Notes to the Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2008 and 2007

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Konica Minolta Holdings, Inc., (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to 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 accounting principles generally accepted in their respective country of domicile.

The accompanying consolidated financial statements incorporate certain reclassifications in order to present them in a form that is more familiar 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 which is provided herein as additional information.

Certain comparative amounts have been reclassified to conform to the current year classifications.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million 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 108 subsidiaries (120 subsidiaries for 2007) in which it has control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 8 unconsolidated subsidiaries (10 unconsolidated subsidiaries for 2007) and 3 significant affiliates (3 significant affiliates for 2007) are accounted for using the equity method. Investments in other unconsolidated subsidiaries and affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

The excess of cost over the underlying investments in subsidiaries is recognized as goodwill and is amortized on a straight-line basis over a period not exceeding 20 years.

(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 and revenues and costs are translated using the average exchange rates for the period.

Translation of Foreign Currency Financial Statements

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

(c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated cash flow statements comprises cash on hand and short-term investments that are due for redemption in three months or less and that are easily converted into cash with little risk to a change in value.

(d) Allowance for Doubtful Accounts

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

(e) Inventories

The Company and its domestic consolidated subsidiaries' inventories are mainly stated at cost as determined by the average method. Overseas consolidated subsidiaries' inventories are mainly stated at the lower of cost or market value, where cost is determined using the first-in, first-out method.

(f) Property, Plant and Equipment

Depreciation of property, plant and equipment for the Company and domestic consolidated subsidiaries is computed mainly using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, based on the estimated useful lives of the assets. Depreciation of buildings acquired after April 1, 1998 is computed using the straight-line method. Depreciation for overseas consolidated subsidiaries is computed mainly using the straight-line method.

Changes in Accounting Policy

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2007 in accordance with the revision of Japanese Corporate Tax Law (Partial Revision of Income Tax Law, Law No. 6 of March 30, 2007; Partial Revision of Income Tax Law Enforcement Ordinance, Cabinet Order No. 83 of March 30, 2007). As a result of this change, compared with the method employed for the previous fiscal year, operating income and ordinary income were each ¥2,894 million ($28,885 thousand) lower than the previous method and income before income taxes and minority interests was ¥2,886 million ($28,805 thousand) lower than it would have been under the previous method.

Pursuant to an amendment to the Japanese Corporate Tax Law, effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries depreciate the difference between the original residual value of 5% of acquisition cost of assets acquired before April 1, 2007 and the new residual value of 1 Yen (memorandum value) by the straight line method over 5 years commencing from the fiscal year following the year in which the asset becomes fully depreciated to the original residual value. As a result of this change in accounting method, for the fiscal year under review, operating income was ¥1,240 million ($12,376 thousand) lower, ordinary income was ¥1,241 million ($12,386 thousand) lower and income before income taxes and minority interests was ¥1,030 million ($10,280 thousand) lower than under the previous method for calculating depreciation.

(g) 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.

(h) Research and Development Costs

Research and development costs are expensed as incurred.

(i) 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 by the Companies in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations 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 quotations 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 impairment of value is deemed other than temporary. In these instances, securities are written down to the fair value and the resulting losses are charged to income during the period.

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

Derivatives designated as hedging instruments by the Companies are principally interest rate swaps, commodity swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, raw materials, long-term bank loans and debt securities issued by the Companies.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of interest rate, commodity price 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 from the commencement of the hedges.

(j) Leases
Finance leases held by the Company and its domestic consolidated subsidiaries, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for using a method similar to that used for ordinary operating leases.

(k) Retirement Benefit Plans

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

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

Accrued Retirement Benefits for Directors and Statutory Auditors
Domestic consolidated subsidiaries record a reserve for retirement benefits for directors and statutory auditors based on the amount payable accumulated at the end of the period based on the internal regulations.

(l) Accounting Standard for Stock Options
On December 27, 2005, the Accounting Standards Board of Japan issued Financial Accounting Standard No.8 "Accounting Standard for Stock Options". Further, on May 31, 2006, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 11 – "Application Guidance on Accounting Standard for Stock Options".

The Company and its domestic consolidated subsidiaries adopted this standard from the year ended March 31, 2007. As a result, operating income and income before income taxes and minority interests decreased by ¥108 million ($915 thousand) for the year ended March 31, 2007 as compared with the amounts which would have been reported if the previous standard had been applied consistently.

(m) Accounting Standard for Retirement Benefits in the United States
Effective from the year ended March 31, 2007, consolidated subsidiary Konica Minolta Business Solutions U.S.A., Inc., adopted a new accounting standard for retirement benefits in the United States.

As a result of adoption of this new standard, retained earnings increased by ¥137 million as of March 31, 2007 and actuarial gains and losses were charged directly to retained earnings from the year ended March 31, 2007.

(n) Per Share Data
Net income per share of common stock has been computed based on the weighted-average number of shares outstanding during the year.

Cash dividends per share shown for each year in the accompanying consolidated statements are dividends declared as applicable to the respective year.

(o) Accounting Standard for Presentation of Net Assets in the Balance Sheets
Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan, on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (The Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan, on December 9, 2005).

The consolidated balance sheet as of March 31, 2007 and following periods prepared in accordance with the new accounting standard comprises three sections, which are the assets, liabilities and net assets sections.

The adoption of the new accounting standard had no impact on the consolidated statement of income for the year ended March 31, 2007. If the new accounting standards had not been adopted at March 31, 2007, shareholders' equity amounting to ¥367,558 million would have been presented.

(p) Short-Term Investment Securities

Due to the revision of consolidated financial reporting guidelines, negotiable deposits issued by domestic companies, which were included within "cash on hand and in banks" in the consolidated balance sheet in the previous fiscal year, are included in "short-term investment securities" from the fiscal year under review and comparative amounts have been reclassified.

Negotiable deposits issued by domestic companies as of March 31, 2007	¥15,000 million
Negotiable deposits issued by domestic companies as of March 31, 2008	¥33,000 million ($329,374 thousand)

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, 2008, which was ¥100.19 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, 2008 and 2007, consist of:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Cash on hand and in banks	¥89,218	¥70,677	$ 890,488
Time deposits (over 3 months)	(31)	—	(309)
Short-term investments	33,000	15,909	329,374
Cash and cash equivalents	¥122,187	¥86,587	$1,219,553

5. Investment Securities

As of March 31, 2008

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value			
(1) Shares	¥ 9,064	¥16,515	¥ 7,450
(2) Bonds	3	5	1
(3) Other	1	1	—
Subtotal	¥ 9,069	¥16,522	¥ 7,452
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 9,388	¥ 6,862	¥(2,526)
(2) Bonds	21	14	(6)
(3) Other	—	—	—
Subtotal	¥ 9,410	¥ 6,876	¥(2,533)
Total	¥18,479	¥23,399	¥ 4,919

	Thousands of U.S. dollars		
Total	$184,440	$233,546	$49,097

(2) Other Securities Sold during the Year Ended March 31, 2008

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥ 23	¥ 20	¥0

	Thousands of U.S. dollars		
Other securities	$230	$200	$0

(3) Composition and Amounts on the Consolidated Balance Sheet of Other Securities without Market Values

	Millions of yen	Thousands of U.S. dollars
Negotiable deposits	¥33,000	$329,374
Unlisted stocks	863	8,614

As of March 31, 2007

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value			
(1) Shares	¥11,638	¥24,836	¥13,198
(2) Bonds	24	24	—
(3) Other	214	214	—
Subtotal	¥11,877	¥25,075	¥13,198
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 5,697	¥ 5,057	¥ (640)
(2) Bonds	—	—	—
(3) Other	—	—	—
Subtotal	¥ 5,697	¥ 5,057	¥ (640)
Total	¥17,575	¥30,132	¥12,557

(2) Other Securities Sold during the Year Ended March 31, 2007

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥5,629	¥2,788	¥44

(3) Composition and Amounts on the Consolidated Balance Sheet of Other Securities without Market Values

	Millions of yen
Negotiable deposits	¥15,000
Unlisted stocks	378
Foreign investment fund	909

6. Short-Term Debt and Long-Term Debt

Short-term debt was principally unsecured and generally represents bank overdrafts. The amounts as of March 31, 2008 and 2007 were ¥93,875 million ($936,970 thousand) and ¥79,927 million, respectively, and the weighted-average interest rates were approximately 3.4% and 3.3%, respectively.

Long-term debt as of March 31, 2008 and 2007, including current portion, consisted of the following:

Bonds

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
2.3% bonds due in 2007	¥ —	¥ 9	$ —
2.5% bonds due in 2007	—	9	—
2.4% bonds due in 2007	—	9	—
2.825% unsecured bonds due in 2008	5,000	5,000	49,905
Zero coupon convertible unsecured bonds due in 2009	30,166	30,266	301,088
Zero coupon convertible unsecured bonds due in 2016	40,000	40,000	399,241
	¥75,166	¥75,296	$750,235
Less—Current portion included in current liabilities	(5,000)	(29)	(49,905)
	¥70,166	¥75,266	$700,329

Zero coupon convertible unsecured bonds due in 2009 and 2016 above are bonds with share subscription rights issued on December 7, 2006. Details of the share subscription rights are as follows:

	2009 bonds	2016 bonds
Class of stock	Common Stock	Common Stock
Issue price of shares (Yen)	Zero	Zero
Initial conversion prices (Yen/per share)	¥2,175	¥2,383
Total issue price (Millions of yen)	¥30,000	¥40,000
Ratio of granted rights (%)	100	100
Period share subscription rights can be exercised	From December 21, 2006 to December 1, 2009	From December 21, 2006 to November 22, 2016

Long-term loans

	Millions of yen		Interest rate	Thousands of U.S. dollars
	March 31			March 31
	2008	2007	2008	2008
Loans principally from banks, due through 2020	¥56,983	¥ 74,140	1.4%	$568,749
Less—Current portion included in current liabilities	(6,363)	(17,075)		(63,509)
	¥50,620	¥ 57,065		$505,240

The aggregate annual maturities of long-term loans at March 31, 2008 are as follows:

	Amount	
Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 6,363	$ 63,509
2010	12,103	120,800
2011	27,502	274,498
2012	11,002	109,811
2013	2	20

7. Income Taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of 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, 2008 and 2007 is as follows:

	2008	2007
Statutory income tax rate	40.7%	40.7%
Decrease in valuation allowance	(4.9)	(9.3)
Tax credits	(4.3)	(2.6)
Non-taxable income	(4.7)	(0.7)
Difference in statutory tax rates of foreign subsidiaries	(0.0)	(0.3)
Expenses not deductible for tax purposes	2.6	1.7
Amortization of goodwill	2.7	1.9
Other, net	(1.8)	(0.8)
Effective income tax rate per consolidated statements of income	30.3%	30.6%

At March 31, 2008 and 2007, significant components of deferred tax assets and liabilities in the consolidated financial statements are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Deferred tax assets:			
Net operating tax loss carried forward	¥ 27,061	¥ 25,244	$ 270,097
Accrued retirement benefits	26,973	28,949	269,218
Elimination of unrealized intercompany profits	20,131	18,121	200,928
Reserve for discontinued operations	9,565	12,901	95,469
Accrued bonuses	5,768	5,181	57,571
Depreciation and amortization	5,710	4,298	56,992
Write-down of assets	4,151	7,658	41,431
Enterprise taxes	2,059	2,148	20,551
Tax effects related to investments	1,721	8,720	17,177
Allowance for doubtful accounts	1,169	986	11,668
Other	8,657	16,194	86,406
Gross deferred tax assets	112,970	130,405	1,127,558
Valuation allowance	(34,639)	(49,902)	(345,733)
Total deferred tax assets	78,331	80,502	781,825
Deferred tax liabilities:			
Retained earnings of overseas subsidiaries	(5,455)	(3,194)	(54,447)
Unrealized gains on securities	(3,265)	(6,374)	(32,588)
Gains on securities contributed to employees' retirement benefit trust	(3,042)	(3,124)	(30,362)
Special tax-purpose reserve for condensed booking of fixed assets	(800)	(1,086)	(7,985)
Other	(377)	(291)	(3,763)
Total deferred tax liabilities	(12,941)	(14,072)	(129,165)
Net deferred tax assets	¥ 65,389	¥ 66,430	$ 652,650
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (4,010)	¥ (4,028)	$ (40,024)

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Current assets – deferred tax assets	¥37,086	¥41,336	$370,157
Fixed assets – deferred tax assets	28,604	27,306	285,498
Current liabilities – other current liabilities	(248)	(21)	(2,475)
Long-term liabilities – other long-term liabilities	(53)	(2,191)	(529)
Net deferred tax assets	¥65,389	¥66,430	$652,650

8. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2008 and 2007 are ¥81,370 million ($812,157 thousand) and ¥72,142 million, respectively.

9. 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 is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

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

Cash dividends and appropriations to the additional paid-in capital or the legal earnings reserve charged to retained earnings for the years ended March 31, 2008 and 2007 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, 2008 do not reflect current year-end dividends in the amount of ¥3,979 million ($39,715 thousand) approved by the Board of Directors, which will be payable in May 2008.

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 November 1, 2007, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2007, totaling ¥3,980 million ($39,725 thousand), at a rate of ¥7.5 per share. On May 9, 2008, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2008, totaling ¥3,979 million ($39,715 thousand), at a rate of ¥7.5 per share.

10. Contingent Liabilities

The Companies were contingently liable at March 31, 2008 for loan and lease guarantees of ¥3,266 million ($32,598 thousand) and at March 31, 2007 for loan and lease guarantees of ¥2,236 million.

11. Loss on Impairment of Fixed Assets

The Companies have recognized loss on impairment of ¥5,702 million ($56,912 thousand) and ¥640 million for the following groups of assets for the years ended March 31, 2008 and 2007, respectively:

Description	Classification	Amount		
		Millions of yen		Thousands of U.S. dollars
		March 31		March 31
		2008	2007	2008
Manufacturing facilities of medical and graphic film	Machinery and equipment, Tools and furniture, Others	¥2,361	¥ —	$23,565
Rental assets	Rental business-use assets	91	117	908
Idle assets	Land, Buildings and structures, Machinery, Others	328	522	3,274
Others	Goodwill	2,921	—	29,155
Total		¥5,702	¥640	$56,912

(1) Identifying the cash-generating unit to which an asset belongs
Each cash-generating unit is 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) The Companies have written the assets down to the recoverable value and recognized an impairment loss due to worsening of the market environment in the Medical and Graphic business, the decline in real estate value, poor performance and profitability of rental and idle assets, and the revaluation of goodwill.

(3) Details of impairment of fixed assets

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Buildings and structures	¥ —	¥ 87	$ —
Rental business-use assets	—	117	—
Machinery and equipment	2,451	—	24,464
Goodwill	2,921	—	29,155
Others	330	435	3,294

(4) Measuring 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.

12. Discontinued Operations

The amounts included in the statements of income for discontinued operations for the years ended March 31, 2008 and 2007 represent:

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Reversal of excess reserve made for discontinued operations in the previous fiscal year	¥ 8,425	¥17,567	$ 84,090
Loss on discontinued operations in the fiscal year under review	(7,834)	(18,502)	(78,191)
	¥ 590	¥ (935)	$ 5,889

13. Patent-Related Income

Regarding patent-related income, amounts for patents related to the Photo Imaging business are aggregate figures that include both patent royalties and gains on patent transfers.

14. Extraordinary Losses of Overseas Subsidiaries

Extraordinary losses of overseas subsidiaries include ¥581 million ($5,799 thousand) of additional allowance for doubtful accounts and correction of deferred income in a British subsidiary; ¥838 million ($8,364 thousand) of correction of inventory amounts in a British subsidiary; and ¥312 million ($3,114 thousand) of correction of deferred income in the Danish subsidiary.

15. Actuarial Gains and Losses of Overseas Subsidiaries Defined Benefit Retirement Plans

The actuarial gains and losses of overseas subsidiaries defined benefit retirement plans included in retained earnings in the consolidated statements of changes in net assets results from the accounting treatment of retirement benefits that affected certain consolidated subsidiaries in the United Kingdom and the United States.

16. Lease Transactions

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

As Lessee

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Purchase cost:			
Buildings and structures	¥ 8,426	¥ 8,841	$ 84,100
Machinery and equipment	2,466	2,435	24,613
Tools and furniture	6,074	11,348	60,625
Rental business-use assets	2,750	4,173	27,448
Intangible fixed assets	153	358	1,527
	19,871	27,158	198,333
Less: Accumulated depreciation	(12,369)	(16,037)	(123,455)
Loss on impairment of leased assets	(21)	(15)	(210)
Net book value	¥ 7,480	¥ 11,106	$ 74,658

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Due within one year	¥3,037	¥ 2,913	$30,312
Due over one year	4,464	8,236	44,555
Total	¥7,502	¥11,150	$74,878

Lease rental expenses and depreciation equivalents under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2008 and 2007 are as follows:

Lease rental expenses for the period	¥3,395	¥ 4,168	$33,886
Depreciation equivalents	¥3,378	¥ 1,081	$33,716

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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Reserve for loss	¥21	¥15	$210

Loss on impairment and reversals of loss on impairment of leased assets for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Loss on impairment	¥23	—	$230
Reversals of loss	¥16	¥3,087	$160

2) Operating Leases

The scheduled maturities of future operating lease rental payments as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Due within one year	¥ 5,468	¥ 5,052	$ 54,576
Due over one year	14,016	14,676	139,894
Total	¥19,485	¥19,728	$194,480

As Lessor

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Leased rental business-use assets:			
Purchase cost	¥ 22,648	¥ 28,524	$ 226,051
Less: Accumulated depreciation	(13,523)	(17,940)	(134,974)
Net book value	¥ 9,125	¥ 10,584	$ 91,077

The scheduled maturities of future finance lease rental income as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Due within one year	¥4,179	¥5,089	$41,711
Due over one year	4,945	3,953	49,356
Total	¥9,125	¥9,043	$91,077

Lease rental income and depreciation under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31 , 2008 and 2007 are as follows:

Lease rental income for the period	¥4,267	¥5,638	$42,589
Depreciation	¥3,936	¥5,312	$39,285

2) Operating Leases

The scheduled maturities of future operating lease rental income as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Due within one year	¥2,238	¥1,694	$22,338
Due over one year	3,420	1,677	34,135
Total	¥5,658	¥3,372	$56,473

17. Retirement Benefit Plans

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans (CDBPs), which are governed by the Japanese Welfare Pension Insurance Law, tax-qualified pension plans and lump-sum payment plans. In addition, the Companies may pay additional retirement benefits to employees at their discretion.

The Company and certain of its domestic subsidiaries changed their retirement plans, as follows:

On April 1, 2003, Konica's tax-qualified benefit plan was transferred to a CDBP.

On April 30, 2003, a portion of the Konica lump-sum payment plan was transferred to a defined contribution pension plan.

On February 1, 2004, the Ministry of Health, Labour and Welfare permitted that the substitutional portion of the Konica Welfare Pension Fund be returned to the government, and the remaining portion of the Fund was integrated into a CDBP.

On March 1, 2004, the Ministry of Health, Labour and Welfare permitted that the substitutional portion of the Minolta Welfare Pension Fund be returned to the government, and the remaining portion of the Fund was integrated into a CDBP. A portion of the Minolta lump-sum payament plan was transferred to a CDBP on the same date.

On April 1, 2004, a portion of the Minolta lump-sum payment plan was transferred to a defined contribution pension plan.

The reserve for retirement benefits as of March 31, 2008 and 2007 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
a. Retirement benefit obligations	¥(144,011)	¥(149,936)	$(1,437,379)
b. Plan assets	91,360	108,766	911,867
c. Unfunded retirement benefit obligations (a+b)	(52,651)	(41,170)	(525,512)
d. Unrecognized actuarial differences	10,276	(4,528)	102,565
e. Unrecognized prior service costs	(8,131)	(9,557)	(81,156)
f. Net amount on consolidated balance sheets (c+d+e)	(50,506)	(55,256)	(504,102)
g. Prepaid pension costs	2,861	2,690	28,556
h. Accrued retirement benefits (f-g)	¥ (53,367)	¥ (57,947)	$ (532,658)

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

Net retirement benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
a. Service costs	¥ 5,662	¥ 6,383	$ 56,513
b. Interest costs	4,410	4,244	44,016
c. Expected return on plan assets	(3,095)	(2,887)	(30,891)
d. Amortization of actuarial differences	1,248	338	12,456
e. Amortization of prior service costs	(1,426)	(1,529)	(14,233)
f. Retirement benefit costs (a+b+c+d+e)	6,799	6,549	67,861
g. Contributions to defined contribution pension plans	3,199	2,745	31,929
Total (f+g)	¥ 9,998	¥ 9,295	$ 99,790

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in "a. Service costs".
In addition to the above retirement benefit costs, ¥460 million ($4,591 thousand) of additional retirement expenses were recorded in other income (expenses) for the year ended March 31, 2008.

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

	2008	2007
Method of attributing retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Amortization of unrecognized prior service cost	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years

18. Derivatives

The Companies utilize derivative instruments including forward foreign currency exchange contracts, interest rate swaps and commodity futures, to hedge against the adverse effects of fluctuations in foreign currency exchange rates, interest rates and material prices. The Companies utilize these derivatives as hedges to effectively reduce the risks inherent in their assets and liabilities. Additionally, the Companies have a policy of limiting the purpose of such transactions to hedging identified exposures only and they are not held for speculative or trading purposes.

Risks associated with derivative instruments

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

Risk control system for derivative instruments

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

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, a Committee, which consists of management from the Company and its major subsidiaries, meets regularly, at which time the principal policies on foreign currency exchange instruments and other derivative instruments are reaffirmed and the market risks are assessed. All derivative instruments are reported monthly to the respective responsible officers. Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules and the derivative instruments are approved by the respective President or equivalent of each subsidiary.

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

A summary of derivative instruments at March 31, 2008 and 2007 is as follows:

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2008			2007			2008		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	¥34,670	¥32,782	¥ 1,887	¥36,861	¥36,817	¥ 44	$346,043	$327,198	$ 18,834
EURO	30,954	30,983	(28)	25,352	25,664	(311)	308,953	309,242	(279)
To buy foreign currencies:									
US$	¥15,103	¥13,912	¥(1,191)	¥ 8,354	¥ 8,508	¥ 153	$151,013	$138,856	$(11,887)
EURO	—	—	—	1,277	1,286	9	—	—	—
Total	¥80,729	¥77,678	¥ 667	¥71,846	¥72,276	¥(104)	$805,759	$775,307	$ 6,657

Notes: 1. Fair value is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2008 and 2007, respectively.
2. Derivative instruments for which hedge accounting is applied are excluded from the above table.

(2) Interest Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2008			2007			2008		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Pay fixed, receive floating	¥12,655	¥(62)	¥(62)	¥8,022	¥34	¥34	$126,310	$(619)	$(619)

Notes: 1. Fair value is provided by the financial institutions with whom the derivative contracts were concluded.
2. Contract value (notional principal amount) does not indicate the level of risk associated with interest rate swaps.
3. Derivative transactions for which hedge accounting or certain hedging criteria are met are excluded from the above table.

19. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2008.

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

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2008 and 2007.

	Number of Shares
Stock options outstanding at March 31, 2006	194,500
Granted	105,500
Exercised	—
Forfeited	3,000
Stock options outstanding at March 31, 2007	297,000
Granted	113,000
Exercised	29,500
Forfeited	1,500
Stock options outstanding at March 31, 2008	379,000

The following table summarizes price information of stock options exercised during th period and outstanding stock options as of March 31, 2008.

Per unit information	Exercised	Outstanding at March 31, 2008
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,842	—
Fair value per unit (as of grant date)	—	1,634

20. Segment Information

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2008 and 2007 is presented as follows:

Business segment	Related business segment products
Business Technologies:	Copy machines, printers and others
Optics:	Optical devices, electronic materials and others
Photo Imaging:	Photographic film and materials, ink-jet products, cameras and others
Medical and Graphic Imaging:	X-ray and graphic film, equipment for medical or graphic use and others
Sensing:	Industrial and medical measurement instruments and others
Other:	Others products not categorized in the above segments

	Millions of yen							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales								
External	¥700,969	¥182,262	¥161,105	¥ 9,910	¥17,320	¥1,071,568	¥ —	¥1,071,568
Intersegment	5,175	1,083	3,566	768	62,798	73,392	(73,392)	—
Total	706,145	183,345	164,671	10,678	80,119	1,144,961	(73,392)	1,071,568
Operating expenses	616,051	152,089	156,896	9,460	76,626	1,011,124	(59,162)	951,962
Operating income	¥ 90,093	¥ 31,255	¥ 7,775	¥ 1,218	¥ 3,493	¥ 133,836	¥ (14,229)	¥ 119,606
Assets	¥445,939	¥181,938	¥113,141	¥ 9,505	¥73,869	¥ 824,394	¥146,143	¥ 970,538
Depreciation	31,286	15,968	6,048	293	1,996	55,593	4,850	60,443
Impairment losses	1,024	21	4,460	—	—	5,506	195	5,702
Capital expenditure	16,588	42,012	4,595	370	2,468	66,035	9,259	75,295

Notes:

1. Operating expenses not able to be properly allocated that are included in Eliminations and Corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥30,792 million for the year ended March 31, 2008.
2. Included within the Eliminations and Corporate figure for assets are ¥183,225 million of corporate assets, which primarily include the holding company's surplus operating funds (cash and short-term investment securities) and long-term investment funds (investment securities) as well as other assets held by the holding company.
3. Changes to business segments:
   1) The Photo Imaging business was previously listed as a business segment but the importance of that business has decreased due to the discontinuation of that business in accordance with the decision publicly announced on January 19, 2006. Consequently, beginning from the fiscal year under review, the Photo Imaging business segment is no longer separately listed and is included in the Other segment. As a result of this change, the Other figure for operating expenses was increased ¥318 million, the Other figure for operating income was reduced by the same figure and the Other figure for assets was increased ¥23,555 million as of and for the year ended March 31, 2008.
   2) A part of the Company's functions and the Group's U.S.-based holding company were previously included in the Other segment but following the reevaluation of the Company as a pure holding company resulting from reorganization measures based on a re-assessment of the functions of the Group's shared functions company and the parent company, from the fiscal year under review, these units are included in the Eliminations and Corporate segment. As a result of this change, the Other figure for intersegment sales was increased ¥9,290 million, the Other figure for operating expenses was increased ¥13,974 million, the Other figure for operating income was decreased ¥4,683 million and the Other figure for assets was decreased ¥441,613 million as of and for the year ended March 31, 2008.

	Millions of yen								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales									
External	¥658,693	¥138,960	¥ 47,752	¥ 158,705	¥10,003	¥ 13,516	¥1,027,630	¥ —	¥1,027,630
Intersegment	3,955	1,396	9,700	12,249	859	58,313	86,476	(86,476)	—
Total	662,648	140,356	57,453	170,955	10,863	71,830	1,114,106	(86,476)	1,027,630
Operating expenses	582,666	119,355	58,278	162,074	9,213	60,164	991,753	(68,129)	923,624
Operating income	¥ 79,982	¥ 21,000	¥ (825)	¥ 8,880	¥ 1,649	¥ 11,665	¥ 122,353	¥ (18,346)	¥ 104,006
Assets	¥479,938	¥155,413	¥ 47,704	¥ 124,727	¥10,046	¥486,872	¥1,304,702	¥ (353,650)	¥ 951,052
Depreciation	30,050	10,806	—	5,138	210	6,487	52,692	—	52,692
Impairment losses	537	46	—	—	—	56	640	—	640
Capital expenditure	24,510	24,464	—	8,793	400	5,831	64,000	—	64,000

	Thousands of U.S. dollars							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales								
External	$6,996,397	$1,819,164	$1,607,995	$ 98,912	$172,872	$10,695,359	$ —	$10,695,359
Intersegment	51,652	10,809	35,592	7,665	626,789	732,528	(732,528)	—
Total	7,048,059	1,829,973	1,643,587	106,578	799,671	11,427,897	(732,528)	10,695,359
Operating expenses	6,148,827	1,518,006	1,565,985	94,421	764,807	10,092,065	(590,498)	9,501,567
Operating income	$ 899,221	$ 311,957	$ 77,603	$ 12,157	$ 34,864	$ 1,335,822	$ (142,020)	$ 1,193,792
Assets	$4,450,933	$1,815,930	$1,129,264	$ 94,870	$737,289	$ 8,228,306	$1,458,659	$ 9,686,975
Depreciation	312,267	159,377	60,365	2,924	19,922	554,876	48,408	603,284
Impairment losses	10,221	210	44,515	—	—	54,956	1,946	56,912
Capital expenditure	165,565	419,323	45,863	3,693	24,633	659,098	92,414	751,522

(2) Geographic Segment Information

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales							
External	¥469,989	¥233,834	¥305,687	¥ 62,056	¥1,071,568	¥ —	¥1,071,568
Intersegment	353,597	2,848	868	204,822	562,136	(562,136)	—
Total	823,586	236,683	306,555	266,879	1,633,704	(562,136)	1,071,568
Operating expenses	702,701	235,561	296,079	261,940	1,496,282	(544,320)	951,962
Operating income	¥120,885	¥ 1,122	¥ 10,476	¥ 4,938	¥ 137,422	¥ (17,815)	¥ 119,606
Assets	¥722,432	¥108,208	¥162,036	¥ 91,278	¥1,083,956	¥(113,418)	¥ 970,538

Notes:

1. Operating expenses not able to be properly allocated that are included in Eliminations and Corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥30,792 million for the year ended March 31, 2008.
2. Included within the Eliminations and Corporate figure for assets are ¥183,225 million of corporate assets, which primarily include the holding company's surplus operating funds (cash and short-term investment securities) and long-term investment funds (investment securities) as well as other assets held by the holding company.
3. Changes to business segments: A part of the Company's functions and the Group's U.S. based holding company were previously included in the Japan and North America segments but, following the reevaluation of the Company as a pure holding company resulting from reorganization measures based on a re-assessment of the functions of the Group's shared functions company and the Company, from the fiscal year under review, these units are included in the Eliminations and Corporate segment. As a result of this change, the Japan figure for intersegment sales was increased ¥23,065 million, the Japan figure for operating expenses was increased ¥27,947 million, the Japan figure for operating income was decreased ¥4,881 million and the Japan figure for assets was decreased ¥165,221 million as of and for the year ended March 31, 2008. In addition the North America figure for intersegment sales was decreased ¥146 million, the North America figure for operating expenses was decreased ¥223 million, the North America figure for operating income was increased ¥76 million and the North America figure for assets was decreased ¥46,823 million as of and for the year ended March 31, 2008.

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales							
External	¥460,196	¥246,786	¥263,702	¥ 56,945	¥1,027,630	¥ —	¥1,027,630
Intersegment	292,774	2,247	969	183,885	479,877	(479,877)	—
Total	752,970	249,033	264,672	240,830	1,507,507	(479,877)	1,027,630
Operating expenses	639,740	244,932	254,632	239,016	1,378,321	(454,697)	923,624
Operating income	¥113,230	¥ 4,100	¥ 10,040	¥ 1,814	¥ 129,186	¥ (25,179)	¥ 104,006
Assets	¥865,962	¥179,007	¥155,426	¥ 92,420	¥1,292,817	¥(341,765)	¥ 951,052

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales							
External	$4,690,977	$2,333,906	$3,051,073	$ 619,383	$10,695,359	$ —	$10,695,359
Intersegment	3,529,264	28,426	8,664	2,044,336	5,610,700	(5,610,700)	—
Total	8,220,242	2,362,342	3,059,737	2,663,729	16,306,058	(5,610,700)	10,695,359
Operating expenses	7,013,684	2,351,143	2,955,175	2,614,433	14,934,445	(5,432,878)	9,501,567
Operating income	$1,206,558	$ 11,199	$ 104,561	$ 49,286	$ 1,371,614	$ (177,812)	$ 1,193,792
Assets	$7,210,620	$1,080,028	$1,617,287	$ 911,049	$10,819,004	$(1,132,029)	$ 9,686,975

Note: Major countries or areas other than Japan are as follows:
North America ..................U.S.A. and Canada
Europe...............................Germany, France and U.K.
Asia and Other..................Australia, China and Singapore

(3) Overseas Sales

	Millions of yen		Thousands of U.S. dollars	Percentage of net sales
	2008	2007	2008	2008
North America	¥245,486	¥257,160	$2,450,205	22.9%
Europe	312,115	279,324	3,115,231	29.1%
Asia and Other	225,182	204,623	2,247,550	21.0%

Notes: 1. Major countries or areas are as follows:
North America ...............U.S.A. and Canada
Europe...........................Germany, France and U.K.
Asia and Other...............Australia, China and Singapore
2. "Overseas sales" represents sales recognized outside of Japan by the Companies.

21. Net Income per Share

Calculations of net income per share for the years ended March 31, 2008 and 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Net income			
Income attributable to common shares	¥68,829	¥72,542	$686,985
Income available to common stockholders	68,757	72,518	686,266
	Thousands of shares		
Weighted average number of common shares outstanding:			
Basic	530,660	530,778	530,660
Diluted	561,580	541,168	561,580
	Yen		U.S. dollars
Net income per common share:			
Basic	¥129.71	¥136.67	$1.29
Diluted	122.44	134.00	1.22

22. Significant Subsequent Events

1) On April 8, 2008 (U.S. time), Konica Minolta Business Technologies, Inc., which is an operating company of the Business Technologies business segment, reached agreement with U.K.-based Danka Business Systems PLC regarding the acquisition by Konica Minolta Business Technologies through a U.S.-based subsidiary, Konica Minolta Business Solutions U.S.A., Inc., of U.S.-based Danka Office Imaging Company (approximately $450 million in sales for the year ended March 31, 2007), which is a wholly owned subsidiary of Danka Business Systems. It is anticipated that the transaction procedures will be completed during June 2008 and that the acquisition price will be approximately $240 million.
2) On April 1, 2008, Konica Minolta Medical & Graphic, Inc., which is an operating company of the Medical and Graphic Imaging business segment, transferred ownership of Konica Minolta ID System Co., Ltd., and related business assets to an entity outside the Group. The gain from this transfer is estimated at approximately ¥5.8 billion ($58 million) for the fiscal year ending March 31, 2009.