume of A3 multi-functional peripherals (MFPs) grew 4% year on year, within which color MFPs grew 10%. Strong sales of color MFPs continued, with significantly increased sales volumes compared with the previous fiscal year in all regions, including Japan, the United States and Europe. At the same time, the increasing share of high-end models, such as 40 ppm[3] and faster medium- and high-speed devices, which grew 15%, contributed to profit growth. Monochrome equipment was buoyed by new products, and, despite the shrinking market, secured sales for the year on par with those of the previous year.

In OPS, we strengthened our global business structure, further expanded the service menu, and reinforced business-generating and proposal-making capabilities. As a result, the number of OPS customers grew steadily, sales jumped 55% year on year to ¥45.4 billion, and we successfully expanded the operating base of this business.

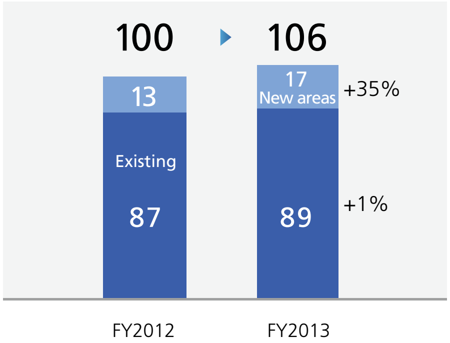
In global major accounts (GMA[4]), we strengthened our abilities to win accounts in the Asia-Pacific region, adding to our strength in Europe, resulting in a 41% year-on-year increase in sales.

Furthermore, we established a hybrid-type sales model for small- and medium-sized companies in Europe and the United States that combines IT business solution services with MFPs and reinforced our proposal capabilities for improving customers' work processes. By doing so, we cultivated new customers, expanded the scale of projects with individual customers and realized higher added value.

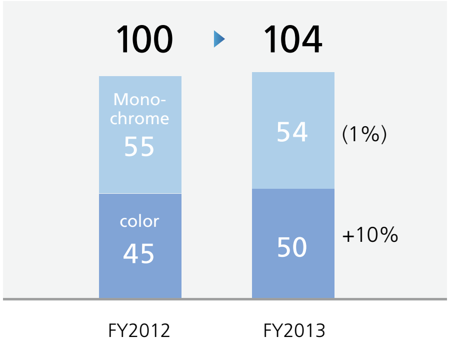
Sales growth by region (excl. currency exchange rate effects)

Japan	U.S.	Europe	China	Overall
+1%	+1%	+7%	+6%	+4%

Non-hardware sales growth
(excl. currency exchange rate effects)



A3 MFP volume sales growth



*Base index: FY2012=100

1. VE (Value Engineering) : A systematic approach to increasing value by understanding the relationship between value, the functions that provide it, and the cost of those functions
2. OPS (Optimized Print Services) : Services that optimize customers' print environment (output and document management environment) to reduce costs and increase efficiency
3. ppm (Pages Per Minute) : The number of pages a device can output in one minute
4. GMA (Global Major Account) : Large, global-scale corporate customers (and our businesses targeting them)

2. Growth Strategy

Office Services Business Field*

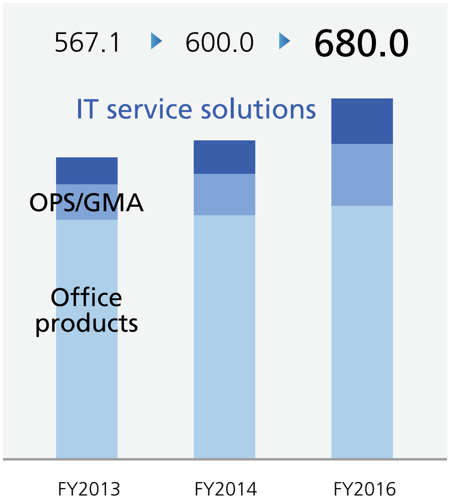
Increase capabilities to provide service and solutions, disruptive expansion of units installed and printing volume

We aim to expand sales and profit by offering more comprehensive services and solutions that better meet customer needs, and by strengthening relationships of trust through the improvement of customers' operating efficiency.

By offering digital workflow services tailored to customers' corporate scale, region, and type of business, we will contribute to their operating efficiency and thus increase the number of our devices installed and print volume. In our global OPS business, we will expand the service menu, promoting a shift toward service businesses in anticipation of the possible future decline in printing volume. We furthermore strengthened sales structures in countries where markets are growing, particularly China, India, ASEAN countries and Brazil.

*Field name has been changed as of the year ending March 31, 2015.

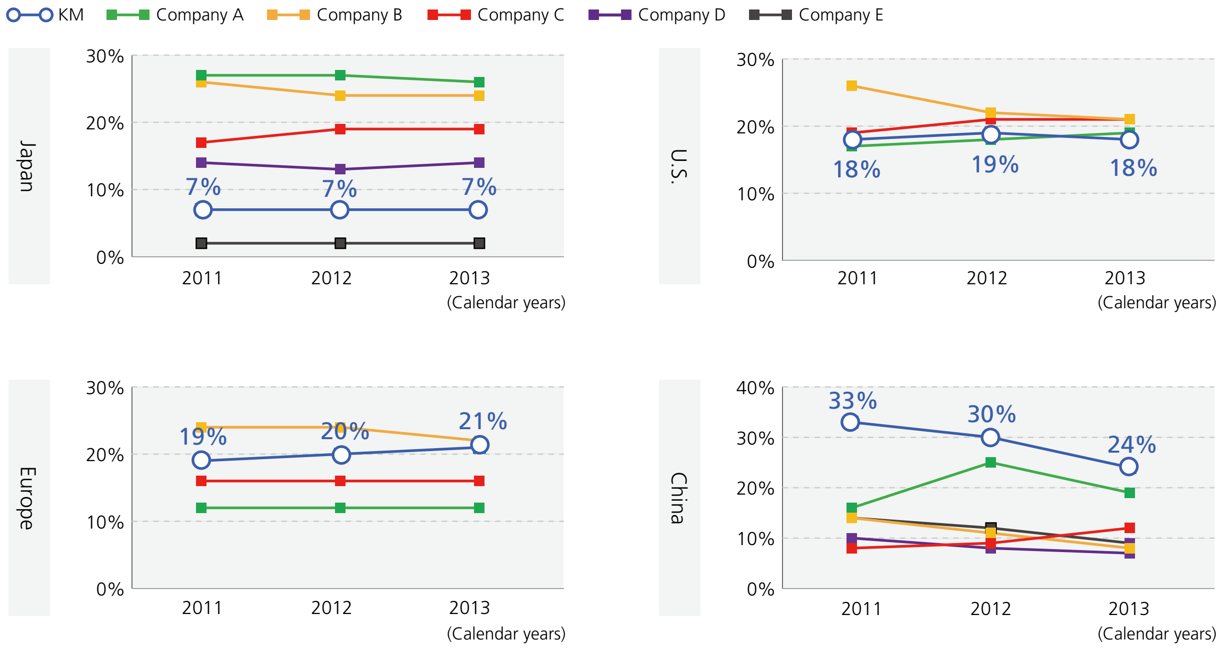
Sales forecast
(Billions of yen)



3. Segment Growth Potential

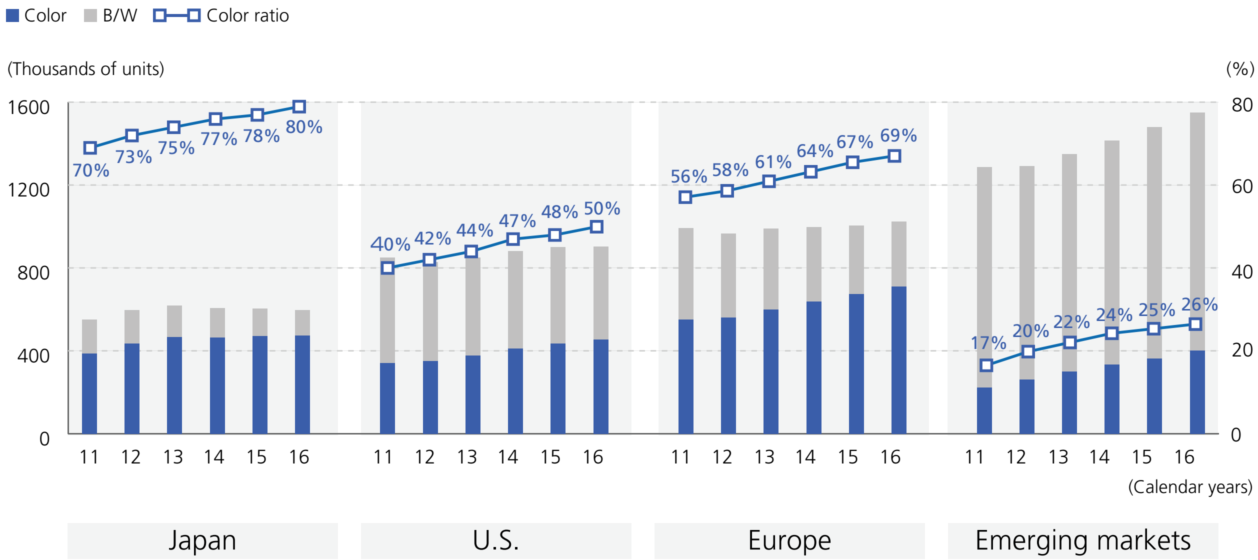
Capture a large share of the market for mainstay A3 office color MFPs[1] in Europe and the United States, where growth is expected

Konica Minolta share of A3 office color MFPs



Source: Konica Minolta estimate

Unit shipment trends and forecasts in the office A3 MFP market



Source: Konica Minolta estimate

1. MFP (Multi-Functional Peripherals): Units that support a wide variety of functions, such as copying, printing, scanning, and facsimile

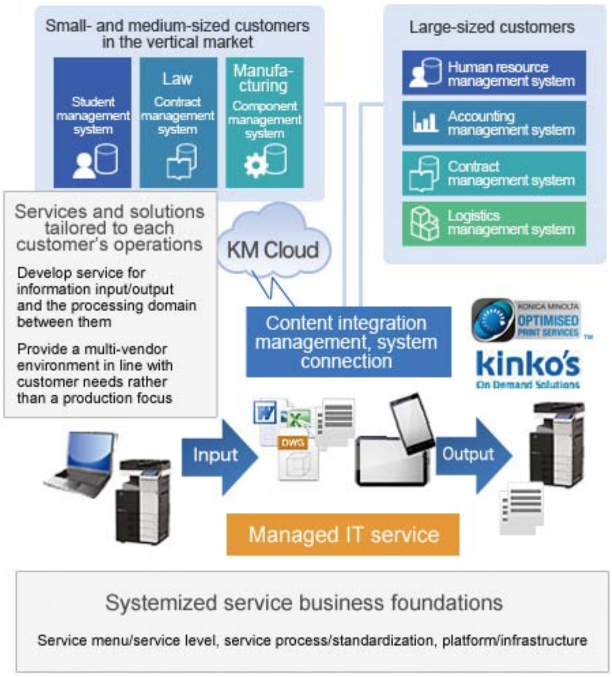
Growth drivers in the Office Services Field

By providing solutions tailored to the individual digital work flows of corporate customers, we aim to increase their operating efficiency and consequently increase the number of our devices installed as well as print volume.

Customers' work flows vary by the type and content of their business, and can be the source of inefficiencies, data leaks or other problems. On top of these, new issues arise with the increased use of smartphones, tablets and other mobile devices. By combining our document solutions, focused mainly on input and output, with the network management and security knowhow of IT service companies acquired in Europe and the United States, we are working to provide solutions, including increasing efficiency, to our customers' problems.

Using our direct sales capabilities in Europe and the United States, we will actively make digital workflow improvement proposals to both existing and new customers. By doing so, we will increase both our number of customers and the number of Konica Minolta units installed at customers' workplaces, expanding our business scale and creating higher added value.

Digital work flow services



1. Fiscal 2013 Results

Providing a wider range of print services through acquired companies Sales growth in both color and monochrome units

Sales volumes of color and monochrome models saw year-on-year growth of 6% and 7%, respectively. Non-hardware[1] sales were supported by emerging signs of a bottoming out in printing demand, and sales in existing businesses grew 9%, while sales in new areas, such as various print-related services, jumped 129%.

The Company also continued initiatives to capture the large-volume printing needs of major corporate customers. In Japan, we developed unique solutions by combining the on-demand output[2] services of Kinko's Japan Co., Ltd., acquired in May 2012, with office unit products and services, strengthening our marketing capabilities targeting large corporations. In Europe, we utilized Charterhouse Print Management Limited, acquired in the previous fiscal year, to offer a wider selection of production and print services for sales promotion materials.

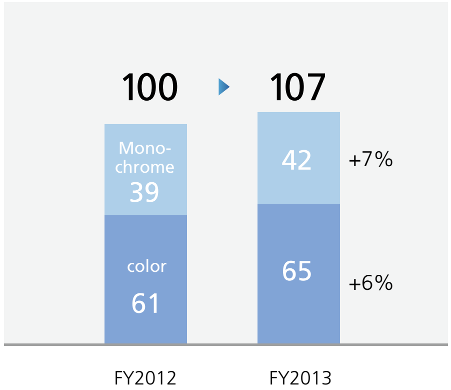
Furthermore, we formed a capital and business alliance with France-based MGI Digital Graphic Technology S.A., which operates a unique business in such growth markets as plastic cards. This alliance is aimed at developing applications for package printing, in addition to paper output in the existing commercial printing market.

Sales growth by region (excl. currency exchange rate effects)

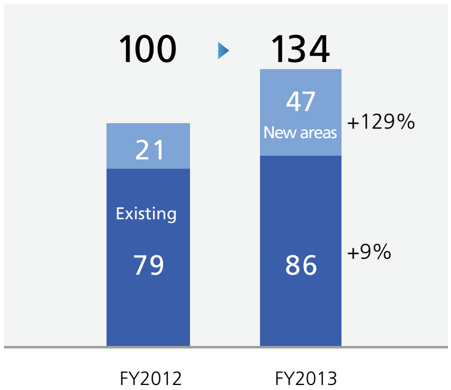
Japan	U.S.	Europe	China	Overall
+12%	+5%	+39%	+25%	+21%

1. Non-hardware : Sources of income other than hardware, such as toner and other consumables or maintenance and other services. Includes IT services and other services in new domains
2. On-demand output : Means of printing or devices emphasizing instantaneousness, aimed at providing printing when needed, in just the amounts needed

Production Print sales



Non-hardware sales growth
(excl. currency exchange rate effects)



*Base index: FY2012=100

2. Growth Strategy

Commercial and Industrial Printing Business Field*

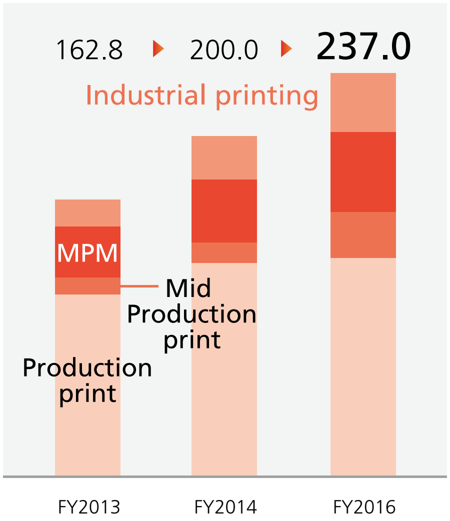
Create a service lineup to meet all kinds of printing needs, increase devices installed and printing volume at printing companies

We aim to increase the number of our products installed and print volume by offering unique print-related services. Our services, including the MPM[1] services of Charterhouse Print Management Limited (headquartered in the UK), acquired in fiscal 2012, and the on-demand output services of FedEx Kinko's Japan Co., Ltd., allow us to respond to the full range of printing needs of large corporations. We will use this advantage to provide optimized digital printing solutions to commercial printing companies. By doing so, we hope to increase both the number of our units installed worldwide and print volume.

We are also working to use our electrophotographic and inkjet technologies to achieve full-fledged business expansion in industrial printing, including textile, label and package printing.

*Field name has been changed as of the year ending March 31, 2015.
1. MPM (Marketing Print Management): Service that offers print solutions optimized for customers' marketing divisions

Sales forecast
(Billions of yen)

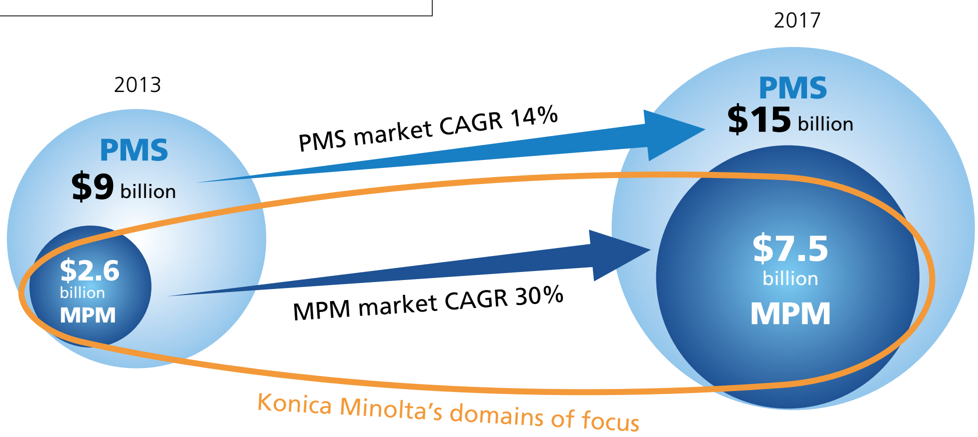


3. Segment Growth Potential

While overall commercial printing is shrinking slightly, digital printing is growing rapidly

PMS[1] and MPM[2] market

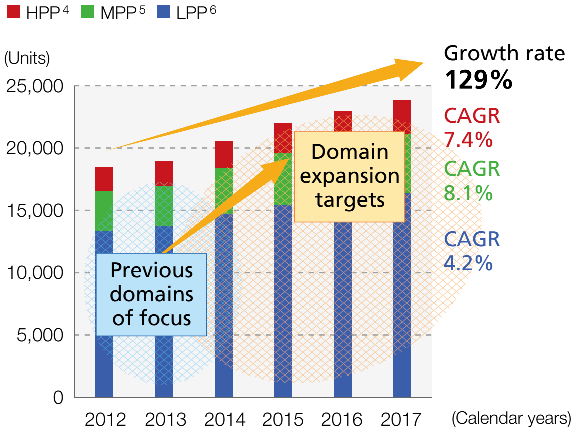
Within the PMS market, where growth is forecast, Konica Minolta is focusing on the MPM market, where particular growth is expected



Source: Konica Minolta estimate

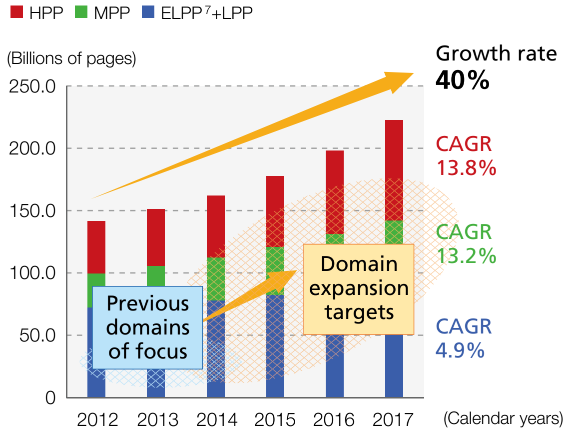
1. PMS (Print Management Service): Service that optimizes print ordering and costs by assessing and clarifying print-related work processes and costs
2. MPM (Marketing Print Management): Service that offers print solutions optimized for customers' marketing divisions

Worldwide color unit sales forecast



Source: Konica Minolta estimate

Worldwide color PV[3] forecast



Source: Konica Minolta estimate

3. PV (Print Volume): The number of sheets output by printers
4. HPP (Heavy Production Printer): High-speed production print machine
5. MPP (Mid Production Printer): Medium-speed production print machine
6. LPP (Light Production Printer): Low speed production print machine
7. ELPP (Entry Light Production Printer): Entry production print machine

Growth drivers in the Commercial/Industrial Print Field

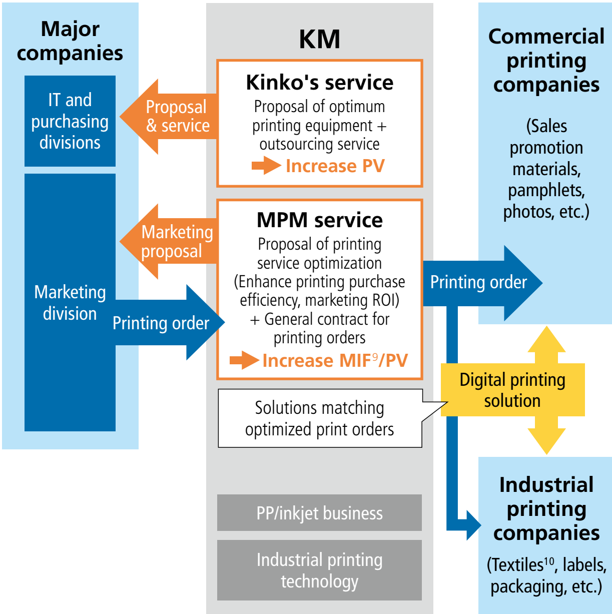
Konica Minolta's production print business has grown up in step with the digitization of commercial printing. However, industry digitization remains at only 10-15%, and there is still ample room for growth.

At the same time, new issues have appeared for companies, who utilize commercial printing services. They are trying to optimize the use of the Internet, social media and other new media in marketing, as they seek the ideal balance with conventional print media spend.

Charterhouse, a European company Konica Minolta acquired in fiscal 2012, has the marketing print management (MPM) service knowhow to solve these kinds of problems. By sharing this knowhow with commercial print customers across the global Group, we will help to generate and expand print demand from large corporations. Increasing demand will generate greater motivation for capital investment in commercial printing, leading to the adoption of the Group's digital printing equipment.

Print demand from some types of businesses fluctuates seasonally. On-demand print[8] services, such as those offered by Kinko's Japan, free companies from the costly need to maintain equipment at levels to meet peak demand. And outsourced printing increases the print volume of our output devices, further contributing to business scale expansion.

Increasing MIF/PV through MPM and the Kinko's Japan business model



8. On-demand print: Means of printing emphasizing instantaneousness, aimed at providing printing when needed, in just the amounts needed
9. MIF (Machines In the Field): The total number of working units installed in the MFP and production print machine markets
10. Textile printing: A method for dying cloth by directly printing pigments onto it

1. Fiscal 2013 Results

While display materials sales fell on reduced sales of TAC films,[1] the continued effect of acquisitions led to considerable sales growth in measuring instruments

Sales in the Industrial Business fell 21% compared with the previous fiscal year, and operating income likewise dropped 36%.

In the display materials field, sales volumes of TAC films for LCD polarizers and VA-TAC films for increasing the viewing angle both decreased compared with the previous fiscal year due to deterioration in the market for notebook PCs, adjustments to inventories of components, and diversification in components. As a result, the overall sales volume of TAC films fell 14% year on year.

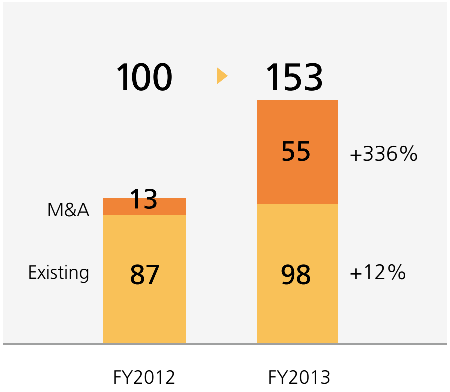
In the optical products field, while sales of camera lenses were weak, reflecting demand stagnation, sales of pickup lenses for Blu-ray Discs* used in home video game consoles and lenses for large projectors were strong.

In the sensing field, the acquisition of Instrument Systems GmbH (headquartered in Germany) contributed greatly to increased sales and profit. We used our competitive strength in the light-source color measurement domain to expand sales to the company's major customers and succeeded in promoting cross-selling of conventional measuring instruments to existing customers.

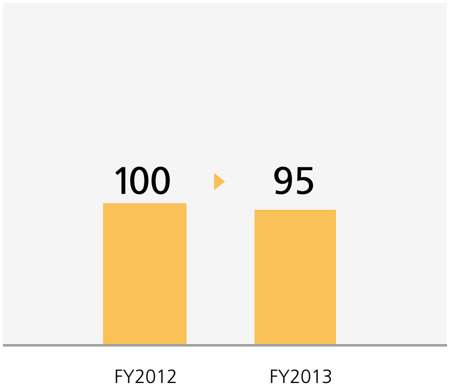
In this business, we are moving away from a business model with an unbalanced emphasis on supplying parts for such products as digital consumer electronics, which is vulnerable to fluctuations in demand, and shifting instead toward business related to industrial and professional use. In the year under review, we undertook restructuring measures, including withdrawing from the business of glass substrates for HDDs and scaling down our business in lenses for mobile phones.

*Blu-ray Disc™ is a trademark of Blu-ray Disc Association.
1. TAC Film: General term for protective film for polarizers, composed primarily of cellulose acetate

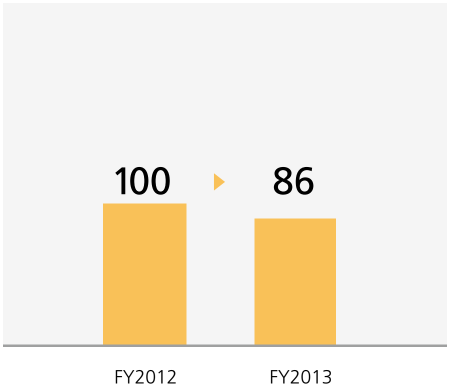
Sensing business sales



Interchangeable lenses for single-lens cameras sales volume



TAC film sales volume



*Base index: FY2012=100

2. Growth Strategy

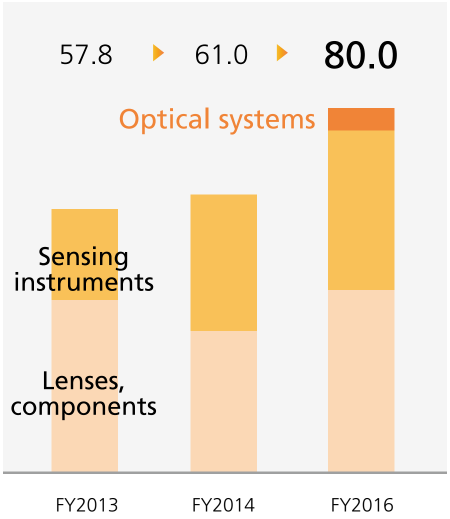
Optical Systems for Industrial Use Business Field*

Offer new value through instruments and systems, including solutions and services, for major customers in industrial growth fields

Growth is expected in the industrial domain. We will expand our business in this area by evolving our proposal-making capabilities nurtured in the sensing business to provide new value that encompasses instruments, solutions and services.

In the sensing field, we will reinforce initiatives related to smartphones, tablets and automobiles, making use of synergies with Instrument Systems GmbH (acquired in fiscal 2012), while establishing a business structure that is highly responsive to the needs of major customers. In the optical products field, we will position interchangeable lenses for digital single-lens reflex cameras and projector lenses for digital cinemas as the core of our business. At the same time, we will use our strong optics, sensing[1] and information processing technologies to cultivate new domains in the optics system business.

Sales forecast
(Billions of yen)



Performance Materials Business Field*

Anticipate customer needs in growth fields and create new businesses based on our unique technologies accumulated in areas ranging from photo film to OLED[2] lighting

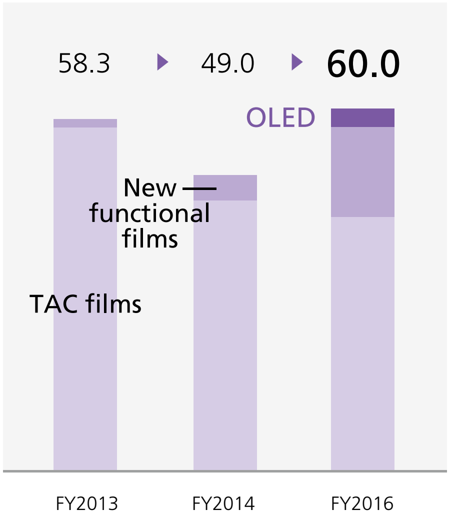
We aim to establish a foundation for growth by anticipating customer needs in growth fields and creating new businesses based on our unique technologies accumulated in photo film, TAC films for LCD polarizers and OLED lighting.

In TAC films, our goal is to use our strength in new thin film products to increase sales volume.

We are working to establish mass-production technology for environmentally friendly, highly convenient OLED lighting panels and new functional films, such as window films. We aim to utilize new value that only Konica Minolta can provide to cultivate markets and gain genre-top positions in these future growth markets.

*Field name has been changed as of the year ending March 31, 2015.
1. sensing: The use of sensors to gather data about physical quantities, sound, light, pressure, temperature, etc.
2. OLED (Organic Light Emitting Diode): Devices, such as displays and lighting, incorporating light emitting diodes (LEDs) in which organic compounds emit light in response to electric current

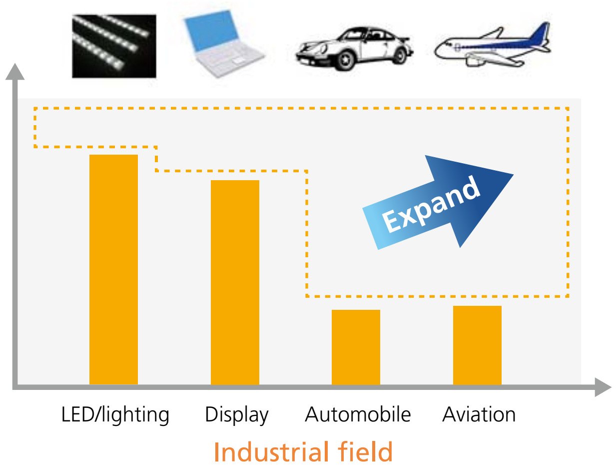
Sales forecast
(Billions of yen)



3. Segment Growth Potential

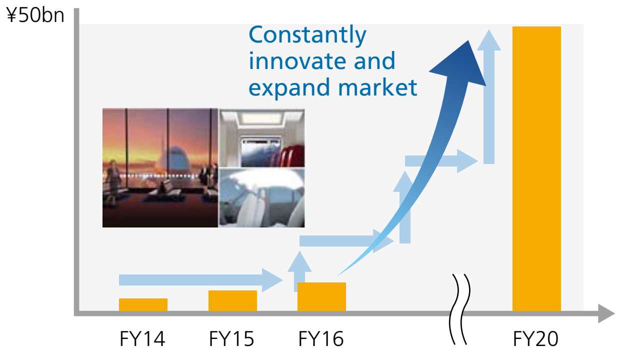
Aiming to be the top vendor of measuring instruments

Expand genre-top position in LED/lighting to other areas



Distinctly thin and flexible, promising competitiveness as the next generation of lighting

OLED lighting



Growth drivers in the sensing and performance materials fields

As the leading manufacturer in display light-source color measurement, Konica Minolta has for some time provided the high-quality measuring instruments that are the industry standard. To meet measurement needs for LED lighting, which has seen rapid growth in recent years, we welcomed to the Group Instrument Systems GmbH, a leader in the lighting industry with strengths in technology and marketing, reinforcing our lineup of measuring instruments. As a result, we achieved the top position in the overall global light-source color measuring field. Going forward, we are aiming for the genre-top position in measuring object color, such as in automobiles and airplanes.

In Performance Materials, Konica Minolta has achieved world-leading light-generation efficiency with proprietary blue phosphorescent materials developed in the field of OLED lighting, hailed as the next generation of lighting. Aiming to develop the business in earnest in 2014, we have built a factory for the mass production of plastic substrate flexible OLED lighting panels, scheduled to begin production in autumn of the same year. This plant will employ a highly productive roll-to-roll manufacturing method[1] for the world's first mass production of plastic substrate flexible OLED lighting panels with white color and color tunable functions. Using new value, Konica Minolta is cultivating markets in the next-generation lighting business with the aim of establishing a new genre-top business.

1. Roll-to-roll method: A process in which a long piece of film substrate is wound from one roll to another. A method for continuously forming patterns on plastic film to produce functional film

1. Fiscal 2013 Results

Sales of mainstay cassette-type digital radiography[1] systems grew in Japan and the United States, with deliveries to major medical institutions rising

We built a business promotion structure for diagnostic ultrasound systems, a new growth driver

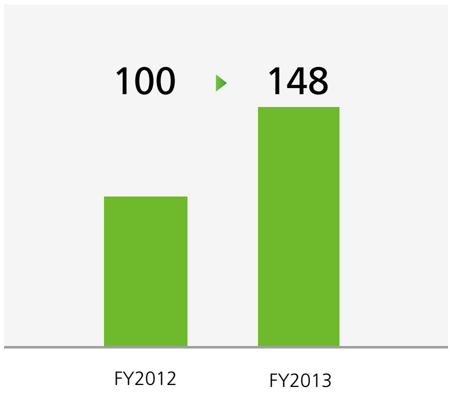
Both sales and income in the Healthcare Business climbed year on year. We have been shifting our business from analog to digital products in this field, and sales of digital products expanded, reflecting the competitive strength of our products.

Sales of mainstay cassette-type digital radiography system AeroDR remained solid with sales volume growth in Japan and the United States and a steady increase in completed deliveries to large-scale medical institutions. We have gradually increased the number of projects we are engaged in based on the collaboration we have been promoting with leading sales partners in Europe and the United States, including GE Healthcare.

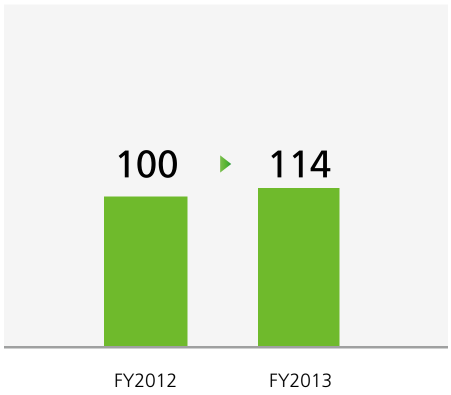
Furthermore, making use of the resources gained following the transfer of the business from Panasonic Healthcare Co., Ltd., we established an integrated business structure for diagnostic ultrasound systems that spans development, production and sales. We pushed ahead with preparations for full-fledged business development in this field, which we position as a growth driver.

1. DR (Digital Radiography): Digital x-ray diagnostic systems
2. CR (Computed Radiography): X-ray radiography that uses an imaging plate instead of X-ray film
3. DRY film: Film on which a visible image is obtained by heat developing (processing)

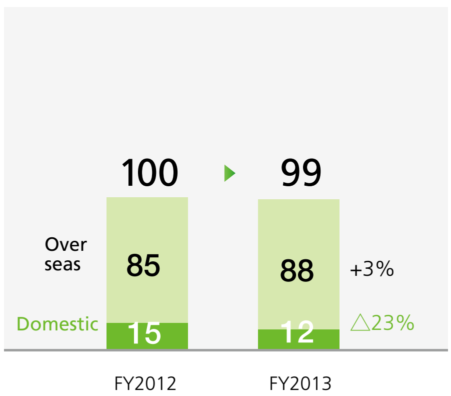
AeroDR Sales volume



Strategic CR[2] system sales volume



DRY film[3] sales volume



*Base index: FY2012=100

2. Growth Strategy

Provide one-stop solutions for modality[1] (DR and ultrasound), integrated diagnostic information management, and locally connected solutions for small- and medium-sized hospitals and clinics

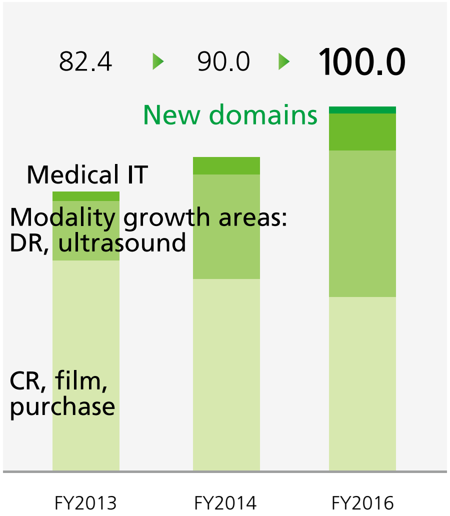
We will provide one-stop solutions combining advanced diagnostic equipment, including digital X-ray diagnostic imaging systems and diagnostic ultrasound systems, with medical IT services to generate sales expansion in medical diagnostics equipment and build a network for small- and medium-sized hospitals and clinics.

In our mainstay cassette-type digital radiography systems, we will expand sales alliances with other companies and accelerate sales expansion in growing overseas markets. Domestically, we will use our firm customer base to help make medical care more efficient and more advanced through IT services and by better connecting local medical facilities. Furthermore, in diagnostic ultrasound systems, we aim to use our proprietary high-resolution technology to achieve genre-top positions in specific areas, such as orthopedics and internal medicine. As an initial step, we acquired a business and strengthened the business structure in fiscal 2013.

1. Modality: The various diagnostic equipment used in the practice of medicine. At Konica Minolta, this refers to CR/DR and diagnostic ultrasound systems

Sales forecast

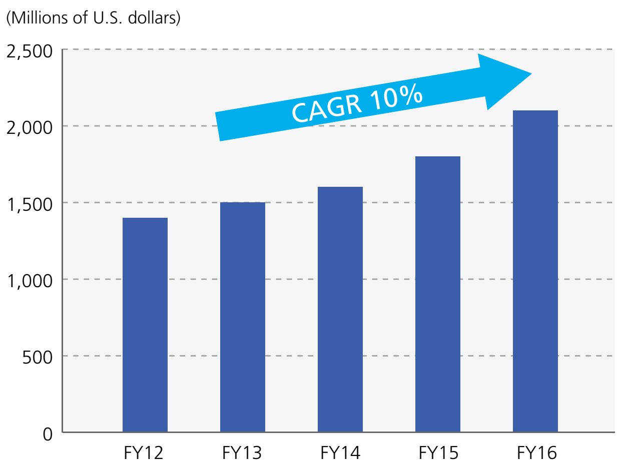
(Billions of yen)



3. Segment Growth Potential

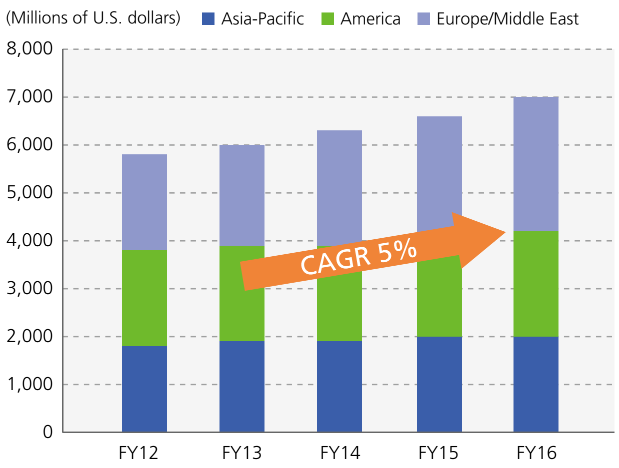
Continued growth in the digital radiology market, and expansion in the medical IT cloud domain, where Konica Minolta has strength

Digital radiography market forecast



*Konica Minolta's forecast for the global still image and video digital radiography market

Diagnostic ultrasound system market



*Konica Minolta's forecast

3. Segment Growth Potential

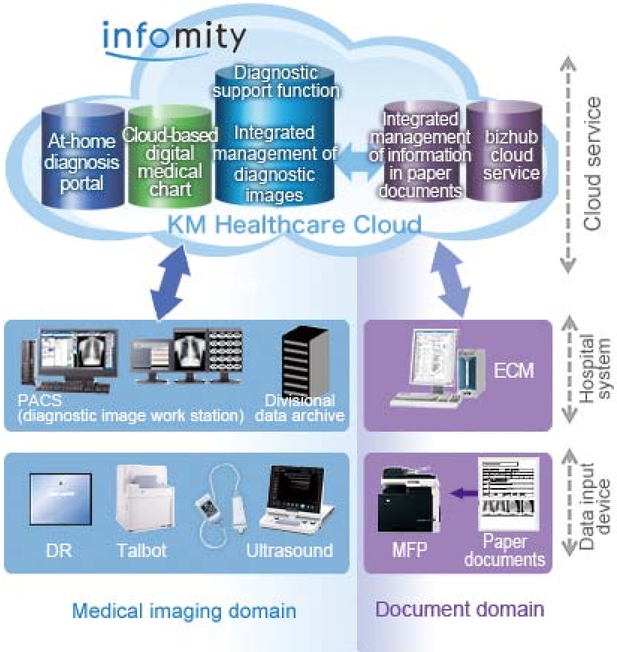
Growth drivers in the Healthcare Business

Achieved genre-top position in cassette digital radiography, backed by strong products, and built a customer base amid clinics and small- to medium-sized hospitals.

The digital radiography market is projected to continue growing, but we are also making a full-fledged entry into the diagnostic ultrasound system business using our strength in high-performance probes[1] to enhance the diagnostic capabilities of medical institutions. This market for this technology, which is distinguished by its low burden on patients, is expected to see strong growth going forward.

Furthermore, using cloud services in coordination with the Business Technologies Business, we are providing new value, such as the integrated management of diagnostic images and medical documents as well as network security, in a one-stop format. This frees medical institutions from the need to use different vendors according to their various needs, helping to increase operational efficiency.

Backed by strength in this kind of one-stop service, we will strengthen ties with existing customers while also focusing on obtaining new customers. In doing so, we will increase the number of our medical diagnostic instruments installed and our number of contracts for various medical-related services, expanding the business and creating higher added value.



2. Probe: A sensor that detects reflected ultrasound waves

Becoming truly customer-centric

At Konica Minolta, we believe that for a company to be sustainable, it must create value for both society and itself by integrating efforts to resolve social issues with efforts to improve corporate competitiveness and profits. "The Creation of New Value" has been Konica Minolta's management philosophy from the beginning, and represents the very value of the Company's existence. To continue growing sustainably, over the next three years we must use the Company's traditions and culture of excellence to transform Konica Minolta into a truly customer-centric company.

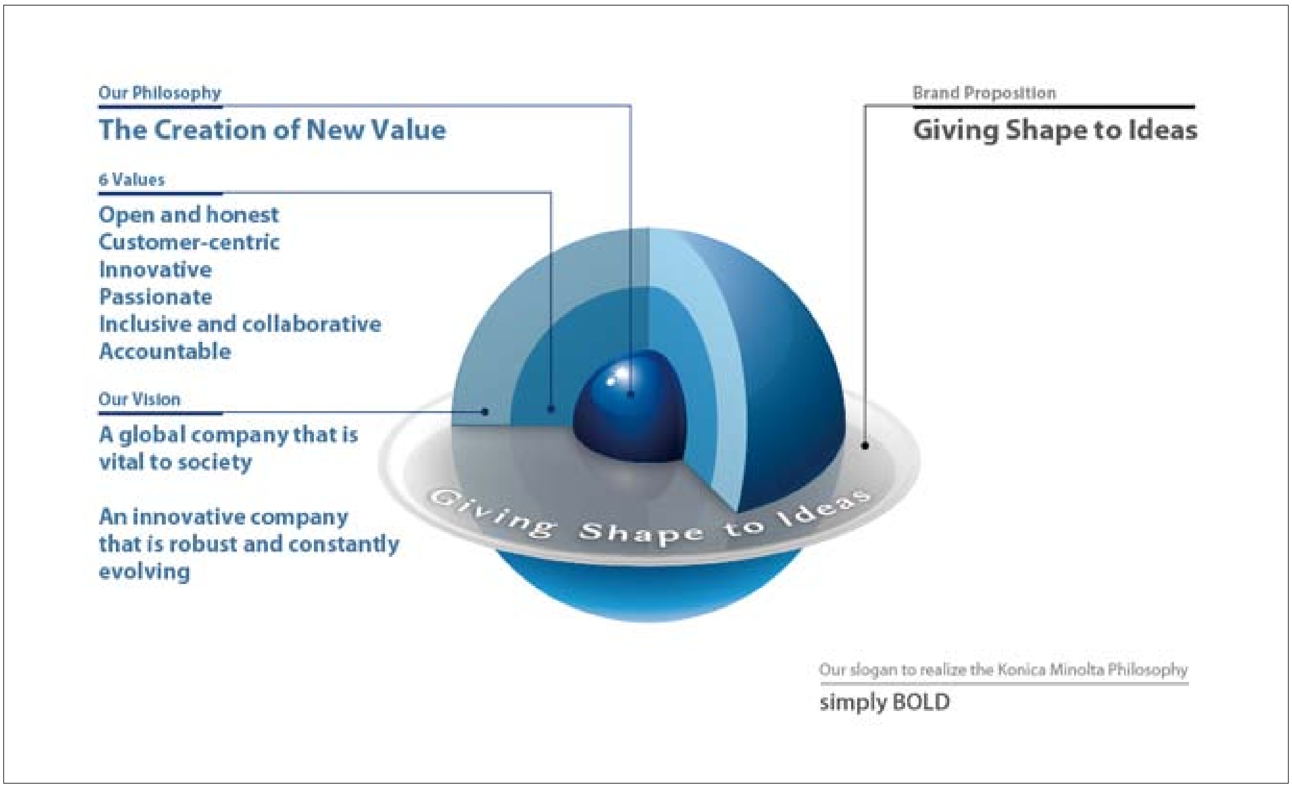
The Medium Term Business Plan, launched in April 2014, outlines the goals for the Company five years down the line, in fiscal 2018, when the transformation to a customer-centric way of business is complete, and lays out basic policy through fiscal 2016 aimed at achieving the goals for fiscal 2018.

The 40,000 employees of the global Konica Minolta Group, representing diverse nationalities, languages and backgrounds, share the Group's:

- Management philosophy
- Pledge to customers of "Giving Shape to Ideas"
- Six values that embody its strong traditions
- Brand proposition "simply BOLD" and
- Management vision in the new form of the Group's philosophy.

We are working together to achieve both the goals of the Medium Term Business Plan as well as our vision of being a global company that is vital to society and an innovative company that is robust and constantly evolving.

Konica Minolta Philosophy



CSR Policy

Basic Approach

The Konica Minolta 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's corporate social responsibility (CSR) activities is this management philosophy and The Konica Minolta Charter of Corporate Behavior. To promote the understanding and practice of this charter, The Konica Minolta 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.

Corporate Governance

Taking the lead: Implementing progressive initiatives

In terms of its administrative structure, which supports growth, Konica Minolta has been quick to take measures to strengthen corporate governance, such as adopting a committee system at the time of management integration in 2003. Specifically, the Board of Directors includes four independent outside directors, most with top management experience at other leading companies, and the majority of directors do not serve concurrently as executive officers. Moreover, a director who is not serving concurrently as an executive officer is elected as Chairman of the Board of Directors. In addition to these measures to further enhance the supervisory function of the Board of Directors, a great deal of authority is relegated to the executive officers to accelerate decision making. The Company is furthermore advancing such progressive measures as actively disclosing the standards of independence used for outside directors, director compensation, and other information related to corporate governance.

Corporate governance system

As of June 19, 2014

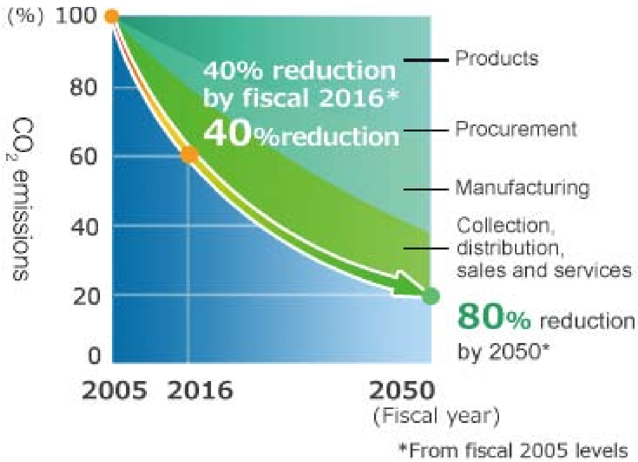
Directors	11
Outside directors	4
Independent directors	4
Involvement of outside directors in setting compensation	Yes
Involvement of outside directors in selecting director candidates	Yes
Outside directors make up more than 50% of the Auditing Committee	Yes
Outside directors make up more than 50% of the Compensation Committee	Yes
Outside directors make up more than 50% of the Nominating Committee	Yes
Annual Board of Directors meetings	14
Directors' term of office	1 year
Executive officer system	Yes

Environmental Initiatives 1

Enhancing the value chain based on risk and opportunity

Konica Minolta's Eco Vision 2050 is a set of long-term goals that looks all the way out to the year 2050, focusing on the three aims of preventing global warming, promoting resource recycling, and preserving biodiversity. In the Medium-Term Environmental Plan 2016, an action plan for realizing this vision, Konica Minolta has set new priority themes and specific targets to be achieved by fiscal 2016. To achieve the fiscal 2016 targets, Konica Minolta is focusing on its "Three Green Activities": Green Products (planning and development), Green Factories (procurement and production) and Green Marketing (distribution, sales and services, and collection and recycling). By creating environmental innovation at every stage of business processes, from product development to procurement, production, distribution, sales and service, and collection and recycling, we are enhancing corporate value while reducing the environmental burden posed by the Group.

CO_2 emission reduction targets



Environmental Initiatives 1

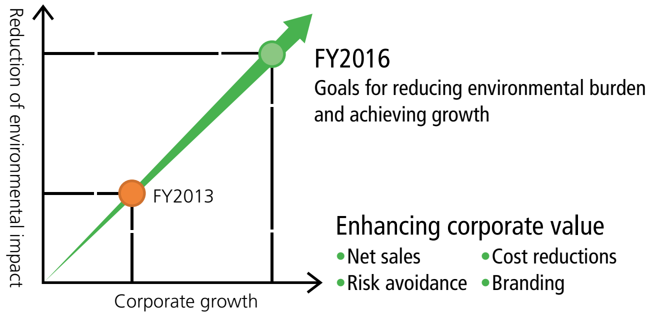
Konica Minolta formulated the Medium-Term Environmental Plan 2016 based on the idea that a company that creates value for both society and itself by integrating efforts to resolve social issues with efforts to improve corporate competitiveness and profits—that is, a company that practices CSV (creating shared value)—is a sustainable company that can meet the requirements of society in the 21st century. The medium-term environmental plan sets out goals for both the reduction of environmental impact and corporate growth. When defining the goals, a materiality analysis was conducted to identify important issues that affect both the environment and the Company, and the identified material risks and opportunities were incorporated into important themes and issues.

Enhancing environmental value

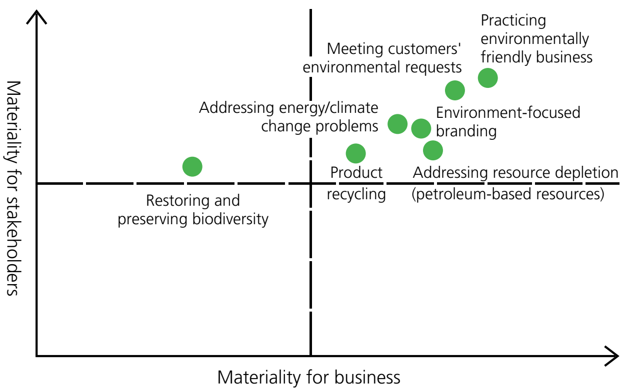
- Preventing global warming
- Supporting a recycling-oriented society
- Reducing chemical substance risks
- Restoring and preserving biodiversity

Vision

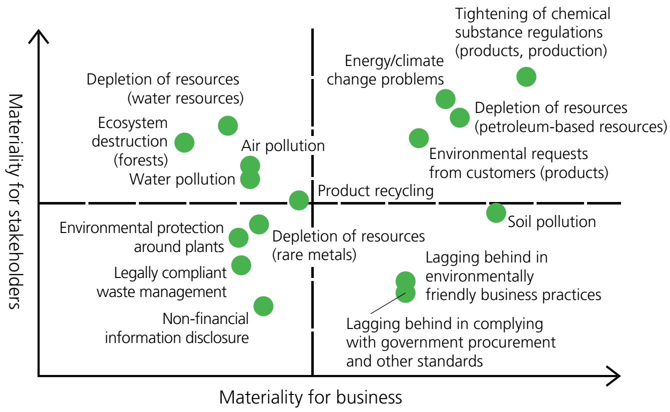
A company that creates value for both society and itself by integrating efforts to resolve social issues with efforts to improve corporate competitiveness and profits



Materiality (Opportunities)



Materiality (Risks)



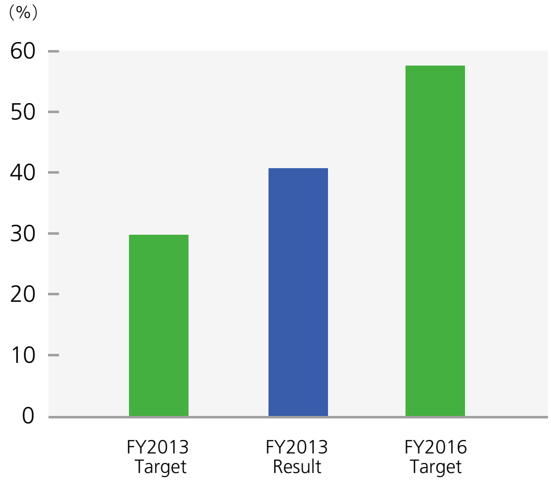
Evolving our Green Products

The Green Products Certification System is Konica Minolta's proprietary system for evaluating and certifying products with superior environmental performance. The Group has set targets to increase the sales ratio of Green Products in a deliberate effort to promote the creation of environmentally responsible products. In fiscal 2013 the Group created 39 new certified products, increasing the total number of certified products to 114.

Since fiscal 2010, the Group has also been operating the Green Factory Certification System, its proprietary system for comprehensively evaluating the environmental activities of production sites. All Company sites achieved Level 1 certification under the system by fiscal 2011, and eight sites reached Level 2 by fiscal 2013. We aim to achieve Level 2 at all production sites by fiscal 2015 and are working toward this goal.

In addition, Konica Minolta is promoting environmentally responsible sales and services with its Green Marketing activities. By providing products and services that meet customers' environmental needs, we are helping to reduce the environmental burden imposed by customers and society; by solving customers' problems, we are promoting environmental operations together. These initiatives are key to both fulfilling our corporate social responsibility and achieving corporate growth.

Green Products sales ratio

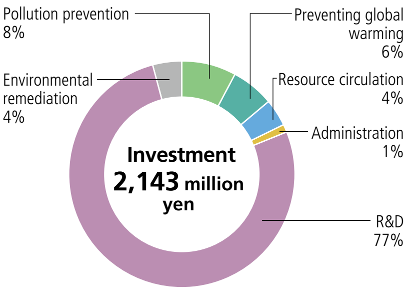


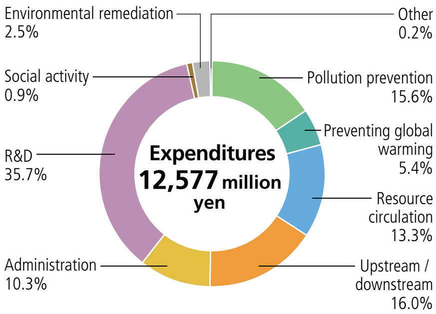
Environmental Accounting

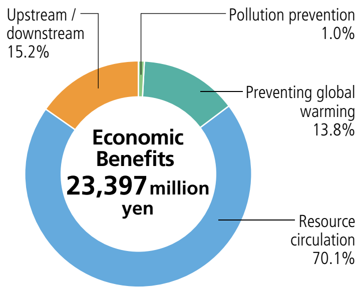
Konica Minolta has implemented global-scale, consolidated environmental accounting in order to quantitatively assess the costs of environmental preservation in business operations and the benets obtained from those activities.

Investments in scal 2013 totaled approximately 2.1 billion yen, a 12% decrease year on year. Investment was mainly for the new R&D building at the Hachioji site in Tokyo, which has various environmental features such as a skylighted atrium and solar panels, aiming to create an eco- and employee-friendly facility, as well as for the construction of a new plant at the Kofu site for the world's rst mass production of plastic-substrate exible OLED lighting panels.

Expenditures totaled approximately 12.5 billion yen, virtually unchanged from the previous year.







Note: Percentages do not necessarily total to 100 because of rounding.

Recognition from Socially Responsible Investment Indices

As of July 31, 2014

Konica Minolta's initiatives have received extensive outside recognition from third parties. The Company has been included for two consecutive years in the Dow Jones Sustainability World Index (DJSI World), a globally recognized socially responsible investment (SRI) index, and selected for the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) for five years running. Konica Minolta is also included in the FTSE4Good Global index of the U.K.-based FTSE Group, as well as the Morningstar SRI Index in Japan. Konica Minolta has further received silver class ranking from RobecoSAM and received the highest CSR rating, "Prime," from Germany-based oekom research AG. In addition, during fiscal 2013 the Company was for the first time named to CDP's Japan 500 Climate Disclosure Leadership Index and Japan 500 Climate Performance Leadership Index, making it the only the company in the precision equipment industry to be included in both indices.

Corporate Governance

Basic Approach

The Konica Minolta Group is continually working to strengthen its business and respond to the diverse expectations of society with the aim of increasing corporate value. The Group believes that the essence of good corporate governance lies in being accountable for its actions to all shareholders, investors, and other stakeholders. With that understanding, the Group has established an executive management structure that responds flexibly to changes in the market environment to allow more rapid and appropriate decision-making on important matters. The Group also continues to improve its supervisory functions to ensure greater management transparency and soundness.

Management and Governance Structure

Konica Minolta has adopted a company-with-committees system, and separates the management supervisory functions of directors from the business execution functions of executive officers.

The Board of Directors includes four highly independent outside directors, who have no significant business relationship with the Group, and the majority of directors do not serve concurrently as executive officers.

Within the Board of Directors are three committees—the Nominating, Audit, and Compensation committees. To enhance transparency, all of these committees are chaired by outside directors, and, although executive officers are not forbidden by law from participating in the Nominating and Compensation committees, there are no executive officers serving on any of the Company's committees.

Board of Directors and the three committees

(as of June 19, 2014)

Board of Directors (11 members)

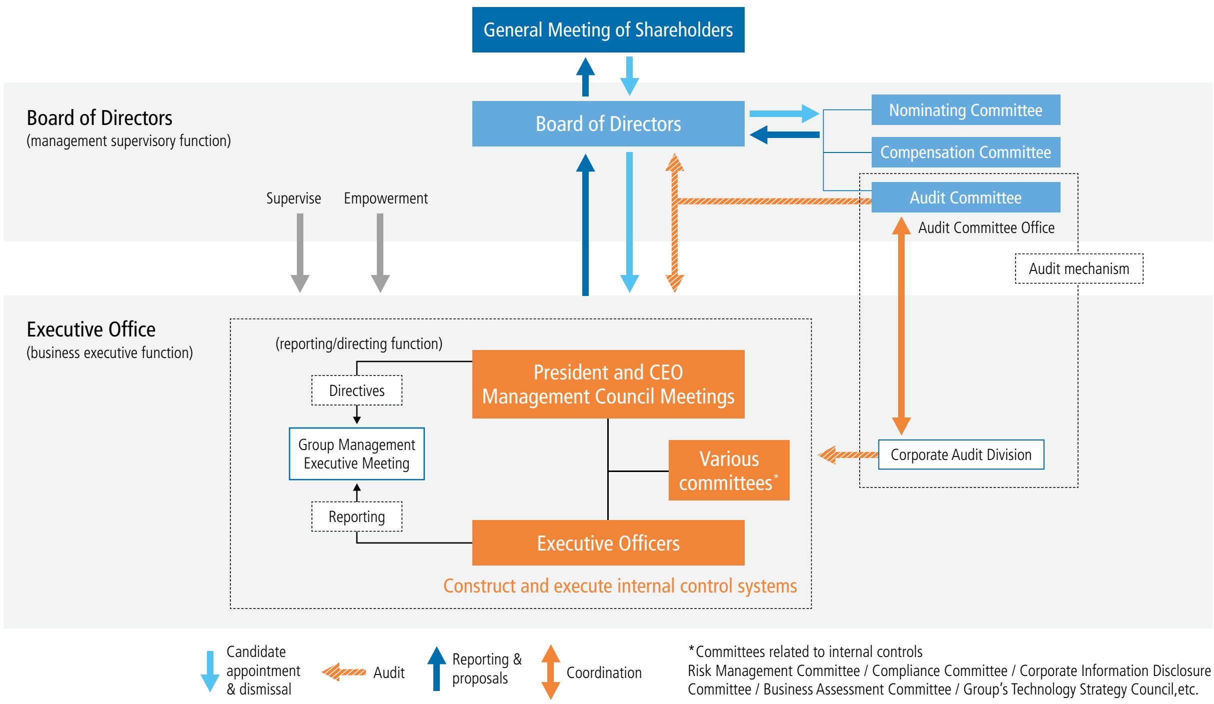
7 Non-Executive Officers

	Nominating Committee	Audit Committee	Compensation Committee
Director (Chairman of the Board)	●		
Outside Director	● (Chairman)	●	
Outside Director	●		● (Chairman)
Outside Director		● (Chairman)	●
Outside Director	●	●	●
Director	●	●	●
Director		●	●

●: Chairman

Directors serving as executive officers
(President and CEO, 1 senior managing executive officer and 2 senior executive officers)

Corporate governance system and management structure



Research and Development

Basic Policy and Approach for R&D

In line with the three basic policies listed below, Konica Minolta is promoting the rapid, timely incubation of new technologies as well as the creation of new business domains that will lead to genre-top positions to complement the Company's existing business domains based in its current core technologies.

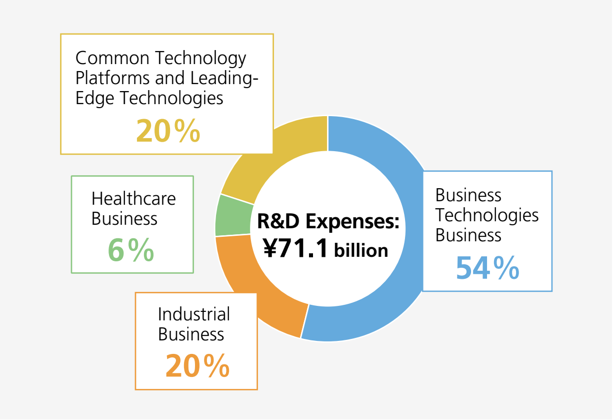
1. Accelerate innovation to drive continued growth
2. Build in differentiating technology to create customer value
3. Nurture a distinct Konica Minolta style, aiming for first-class technical personnel and organizational development capabilities

The Group is always on the lookout for new ideas around the world, making use of open innovation and overseas sites, strategically acquiring future-oriented technologies, and perfecting core technologies to continually produce business.

Under the Medium Term Business Plan TRANSFORM 2016 we have laid out the key theme of creating an advanced and efficient incubation process unique to Konica Minolta. From a perspective of providing value to customers, we are working to accelerate the discovery-driven hypothesis/testing cycle, realize concurrent development of technology and business, and strengthen the brand value of our technology by demonstrating our contribution to society, our advanced technology, and the passion of our engineers.

R&D Expenses

R&D expenses in fiscal 2013 totaled ¥71.1 billion. Despite a slight year-on-year decrease of ¥0.3 billion, or 0.5%, fiscal 2013 marked the fourth consecutive year that the Company invested over ¥70 billion in R&D. The ratio of R&D expenses to net sales came to 7.5%. This investment was centered on our core, the Business Technologies Business, which accounted for over 50% of R&D costs. In other areas, we increased R&D investment in growth areas, such as OLED lighting and functional film in the Industrial Business, as well as the Healthcare Business, including in diagnostic ultrasound systems. Compared to the previous fiscal year, R&D investment in OLED lighting and functional film rose 5%, and that in the Healthcare Business jumped 40%.



Intellectual Property

Basic Approach

Konica Minolta conducts its business activities with an awareness that intellectual property management forms one of the Company's three key overarching strategies, together with its business strategy and technology strategy.

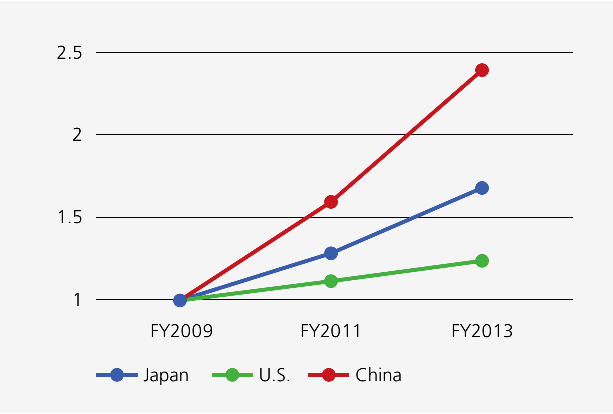
Contribution of Intellectual Properties to Business Activites

Konica Minolta published 2,924 Japanese patent applications in fiscal 2013. Patents in the Business Technologies Business comprised 49% of the total, and the proportion accounted for by the Industrial Business grew to 27%, reflecting steady applications related mainly to OLED lighting.

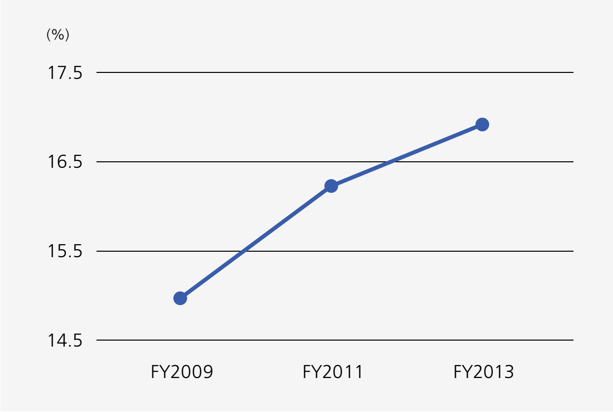
By region, in fiscal 2013, Konica Minolta registered 2,108 patents in Japan, roughly 150% the number registered in fiscal 2009. During the same period, patents filed in the United States also rose to about 150% the 2009 level, reaching 680 and ranking 19th highest among Japanese companies. Patents registered in China increased to roughly 120% the 2009 number, totaling 145. The total number of patents that Konica Minolta holds in China has risen to about 250% the 2009 level, at to 687, a result of the Group's efforts to secure intellectual property rights in the country.

The operating environments of many of the Group's businesses are rapidly changing. To select suitable countries for filing patent applications in such areas, the Group makes use of Patent Cooperation Treaty (PCT) applications. These applications are of assistance in evaluating patentability and staying abreast of relevant trends in technology in the time leading up to filing applications in specific countries. Of the Group's published Japanese patent applications in fiscal 2013, 17% were PCT applications, compared with 15% in fiscal 2009.

Growth in number of patent applications (FY2009=1)



Ratio of PCT applications published to japanese patents published



Financial Review and Data

Management's Discussion and Analysis

Operating Environment

With indications that the economy in Europe bottomed out in mid-2013, corporate results improved. The United States continued to register signs of recovery, characterized by improvement in the employment environment and an increase in personal consumption. In Japan, corporate performance took a favorable turn, especially for exporters benefitting from continuing yen weakness, and capital investment increased steadily. In contrast, conditions in emerging countries remained challenging in Asia, Latin America and elsewhere as economic growth slowed.

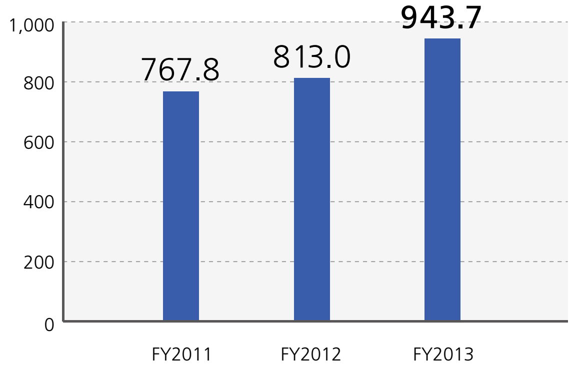
Operating Results

Net Sales

In the fiscal year ended March 31, 2014, net sales rose 16.1% year on year to ¥943.7 billion, due largely to the effect of exchange rates resulting from the persistent weakness of the yen, increased sales of main products in the Business Technologies Business, improvement to the product mix and the effect of acquisitions.

Net sales

(Billions of yen)

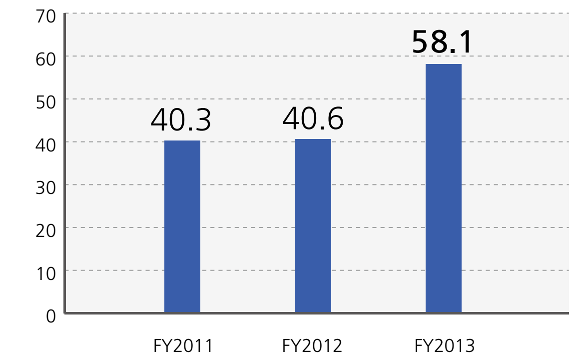


Operating Income

Operating income rose to ¥58.1 billion, an increase of 43.0% year on year. Although profit was down in the Industrial Business, sales growth in the Business Technologies Business and measures to reduce costs contributed to this significant increase.

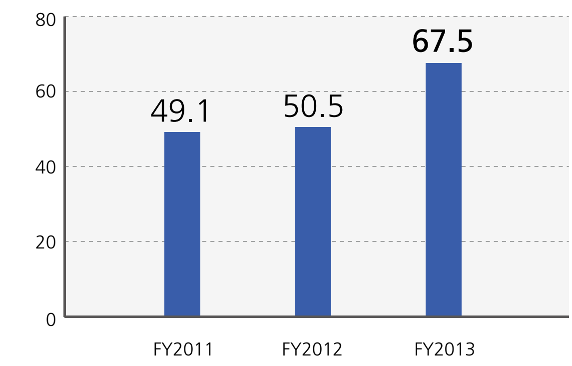
Operating income

(Billions of yen)



Operating income before amortization of goodwill

(Billions of yen)



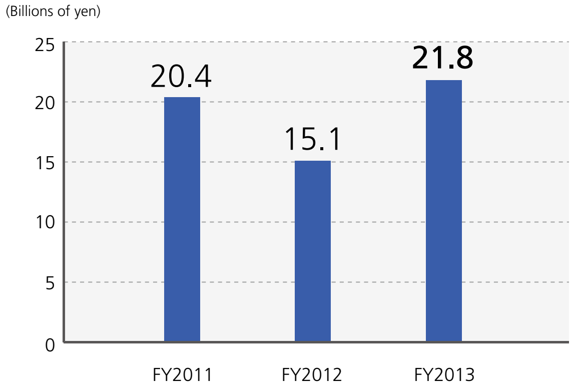
Income before Income Taxes and Minority Interests

Income before income taxes and minority interests fell 30.5% year on year to ¥23.5 billion, due primarily to a loss on withdrawal from the business of glass substrates for HDDs and an impairment loss on structures associated with the termination of the Group's production of film for the Healthcare Business.

Net Income

Net income increased 44.5% year on year to ¥21.8 billion, due in part to tax effects related to the revision of deferred tax assets in line with reorganization of the Group's administrative structure implemented in April 2013.

Net income



Operating Results by Segment

Business Technologies Business

In the office field, sales of A3 color MFPs remained strong and sales volumes increased significantly compared with the previous fiscal year in all regions, including Japan, the United States and Europe. The increasing share of high-end models contributed to sales expansion. In Optimized Print Services (OPS), we strengthened our global business structure, further expanded the service menu, and reinforced business-generating and proposal-making capabilities, thereby steadily securing more customers and expanding the operating base. Furthermore, we established a hybrid-type sales model for small- and medium-sized companies in Europe and the United States that combines IT business solution services with MFPs. By doing so, we cultivated new customers, expanded the scale of projects and realized added value.

In the production print field, sales volumes of color units and monochrome units grew year on year. In addition, we expanded operations related to high-mix, small-lot on-demand print services as well as production and print services for sales promotion materials through Kinko's Japan Co., Ltd. and Charterhouse Print Management Limited (headquartered in the UK), both of which were acquired in the previous fiscal year. As a result, we are providing a wider range of options to meet customers' printing needs. In Europe, we formed a capital and business alliance with France-based MGI Digital Graphic Technology S.A., which operates a unique business in such growth markets as plastic cards. This alliance is aimed at developing applications for package printing, in addition to paper output in the existing commercial printing market.

As a result, net sales to external customers in the Business Technologies Business climbed 25.5% year on year to ¥729.8 billion and segment profit soared 101.8% to ¥63.8 billion. The increase in net sales was attributable to the effect of the steadily weak yen on foreign exchange rates, sales growth of mainstay color units, improved product mix and acquisitions. The considerable jump in segment profit was due to an increase in gross profit resulting from sales expansion, the effect of foreign exchange rates, and the full year impact of measures to reduce production costs. These cost reductions included decreasing fixed costs by promoting production reform and unit procurement in the production division, conducting centralized purchasing of raw materials and digital components, and implementing value engineering.

Industrial Business

In the display materials field, sales volumes of plain TAC films for LCD polarizers and VA-TAC films for increasing the viewing angle both decreased compared with the previous fiscal year due to deterioration in the market for notebook PCs, adjustments to inventories of components and materials used for TVs and diversification.

In the measuring instruments field, the acquisition of Instrument Systems GmbH (headquartered in Germany) contributed to increased sales and profit. In the optical products field, sales of pickup lenses for Blu-ray Discs used in video game consoles and lenses for large projectors were strong, but sales of lenses for cameras fell on weak demand.

As a result, net sales to external customers in the Industrial Business decreased 20.9% year on year to ¥116.1 billion and segment profit fell 36.0% to ¥15.1 billion.

Healthcare Business

In the Healthcare Business, sales of the cassette-type digital radiography system AeroDR remained solid with sales volume growth in Japan and the United States and a steady increase in completed deliveries to large-scale medical institutions. We have gradually increased the number of projects we are engaged in based on the collaboration we have been promoting with leading sales partners in Europe and the United States. Sales of film products in emerging countries grew, with overall sales surpassing those of the previous fiscal year.

Furthermore, making use of the resources gained following the transfer of the business from Panasonic Healthcare Co., Ltd., we established an integrated system for ultrasound diagnostic imaging equipment, spanning from development to production and sales. This field is positioned as a new growth driver. In the fiscal year under review, we pushed ahead with preparations for full-fledged business development.

As a result, net sales to external customers in the Healthcare Business climbed 13.2% year on year to ¥82.3 billion and segment profit rose 34.4% to ¥4.5 billion.

Cash Flows

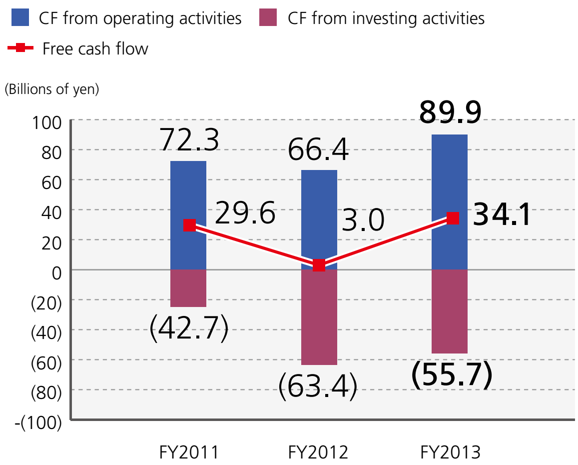
Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥89.9 billion, up from ¥66.4 billion in the previous fiscal year. Positive factors included income before income taxes and minority interests of ¥23.5 billion, depreciation and amortization of ¥47.3 billion, impairment loss of ¥17.4 billion, and amortization of goodwill of ¥9.4 billion. These were partially offset by outflows including a ¥0.8 billion decrease in working capital and a ¥13.7 billion payment for income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥55.7 billion, an improvement from ¥63.4 billion used in the previous fiscal year. Cash of ¥36.4 billion was used in the acquisition of property, plant and equipment, primarily for capital investment in the Business Technologies Business, new business investments in the Industrial Business and the construction of a new R&D building. Other cash outflows included ¥8.6 billion for the purchase of intangible assets, ¥6.1 billion associated with payments and purchases of investments in subsidiaries and businesses, and ¥4.9 billion for acquisition of investment securities.

As a result, free cash flow, calculated as the sum of cash flows from operating and investing activities, rose to an inflow of ¥34.1 billion, up from ¥3.0 billion in the previous fiscal year.



Cash Flows from Financing Activities

Net cash used in financing activities was ¥61.9 billion, compared ¥24.5 billion in the previous fiscal year. This mainly reflects an expenditure of ¥15.8 billion for the purchase of treasury stock, the payment of ¥9.2 billion in cash dividends, and a net decrease of ¥33.4 billion in short-term and long-term loans payable.

Capital Expenditure and Depreciation

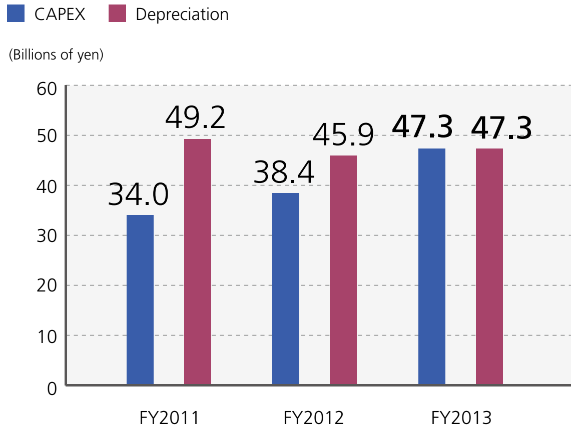
Total capital expenditure for the year ended March 31, 2014 came to ¥47.3 billion (excluding goodwill and intangible assets related to business combinations). Investment focused on the Group's core Business Technologies Business and Industrial Business, aimed mainly at support for new product development, increasing production capacity as well as streamlining and labor saving. Principal investments included machinery and equipment, tools and furniture, and molds for the Business Technologies Business, machinery and equipment for the Industrial Business, and buildings and R&D facilities for the Group.

All of these investments were paid for with cash on hand.

There was no significant sale, disposal or loss of facilities.

The Company recorded a ¥11.9 billion impairment loss on production facilities in the Industrial Business as a result of the withdrawal from the business of glass substrates for HDDs.

While capital investment increased, depreciation and amortization amounted to ¥47.3 billion.



Research and Development Expenses

Research and development (R&D) expenses in the Business Technologies Business decreased ¥0.2 billion, or 0.7%, year on year to ¥39.0 billion. Expenses included development and commercialization of five models in the bizhub C554e MFP series, which can use data and documents stored on cloud services, in the office field, and of the bizhub PRESS C1070 series in print production.

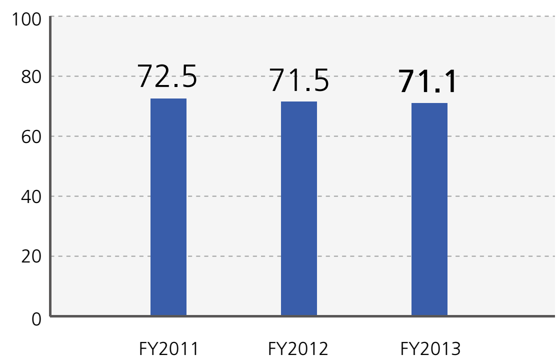
R&D expenses in the Industrial Business decreased ¥0.6 billion, or 4.2%, year on year to ¥14.0 billion. Major factors included development of higher functionality, more diverse TAC films, such as protective films for the polarizers that are core components of LCD panels, as well as R&D for functional films and organic materials using materials technology. Furthermore, in industrial measuring instruments, we enhanced our lineup in the display measurement field.

R&D expenses in the Healthcare Business rose ¥1.1 billion, or 39.8%, year on year to ¥4.0 billion. We added the AeroDR 1012HQ, the world's lightest* cassette digital X-ray system, to the product lineup, and developed digital radiography systems and applications for various unit sizes.

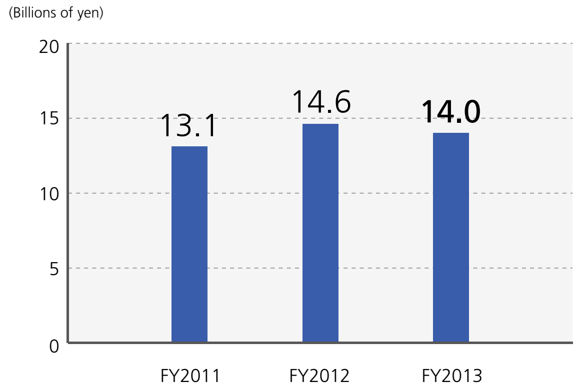
As a result, total Group R&D costs edged down ¥0.3 billion, or 0.5% year on year to ¥71.1 billion. This figure includes basic research costs of ¥14.0 billion (down 4.0% year on year) not included in the individual segments.

* At the time of its release

R&D expenses



R&D expenses for common technology platforms and leading-edge technologies



Financial Position and Liquidity

Assets

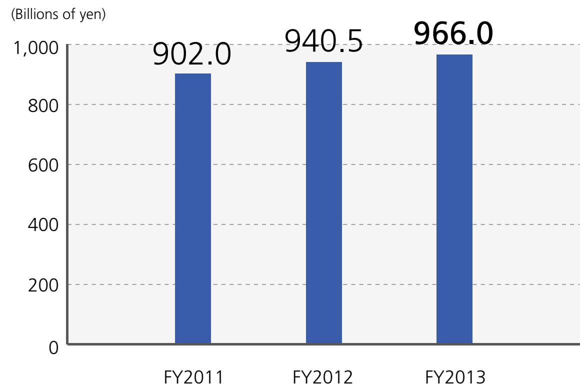
Total assets at March 31, 2014 were up ¥25.5 billion, or 2.7%, from the previous fiscal year-end to ¥966.0 billion. Current assets rose ¥9.7 billion, or 1.7%, to ¥589.3 billion (61.0% of total assets) while fixed assets rose ¥15.7 billion, or 4.4%, to ¥376.7 billion (39.0% of total assets).

With respect to current assets as of March 31, 2014, cash on hand and in banks increased ¥2.0 billion from the previous fiscal year-end to ¥95.4 billion, but short-term investment securities decreased ¥27.5 billion to ¥92.9 billion, and cash and cash equivalents decreased ¥25.4 billion to ¥188.4 billion. Meanwhile, notes and accounts receivable–trade increased ¥26.0 billion to ¥220.1 billion, and lease receivables and investment assets increased ¥5.2 billion to ¥21.2 billion. Inventories increased ¥2.7 billion to ¥115.2 billion.

In fixed assets, property, plant and equipment decreased ¥6.5 billion from the previous fiscal year-end to ¥173.3 billion due primarily to depreciation linked to the withdrawal from the business of glass substrates for HDDs, despite capital investment in the Business Technologies Business and Industrial Business as well as the construction of a new R&D building. Intangible fixed assets increased ¥0.4 billion to ¥111.3 billion.

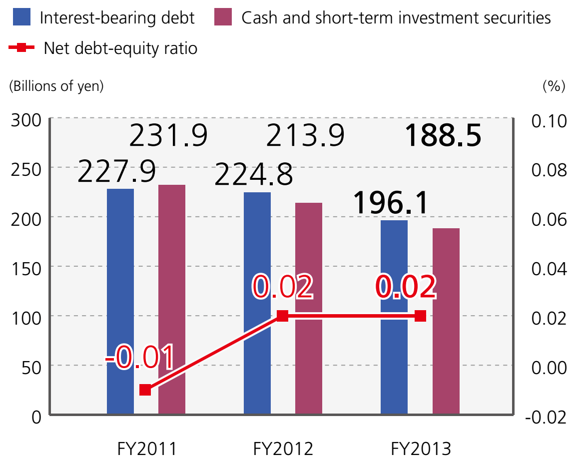
In investments and other assets, investment securities increased ¥6.0 billion year on year to ¥29.2 billion as of March 31, 2014. Deferred tax assets increased ¥15.0 billion to ¥48.0 billion due primarily to a revision of recoverable amount in light of reorganization of the Group's administrative structure conducted in April 2013.

Total assets



Liabilities

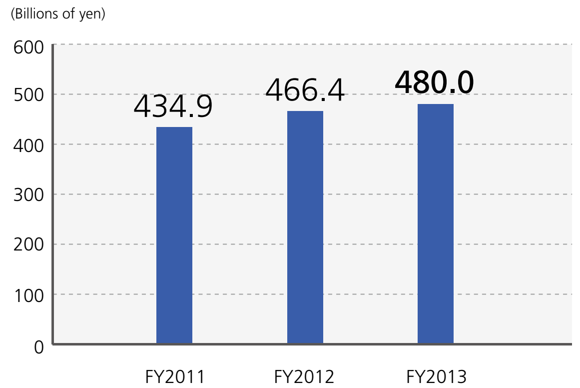
Total liabilities increased ¥11.8 billion, or 2.5%, year on year to ¥486.0 billion (equivalent to 50.3% of total assets). Notes and accounts payable–trade increased ¥10.8 billion to ¥96.2 billion and accounts payable–other and accrued expenses increased ¥12.8 billion to ¥74.3 billion. Provision for bonuses increased ¥2.1 billion. Net defined benefit liability increased ¥9.8 billion due to the application of accounting standards for retirement benefits. Interest-bearing debt (total of short-term and long-term debt and bonds) decreased ¥28.7 billion to ¥196.1 billion.



Net Assets

Net assets at March 31, 2014 were up ¥13.6 billion, or 2.9% from a year earlier to ¥480.0 billion (49.7% of total assets). Retained earnings increased ¥12.7 billion year on year to ¥242.4 billion, reflecting the ¥21.8 billion in net income for the period and cash dividends paid of ¥9.2 billion. Furthermore, treasury stock increased ¥15.7 billion due to repurchases. In accumulated other comprehensive income, foreign currency translation adjustments rose ¥23.3 billion due mainly to the continued weakness of the yen, mainly against the U.S. dollar and the euro, while the Company recorded negative remeasurements of defined benefit plans of ¥8.4 billion due to the application of accounting standards for retirement benefits.

Net assets



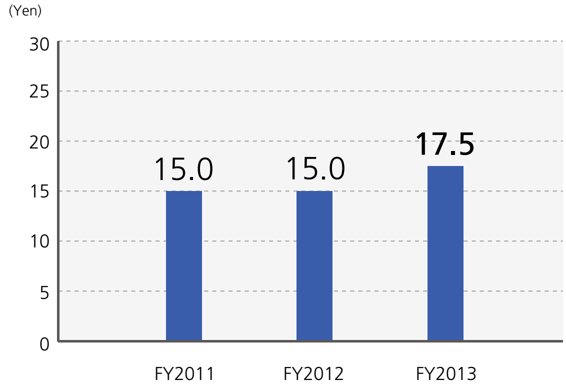
Dividend Policy

Basic Dividend Policy

The Company's basic policy regarding the payment of dividends is to sustain 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 dividend 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.

Based on Article 459, Paragraph 1 of the Japanese Corporate Law, the Company's articles of incorporation specify the Board of Directors as the decision-making body with regard to the payment of dividends from retained earnings. The Company does not have a basic policy as to the number of times per year that dividends are paid, but, per the articles of incorporation, can pay dividends from retained income on March 31, September 30, and other record dates.

Cash dividends per share



Dividends for the Fiscal Year Ended March 31, 2014 and Planned Dividends for the Fiscal Year Ending March 31, 2015

With respect to dividends from retained earnings for the fiscal year under review, the Company will distribute a year-end dividend of ¥7.5 per share, as planned. Combined with the dividend of ¥10 per share paid at the end of the second quarter (comprising an ordinary dividend of ¥7.5 and commemorative dividend of ¥2.5), the total annual dividend will be ¥17.5 per share. The Company plans to increase annual dividends per share ¥2.5 to ¥20 for the fiscal year ending March 31, 2015.

Outlook for the Fiscal Year Ending March 31, 2015

Looking at the global economic conditions surrounding the Group, moderate economic recovery is expected in Europe while corporate results are projected to remain strong in the United States and Japan. Economies in emerging countries are forecast to keep expanding due to recovery in the economies of industrialized countries, despite lingering uncertainty in the Chinese economy.

As for the outlook for demand in the Group's main markets, in the Business Technologies Business, we expect demand for A3 color MFPs for the office to continue expanding in Europe and the United States. In emerging countries, demand for monochrome units and the overall market are projected to expand alongside economic growth. In the production print field, we expect sales of color units to expand and the number of units in the market to increase worldwide. In the Industrial Business, the market for notebook PCs is expected to continue contracting, while continued strong growth is forecast for smartphones and tablets, and the TV market is projected to expand moderately as well. In addition, as the use of smartphones and tablets spreads, displays for mobile devices are expected to increase in volume terms and capital investment is forecast to increase in the manufacturing sector. In digital cameras, the market for compact cameras is expected to continue contracting due to smartphone growth, while sales of models with interchangeable lenses are projected to remain firm. In the Healthcare Business, robust growth is forecast for cassette digital x-ray systems in all regions.

Cash dividends per share ¥20.00
We assume exchange rates of JPY 100 to USD 1 and JPY 135 to EUR 1.

Performance forecast for the fiscal year ending March 31, 2015

As of May 9, 2014
(Billions of yen)

Net sales	1,000
Operating income	62
Operating income ratio	6.2%
Net income	26
Capital expenditure	60
Depreciation	55
Research and development costs	75
Free cash flow	2
Investment and financing	40

Konica Minolta Group Risks

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, 2014.

Risks Relating to the Economic Environment

(1) Economic Developments in Major Markets

The Group supplied MFPs, production printing systems, image input/output components and display materials, healthcare equipment and related services, and other products and services to customers around the world. Sales and profits in these business segments are strongly affected by economic developments in individual national markets.

Ongoing concerns in the global economy include anxiety over the relapse of fiscal problems in Europe, a slowdown of growth in the Chinese and other emerging economies, and monetary policy revisions in leading countries. Economic slumps in various countries have resulted in curtailment of investment by customers, reduction of expenditures, and sluggish consumption. Consequently, higher inventories and intensifying competition are pushing down prices, and lower sales volumes and other factors may have an adverse impact on the Company's business performance and financial position.

(2) Fluctuations in Exchange Rates

As indicated by the high percentage of overseas sales (77.4% in FY 2013), the Group engages in business globally and is susceptible to substantial impacts from changes in exchange rates. To reduce these effects, the Group engages in hedging with a focus on forward contracts for major currencies such as the US dollar and the euro.

In the Business Technologies Business, MFPs, printers and production printing systems produced in China are procured on a US dollar basis, and consequently, sales in regions where sales are conducted in US dollars including the United States are largely offset by purchases, and this has the effect of reducing the impact of changes in exchange rates. With respect to the euro, however, changes in exchange rates have a direct impact on profits. An increase in the value of the yen against the US dollar and the euro has an adverse impact on the Group's results and a decrease in the value of the yen has a positive impact.

Risks Relating to the Industry and Business Operations

(3) Competition in Technological Innovation

In the Business Technologies Business including MFP, printers, and production printing systems, the Group's major business fields including TAC film for LCD polarizers, and new business fields that the Group should develop in the future such as Organic Light Emitting Diode (OLED) lighting, technological innovation that precedes other companies is an important source of competitive superiority.

The Group continuously undertakes the challenges of development of innovative technologies and actively invests in R&D and makes capital investment for this purpose, but it is possible that the Group will not be able to provide such technologies in a timely manner. It is also possible that competitors will release similar technologies or alternative technologies before the Group. It is crucial that the Group accurately monitor developments in innovative technologies to respond to customer needs, but if the group is unable to develop such technologies, it may lose competitiveness in key and new business segments.

(4) Business Environment in the Equipment and Services Business Segments

Demand is rising for high added-value products that incorporate network support and multifunction capabilities in the office equipment industry including MFPs, printers, and production printing systems as well as in the healthcare equipment segment, and demand for solutions and services is also rising. In the office equipment industry in particular, the companies are conducting acquisitions and reorganization and forming alliances with IT firms to reinforce their sales channels. Competition among manufacturers that take action in response to this trend involving logistics within the industry is expected to intensify.

In the Business Technologies Business, which drives Group growth as its largest segment, the Group adopted the Genre-top strategy, for focusing management resources on expanding the business for color MFPs for office use and production printing systems in advance of other companies and joined the ranks of the industry-leading group in the European and American markets. The pace of technological innovation in this area is high, however, and as the importance of solutions and services increases, there is no guarantee that the Group's technological superiority can be maintained. If the competitiveness of technology and sales channels is this segment cannot be maintained and business growth slows, the Group's business results may be adversely affected.

Furthermore, the trend towards reducing installations of new MFPs as a result of curtailed corporate investment and cost cutting could also have an adverse impact on the Group's business results in the future.

(5) Business Environment in the Industrial Business

In the digital consumer electronics market including LCD televisions, DVDs and digital cameras for which the Industrial Business provides components and materials, the trend for manufacturers to lower market prices in the midst of fierce competition is ongoing, and the effects extend to component and material manufacturers including the Company. As product lifecycles become shorter, there is also a growing tendency for companies to quickly market products manufactured in large quantities, and as a result of market competition, rapid and extreme fluctuations in supply and demand in conjunction with production adjustments could have an adverse impact on the Group's business results.

In addition, the Group's main customers in its Industrial Business are digital consumer electronics manufacturers, and in addition to the effects of rapid changes in demand and falling prices, if the Group's responses to industry developments including global reorganization within the digital consumer electronics industry and next-generation products are inadequate, it may lose its customers, which could have an adverse impact on its business performance.

(6) Quality Issues

The Group has established rigorous quality control systems within domestic and overseas Group Companies and supplies high-quality, high-reliability products and services to its customers. If a defect in a Group product or service were to occur, the Group may be liable to pay compensation for the damage caused by the defect. Also, substantial expenditures may be required to remedy the defect. Furthermore, reports of the defect in the media may have an adverse impact on the Group's business and reputation.

(7) Global Business Operations

A substantial portion of the Group's business operations are conducted in countries outside of Japan, in North America, Europe, and Asia.

Engaging in this type of global corporate operations entails the following types of risks.

- Changes in exchange rates
- Political instability and uncertainty concerning economic developments
- Unforeseeable changes in laws, regulations, and tax systems
- Difficulty recruiting and maintaining employment of highly skilled human resources
- Weakness of industrial infrastructure

The Group has positioned the expansion of business in overseas markets as a priority issue, but if the Group is unable to respond adequately to these types of risk unique to global business operations, there could be an adverse impact on the Group's business results and growth strategies. In the Business Technologies Business and Industrial Business, which are the Group's leading business segments, priority is placed on expanding production in China as a means of enhancing cost competitiveness. In the Business Technologies Business, the Group has established production sites in Dongguan and Wuxi, where most MFPs, printers and production printing systems sold throughout the world are produced and shipped. In addition, the Industrial Business has production sites in Dalian and Shanghai, where image input/output components and other products are manufactured. In conjunction with economic development in China, legal reforms and infrastructure development are also advancing, but various circumstances that may be difficult to foresee may arise such as legal changes, stringent labor policies, rising labor costs, devaluation of the yuan, and changes in import/export restrictions and tax systems. For the Group, which relies on China for a substantial portion of production in its core business segments, the inability to respond to these risks could have an adverse impact on the Group's business results and growth strategies.

(8) Securing Human Resources

The sources of the Group's growth are supported by skilled human resources. Securing the excellent engineers and highly skilled technical personnel who will make the advances in the Group's core technologies in fields such as optical products, materials, nano-fabrication, and imaging will be increasingly important for maintaining the Group's high competitiveness in the future. Moreover, as the business world becomes ever more digital and networked, reinforcing capabilities in information and communications technology fields such as software and control is a pressing issue for the Group to remain competitive, and this will require recruiting of outstanding technical personnel and system engineers.

In addition to these technology fields, it is also becoming more important for the Group to recruit marketing and sales personnel to develop new sources of revenue in areas such as solutions and services. Amongst strong demand, however, companies are facing intense competition to secure such capable human resources. If the Group is unable to recruit and retain such highly skilled personnel, there could be an adverse impact on the implementation of the Group's growth strategies.

(9) Rising Raw Material Prices and Energy Costs

The Group engages in collaboration with other companies including technology alliances, business alliances, and joint ventures from the perspectives of enhancing business competitiveness and raising efficiency.

In the Business Technologies Business, the Group has aggressively promoted M&A to expand sales of output units, chiefly MFPs, and business solution services to transform the nature of its business in the future. In Europe, the Group formed a capital and business alliance with France-based MGI Digital Graphic Technology S.A., which operates a unique business in such growth markets as plastic cards. This alliance is aimed at developing applications for package printing, in addition to paper output in the existing commercial printing market. In the Healthcare Business, efforts are now underway to make a full scale entry into the field of ultrasound diagnostic imaging equipment, which has been positioned as a new growth driver, by utilizing the resources gained following the transfer of the business from Panasonic Healthcare Co., Ltd. The Group considers further alliances with other companies and acquisitions as an option for future growth strategies.

(10) Rising Raw Material Prices and Energy Costs

A rapid increase in the prices of raw materials used in the Group's production such as iron, and aluminum and petrochemical materials made from crude oil, scarce natural resources such as rare earth minerals as well as higher costs for energy could have an adverse impact on the Group's business results.

The Group is responding to these rises in materials prices by taking measures to reduce costs and by shifting the higher costs into product prices (i.e., raising prices), but there is no guarantee that the higher costs can be completely covered, and higher sales prices entail the risk of declining sales volumes.

(11) Procurement of Raw Materials, Resources and Energy

The Group procures specific products, components, materials and energy from external suppliers. If unforeseeable circumstances occur in relation to those suppliers, there could be an adverse impact on the Group's production and supply capabilities.

Risks Relating to Legal Systems and Litigation

(12) Intellectual Property Rights

To maintain its superiority in business competitiveness, the Group is accumulating extensive differentiation technologies and know-how from its product development activities and takes measures to protect its intellectual property rights. If, however, the Group is unable to protect its intellectual property assets because of legal restrictions in some regions, the Group may be unable to prevent third parties from using its intellectual property assets to manufacture and sell similar products.

In addition, the Group conducts product development in a manner to avoid infringement of the rights of other companies, but there is a possibility that the Group will be accused of infringing on the intellectual property rights of other companies as a result of differences of opinion or other factors and consequently will not be able to use technologies that are important to its business or that it will be liable to pay substantial compensatory damages.

There is also a possibility that the use of third-party intellectual property rights for which the Group has obtained licenses will be suspended in the future or that inappropriate terms of use will be imposed.

(13) Healthcare Systems

The Group's Healthcare Business is affected by the diverse healthcare systems and licensing procedures in the countries where it conducts business. Reform of healthcare systems and other factors may lead to large-scale unforeseeable changes in healthcare administrative policies, and if the Group is unable to respond promptly to those changes in the business environment, this could have an adverse impact on the Group's business results.

(14) Environmental Regulations

The Group is subject to various environmental laws and regulations concerning atmospheric pollution, water contamination, elimination of hazardous substances, disposal of waste, product recycling, soil and ground water contamination, and so on, and there is a risk of the Group incurring expenses or liability to pay compensation in conjunction with environmental responsibility for current or past business production operations. In addition, if environmental regulations become even more stringent in the future, there is a risk that the Group will need to perform additional work and incur expenses to ensure compliance, and this may have an adverse impact on the Group's business results.

(15) Information Leaks

Through its diverse business activities, the Group acquires personal and confidential information relating to its customers and business partners. The Group has established internal systems, conducts employee training, and takes other measures relating to the management of this information, but there is a possibility of external leaks resulting from unforeseen circumstances. If an information leak occurs, persons harmed by the leak may demand compensatory damages, and there is a possibility of an adverse impact on the Group's reputation and image. In addition, if confidential information relating to the Group's technologies, contracts, or personnel is leaked, there could be an adverse impact on the Group's business results.

Disasters and Other Risks

(16) Effects from Disasters

The Group engages in global business operations through R&D, procurement, production and sales sites in numerous countries around the world. In the event of an earthquake, fire, hurricane, flood, other natural disaster, pandemic such as a new strain of influenza, war, act of terrorism, or attacks by a computer virus, the Group's facilities may be damaged, and it may be forced to temporarily suspend operations, resulting in delays of production and shipments. These and similar events could also disrupt or restrict use of essential utilities such as electricity, gas and water; cause supply shortages of components and raw materials by disrupting supply chains; halt distribution; or disrupt markets. Such circumstances may lead to sales falling below planned levels, and substantial costs may be incurred to restore damaged facilities, which could have an adverse impact on the Group's business results.

(17) Impairment of Long-Lived Assets

The Group began applying accounting standards relating to impairment of long-lived assets such as property, plant and equipment and goodwill in the fiscal year ended March 31, 2006. With regard to amounts for long-term assets reported on consolidated balance sheets, recoverable amount of residual value from future cash flows generated by those assets are periodically assessed, but if business profitability declines as a result of competition or other factors and those assets are not able to generate adequate cash flows, it may be necessary to recognize additional impairment, and this could have an adverse impact on the Group's business results.

Consolidated Balance Sheets

Konica Minolta, Inc. and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2014**	2013	**2014**
Current Assets:			
Cash on hand and in banks (Note 5)	**¥ 95,490**	¥ 93,413	**$ 927,808**
Notes and accounts receivable-trade (Notes 5 and 13)	**220,120**	194,038	**2,138,749**
Lease receivables and investment assets (Note 13)	**21,211**	16,007	**206,092**
Short-term investment securities (Notes 5 and 6)	**92,999**	120,501	**903,605**
Inventories (Note 11)	**115,275**	112,479	**1,120,045**
Deferred tax assets (Note 8)	**18,806**	20,259	**182,724**
Other accounts receivable	**14,636**	12,602	**142,208**
Other current assets	**16,435**	14,860	**159,687**
Allowance for doubtful accounts	**(5,643)**	(4,568)	**(54,829)**
Total current assets	**589,331**	579,593	**5,726,108**
Property, Plant and Equipment (Note 16):			
Buildings and structures	**176,554**	178,848	**1,715,449**
Machinery and equipment (Note 13)	**223,557**	250,353	**2,172,143**
Tools and furniture	**151,849**	147,096	**1,475,408**
Land	**34,348**	34,043	**333,735**
Lease assets	**1,274**	1,072	**12,379**
Construction in progress	**13,819**	6,969	**134,269**
Rental business-use assets	**42,737**	41,224	**415,245**
Total	**644,141**	659,608	**6,258,657**
Accumulated depreciation	**(470,778)**	(479,704)	**(4,574,213)**
Net property, plant and equipment	**173,362**	179,903	**1,684,435**
Intangible Fixed Assets:			
Goodwill	**65,734**	69,465	**638,690**
Other intangible fixed assets	**45,627**	41,472	**443,325**
Total intangible fixed assets	**111,362**	110,937	**1,082,025**
Investments and Other Assets (Note 16):			
Investment securities (Notes 5 and 6)	**29,256**	23,236	**284,260**
Long-term loans	**83**	126	**806**
Long-term prepaid expenses	**3,230**	2,387	**31,384**
Deferred tax assets (Note 8)	**48,040**	33,000	**466,770**
Other	**12,277**	12,735	**119,287**
Allowance for doubtful accounts	**(883)**	(1,366)	**(8,579)**
Total investments and other assets	**92,003**	70,118	**893,927**
Total assets	**¥966,060**	¥940,553	**$9,386,514**

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

Liabilities and Net Assets	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 3) 2014
Current Liabilities:			
Short-term debt (Notes 5, 7 and 13)	**¥ 37,078**	¥ 67,398	**$ 360,260**
Current portion of long-term debt (Notes 5, 7 and 13)	**27,003**	23,990	**262,369**
Notes and accounts payable-trade (Note 5)	**96,240**	85,424	**935,095**
Accrued expenses	**47,761**	40,064	**464,059**
Accrued income taxes (Note 8)	**5,652**	7,376	**54,916**
Provision for loss on business withdrawal	**195**	—	**1,895**
Other current liabilities (Note 7)	**71,288**	58,416	**692,654**
Total current liabilities	**285,220**	282,671	**2,771,279**
Long-Term Liabilities:			
Long-term debt (Notes 5, 7 and 13)	**132,042**	133,507	**1,282,958**
Accrued retirement benefits (Note 23)	**—**	43,754	**—**
Net defined benefit liability (Note 23)	**53,563**	—	**520,433**
Accrued retirement benefits for directors	**237**	282	**2,303**
Deferred tax liabilities on land revaluation (Note 8)	**3,269**	3,269	**31,763**
Asset retirement obligations	**1,012**	981	**9,833**
Other long-term liabilities (Note 7)	**10,658**	9,669	**103,556**
Total long-term liabilities	**200,785**	191,465	**1,950,884**
Total liabilities	**486,005**	474,136	**4,722,163**
Contingent Liabilities (Note 12)			
Net Assets (Notes 10 and 28)**:**			
Common stock:			
Authorized—1,200,000,000 shares in 2014 and 2013			
Issued—531,664,337 shares in 2014 and 2013	**37,519**	37,519	**364,545**
Capital surplus	**204,140**	204,140	**1,983,482**
Retained earnings	**242,460**	229,713	**2,355,810**
Less: Treasury stock, at cost; Common stock,			
16,720,688 shares in 2014 and			
1,346,048 shares in 2013	**(17,322)**	(1,548)	**(168,305)**
Unrealized gains on securities, net of taxes	**5,086**	3,345	**49,417**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(38)**	2	**(369)**
Foreign currency translation adjustments	**15,055**	(8,268)	**146,279**
Remeasurements of defined benefit plans	**(8,497)**	—	**(82,559)**
Share subscription rights (Note 25)	**910**	764	**8,842**
Minority interests	**740**	747	**7,190**
Total net assets	**480,055**	466,416	**4,664,351**
Total liabilities and net assets	**¥966,060**	¥940,553	**$9,386,514**

Consolidated Statements of Income

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Net Sales	**¥943,759**	¥813,073	**$9,169,831**
Cost of Sales (Note 14)	**492,269**	437,487	**4,783,026**
Gross profit	**451,490**	375,585	**4,386,805**
Selling, General and Administrative Expenses (Note 15)	**393,346**	334,926	**3,821,862**
Operating income	**58,144**	40,659	**564,944**
Other Income (Expenses):			
Interest and dividend income	**2,122**	1,476	**20,618**
Interest expenses	**(2,852)**	(2,499)	**(27,711)**
Foreign exchange gains (losses), net	**(126)**	1,508	**(1,224)**
Loss on sales and disposals of property, plant and equipment, net	**(1,999)**	(1,661)	**(19,423)**
Write-down of investment securities	**(49)**	(2)	**(476)**
Gain on sales of investment securities, net	**75**	55	**729**
Patent-related income	**809**	—	**7,860**
Loss on impairment of fixed assets (Note 16)	**(5,524)**	(2,902)	**(53,673)**
Loss on business withdrawal (Note 17)	**(16,122)**	—	**(156,646)**
Equity in income (loss) of unconsolidated subsidiaries and affiliates, net	**(1,163)**	61	**(11,300)**
Other extraordinary gain of overseas subsidiaries	**—**	95	**—**
Business structure improvement expenses (Note 18)	**(3,532)**	(379)	**(34,318)**
Group restructuring expenses (Note 19)	**(118)**	(296)	**(1,147)**
Special extra retirement expenses (Note 20)	**(4,655)**	—	**(45,229)**
Other, net	**(1,503)**	(2,278)	**(14,604)**
Total	**(34,641)**	(6,823)	**(336,582)**
Income before income taxes and minority interests	**23,503**	33,836	**228,362**
Income Taxes (Note 8):			
Current	**11,624**	11,745	**112,942**
Deferred	**(10,060)**	6,934	**(97,746)**
Total	**1,564**	18,680	**15,196**
Income before minority interests	**21,939**	15,155	**213,166**
Minority Interests in Net Income of Consolidated Subsidiaries	**77**	30	**748**
Net Income	**¥ 21,861**	¥ 15,124	**$ 212,408**

	Yen		U.S. dollars (Note 3)
	2014	2013	**2014**
Per Share Data (Notes 10 and 28):			
Net income—Basic	**¥41.38**	¥28.52	**$0.40**
—Diluted	**41.28**	27.86	**0.40**
Cash dividends	**17.50**	15	**0.17**

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

Consolidated Statements of Comprehensive Income

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Income before minority interests	**¥21,939**	¥15,155	**$213,166**
Other Comprehensive Income			
Unrealized gains on securities, net of taxes	**1,738**	2,156	**16,887**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(40)**	230	**(389)**
Foreign currency translation adjustments	**23,376**	21,939	**227,128**
Share of other comprehensive income of associates accounted for using equity method	**2**	13	**19**
Total other comprehensive income (Note 21)	**25,077**	24,340	**243,655**
Comprehensive income	**¥47,016**	¥39,495	**$456,821**
Comprehensive Income Attributable to			
Owners of the parent	**¥46,887**	¥39,448	**$455,567**
Minority interests	**129**	47	**1,253**

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, 2014 and 2013

		Millions of yen										
	Shares of issued common stock	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	Remeasurements of defined benefit plans	Share subscription rights	Minority interests	Total
(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
Change in the scope of consolidation												—
Purchase of treasury stock					(9)							(9)
Re-issuance of treasury stock			(1)	(4)	58							52
Pension liabilities adjustment of overseas subsidiaries				(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
(From April 1, 2013 to March 31, 2014)												
Net Assets at April 1, 2013	531,664,337	¥37,519	¥204,140	¥229,713	¥ (1,548)	¥3,345	¥ 2	¥ (8,268)	¥ —	¥764	¥747	¥466,416
Dividends paid from retained earnings				**(9,280)**								**(9,280)**
Net income				**21,861**								**21,861**
Change in the scope of consolidation				**176**								**176**
Purchase of treasury stock					**(15,806)**							**(15,806)**
Re-issuance of treasury stock				**(11)**	**32**							**20**
Pension liabilities adjustment of overseas subsidiaries												**—**
Net changes during the period						**1,741**	**(40)**	**23,324**	**(8,497)**	**145**	**(6)**	**16,666**
Total changes during the period		**—**	**—**	**12,746**	**(15,774)**	**1,741**	**(40)**	**23,324**	**(8,497)**	**145**	**(6)**	**13,638**
Balance at March 31, 2014	**531,664,337**	**¥37,519**	**¥204,140**	**¥242,460**	**¥(17,322)**	**¥5,086**	**¥ (38)**	**¥15,055**	**¥(8,497)**	**¥910**	**¥740**	**¥480,055**

		Thousands of U.S. dollars (Note 3)										
	Shares of issued common stock	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	Remeasurements of defined benefit plans	Share subscription rights	Minority interests	Total
(From April 1, 2013 to March 31, 2014)												
Net Assets at April 1, 2013	531,664,337	$364,545	$1,983,482	$2,231,957	$ (15,041)	$32,501	$ 19	$ (80,334)	$ —	$7,423	$7,258	$4,531,831
Dividends paid from retained earnings				**(90,167)**								**(90,167)**
Net income				**212,408**								**212,408**
Change in the scope of consolidation				**1,710**								**1,710**
Purchase of treasury stock					**(153,576)**							**(153,576)**
Re-issuance of treasury stock				**(107)**	**311**							**194**
Pension liabilities adjustment of overseas subsidiaries												**—**
Net changes during the period						**16,916**	**(389)**	**226,623**	**(82,559)**	**1,409**	**(58)**	**161,932**
Total changes during the period		**—**	**—**	**123,844**	**(153,265)**	**16,916**	**(389)**	**226,623**	**(82,559)**	**1,409**	**(58)**	**132,511**
Balance at March 31, 2014	**531,664,337**	**$364,545**	**$1,983,482**	**$2,355,810**	**$(168,305)**	**$49,417**	**$(369)**	**$146,279**	**$(82,559)**	**$8,842**	**$7,190**	**$4,664,351**

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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥ 23,503**	¥ 33,836	**$ 228,362**
Depreciation and amortization	**47,371**	45,999	**460,270**
Loss on impairment of fixed assets	**17,424**	2,902	**169,297**
Amortization of goodwill	**9,406**	9,863	**91,391**
Interest and dividend income	**(2,122)**	(1,476)	**(20,618)**
Interest expense	**2,852**	2,499	**27,711**
Loss on sales and disposals of property, plant and equipment	**1,999**	1,661	**19,423**
Gain on sales and valuation of investment securities	**(26)**	(53)	**(253)**
Increase (Decrease) in provision for bonuses	**1,915**	(178)	**18,607**
Decrease in accrued retirement benefits	**—**	(1,789)	**—**
Increase in net defined benefit liability	**9,609**	—	**93,364**
Decrease (Increase) in notes and accounts receivable-trade	**(1,503)**	4,958	**(14,604)**
Decrease in inventories	**9,098**	4,963	**88,399**
Decrease in notes and accounts payable-trade	**(6,742)**	(21,095)	**(65,507)**
Transfer of rental business-use assets	**(5,837)**	(6,169)	**(56,714)**
Decrease (Increase) in accounts receivable-other	**(376)**	1,749	**(3,653)**
Increase in accounts payable-other and accrued expenses	**5,735**	855	**55,723**
Decrease/increase in consumption taxes receivable/payable	**713**	(473)	**6,928**
Other	**(8,445)**	2,986	**(82,054)**
Subtotal	**104,575**	81,040	**1,016,080**
Interest and dividend income received	**2,091**	1,530	**20,317**
Interest paid	**(2,927)**	(2,597)	**(28,440)**
Income taxes paid	**(13,793)**	(13,506)	**(134,017)**
Net cash provided by operating activities	**89,945**	66,467	**873,931**
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	**(36,487)**	(31,015)	**(354,518)**
Proceeds from sales of property, plant and equipment	**2,355**	987	**22,882**
Payment for acquisition of intangible fixed assets	**(8,654)**	(8,092)	**(84,085)**
Payment for transfer of business	**(2,102)**	(2,199)	**(20,424)**
Purchase of investments in subsidiaries resulting in change of scope of consolidation	**(1,777)**	(9,974)	**(17,266)**
Purchase of investments in capital of subsidiaries resulting in change of scope of consolidation	**(616)**	(10,336)	**(5,985)**
Additional purchase of investments in capital of consolidated subsidiaries	**(1,633)**	—	**(15,867)**
Payment for loans receivable	**(306)**	(301)	**(2,973)**
Proceeds from collection of loans receivable	**159**	96	**1,545**
Payment for acquisition of investment securities	**(4,910)**	(744)	**(47,707)**
Proceeds from sales of investment securities	**397**	298	**3,857**
Purchase of investments in subsidiaries	**(297)**	(607)	**(2,886)**
Payment for acquisition of other investments	**(2,718)**	(2,347)	**(26,409)**
Other	**816**	795	**7,928**
Net cash used in investing activities	**(55,776)**	(63,442)	**(541,935)**
Cash Flows from Financing Activities:			
Increase (Decrease) in short-term loans payable	**(35,013)**	22,701	**(340,196)**
Proceeds from long-term loans payable	**25,598**	14,504	**248,717**
Repayment of long-term loans payable	**(24,061)**	(12,174)	**(233,784)**
Payment for redemption of bonds	**—**	(40,000)	**—**
Repayments of lease obligations	**(2,658)**	(1,661)	**(25,826)**
Proceeds from disposal of treasury stock	**0**	1	**0**
Payment for purchase of treasury stock	**(15,806)**	(9)	**(153,576)**
Payments made to trust account for purchase of treasury stock	**(727)**	—	**(7,064)**
Dividend payments	**(9,284)**	(7,957)	**(90,206)**
Net cash used in financing activities	**(61,954)**	(24,596)	**(601,963)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**1,690**	3,552	**16,421**
Decrease in Cash and Cash Equivalents	**(26,094)**	(18,018)	**(253,537)**
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	**213,914**	231,933	**2,078,449**
Increase in Cash and Cash Equivalents from newly consolidated subsidiary	**669**	—	**6,500**
Cash and Cash Equivalents at the End of the Year (Note 4)	**¥188,489**	¥213,914	**$1,831,413**

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

Notes to the Consolidated Financial Statements

Konica Minolta, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Konica Minolta, 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 from the 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 109 subsidiaries (112 subsidiaries for 2013) for which it retains control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 2 significant affiliates (2 unconsolidated subsidiaries and 2 significant affiliates for 2013) are accounted for using the equity method of accounting.

Investments in unconsolidated subsidiaries and other affiliates that are not accounted for using the equity method are stated at cost, since they have little impact on net income (loss) or retained earnings, and their significance as a whole is minor.

(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 foreign 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, capital surplus 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 minimal risk of change in value.

(d) Allowance for Doubtful Accounts

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

(e) Inventories

Inventories held by the Company and domestic consolidated subsidiaries are mainly stated using the cost price method (carrying amount in the balance sheet is written down for any decreases in profitability) where cost is determined using the total average method. Inventories held by foreign 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 foreign 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 entered into the Company and its domestic consolidated subsidiaries before March 31, 2008 and which do not transfer ownership, 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.

When a currency swap contract meets certain conditions, the hedge item is measured based on the contractual exchange rate (designated hedge accounting). When interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the interest rate swap contracts were executed (specified hedge accounting).

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

Accounting Method for Retirement Benefits

1. Method of attributing expected retirement benefit payments
   When calculating retirement benefit obligations, the periodic allocation method is used to attribute expected retirement benefit payments in the period until the end of the fiscal year ended March 31, 2014.
2. Method of amortizing actuarial differences and prior service costs
   Prior service costs are amortized on a straight-line basis over certain periods not longer than the expected average remaining years of service of the employees active at the time the service costs are generated (principally 10 years).
   Actuarial differences are amortized on a straight-line basis over certain periods not longer than the expected average remaining years of service of the employees active at the time the amounts are generated (principally 10 years), starting from the fiscal year following the fiscal year in which the gain or loss arose.

Accrued Retirement Benefits for Directors

Consolidated subsidiaries recognize a reserve for retirement benefits for directors based on the amount payable at the end of the period in accordance with their internal policies.

(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 Policy

Application of Accounting Standard for Retirement Benefits

Effective from the fiscal year ended March 31, 2014, the Group applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the

"Guidance No. 25")) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and unrecognized actuarial differences and unrecognized prior service costs have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability in the consolidated balance sheets.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, net defined benefit liability in the amount of ¥53,563 million ($520,433 thousand) has been recognized, and accumulated other comprehensive income has decreased by ¥8,497 million ($82,559 thousand), at the end of the fiscal year ended March 31, 2014.

The effects of this change on earnings per share are described in related note.

(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, and calculation of accrued retirement benefits and service costs were amended.

(2) Effective dates

The amendment of the method for calculating the present value of retirement benefit obligation and service costs is scheduled to 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 on the consolidated financial statements 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, 2014, of ¥102.92 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, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash on hand and in banks	**¥ 95,490**	¥ 93,413	**$ 927,808**
Short-term investment securities	**92,999**	120,501	**903,605**
Cash and cash equivalents	**¥188,489**	¥213,914	**$1,831,413**

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 policies.

In principle, the risk of currency fluctuations related 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 differences as of March 31, 2014 and 2013 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			**2014**		
	Book value	Fair value	Differences	Book value	Fair value	Differences	Book value	Fair value	Differences
Assets									
(1) Cash on hand and in banks	**¥ 95,490**	**¥ 95,490**	**¥ —**	¥ 93,413	¥ 93,413	¥ —	**$ 927,808**	**$ 927,808**	**$ —**
(2) Notes and accounts receivable-trade	**220,120**	**220,120**	**—**	194,038	194,038	—	**2,138,749**	**2,138,749**	**—**
(3) Short-term investment securities and investment securities									
(i) Held-to-maturity securities	**10**	**10**	**—**	10	10	—	**97**	**97**	**—**
(ii) Other securities	**119,127**	**119,127**	**—**	139,411	139,411	—	**1,157,472**	**1,157,472**	**—**
Total	**¥434,748**	**¥434,748**	**¥ —**	¥426,872	¥426,872	¥ —	**$4,224,135**	**$4,224,135**	**$ —**
Liabilities									
(1) Notes and accounts payable-trade	**¥ 96,240**	**¥ 96,240**	**¥ —**	¥ 85,424	¥ 85,424	¥ —	**$ 935,095**	**$ 935,095**	**$ —**
(2) Short-term debt	**37,078**	**37,078**	**—**	67,398	67,398	—	**360,260**	**360,260**	**—**
(3) Current portion of long-term debt	**27,003**	**27,008**	**5**	23,990	24,094	104	**262,369**	**262,417**	**49**
(4) Bonds	**70,000**	**71,040**	**1,040**	70,000	71,309	1,309	**680,140**	**690,245**	**10,105**
(5) Long-term debt	**62,042**	**60,918**	**(1,123)**	63,507	63,346	(161)	**602,818**	**591,897**	**(10,911)**
Total	**¥292,364**	**¥292,286**	**¥ (77)**	¥310,321	¥311,573	¥1,251	**$2,840,692**	**$2,839,934**	**$ (748)**
Derivatives (*)	**¥ (529)**	**¥ (529)**	**¥ —**	¥ (1,058)	¥ (1,058)	¥ —	**$ (5,140)**	**$ (5,140)**	**$ —**

(*) 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

The 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.

The 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 currency swaps under designated hedge accounting or interest-rate swaps under specified hedge accounting (please see 'Derivatives' below), the total amount of the principal and interest that were accounted for as a single item with the relevant currency swaps or interest-rate swaps 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
	2014	2013	2014
	Book value	Book value	Book value
Unlisted equity securities	¥1,049	¥1,010	$10,192
Investments in unconsolidated subsidiaries and affiliated companies	2,067	3,306	20,084

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	
	2014		2013		2014	
	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	¥ 95,490	¥—	¥ 93,413	¥—	$ 927,808	$—
Notes and accounts receivable-trade	220,120	—	194,038	—	2,138,749	—
Short-term investment securities and investment securities						
Held-to-maturity securities	10	—	—	10	97	—
Other securities						
(1) Bonds	5,999	—	9,001	—	58,288	—
(2) Other	87,000	—	111,500	—	845,317	—
Total	¥408,620	¥—	¥407,952	¥10	$3,970,268	$—

(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			
	2014				2014			
Fiscal year	Short-term debt	Bonds	Long-term debt	Total	Short-term debt	Bonds	Long-term debt	Total
2014	¥37,078	¥ —	¥27,003	¥64,081	$360,260	$ —	$262,369	$622,629
2015	—	20,000	5,001	25,001	—	194,326	48,591	242,917
2016	—	20,000	4,001	24,001	—	194,326	38,875	233,201
2017	—	10,000	9,001	19,001	—	97,163	87,456	184,619
2018	—	20,000	3,000	23,000	—	194,326	29,149	223,475
2019 and thereafter	—	—	41,038	41,038	—	—	398,737	398,737

	Millions of yen			
	2013			
Fiscal year	Short-term debt	Bonds	Long-term debt	Total
2013	¥67,398	¥ —	¥23,990	¥91,389
2014	—	—	27,004	27,004
2015	—	20,000	5,000	25,000
2016	—	20,000	4,000	24,000
2017	—	10,000	9,000	19,000
2018 and thereafter	—	20,000	18,501	38,501

6. Investment Securities

(1) Other Securities with Quoted Market Values

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			**2014**		
	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	**¥ 21,763**	**¥ 12,741**	**¥9,021**	¥ 15,259	¥ 9,556	¥5,703	**$ 211,455**	**$ 123,795**	**$87,651**
(2) Bonds	**—**	**—**	**—**	6,001	6,000	1	**—**	**—**	**—**
(3) Other									
(i) Short-term investment securities (Negotiable deposits)	**—**	**—**	**—**	—	—	—	**—**	**—**	**—**
(ii) Other	**20**	**10**	**9**	15	10	4	**194**	**97**	**87**
Subtotal	**¥ 21,784**	**¥ 12,752**	**¥9,031**	¥ 21,276	¥ 15,566	¥5,709	**$ 211,660**	**$ 123,902**	**$87,748**
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value									
(1) Shares	**¥ 4,340**	**¥ 4,998**	**¥ (658)**	¥ 3,629	¥ 4,572	¥ (942)	**$ 42,169**	**$ 48,562**	**$ (6,393)**
(2) Bonds	**5,999**	**6,000**	**(0)**	2,999	3,000	(0)	**58,288**	**58,298**	**(0)**
(3) Other									
(i) Short-term investment securities (Negotiable deposits)	**87,000**	**87,000**	**—**	111,500	111,500	—	**845,317**	**845,317**	**—**
(ii) Other	**4**	**5**	**(1)**	4	5	(0)	**39**	**49**	**(10)**
Subtotal	**¥ 97,343**	**¥ 98,004**	**¥ (660)**	¥118,134	¥119,077	¥ (943)	**$ 945,812**	**$ 952,235**	**$ (6,413)**
Total	**¥119,127**	**¥110,757**	**¥8,370**	¥139,411	¥134,644	¥4,766	**$1,157,472**	**$1,076,147**	**$81,325**

(2) Other Securities Sold during the Years Ended March 31, 2014 and 2013

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			**2014**		
	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss
Shares	**¥397**	**¥75**	**¥—**	¥298	¥55	¥—	**$3,857**	**$729**	**$—**

(3) Securities for Which Loss on Impairment is Recognized

The Companies have recognized loss on impairment for securities of ¥49 million ($476 thousand) and ¥2 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 were ¥37,078 million ($360,260 thousand) and ¥67,398 million, respectively, with weighted-average interest rates of approximately 1.0% and 0.8%, respectively.

Long-term debt as of March 31, 2014 and 2013, including the current portion, is as follows:

Bonds

	Millions of yen		Interest rate	Thousands of U.S. dollars
	2014	2013	**2014**	**2014**
1st Unsecured Bonds due in 2015	**¥20,000**	¥20,000	**0.609%**	**$194,326**
2nd Unsecured Bonds due in 2017	**10,000**	10,000	**0.956%**	**97,163**
3rd Unsecured Bonds due in 2016	**20,000**	20,000	**0.610%**	**194,326**
4th Unsecured Bonds due in 2018	**20,000**	20,000	**0.902%**	**194,326**
	¥70,000	¥70,000		**$680,140**
Less—Current portion included in current liabilities	**—**	—		**—**
Bonds, less current portion	**¥70,000**	¥70,000		**$680,140**

Long-term debt

	Millions of yen		Interest rate	Thousands of U.S. dollars
	2014	2013	**2014**	**2014**
Loans principally from banks, due through 2022	**¥89,045**	¥87,498		**$865,187**
Less—Current portion included in current liabilities	**(27,003)**	(23,990)	**0.5%**	**(262,369)**
Long-term loans, less current portion	**¥62,042**	¥63,507	**1.0%**	**$602,818**

The aggregate annual maturities of long-term loans at March 31, 2014 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2015	¥ 5,001	$ 48,591
2016	4,001	38,875
2017	9,001	87,456
2018	3,000	29,149
2019 and thereafter	41,038	398,737

Lease obligations

Lease obligations are included in other liabilities.

	Millions of yen		Interest rate*	Thousands of U.S. dollars
	2014	2013	**2014**	**2014**
Lease obligations, due through 2026	**¥6,131**	¥5,340	**—**	**$59,571**
Less—Current portion included in current liabilities	**(1,907)**	(1,609)	**—**	**(18,529)**
Lease obligations, less current portion	**¥4,223**	¥3,730	**—**	**$41,032**

*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, 2014 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2015	¥2,279	$22,143
2016	1,086	10,552
2017	555	5,393
2018	179	1,739
2019 and thereafter	122	1,185

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, 2014 and 2013 is as follows:

	2014	2013
Statutory income tax rate	**38.0%**	38.0%
Decrease in valuation allowance	**(79.2)**	(5.4)
Tax credits for research and development costs and others	**(2.0)**	(0.8)
Non-taxable income	**(2.3)**	(0.9)
Difference in statutory tax rates of foreign subsidiaries	**(7.6)**	(2.4)
Expenses not deductible for tax purposes	**4.0**	2.7
Amortization of goodwill	**15.6**	11.2
Retained earnings of foreign subsidiaries	**6.3**	2.7
Ineffective portion of unrealized gains/losses	**15.7**	3.3
Effect of liquidation of consolidated subsidiaries	**(8.9)**	—
Expiration of net losses carried forward	**9.6**	7.4
Effects of changes in corporate tax rates	**9.1**	—
Other, net	**8.5**	(0.6)
Effective income tax rate per consolidated statements of income	**6.7%**	55.2%

At March 31, 2014 and 2013, 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
	2014	2013	2014
Deferred tax assets:			
Net operating tax losses carried forward	¥ 35,192	¥ 50,283	$ 341,935
Accrued retirement benefits	—	22,099	—
Net defined benefit liability	24,723	—	240,216
Tax effects related to investments	8,907	1,866	86,543
Depreciation and amortization	4,558	4,323	44,287
Accrued bonuses	3,789	3,405	36,815
Write-down of assets	3,768	3,460	36,611
Elimination of unrealized intercompany profits	3,069	3,009	29,819
Allowance for doubtful accounts	1,143	966	11,106
Accrued enterprise taxes	148	975	1,438
Other	11,893	10,687	115,556
Gross deferred tax assets	97,196	101,077	944,384
Valuation allowance	(18,442)	(37,682)	(179,188)
Total deferred tax assets	¥ 78,753	¥ 63,395	$ 765,187
Deferred tax liabilities:			
Retained earnings of foreign subsidiaries	(4,590)	(3,226)	(44,598)
Intangible assets recognized in business combination	(2,834)	(2,859)	(27,536)
Unrealized gains on securities	(2,371)	(1,413)	(23,037)
Gains on securities contributed to employees' retirement benefit trust	(2,010)	(2,083)	(19,530)
Special tax-purpose reserve for condensed booking of fixed assets	(5)	(15)	(49)
Other	(3,890)	(3,948)	(37,796)
Total deferred tax liabilities	¥(15,703)	¥(13,546)	$(152,575)
Net deferred tax assets	¥ 63,050	¥ 49,849	$ 612,612
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (3,269)	¥ (3,269)	$ (31,763)

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets—deferred tax assets	¥18,806	¥20,259	$182,724
Fixed assets—deferred tax assets	48,040	33,000	466,770
Current liabilities—other current liabilities	(836)	(711)	(8,123)
Long-term liabilities—other long-term liabilities	(2,959)	(2,699)	(28,750)
Net deferred tax assets	¥63,050	¥49,849	$612,612

Adjustment of Deferred Tax Assets and Liabilities due to Changes in Corporate Tax Rates

In Japan, "the Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014)" was promulgated on March 31, 2014, and as such, Special Reconstruction Surtax will not be imposed for fiscal years beginning on or after April 1, 2014. In addition, "the Act of Local Corporate Tax (Act No. 11 of 2014)" was promulgated on March 31, 2014, resulting in a newly imposed "Local Corporate tax" which lowers the corporate residence tax rates for fiscal years beginning on or after October 1, 2014.

As a result, the statutory income tax rates used to calculate deferred taxes will be reduced from 38.01% to 35.64% for temporary differences expected to be recovered or settled in fiscal years beginning on or after April 1, 2014. In addition, the portion of corporate taxes and the portion of residence taxes related to temporary differences expected to be recovered or settled in fiscal years beginning on or after October 1, 2014, will change from 23.71% to 24.75%, and from 4.91% to 3.86%, respectively.

As a result of these changes, net deferred tax assets and unrealized gains or losses on hedging derivatives, net of taxes as of March 31, 2014 decreased ¥2,139 million ($20,783 thousand) and ¥1 million ($10 thousand) ,and deferred income taxes for the year ended March 31, 2014 increased ¥2,137 million ($20,764 thousand).

9. Business Combination

(Reorganization in the Group's management system)

The Company 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
(Fiscal year ended March 31, 2014 (non-consolidated))

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 ($3,887 thousand)
iv) Net assets	¥140,744 million ($1,367,509 thousand)
v) Total assets	¥203,548 million ($1,977,730 thousand)

i) Trade name	Konica Minolta Advanced Layers, Inc.
ii) Description of business	Manufacturing and sale of electronic materials (TAC films, etc.), lighting source panels, and performance materials (including heat insulating films)
iii) Capital	¥400 million ($3,887 thousand)
iv) Net assets	¥37,922 million ($368,461 thousand)
v) Total assets	¥62,257 million ($604,907 thousand)

i) Trade name	Konica Minolta Optics, Inc.
ii) Description of business	Manufacturing and sale of optical products (including pickup lenses) and measuring instruments for industrial and healthcare applications
iii) Capital	¥400 million ($3,887 thousand)
iv) Net assets	¥11,207 million ($108,890 thousand)
v) Total assets	¥51,430 million ($499,709 thousand)

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 ($3,887 thousand)
iv) Net assets	¥21,726 million ($211,096 thousand)
v) Total assets	¥47,653 million ($463,010 thousand)

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 ($97 thousand)
iv) Net assets	¥5,582 million ($54,236 thousand)
v) Total assets	¥9,329 million ($90,643 thousand)

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 ($486 thousand)
iv) Net assets	¥2,895 million ($28,129 thousand)
v) Total assets	¥9,161 million ($89,011 thousand)

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 ($4,810 thousand)
iv) Net assets	¥6,683 million ($64,934 thousand)
v) Total assets	¥9,498 million ($92,285 thousand)

(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 (Shoei Yamana has assumed the position of President and CEO from April 1, 2014.)

(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 ($364,545 thousand)

(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).

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 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 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, 2014 and 2013 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, 2014 do not reflect current year-end dividends in the amount of ¥3,862 million ($37,524 thousand) which were approved by the Board of Directors and paid in May 2014.

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, 2013, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2013, totaling ¥5,303 million ($51,525 thousand), at a rate of ¥10.0 per share. (This includes the ordinary year-end dividend of ¥7.5 per share and the commemorative dividend of ¥2.5 per share.)

On May 9, 2014, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2014, totaling ¥3,862 million ($37,524 thousand), at a rate of ¥7.5 per share.

11. Inventories

Inventories as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Merchandise and finished goods	**¥ 87,807**	¥ 82,788	**$ 853,158**
Work in process	**9,609**	10,610	**93,364**
Raw materials and supplies	**17,858**	19,080	**173,513**
Total	**¥115,275**	¥112,479	**$1,120,045**

12. Contingent Liabilities

The Companies were contingently liable at March 31, 2014 for debt and lease guarantees of ¥427 million ($4,149 thousand) and at March 31, 2013 for debt and lease guarantees of ¥456 million.

13. Collateral Assets

Assets pledged as collateral at March 31, 2014 for short-term debt, current portion of long-term debt and long-term debt of ¥15 million ($146 thousand) are accounts receivable–trade and vehicles of ¥16 million ($155 thousand). Assets pledged as collateral at March 31, 2013 for short-term debt of ¥31 million are accounts receivable–trade and lease investment assets of ¥31 million.

14. Cost of Sales

The Companies have recognized valuation losses associated with the write-down of inventories of ¥1,552 million ($15,080 thousand) and ¥979 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 are ¥71,184 million ($691,644 thousand) and ¥71,533 million, respectively.

16. Loss on Impairment of Fixed Assets

The Companies have recognized losses on impairment of ¥17,424 million ($169,297 thousand) and ¥2,902 million for the following groups of assets for the years ended March 31, 2014 and 2013, respectively:

		Amount		
		Millions of yen		Thousands of U.S. dollars
Description	Classification	**2014**	2013	**2014**
Manufacturing equipment of glass substrates for HDDs, others	Machinery and equipment, Buildings, Others	**¥11,899**	¥ —	**$115,614**
Manufacturing equipment of glass pickup lenses	Machinery and equipment, Tools and furniture, Others	**—**	365	**—**
Buildings for manufacturing of radiographic films	Buildings and structures	**3,566**	—	**34,648**
Manufacturing equipment of radiographic films	Machinery and equipment, Construction in Progress, Others	**—**	1,058	**—**
Rental assets	Rental business-use assets	**25**	44	**243**
Idle assets	Buildings and structures, Machinery and equipment, Others	**1,699**	1,399	**16,508**
Others	—	**233**	34	**2,264**
Total		**¥17,424**	¥2,902	**$169,297**

(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 the decision to withdraw from the glass substrates for HDDs business, discontinuation of production of 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, 2014 are as follows:

Buildings and structures ¥9,382 million ($91,158 thousand), Machinery and equipment ¥7,194 million ($69,899 thousand), Tools and furniture ¥640 million ($6,218 thousand), Others ¥206 million ($2,002 thousand).

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

Machinery and equipment ¥2,626 million, Tools and furniture ¥125 million, Construction in progress ¥48 million, Others ¥101 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.

17. Loss on Business Withdrawal

Loss on business withdrawal includes the losses associated with the decision to withdraw from the glass substrates for HDDs business in the Industrial Business, which are impairment loss of ¥11,899 million ($115,614 thousand) and loss on disposal of inventories.

18. Business Structure Improvement Expenses

Business structure improvement expenses as of March 31, 2014 include expenses related to structural reform of sales sites in Europe and the North America for the Business Technologies Business, a review of the production system for lens units used in mobile phones in the Industrial Business and termination of the Group's film production in the Healthcare Business. Business structure improvement expenses as of March 31, 2013 in the previous fiscal year included expenses associated with the discontinuation of production and sales 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. Special Extra Retirement Payments

Special extra retirement payments refer to extra retirement payments to early retirees in line with the implementation of an early retirement incentive program.

21. Other Comprehensive Income

Recycling and Tax Effect Relating to Other Comprehensive Income.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unrealized gains on securities			
Increase during the year	**¥ 2,713**	¥ 3,241	**$ 26,360**
Reclassification adjustments	**(17)**	(53)	**(165)**
Sub-total, before tax	**2,696**	3,188	**26,195**
Tax expense	**(957)**	(1,031)	**(9,298)**
Sub-total, net of tax	**1,738**	2,156	**16,887**
Unrealized gains (losses) on hedging derivatives			
Decrease during the year	**(1,503)**	(1,297)	**(14,604)**
Reclassification adjustments	**1,426**	1,683	**13,855**
Sub-total, before tax	**(77)**	385	**(748)**
Tax (expense) or benefit	**36**	(155)	**350**
Sub-total, net of tax	**(40)**	230	**(389)**
Foreign currency translation adjustments			
Increase during the year	**23,376**	21,939	**227,128**
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	**2**	13	**19**
Total other comprehensive income	**¥25,077**	¥24,340	**$243,655**

22. Lease Transactions

Pro forma 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
	2014	2013	**2014**
Purchase cost:			
Buildings and structures	**¥5,174**	¥5,690	**$50,272**
Machinery and equipment	**—**	24	**—**
Tools and furniture	**22**	236	**214**
	5,196	5,951	**50,486**
Less: Accumulated depreciation	**(4,803)**	(5,341)	**(46,667)**
Loss on impairment of leased assets	**—**	(0)	**—**
Net book value	**¥ 392**	¥ 609	**$ 3,809**

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥187	¥166	$1,817
Due over one year	205	443	1,992
Total	¥392	¥610	$3,809

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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease rental expenses for the period	¥216	¥238	$2,099
Depreciation equivalents	215	238	2,089

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, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Reserve for loss	¥—	¥0	$—

2) Operating Leases

The scheduled maturities of future rental payments of operating noncancelable leases as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 7,532	¥ 6,051	$ 73,183
Due over one year	13,989	15,545	135,921
Total	¥21,521	¥21,597	$209,104

As Lessor

Operating Leases

The scheduled maturities of future rental incomes of operating noncancelable leases as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥2,076	¥2,092	$20,171
Due over one year	3,010	2,832	29,246
Total	¥5,087	¥4,924	$49,427

23. Retirement Benefit Plans

Retirement benefit plans of the Companies for the year ended March 31, 2014 are as follows:

(1) 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 foreign 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 contributes to retirement benefit trusts.

(2) Defined benefit retirement plans

(i) Movement in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥168,817	$1,640,274
Service costs	4,849	47,114
Interest costs	3,583	34,813
Actuarial differences	(1,045)	(10,154)
Benefits paid	(9,453)	(91,848)
Foreign currency translation	4,702	45,686
Other	608	5,908
Balance at March 31, 2014	¥172,061	$1,671,794

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

(ii) Movement in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥109,085	$1,059,901
Expected return on plan assets	2,565	24,922
Actuarial differences	2,958	28,741
Contributions paid by the employer	7,104	69,024
Benefits paid	(7,881)	(76,574)
Foreign currency translation	3,907	37,962
Other	979	9,512
Balance at March 31, 2014	¥118,718	$1,153,498

Note: Certain subsidiaries use a simplified method for the calculation of plan assets.

(iii) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥146,609	$1,424,495
Plan assets	(118,718)	(1,153,498)
	27,890	270,987
Unfunded retirement benefit obligations	25,452	247,299
Total net liability (asset) for retirement benefits at March 31, 2014	53,342	518,286
Net defined benefit liability	53,563	520,433
Net defined benefit asset	(221)	(2,147)
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 53,342	$ 518,286

(iv) Net retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs	¥4,849	$47,114
Interest costs	3,583	34,813
Expected return on plan assets	(2,565)	(24,922)
Amortization of actuarial differences	2,414	23,455
Amortization of prior service costs	(767)	(7,452)
Other	298	2,895
Total net retirement benefit costs for the fiscal year ended March 31, 2014	¥7,812	$75,904

Note: 1. Certain subsidiaries use a simplified method.
2. In addition to the retirement benefit costs above special extra retirement payments of ¥4,655 million ($45,229 thousand) were recorded in Extraordinary losses.

(v) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans, before tax as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Prior service costs that are yet to be recognized	¥ (230)	$ (2,235)
Actuarial differences that are yet to be recognized	11,536	112,087
Total balance at March 31, 2014	¥11,305	$109,843

(vi) Plan assets

(a) Plan assets as of March 31, 2014 comprise:

Equity securities	44%
Bonds	29%
Insurance assets (General account)	10%
Other	17%
Total	100%

Note: 16% of total plan assets are retirement benefit trusts contributed to the corporate pension plan.

(b) Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(vii) Actuarial assumptions

The principal actuarial assumptions as of March 31, 2014 are as follows:

	2014
Discount rate	Mainly 1.7%
Long-term expected rate of return	Mainly 1.25%

(3) Defined contributory pension plans

The required contribution amount for the Company and consolidated subsidiaries is ¥4,102 million ($39,856 thousand).

Retirement benefit plans of the Companies for the year ended March 31, 2013 are as follows:

(1) 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.

(2) Retirement benefit obligations

	Millions of yen
	2013
a. Retirement benefit obligations	¥(168,817)
b. Plan assets	109,085
c. Unfunded retirement benefit obligations (a+b)	(59,731)
d. Unrecognized actuarial differences	18,214
e. Unrecognized prior service costs	(987)
f. Net amount on consolidated balance sheets (c+d+e)	(42,504)
g. Prepaid pension costs	1,249
h. Accrued retirement benefits (f-g)	¥ (43,754)

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

(3) Net retirement benefit costs

	Millions of yen
	2013
a. Service costs	¥ 4,597
b. Interest costs	3,885
c. Expected return on plan assets	(2,196)
d. Amortization of actuarial differences	1,739
e. Amortization of prior service costs	(1,234)
f. Retirement benefit costs (a+b+c+d+e)	6,793
g. Gain/loss on changing to the defined contribution pension plan	0
h. Contributions to defined contribution pension plans	3,492
Total (f+g+h)	¥10,285

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

(4) Actuarial assumptions

The principal actuarial assumptions used in the calculation of the above information are as follows:

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

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its subsidiaries are approved by the Management Committee of the Company. All derivative instruments are reported monthly to the respective responsible officer. Market risks and credit risk for subsidiaries are controlled and assessed based on internal rules. Derivative instruments 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, 2014 and 2013 is as follows:

Derivative transactions to which hedge accounting is not applied

Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Contract value (notional principal amount)	Fair value	Unrealized gains (losses)	Contract value (notional principal amount)	Fair value	Unrealized gains (losses)	Contract value (notional principal amount)	Fair value	Unrealized gains (losses)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$.........	¥ 2,057	¥ (0)	¥ (0)	¥ 5,246	¥ (65)	¥ (65)	$ 19,986	$ (0)	$ (0)
EURO......	13,437	(58)	(58)	14,369	(939)	(939)	130,558	(564)	(564)
Other	2,360	(65)	(65)	3,617	(85)	(85)	22,930	(632)	(632)
To buy foreign currencies:									
US$.........	247	2	2	109	(1)	(1)	2,400	19	19
EURO......	2,862	(48)	(48)	473	1	1	27,808	(466)	(466)
Total	¥20,965	¥(170)	¥(170)	¥23,815	¥(1,090)	¥(1,090)	$203,702	$(1,652)	$(1,652)
Currency Swaps:									
Pay JPY, receive US$	¥ 7,376	¥(299)	¥(299)	¥ 1,896	¥ 14	¥ 14	$ 71,667	$(2,905)	$(2,905)
Total	¥ 7,376	¥(299)	¥(299)	¥ 1,896	¥ 14	¥ 14	$ 71,667	$(2,905)	$(2,905)

Note: Fair value of foreign currency forward exchange contracts is calculated based on the foreign currency forward exchange rates prevailing as of March 31, 2014 and 2013, respectively.
Fair value of currency swaps is provided by the financial institutions with whom the derivative contracts were entered into and agreed.

Derivative transactions to which hedge accounting is applied

(1) Currency-Related Derivatives

		Millions of yen				Thousands of U.S. dollars	
		2014		2013		2014	
Type of derivatives transactions	Major hedged items	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value
Forward foreign currency exchange contracts:							
To sell foreign currencies:							
EURO	Accounts receivable-trade ...	¥9,660	¥(51)	¥5,789	¥103	$93,859	$(496)
Total		¥9,660	¥(51)	¥5,789	¥103	$93,859	$(496)
Currency option transactions:							
To sell foreign currencies (Call) and buy foreign currencies (Put):							
EURO	Accounts receivable-trade ...	¥1,278	¥ (7)	¥ —	¥ —	$12,417	$ (68)
Total		¥1,278	¥ (7)	¥ —	¥ —	$12,417	$ (68)
Currency Swaps:							
Pay JPY, receive US$	Long-term debt....................	¥4,450	(*)	¥4,450	¥ (61)	$43,237	(*)
Total		¥4,450	¥ —	¥4,450	¥ (61)	$43,237	$ —

Note: 1. Fair value is calculated based on the currency forward exchange rates prevailing as of March 31, 2014.
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. Put options and call options are indicated in a lump because they are included in a one contract.

(*) As currency swaps used to hedge long-term debt is subject to designated hedge accounting 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 is not included in the above information.

(2) Interest Rate-Related Derivatives

Type of derivatives transactions	Major hedged items	Millions of yen 2014 Contract value (notional principal amount)	Fair value	2013 Contract value (notional principal amount)	Fair value	Thousands of U.S. dollars 2014 Contract value (notional principal amount)	Fair value
Interest rate swaps:							
Pay fixed, receive floating	Long-term debt	**¥22,450**	**(*)**	¥ 3,000	¥(23)	**$218,131**	**(*)**
Pay fixed, receive floating	Short-term debt and Current portion of long-term debt	**¥ —**	**¥—**	¥28,608	(*)	**$ —**	**$—**

Note: Fair value of interest rate swaps is provided by the financial institutions with whom the derivative contracts were entered into and agreed.
(*) As interest rate swaps used to hedge long-term debt,short-term debt and current portion of long-term debt are subject to specified hedge accounting 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 and current portion of long-term debt are not included in the above information.

25. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2014.

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

Position and number of grantees	Directors and Executive Officers: 27
Class and number of stock	Common Stock: 257,500
Date of issue	August 22, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 22, 2013 to June 30, 2014
Period stock options can be exercised	From August 23, 2013 to June 30, 2043

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2014 and 2013.

	Number of Shares
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
Granted	257,500
Exercised	27,500
Forfeited	5,000
Stock options outstanding at March 31, 2014	1,373,000

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2014

Per unit information	Exercised	Outstanding at March 31, 2014
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	833	—
Fair value per unit (as of grant date)	728	737

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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Book value			
Balance at the beginning	¥3,928	¥4,486	$38,166
Increase (Decrease)-net	1,015	(558)	9,862
Balance at the end	¥4,944	¥3,928	$48,037
Fair value at the end	¥6,234	¥4,457	$60,571

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
	2014	2013	2014
Income	¥137	¥161	$1,331
Expenses	79	89	768
Difference	58	72	564
Other losses on sales, etc.	(103)	(94)	(1,001)

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 sites in Japan and overseas for the different products and services it handles and has drawn up a comprehensive global strategy with business activities being deployed in line with this.

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.

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

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 segments

Segment information of the Companies for the years ended March 31, 2014 and 2013 is presented as follows:

	Millions of yen							
2014	Business Technologies	Industrial	Healthcare	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Total amounts in consolidated financial statements
Net sales								
External	**¥729,848**	**¥116,126**	**¥82,375**	**¥928,350**	**¥15,409**	**¥943,759**	**¥ —**	**¥943,759**
Intersegment	**1,901**	**2,988**	**178**	**5,069**	**21,891**	**26,960**	**(26,960)**	**—**
Total	**731,749**	**119,115**	**82,554**	**933,419**	**37,300**	**970,719**	**(26,960)**	**943,759**
Segment profit	**63,895**	**15,155**	**4,500**	**83,552**	**3,723**	**87,275**	**(29,130)**	**58,144**
Segment assets	**556,872**	**119,760**	**68,991**	**745,624**	**37,509**	**783,134**	**182,926**	**966,060**
Segment liabilities	**296,195**	**62,601**	**48,962**	**407,759**	**13,803**	**421,563**	**64,441**	**486,005**
Other items								
Depreciation and amortization	**¥ 27,786**	**¥ 10,261**	**¥ 2,800**	**¥ 40,848**	**¥ 2,255**	**¥43,103**	**¥ 4,267**	**¥ 47,371**
Amortization of goodwill	**8,414**	**991**	**—**	**9,406**	**—**	**9,406**	**—**	**9,406**
Investments in affiliated companies	**—**	**—**	**486**	**486**	**—**	**486**	**—**	**486**
Increases in property, plant and equipment and intangible fixed assets	**23,384**	**13,302**	**2,708**	**39,395**	**1,707**	**41,103**	**6,280**	**47,383**

Notes:

1. 'Other' consists of business segments not included in reporting segments such as 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 ¥(5,817) million and ¥(23,313) million, respectively. Corporate expenses are primarily general administration expenses and R&D expenses that cannot 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 ¥(90,308) million and ¥273,234 million, respectively. Corporate assets are primarily surplus funds (cash on hand and in banks and short-term investment securities), long-term investment funds (investment securities), and assets that cannot 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 ¥(33,048) million and ¥97,490 million, respectively. Corporate liabilities are primarily interest-bearing debts (loans payable and bonds payable), and liabilities that cannot be allocated to any reportable segment.
   (4) Adjustments of depreciation and amortization primarily represent depreciation of buildings that cannot be allocated to any reportable segment.
   (5) Adjustments of increases in property, plant and equipment and intangible fixed assets primarily represent capital expenditure on buildings that cannot be allocated to any reportable segment.

2013	Millions of yen 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 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 cannot 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 cannot 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 cannot 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.

2014	Thousands of U.S. dollars Business Technologies	Industrial	Healthcare	Subtotal	Other	Total	Adjustments	Total amounts in consolidated financial statements
Net sales								
External	**$7,091,411**	**$1,128,313**	**$800,379**	**$9,020,113**	**$149,718**	**$9,169,831**	**$ —**	**$9,169,831**
Intersegment	**18,471**	**29,032**	**1,729**	**49,252**	**212,699**	**261,951**	**(261,951)**	**—**
Total	**7,109,881**	**1,157,355**	**802,118**	**9,069,365**	**362,417**	**9,431,782**	**(261,951)**	**9,169,831**
Segment profit	**620,822**	**147,250**	**43,723**	**811,815**	**36,174**	**847,989**	**(283,035)**	**564,944**
Segment assets	**5,410,727**	**1,163,622**	**670,336**	**7,244,695**	**364,448**	**7,609,153**	**1,777,361**	**9,386,514**
Segment liabilities	**2,877,915**	**608,249**	**475,729**	**3,961,902**	**134,114**	**4,096,026**	**626,127**	**4,722,163**
Other items								
Depreciation and amortization	**$ 269,977**	**$ 99,699**	**$ 27,206**	**$ 396,891**	**$ 21,910**	**$ 418,801**	**$ 41,459**	**$ 460,270**
Amortization of goodwill	**81,753**	**9,629**	**—**	**91,391**	**—**	**91,391**	**—**	**91,391**
Investments in affiliated companies	**—**	**—**	**4,722**	**4,722**	**—**	**4,722**	**—**	**4,722**
Increases in property, plant and equipment and intangible fixed assets	**227,206**	**129,246**	**26,312**	**382,773**	**16,586**	**399,368**	**61,018**	**460,387**

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, 2014 and 2013 is presented as follows:

i) Net sales

	Millions of yen					
2014	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	**¥213,337**	**¥205,810**	**¥302,364**	**¥143,957**	**¥78,289**	**¥943,759**

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

	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.

	Thousands of U.S. dollars					
2014	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	**$2,072,843**	**$1,999,709**	**$2,937,855**	**$1,398,727**	**$760,678**	**$9,169,831**

ii) Property, Plant and Equipment

	Millions of yen			
2014	Japan	China	Other	Total
Property, plant and equipment	**¥115,863**	**¥19,358**	**¥38,141**	**¥173,362**

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

	Thousands of U.S. dollars			
2014	Japan	China	Other	Total
Property, plant and equipment	**$1,125,758**	**$188,088**	**$370,589**	**$1,684,435**

(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 Segments

Information on impairment losses of fixed assets for the year ended March 31, 2014 and 2013 is presented as follows:

	Millions of yen						
2014	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Loss on impairment of fixed assets	**¥407**	**¥12,721**	**¥25**	**¥13,154**	**¥—**	**¥4,270**	**¥17,424**

Note: Eliminations and Corporate of impairment losses of fixed assets is impairment losses of fixed assets that cannot be allocated to any reportable segment.

	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

	Thousands of U.S. dollars						
2014	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Loss on impairment of fixed assets	**$3,955**	**$123,601**	**$243**	**$127,808**	**$—**	**$41,489**	**$169,297**

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

Information on amortization of goodwill and balance of goodwill for the years ended March 31, 2014 and 2013 is presented as follows:

	Millions of yen						
2014	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	**¥ 8,414**	**¥ 991**	**¥—**	**¥ 9,406**	**¥—**	**¥—**	**¥ 9,406**
Balance of goodwill	**55,577**	**10,157**	**—**	**65,734**	**—**	**—**	**65,734**

	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

	Thousands of U.S. dollars						
2014	Business Technologies	Industrial	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	**$ 81,753**	**$ 9,629**	**$—**	**$ 91,391**	**$—**	**$—**	**$ 91,391**
Balance of goodwill	**540,002**	**98,688**	**—**	**638,690**	**—**	**—**	**638,690**

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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net income:			
Income attributable to common shares	**¥21,861**	¥15,124	**$212,408**
Income available to common stockholders	**21,861**	15,124	**212,408**

	Thousands of shares	
	2014	2013
Weighted average number of common shares outstanding:		
Basic	**528,269**	530,292
Diluted	**529,550**	542,904

	Yen		U.S. dollars
	2014	2013	**2014**
Net income per common share:			
Basic	**¥41.38**	¥28.52	**$0.40**
Diluted	**41.28**	27.86	**0.40**

29. Significant Subsequent Events

At the Board of Directors meeting held on July 30, 2014, Konica Minolta, Inc. (the "Company") approved the item related to the acquisition of its own shares based on Article 156 of the Japanese Corporate Law, which is applicable in accordance with Article 165, Paragraph 3 of the same law as well as the retirement of its treasury stock based on Article 178 of the same law. Details follow.

(1) Reason for Acquisition of Own Shares and Retirement of Treasury Stock

The Company decided to acquire its own shares and retire its treasury stock with the aim of shareholders' benefit, improving capital efficiency and ensuring a flexible capital policy.

(2) Details of the Acquisition of Own Shares

(i) Type of shares to be acquired:	Common stock
(ii) Number of shares to be acquired:	Limited to 10 million (2.0% of the total number of outstanding shares (excluding treasury stock))
(iii) Total value of shares to be acquired:	Limited to ¥10,000 million ($97,163 thousand)
(iv) Acquisition period:	July 31, 2014 to October 31, 2014
(v) Method of acquisition:	Discretionary trading by a securities company

(3) Details of the Retirement of Treasury Stock

(i) Type of shares to be retired:	Common stock
(ii) Number of shares to be retired:	20 million (3.8% of the total number of issued shares prior to retirement (including treasury stock))
(iii) Number of issued shares after retirement:	511,664,337 shares
(iv) Planned date of retirement:	August 29, 2014

Note: Treasury stock as of June 30, 2014

Total number of issued shares:	531,664,337 shares
Total number of treasury stock:	21,097,704 shares
Total number of outstanding shares (excluding treasury stock):	510,566,633 shares

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. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 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 7, 2014
Tokyo, Japan

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