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	Millions of yen 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	Business Technologies	Industrial	Healthcare	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Total amounts in consolidated financial statements
	Millions of yen							
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	Business Technologies	Industrial	Healthcare	Subtotal	Other	Total	Adjustments	Total amounts in consolidated financial statements
	Thousands of U.S. dollars							
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

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