KONICA MINOLTA

The essentials of imaging

KONICA MINOLTA HOLDINGS, INC.

ANNUAL REPORT 2008

Profile

Konica Minolta Holdings, Inc. was established in August 2003 through the management integration between Konica Corporation and Minolta Co., Ltd., creating a comprehensive imaging company. The Konica Minolta Group is pursuing growth by leveraging collective Group resources in the two major business domains of equipment and services, and components. The Group has annual sales of more than ¥1 trillion, conducts business operations in approximately 40 nations worldwide and has approximately 32,000 employees. Based on an underlying management principle of "New Value Creation" and driven by the corporate message of "the essentials of imaging", the Konica Minolta Group aims to provide inspired creativity in the field of imaging by becoming an innovative, technologically sophisticated, reliable and market-leading global company that is able to enhance corporate value and respond to the expectations of its stakeholders through corporate creativity.


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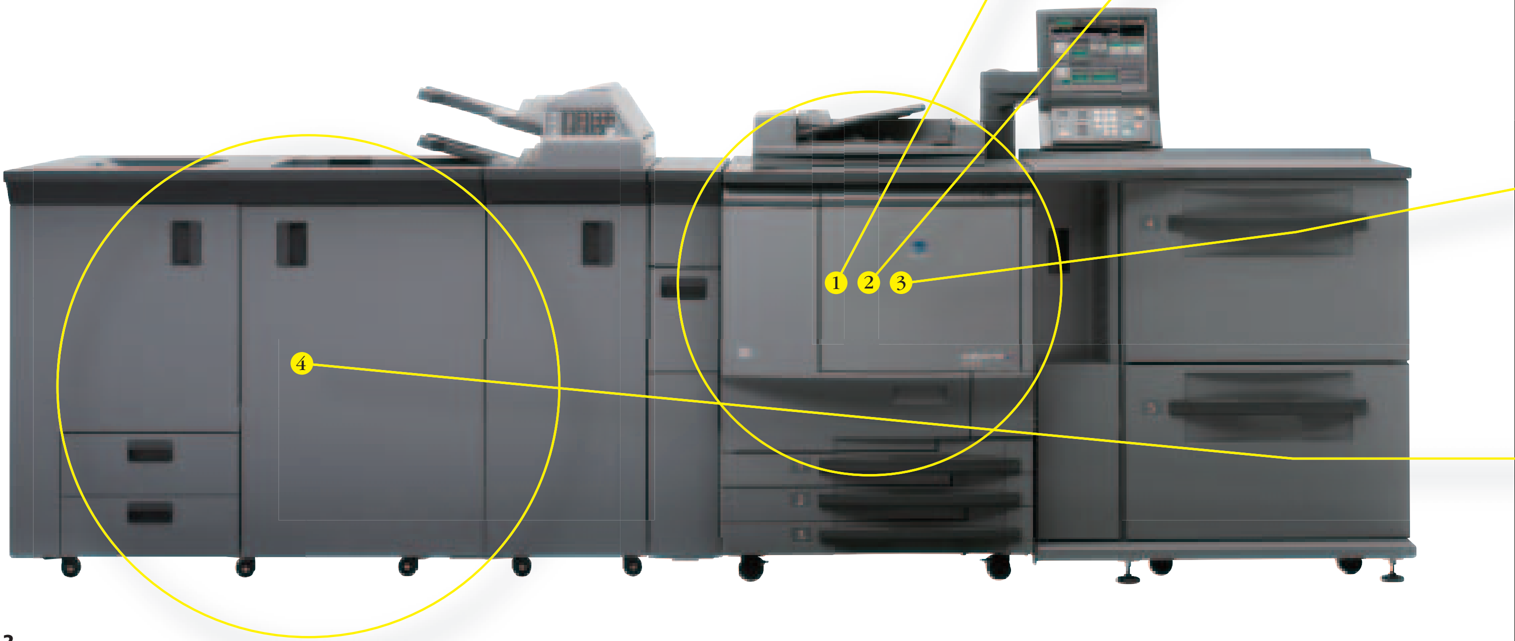
KONICA MINOLTA

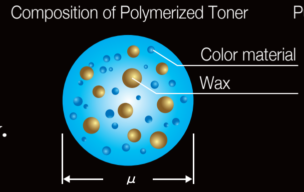
Pursuing Brand Leadership in Production Printing

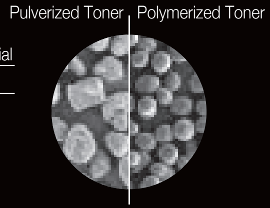
One goal of Konica Minolta's genre-top strategy is to become the dominant brand in the promising production printing field. We will reach that goal by cultivating advanced proprietary imaging technologies and taking advantage of our industry-leading imaging, materials and paper-handling technologies, market-driven product development, and our business base in the printing industry.



❶ Polymerized Toner

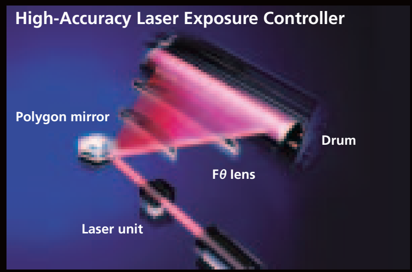
Our polymerized toner features the industry's finest and most uniform particles to achieve highly defined image quality. Since the toner enhances low-temperature fusing, it reduces paper curls and buckling and increases paper-handling capability. In addition, this toner reduces environmental load comprehensively from production to end use.





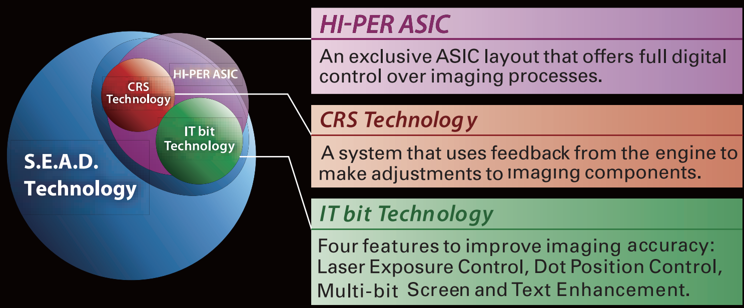
❷ High-Accuracy Laser Exposure Controller

We created a fully digital laser-driven pulse-width modulator that ensures high precision and fast output by controlling nanosecond laser unit pulses to deliver swift and stable four-color pixel writing.



❸ Proprietary S.E.A.D. Technology

Our Screen-Enhancing Active Digital Processing (S.E.A.D.), incorporates an application-specific integrated circuit to provide micron-level image control and optimally process images and text. S.E.A.D. employs technology to stabilize high-speed image quality, for results comparable to those of offset printers.

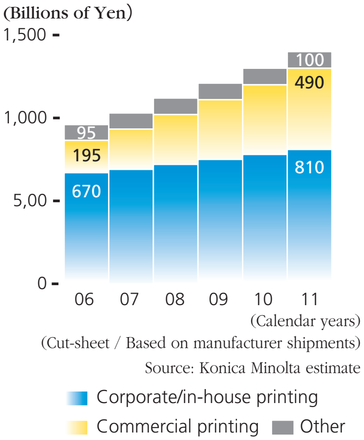


❹ Post-Processing System for Print-on-Demand Applications

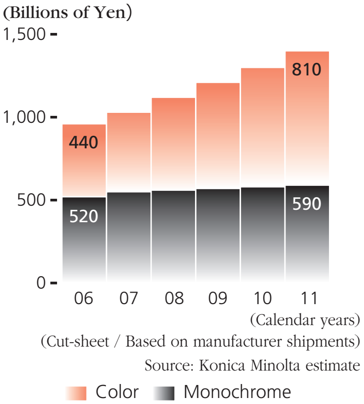
We have drawn on paper processing expertise from years in the production printing business to create numerous post-processing technologies, notably for saddle and side stitching, folding, hole punching, and booklet finishing. We are an industry—leading supplier of online post-processing systems.

Why We Are Focusing on the Production Printing Market

Production Printing Market Estimate by Market Segment



Production Printing Market Estimate Color vs. Monochrome



What Is Production Printing?

Production printing is a generic term referring to printing by high-speed digital printer. The term encompasses office printing, on-site internal corporate printing, commercial printing and what is called "digital press" in the offset printing industry. Production printing basically is about printing small jobs on demand, contrasting with the large runs that offset processes entail. It is also called POD, and both phrases refer essentially to the same thing. The main production printing users are print shops, copy service bureaus, and central reprographic departments (CRDs).

The prime advantage of production printing are as follows. (1) short-run printing, (2) short turnaround printing, (3) variable data printing. These are the growth areas of the market.

The Production Printing Market

This market was worth around ¥1 trillion in 2006, with in-house jobs accounting for about 70% of the total and commercial printing representing another 20%. We anticipate demand should reach ¥1.4 trillion by 2011. The value of commercial printing should surge from ¥195 billion in 2006, to ¥490 billion by 2011. We based these estimates on manufacturer shipments of units, cut-sheet, electrophotographic system and dry toner.

Trends that enabled us to make such projections include growth in small job runs amid expansion in the direct marketing industry, increasing demand for short turnarounds, and rising in-house production in companies to safeguard information and streamline internal controls.

We look for the mainstay color printing market to balloon from ¥440 billion in 2006 to ¥810 billion by 2011, while monochrome printing demand will likely remain flat during that period. We can capture significant new opportunities in the color market because of our highly competitive design and materials technologies, as well as our product development and marketing foundations.

Our Strategies

Business Trends and Competitive Position

Our unit sales in the key color production printing segment grew 10% year on year in the fiscal year ended March 2008, compared with a 4% rise in overall MFP sales and 20% year-on-year value growth. In terms of market share, we achieved high market shares in the fiscal year ended March 2008 in color production printing after first entering this market in the fiscal year ended March 2004. We project a double-digit increase in unit shipments for the fiscal year ending March 2009, which would also drive demand for toner and other consumables.

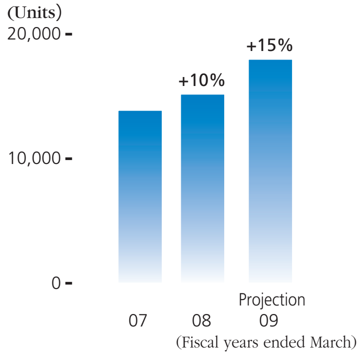
We intend to maintain and build our top market position and sustain growth by cultivating new sales channels and by continuing to collaborate with business partners.

Technological Competitiveness

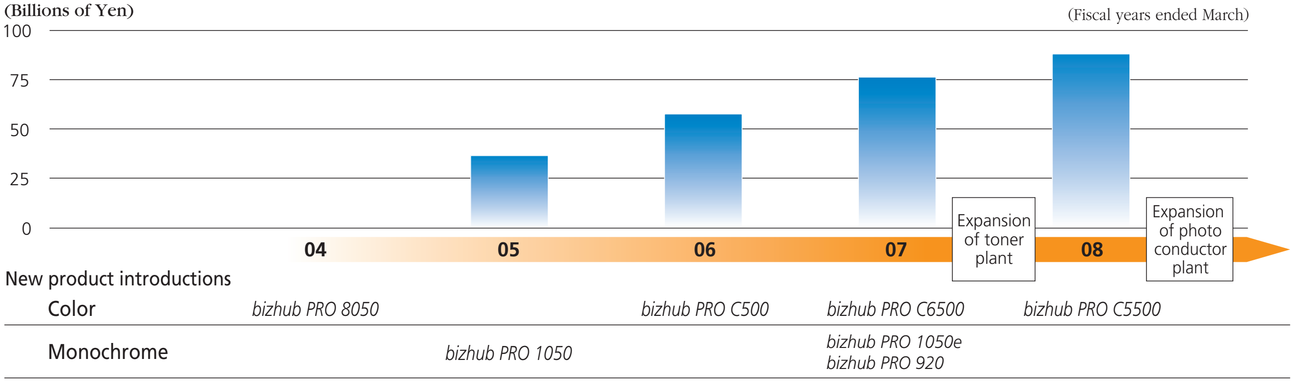
Konica Minolta's unique polymerized toner is an industry leader for its outstanding image quality, low noise, and fast output capabilities. Our production printing models incorporate diverse technologies that give us an excellent competitive edge.

Our toner is perfect for production printing equipment because the particles are smooth and uniform and fuse at low temperatures, enabling copiers and printers to output quickly at high resolutions. The results are as natural as those from offset printing, notably in terms of uniform images, broad color gamuts, and low-gloss output due to oil-free fusing. On top of that, excellent fusing performance enables printing on everything from regular thin-coated papers to high-quality thick stock.

Konica Minolta's Production Printing Unit Sales Growth

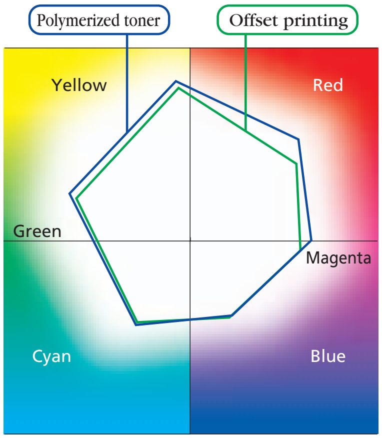


Konica Minolta's Production Printing Business Growth



Note: Production printing sales amount for the fiscal year ended March 2004 is not available because this is the first year we entered the market.

Advantages of Konica Minolta Polymerized Toner
– Color Reproduction Range –



Another advantage of polymerized toner is that it results in 40% lower carbon dioxide emissions than pulverized toner and such emissions are reduced during the printing process around 30% because it fuses at lower temperatures. The particles of polymerized toner are finer than those of pulverized powder, for 30% less toner consumption and significantly lower carbon dioxide emissions over product life cycles.

There is no major competitors to our unique polymerized toner, for which we have a large number of patents pending—likely an industry record. Our advanced production technologies represent another prime advantage, and we aim to maintain our dominance.

Our organic photoconductors, which employ the coating technologies we amassed in photo films, are cost-competitive and safer than inorganic photoconductors and far more sensitive.

Proprietary S.E.A.D. technology delivers high-precision printing and more stable image quality. It provides micron-level image control and optimally processes images and text to stabilize image quality even at high output speeds.

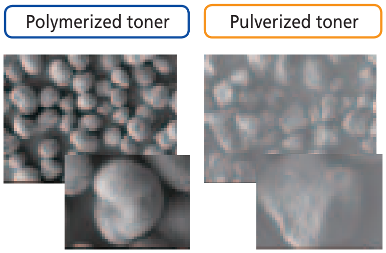
Post-processing systems are vital for production printing. We have created numerous such technologies, notably for saddle and side stitching, folding, hole punching, and binding. We are an industry-leading supplier of post-processing systems.

Our high-accuracy laser exposure controller enables fast and stable writing for all pixel colors, which has helped us greatly to increase the competitiveness of our color offerings.

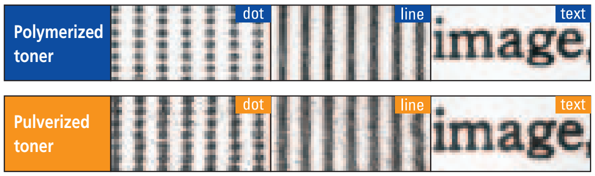
One feature of our production printing capabilities is that we draw on years of experience in the printing business to plan systems that we believe our customers need. Unlike our competitors, we are committed to offering products and services that help customers develop their business models.

We will build brand dominance in production printing by employing our outstanding technologies and unique business concepts.

Shapes and Surface Composition



Comparison of Polymerized Toner and Pulverised Toner (Internal Test)



Future Strategies

In the years ahead, we will invest heavily to develop unparalleled technologies and improve our products. We have introduced a new polymerized toner that has more advanced features than our current product, expanding the color gamut and matching the bright and vivid reproduction of Super Video Graphic Array (SVGA) displays, one standard used for PC displays. Such a new toner delivers image quality in production printing on a par with offset printing, thereby enabling us to expand further in a printing industry where image quality is so crucial.

We aim to expand our product range beyond the light production printing area to encompass the middle-to-heavy production printing area.

We will use the marketing networks of both Graphic Imaging business and Business Technologies business to enhance synergies within the Group while reinforcing ties with external partners so that we can expand our lineup and marketing channels.

Our global strategies will include using our alliance with the Netherlands-based Océ N.V., one of the top players in production printing, to strengthen our presence in Europe. We will reinforce sales in North America through Danka Office Imaging Company (DOIC), a leading seller of imaging equipment in the United States. That acquisition will enable us to increase market share to dominate the local production printing sector.

Two Key Alliances

In April 2008, we concluded a strategic business alliance with Océ N.V., which is headquartered in Venlo, the Netherlands. This company has an array of high-speed printing technologies, and has built strong direct sales and service networks in the office and production printing fields. The arrangement entails jointly developing fast monochrome and color models for the highly promising light and mid-range production printing segments. The sales strategy will be for us to provide Océ N.V. with all our office multi-functional peripheral (MFP) product line on an OEM basis. Both sides will supply each other with production printing equipment for marketing through both brands and sales channels. The alliance will enable us to become an industry-leading equipment and software supplier in office and printing production systems alike.

In June 2008, we completed the acquisition of Danka Office Imaging Company (DOIC) of St. Petersburg, Florida, U.S.A. We will employ DOIC's impressive customer base and sales and support structure to boost our North American market share. The acquisition will greatly expand our production printing sales force and accelerate efforts to strengthen that business area. We will also be able to use DOIC's sales network to step up sales of our office MFPs and printers.

These moves in Europe and North America are part of what will be an even more concerted global drive in the years ahead to accelerate sustainable Group growth.

Consolidated Financial Highlights

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
For the Year:			
Net sales	¥1,071,568	¥1,027,630	$10,695,359
Operating income*	119,606	104,006	1,193,792
Net income	68,829	72,542	686,985
Capital expenditure	75,295	64,000	751,522
R&D costs	81,370	72,142	812,157
At Year-End:			
Total assets	¥ 970,538	¥ 951,052	$9,686,975
Total net assets	418,310	368,624	4,175,167
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Net income—basic	¥129.71	¥136.67	$1.29
Net assets	786.20	692.39	7.85
Cash dividends	15	10	0.15
	Percent		
Financial Ratios:			
Equity ratio	43.0%	38.6%	
Return on assets	12.7	11.2	
Return on equity	17.5	21.9	

Notes: 1. U.S. dollar amounts above and elsewhere in this report for the Company are translated from yen, for convenience only, at the rate of ¥100.19=US$1, the approximate exchange rate prevailing at March 31, 2008.
2. Equity ratio = (Total net assets – minority interests – share subscription rights) ÷ total assets × 100 (%)
Return on assets = (Operating income + interest and dividend income) ÷ average total assets × 100 (%)
Return on equity = Net income ÷ average (total net assets – minority interests – share subscription rights) × 100 (%)

* Supported by favorable growth in the main Business Technologies and Optics businesses, operating income increased 15.0% year on year and operating income ratio improved 1.1 percentage points to 11.2% as operating income recorded a new historical high.

The essentials of imaging

Yoshikatsu Ota
President and CEO

To Our Shareholders

FORWARD 08 Progressing Well

We started a new growth phase with our *FORWARD 08* medium-term management plan. In the fiscal year ended March 2008, we reached the consolidated earnings targets of this three-year initiative a year ahead of schedule.

Sales of our core Business Technologies business advanced 6.4%, to ¥701.0 billion, with operating income climbing 12.6%, to ¥90.1 billion. Optics business sales were up 31.2%, to ¥182.3 billion; operating income gained 48.8%, to ¥31.3 billion.

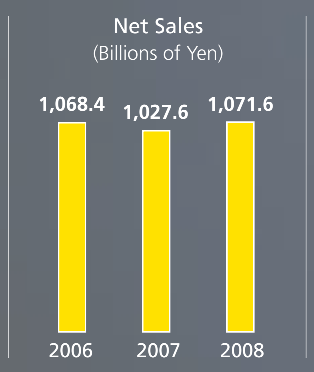
As a result, consolidated net sales for the period under review came to ¥1,071.6 billion, up 4.3% year on year despite the ¥47.8 billion negative impact on sales from our exit from the Photo Imaging business. Consequently, we posted operating income of ¥119.6 billion, up 15.0% year on year and a record high for the third consecutive period.

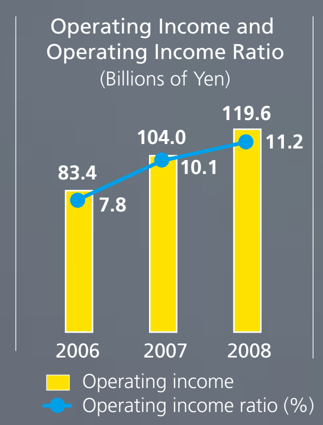
Genre-Top Strategy Bears Fruit

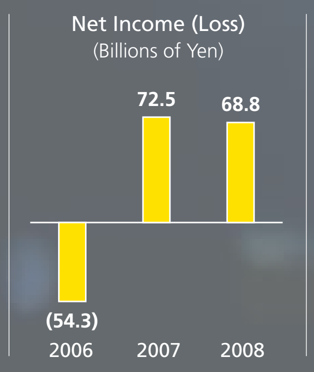
As part of *FORWARD 08*, which we announced in May 2006, we have deployed groupwide operations that harness our genre-top strategy. This strategy entails concentrating management resources on potential growth markets and business fields to boost our competitiveness, achieving greater growth than our competitors and earning a top position in the market.

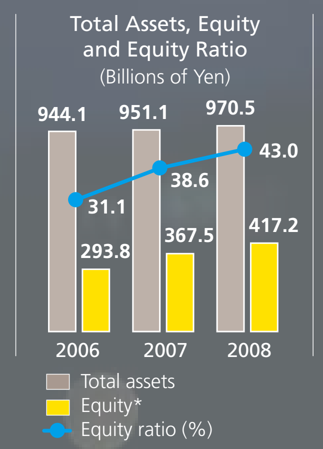
Genre-top priorities in the Business Technologies business are color multi-functional peripherals (MFPs) for general office use and production printing models. We have reinforced our capabilities in these areas, which have excellent growth potential. We differentiated ourselves from the outset by equipping our offerings with tandem engines and accumulated production technologies, thus winning top marks from customers for consistent quality. At the same time, we have optimally sited production while stepping up local procurement to hone our cost-competitiveness.

Image quality is a key differentiator, and we were accordingly swift to employ polymerized toner across our color and production printing lineups. We are constantly refining our polymerized toner technologies as we pursue world-class performance in terms of low-temperature fusing, color reproduction, and minimal environmental impact. On top of that, we have upgraded manufacturing facilities to achieve industry-leading toner production capacity.









* Equity = Total net assets – minority interests – share subscription rights

The genre-top strategy has enabled us to lead our competitors by helping us to refine proprietary technologies, bring out outstanding competitive offerings, and expand the installed base of color and high-speed MFPs.

The genre-top strategy drives progress in the Optics business. We have drawn on our advanced thin-film technologies to commercialize second- and third-generation triacetyl cellulose (TAC) film for vertical allignment (VA) mode LCDs and boost our market share in TAC films. We dominate the market for next-generation DVD pickup lenses. Our market share is surging in glass hard disk substrates using perpendicular magnetic recording system.

These examples underscore our determination to target and dominate growth markets by continuing to outpace our competitors in commercializing outstanding products and services. The genre-top strategy offers tremendous value and potential. I believe that the consistent accumulation of solid genre-top positions in various markets will transform our positioning in the industry.

Other key Group management priorities in the drive to raise our market and customer presences are growth, change and speed. Focusing on these keywords, we will further promote Group management and raise our presence in the marketplace and with customers. We are confident that we can create new corporate value by building a unique position.

Dividend Policy

We recognize enhancing shareholder value as an important management issue. Raising our dividend steadily in line with increases in corporate performance, we raised dividends for the fiscal year ended March 2008 by ¥5 per share compared to the previous fiscal year, to ¥15 per share. We target a payout ratio of at least 25% over the medium to long term. We set dividends from retained earnings from the basic standpoint of maintaining a steady payout to shareholders, taking into overall consideration of consolidated operating performance and strategic investment in growth fields. Going forward, we aim to maximize Group growth and corporate value.

Emphasizing Environmental Management

We cannot expand without considering the environment, which is an important global issue. Management's commitment to creating new value goes well beyond product innovation. We believe that our mission as a manufacturer is to create offerings that excel in terms of environmental performance.

Working together as a group, we proactively pursue product development and manufacturing that conserve energy and resource use, as well as promote green procurement. Furthermore, through groupwide efforts, we aim to reduce emissions, promote the reuse of resources and lower the generation of hazardous substances. In these endeavors, we aim to be in the top class of our industry.

Looking Ahead

Management will complete *FORWARD 08* in the fiscal year ending March 2009, ensuring that it achieves all action plans speedily to fuel concentrated groupwide efforts to maintain and accelerate sustainable growth. I look forward to your ongoing understanding and support as we move ahead.

June 2008

Yoshikatsu Ota
President and CEO

Konica Minolta deployed *FORWARD 08*, a three-year medium-team business plan started in April 2006 to maximize new added value in its businesses and optimize its corporate value.

Basic Policies

(1) Promote growth by leveraging collective Group resources

(2) Build a new corporate image

(3) Promote world-class CSR management

FORWARD 08 Achievements in the Fiscal Year Ended March 2008

In the fiscal year ended March 2008, the second year of this initiative, our Business Technologies and Optics businesses achieved excellent performance on the strength of strategic investments and business efforts. Consolidated operating income was ¥119.6 billion, comfortably exceeding the targets of ¥110.0 billion that we originally set for the fiscal year ending March 2009, the last year of the plan.

We overhauled *FORWARD 08* in April 2007 to ensure that we could reach our objectives and accelerate ongoing expansion. We set short-, medium-, and long-term priorities for each business area and swiftly executed action plans.

In Business Technologies business, where we are making groupwide efforts under our genre-top strategy, we strengthened competitiveness by launching five new color MFPs for general office use and one production printing model during the term. We acquired leading German and U.S. MFP dealers in September and November 2007, respectively, to bolster our genre-top strategy. In April 2008, we entered into a strategic partnership with Océ N.V., a leader in the European production printing market, to solidify our regional foundations. In June 2008, we completed the acquisition of Danka Office Imaging Company (DOIC) in the United States to enhance sales and market share as part of efforts to accelerate our ongoing expansion.

In Optics business, we began operating a fifth TAC film plant in Kobe, Japan in November 2007 to take advantage of rising LCD demand, which helped us to increase our market share for TAC film with viewing angle expansion function and other high-performance products for VA mode LCDs. Sales have been solid for high-end products, including optical pickup lenses for next-generation DVDs. We have won accolades for our glass hard disk substrates that have particular compatibility with perpendicular magnetic recording systems, to which the market is shifting, and are expanding sales in this field. Responding to such rising demand, we augmented production capacity by building a plant in Malaysia in February 2008. We consolidated optical technology development at our Osakasayama site in Osaka in April 2008 to promote effective development systems.

In the Medical and Graphic Imaging business, we are cultivating compact and easy-to-operate computed radiography and peripheral systems and solutions that promote digitally based medical care at clinics.

Future *FORWARD 08* Endeavors

Our next essential growth step will be derived from our Business Technologies and Optics business base and technological foundations, so that we can expand into peripheral fields.

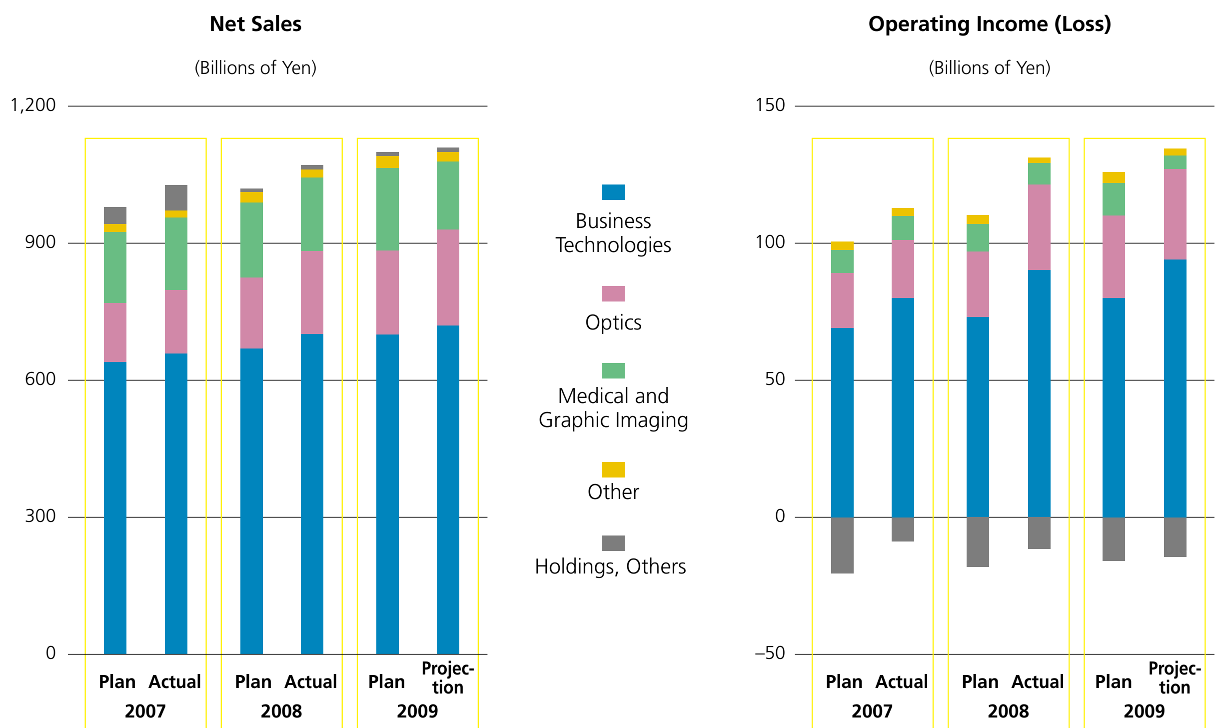
Specific efforts in Business Technologies business will be to offer advanced services beyond equipment sales solutions. In Optics business, we will optimize production capacity in TAC films, glass hard disk substrates, and next-generation optical pickup lenses in a timely manner. We will strengthen our digital X-ray image input/output systems in the Medical and Graphic Imaging business.

In terms of initiatives in new fields of business, we plan to enter the promising lighting business in 2010, drawing on our organic electroluminescence (EL) technologies and a partnership with the General Electric Company. We also foster new earnings sources, notably by using atmospheric pressure glow plasma technologies to enhance our film coating capabilities and by applying Super Inkjet technology to industrial products.

Strengthening Financials to Support *FORWARD 08* Growth Strategies

Free cash flow for the fiscal year ended March 2008 was ¥46.2 billion, up ¥35.9 billion compared to the previous fiscal year, on the strength of record earnings. We continued to lower interest-bearing debt, which was ¥226.0 billion at year-end, down ¥3.3 billion compared to the previous fiscal year. The equity ratio was 43.0% at the close of the term.

Capital investment will remain essential to strengthening our development, manufacturing, and marketing capabilities, so that we can pursue sustainable growth. We will further enhance our financial position to help fund these efforts.



Performance Targets by Business Segment

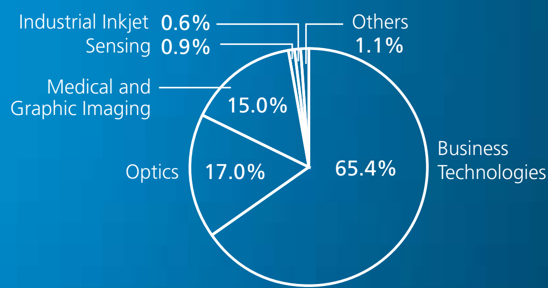
(Fiscal Years Ended/Ending March) (Billions of Yen)

		2007		2008		2009	
		Plan	Actual	Plan	Actual	Plan	Projection
Business Technologies	Net sales	¥640.0	¥ 658.7	¥ 670.0	¥ 701.0	¥ 700.0	¥ 720.0
	Operating income	69.0	80.0	73.0	90.1	80.0	94.0
Optics	Net sales	130.0	139.0	155.0	182.3	185.0	210.0
	Operating income	20.0	21.0	24.0	31.3	30.0	33.0
Medical and Graphic Imaging	Net sales	155.0	158.7	165.0	161.1	180.0	150.0
	Operating income	8.5	8.9	10.0	7.8	12.0	5.0
Other	Net sales	17.0	16.0	22.0	16.8	26.0	20.0
	Operating income	3.0	2.9	3.2	2.1	4.0	2.5
Segment Total	Net sales	942.0	972.3	1,012.0	1,061.2	1,091.0	1,100.0
	Operating income	100.5	112.8	110.2	131.2	126.0	134.5
Holdings, Others, Eliminations and Corporate	Net sales	38.0	55.3	8.0	10.4	9.0	10.0
	Operating income (loss)	(20.5)	(8.8)	(18.2)	(11.6)	(16.0)	(14.5)
Group Total	Net sales	980.0	1,027.6	1,020.0	1,071.6	1,100.0	1,110.0
	Operating income	80.0	104.0	92.0	119.6	110.0	120.0

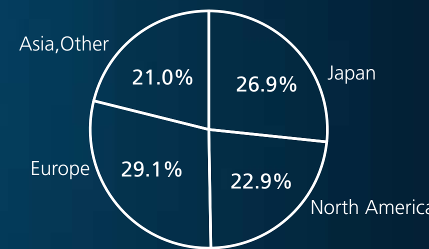
Notes: 1. Other includes Sensing and Industrial Inkjet businesses.
2. Holdings, Others, Eliminations and Corporate in 2007 includes Photo Imaging business.

At a Glance

Sales Composition
(Fiscal Year Ended March 2008)



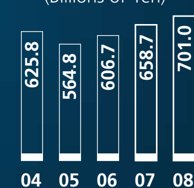
Net Sales by Geographical Region
(Fiscal Year Ended March 2008)

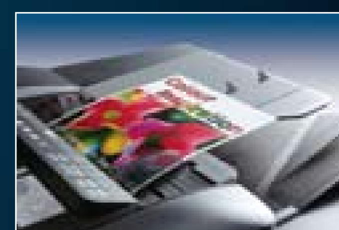


Business Technologies

Main Products: MFPs, LBPs, facsimile machines, consumables, software, system solutions, service

Net Sales
(Billions of Yen)

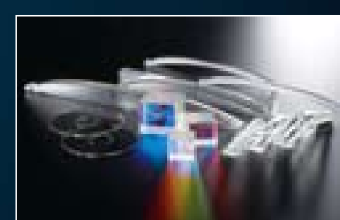




Optics

Main Products: Optical pickup lenses, lens units, microcamera units, TAC film for LCD, glass substrates for hard disks

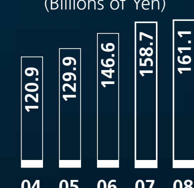
Net Sales
(Billions of Yen)



Medical and Graphic Imaging

Main Products: X-ray image processing systems, X-ray film, contrast media for diagnostic purposes, digital color proofing systems, graphic film

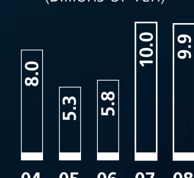
Net Sales
(Billions of Yen)



Sensing

Main Products: 3-D digitizers; color, and light measuring instruments, medical measuring instruments

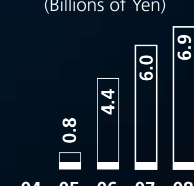
Net Sales
(Billions of Yen)



Industrial Inkjet

Main Products: Industrial inkjet heads, consumables, textile printers and others

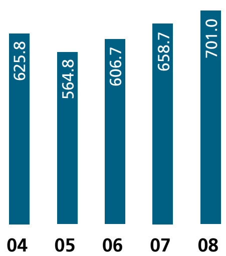
Net Sales
(Billions of Yen)



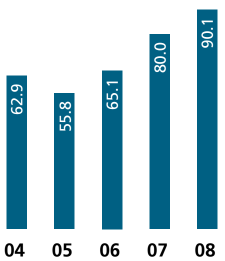
In the fiscal year ended March 2008, concerted efforts enabled us to significantly increase sales in the expanding domestic and international markets for color MFPs for general offices. We consequently posted record segment operating income.

Akio Kitani
President
Konica Minolta Business Technologies, Inc.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Business Technologies

Under our genre-top strategy, one key focus was to boost sales of color MFPs for general offices. Another priority was to raise production printing sales for the internal printing departments of large companies and commercial digital printing companies.

We bolstered our range of highly competitive offerings by releasing five *bizhub* color MFP models for the general office market and one *bizhub PRO* color model for production printing. The U.S. market began slowing down in the second half of the term because of the subprime mortgage woes. Nonetheless, we maintained a high unit sales growth rate in color MFPs. Sales were similarly solid in Europe and other regions.

In September and November 2007, we acquired leading dealers in Germany and the United States, respectively.

As a result of these factors, we achieved favorable sales of color MFPs worldwide for general offices and maintained our ranking in the top group in the core European and American markets.

We are prioritizing production printing because of the high growth potential of this area. The main target customers for these systems are the internal printing departments of large companies and commercial digital printing companies. We augmented the popular *bizhub PRO C6500* with the *bizhub PRO C5500*, a new high-speed color MFP.

We concluded a strategic partnership with Europe's Océ N.V., which has outstanding technological capabilities and experience, as part of a global strategy of solidifying our position in growth markets. We additionally acquired Danka Office Imaging Company (DOIC) to harness its broad marketing channels and top-quality customer base in the United States.

In the laser printer segment, we merged printer and MFP sales companies in Europe and United States, and worked to strengthen our sales organization for general office-use products as we emphasized sales in the general office segment where print volume growth is expected.

Business Technologies net sales thus rose 6.4%, to ¥701.0 billion. Operating income gained 12.6%, to a record-high level of ¥90.1 billion.

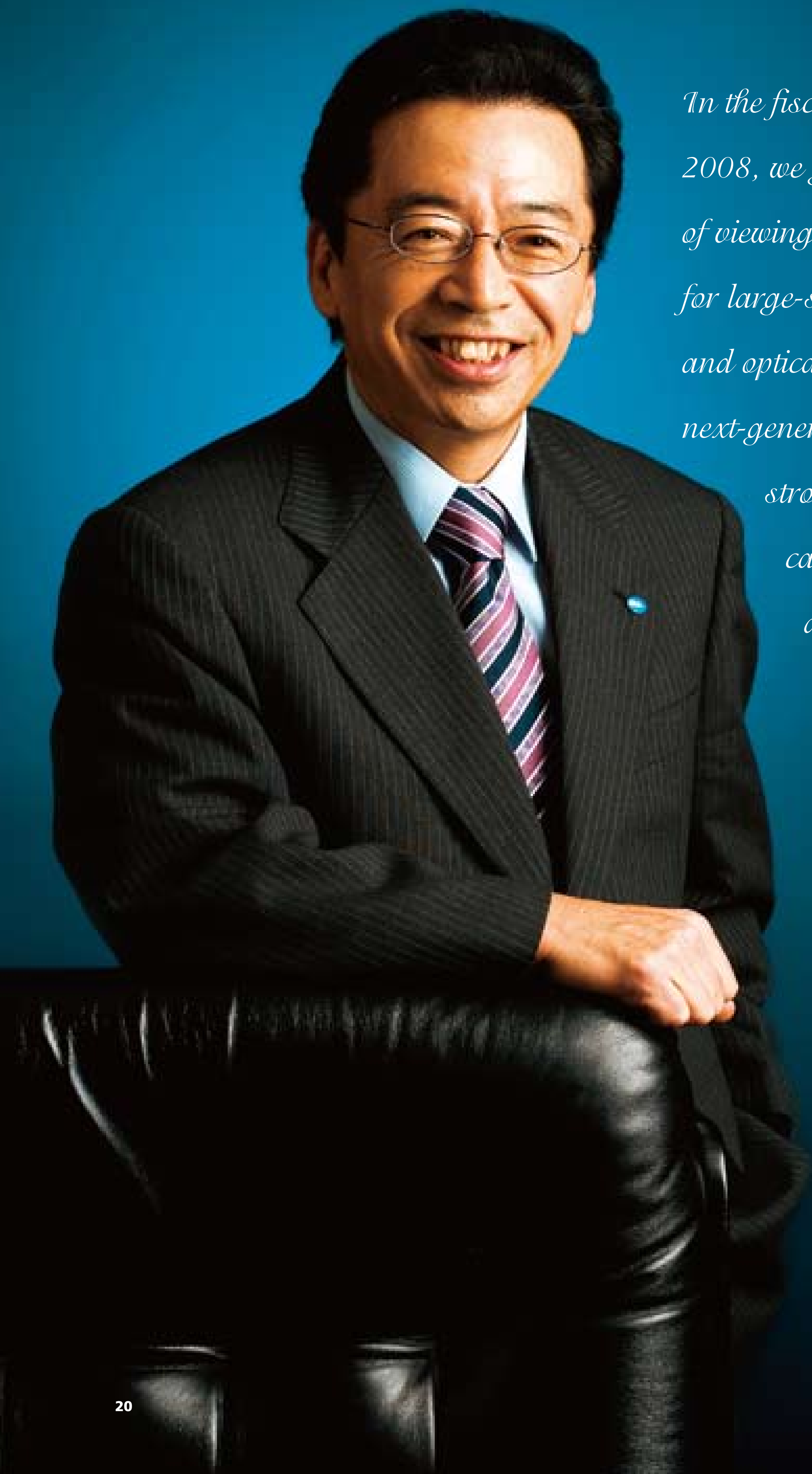
We will continue to expand our sales channels in the current fiscal year to maintain growth in color MFP and production printing operations. We will keep striving in line with our genre-top strategy to retain our shares of the European and American markets for color MFPs for general offices and dominate in the expanding production printing field.

We aim to boost sales to office users of color laser printers by promoting the building of high-quality machine-in-the-field (MIF), where print volume growth is expected.

Color MFP for general offices
bizhub C550

New model of production printing
bizhub PRO C6501

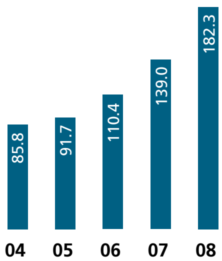
Combined productivity and
modern design Color LBP
magicolor 4650DN



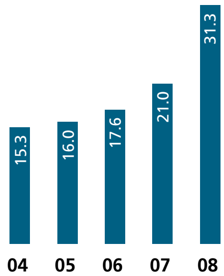
In the fiscal year ended March 2008, we generated solid sales of viewing angle expansion films for large-screen LCD televisions and optical pickup lenses for next-generation DVDs and strove to bolster production capacity. Segment sales and earnings outstripped projections to reach new highs.

Takashi Matsumaru
President
Konica Minolta Opto, Inc.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Optics

Sales increased on the strength of a recovery in demand for display materials, notably TAC films used in large-screen LCD televisions. High-value-added TAC films with viewing angle expansion function were key sales drivers. We commercialized several TAC films for VA mode to serve the growing market for large-screen LCD televisions. In November 2007, we boosted capacity by starting operations at our fifth TAC film plant, enabling us to raise market share in retardation films for VA mode LCD panels.

Core memory devices are optical pickup lenses, which contributed significantly to earnings through favorable sales for next-generation DVD formats. These lenses incorporate our industry-leading optical and precision engineering, and other advanced technologies, helping us to maintain our dominant market position.

Despite customers' inventory adjustments in the first half of the term, sales of glass hard disk substrates were solid, reflecting a demand recovery in the second half and high marks for compatibility with perpendicular magnetic recording systems. We expanded production capacity in December 2007 by starting operations at a Malaysian factory.

In our digital camera lens unit business, we increased shipments of high-zoom lenses, which harness our superior optical technologies. Sales of components for camera-equipped mobile phones rocketed because we were able to satisfy demand for high-end lenses, contributing to our business expansion.

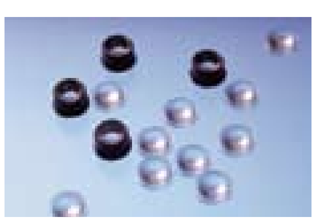
As a result of these factors, Optics business net sales rose 31.2%, to ¥182.3 billion, with operating income increasing 48.8%, year on year to ¥31.3 billion.

In order to further solidify our positions in the core TAC film and pickup lens markets, we increased TAC film production capacity in June 2008 by starting operations at our sixth plant. At the same time, we are working to boost productivity in other businesses.

Our new Osakasayama site in Osaka houses all western Japan optical, mechanical design, and production engineers; they used to work at sites around the region. We will use the synergies of these people to cultivate operations by enhancing our development and manufacturing technologies, creating high-precision products, and improving productivity.

We will continue to comprehensively reinforce our Optics business to become a dominant company.


TAC film production process


Optical pickup lenses for next-generation DVDs

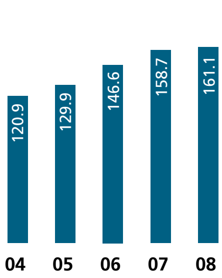

Glass hard disk substrates


Lens unit for camera-equipped mobile phones

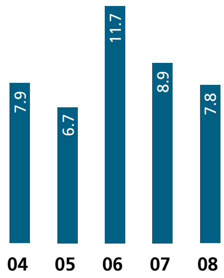
We steadily increased domestic sales of digital medical equipment in fiscal year ended March 2008, offsetting sluggish demand for X-ray film in the trend of digitization. Operating profit declined, however, because of higher spending on digital equipment R&D and surging silver costs.

Kiyofumi Tanida
President
Konica Minolta Medical & Graphic, Inc.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Medical and Graphic Imaging

During the term in the medical/healthcare field, we strove to expand sales of digital diagnostic imaging business in response to digitization and networking at medical facilities. In June 2007, we marketed the *REGIUS MODEL 110* for clinics and other small sites. Key advantages of this computed radiography system are that it is compact and simple to operate. We simultaneously launched *REGIUS Unitea* (*ImagePilot* outside Japan), a peripheral system that integrates imaging and filing capabilities. Demand stagnated for X-ray film, while sales of digital equipment were favorable in addition to the *REGIUS* series.

In the graphic imaging field, we strengthened sales of digital printing systems in line with the market's shift to digital processes. We focused on domestically and internationally marketing on-demand printing systems for short-run printing that incorporate proprietary raster image processor technology.

Net sales for the year for the Medical and Graphic Imaging business thus advanced 1.5%, to ¥161.1 billion. Operating income dropped 12.4%, to ¥7.8 billion, however, owing to an increase in R&D expenditure for digital equipment and much higher silver costs.

We intend to focus our business on digital equipment and solutions as the market shifts from films. We will further expand sales of digital equipment, particularly the *REGIUS MODEL 110* and *REGIUS Unitea* (*ImagePilot* outside Japan).

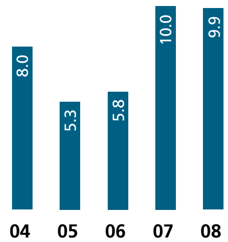
X-ray image reader
REGIUS MODEL 110

All-in-one console/viewer/
filing system *REGIUS Unitea*
(Outside Japan: *ImagePilot*)

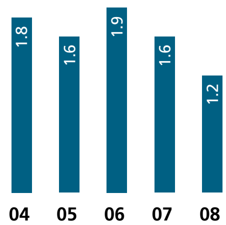
Manmography system
REGIUS PureView Type-M

On-demand printing system
Pagemaster Pro 6500
(Outside Japan: *LD-6500*)

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



Sensing

We commercialized several new colorimetric, object color, and 3D measurement instruments in the fiscal year ended March 2008, and set about boosting our competitiveness in such mainstay businesses.

During the year, we met diverse customer needs by providing products that harness our patented optical measurement technologies. They included instruments for measuring color, luminance, and intensity, as well as blood oxygen, jaundice, and 3D shapes.

Sales of the core color measurement business were solid because of the favorable receptions of new products. They included the *CS-2000* spectroradiometer, which very precisely measures display contrasts for the growing LCD and plasma television markets. Also contributing to performance were the new *CM-700d/600d* spectrophotometers for color management in various industries.

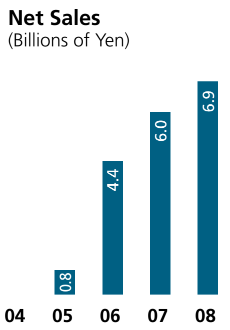
We stepped up sales of 3D measuring instruments, including the *RANGE7* noncontact digitizer for industrial and academic applications.

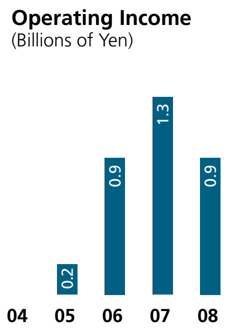
Net sales for the Sensing business were almost unchanged, at ¥9.9 billion. Operating income declined 26.2%, to ¥1.2 billion.

World's top level capability to detect extremely low luminance
Spectroradiometer CS-2000

Compact and portable color measuring instrument
Spectrophotometer CM-700d/600d

Non-contact 3D digitizer
KONICA MINOLTA RANGE7





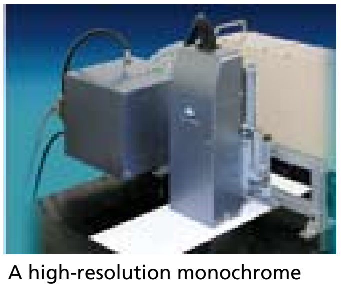
Industrial Inkjet

We cultivated new customers in China and Europe during the year to expand our industrial inkjet business.

In the year under review, we focused on marketing high-definition printer heads and printers to leading printer manufacturers. These offerings employ proprietary inkjet and ink technologies.

Domestic sales of ink were favorable because demand rose steadily for high-definition printer heads. We won orders from several major Chinese printer manufacturers for large outdoor advertisement printers. We also developed new customers in Europe, which helped us to boost sales of high-definition printer heads and textile printers.

Net sales for the Industrial Inkjet business increased 15.4%, to ¥6.9 billion, although operating income fell 31.8%, to ¥0.9 billion.



A high-resolution monochrome inkjet print unit *SP-M0320HR*

The digital ink jet textile printer system *Nassenger V*

Corporate Social Responsibility (CSR)

Pursuing world-class corporate social responsibility management is a key tenet of Konica Minolta's *FORWARD 08* initiative. We have accordingly undertaken ongoing efforts from economic, social, and environmental perspectives to ensure sustainable Group growth while earning society's trust.

Basic Concepts

CSR activities underpin Group management, which honors a philosophy of creating new value and the spirit of the Konica Minolta Group Charter of Corporate Behavior. That document defines our relationships with communities and how we can change to better contribute to society. A fundamental goal of the charter, which champions creating new value, is to ensure that the Group engages in CSR activities that make it vital to a sustainable society with collective groupwide efforts.

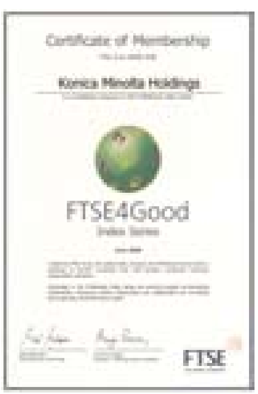
Prioritizing the Environment

Environmental preservation is a prime CSR focus. Indeed, we cannot expand without addressing this important global issue.

The primary concept of our product design is to employ energy and resources conservation ideas. In production, our mission is to minimize the energy consumption of our plants. We champion green purchasing, collaborating with suppliers to eliminate hazardous chemical substances from parts.

Our dedication to innovations that offer outstanding environmentally conceived performance translates into MFPs that minimize electric power consumption and the new organic electroluminescent lightning system based on our proprietary environmental technologies.

All Group activities are in line with a drive to become the industry leader by making consistent efforts in strengthening the environmental and quality fundamentals as a manufacturing while cutting waste, reusing resources, and emitting fewer hazardous substances.



Highlights for the Fiscal Year Ended March 2008

FTSE4Good Global Index

Konica Minolta Holdings has been a consecutive constituent of the FTSE4Good Global index as of June 2008, an index used by CSR and sustainability-conscious investors as well as SRI (Socially Responsible Investment) funds, since being first chosen in March 2003.

What is FTSE4Good Global?

The FTSE4Good Index Series has been designed by FTSE International, an independent company jointly owned by the U.K. newspaper *The Financial Times* and the London Stock Exchange, to measure the performance of companies that meet globally recognized corporate responsibility standards from three perspectives—the environment, society, and human rights. Currently, approximately 900 companies have been included in this Index.

Environmental Protection

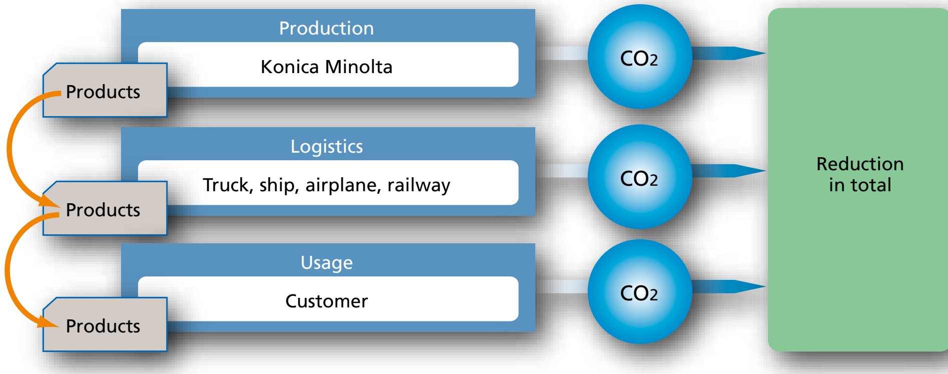
Energy Conservation Prize

The *bizhub C650/C550* color MFPs won Director General Prize in the 18th Energy Conservation Awards for 2007 of Japan's Agency for Natural Resources and Energy. We released those models earlier that year. Their key environmental features include an inductive-heating fusing process to shorten warmups and reduce standby power consumption and our new polymerized toner, which fuses at lower temperatures.

Blue Angel Certification

We have worked assiduously to clear Germany's Blue Angel standards, which set stringent standards on levels of noise, vibration and volatile organic compounds emitted by products during use. Despite the introduction of increasingly strict standards, machines in the *bizhub* series received Blue Angel certification in the fiscal year ended March 2008, the best record in our industry.

CO_2 Reduction at the Product Life Cycle



Preventing Global Warming

Our efforts to help prevent global warming include a worldwide initiative that we deployed to comprehensively reduce carbon dioxide emissions throughout product life-cycle to 80% of the level of the fiscal year ended March 2001 by the fiscal year ending March 2011. Cuts would encompass production, logistics, and customer usage emissions. For the fiscal year ended March 2008, such carbon dioxide emissions were 582,000 metric tons, or 21.7% less than in the fiscal year ended March 2001.

Inspection of the site by CSR Officer

Zero-Waste Initiatives

In production, our efforts seek to recycle wastes and minimize landfill. All our plants in Japan fulfilled the Level 2 zero-waste criteria in the fiscal year ended March 2008. Three Chinese production sites satisfied Level 1 requirements. They included Konica Minolta Opto (SHANGHAI) Co., Ltd., which by January 2008 raised its resource recovery rate to 97% and trimmed the final disposal rate to 3%.

Zero-Waste Criteria

Level 1: Resource recovery rate: Over 90%
Final disposal rate: Less than 5% (including secondary residue)
Cost reduction: Over 90% reduction in external payments
(from fiscal year ended March 1999 levels)

Level 2: Reduce volume of waste externally disposed of by 30% per sales unit
(from fiscal year ended March 2002 levels)

Charity photo contest 2007 Excellence Award

Contribution to Society

Helping Protect Red-Crowned Cranes

We have assisted the Tsurui Ito Red-Crowned Crane Sanctuary since the Wild Bird Society of Japan established it in 1987.

Establishing Colorful Tomorrow Foundation

Konica Minolta Business Solutions U.S.A., Inc. established the non-profit Konica Minolta Colorful Tomorrow Foundation in February 2007 to raise funds for community groups and projects around the United States, including youth education initiatives.

Konica Minolta Colorful Tomorrow Foundation supports students of "McDonogh15 School"

Corporate Governance

Priorizing corporate governance as an important management matter, Konica Minolta has separated management supervision and execution while reinforcing these roles to ensure fairness, transparency, and efficiency.

We separated oversight and implementation by deploying a company-with-committees system that includes the Audit, Nominating, and Compensation committees, which are integral to the Board of Directors. These bodies help us operate more transparently and fairly and accelerate decision-making.

We have seven non-executive directors on the 13-person Board to ensure proper supervision. These directors include four outside directors. Of the three internal non-executive directors, two also serve on committees and the third chairs the Board. The other six Board members have executive positions, including the President and CEO, executive officers in charge of corporate strategy, accounting and finance, technology strategy, and compliance, and the Group's largest operating company.

All committee chairs are outside directors, rounding out a very advanced and transparent governance structure. Attendance among the four outside directors at the 12 Board meetings and three committees in the fiscal year ended March 2008 averaged more than 90%.

The Nominating Committee chooses outside director nominees for the Board, assessing their professional records and visions, ensuring that they have done no material business with the Group and are strictly independent from the Company. Other requirements are that candidates can devote sufficient time to Board and committee duties. The Nominating Committee's rules encompass independence standards for outside directors and a principle limiting their terms.

We have nominated outside directors with top corporate management experience to date, as we consider such people ideal for monitoring executives and for being able to make important management decisions on the Board.

The Compensation Committee maintains a system for directors and executive officers to attract and retain talented people and better motivate them to consistently improve results over the medium and long terms to satisfy shareholders and optimize Group value. Inside director compensation comprises base salary and stock compensation to encourage long-term performance. The remuneration of outside directors is base salary only. Executive officer incentives intentionally exceed the average for Japanese companies. The target composition of executive officer packages is 60% in base salary, 20% in short-term performance-based cash bonus, and 20% in stock compensation. We maintain a guideline on own shareholdings for internal directors and executive officers.

The Audit Committee evaluates whether executive management decisions are legal and efficient, reviews internal control systems, and assesses and chooses accounting auditors. The Audit Committee Office provides assistance and functions as a secretariat.

The Corporate Audit Division, Risk Management Committee, and Compliance Committee are integral to the internal control system. Each body reports regularly to the Audit Committee. Each must swiftly inform the committee of pressing issues and responses and otherwise act at the committee's behest. The Audit Committee can send representatives to executive meetings or other key gatherings. Those people can request executive officers overseeing the Corporate Audit Division, Risk Management Committee, and Compliance Committee to conduct research or prepare reports.

Company auditors at all Group business companies and common function companies keep in close contact with the work of the Audit Committee.

The Audit Committee, Corporate Audit Division, and all the other company auditors collaborate to improve their quality and efficiency without compromising their independence.

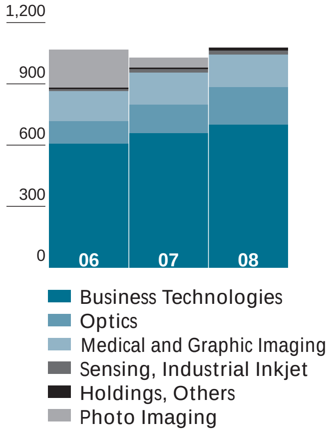
After completing company internal auditing, the Corporate Audit Division sends its audit report to the CEO and the Audit Committee. The Audit Committee, the Corporate Audit Division, and company auditors convene a quarterly Konica Minolta Group Audit Liaison Conference to share information, knowledge, and experiences to enhance auditing accuracy.

The Audit Committee can require the Corporate Audit Division to audit a specific subject.

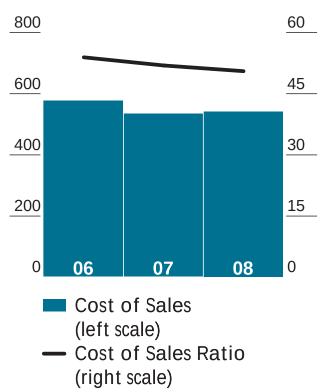
We instituted the Konica Minolta Group Compliance Guidelines to ensure adherence to laws, regulations, corporate ethics and internal regulations in all business activities, thereby boosting corporate value and securing stakeholder trust. We also have in place a compliance officer and supporting department, maintain a Compliance Committee, and set up a Group compliance hotline.

Other initiatives to ensure transparent governance and improve corporate and shareholder value include directors' annual reviews of all Board and committee activities and discussions between outside directors, the Chairman of the Board, and the President and CEO.

Net Sales
(Billions of Yen)



Cost of Sales and
Cost of Sales Ratio
(Billions of Yen, %)



Scope of Consolidation

The Konica Minolta Group comprises Konica Minolta Holdings, Inc., 108 subsidiaries, 23 non-consolidated subsidiaries and seven affiliates.

The Group maintains five segments that reflect the nature of its products, markets, businesses, and administration. These segments are Business Technologies, Optics, Medical and Graphic Imaging, Sensing, and Other Businesses. The Group exited its Photo Imaging business in the fiscal year ended March 31, 2008.

Performance

Net Sales

Net sales in the fiscal year ended March 31, 2008 rose ¥43.9 billion, to ¥1,071.6 billion. We achieved this year-on-year increase despite exiting the Photo Imaging business, which cut ¥47.8 billion from revenues, owing to substantial growth in the core Business Technologies and Optics segments. Sales growth was particularly pronounced in the mainstay Optics segment, which contributed significantly to overall revenues.

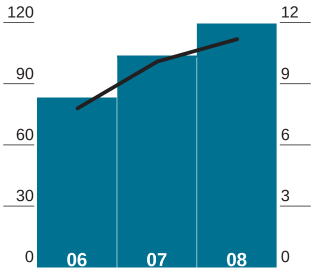
Business Technologies sales increased 6.4%, to ¥701.0 billion, on strong lineups of color and production printing MFPs and contributions from direct marketing operations and alliances with leading dealers. Optics sales rose 31.2%, to ¥182.3 billion, reflecting significant market share growth in high-performance TAC films and outstanding performances in such memory areas as optical pickup lenses, glass hard disk substrates, and image input and output components. Medical and Graphic Imaging sales were up 1.5%, to ¥161.1 billion, owing to concentrated marketing of digital systems for the medical and healthcare and printing fields. Sensing sales were almost unchanged, at ¥9.9 billion. Performance benefited from a focus on developing key next-generation products, which led to three new offerings that complemented efforts to boost competitiveness. Sales from the Industrial Inkjet business, which is included in Other business, increased 15.4%, to ¥6.9 billion, on higher domestic revenues and successful marketing to overseas manufacturers.

Cost of Sales and Selling, General and Administrative Expenses

The cost of sales was ¥540.2 billion. The cost of sales ratio was 50.4%, down 1.4 percentage points from the preceding year, owing to higher sales and the implementation of cost-cutting programs.

Selling, general and administrative expenses increased ¥20.8 billion, to ¥411.7 billion, and represented 38.4% of net sales, up 0.3 percentage point. Main factors were higher R&D investments in the Business Technologies and Optics businesses and personnel expansion, which raised labor spending.

Operating Income and Operating Income Ratio
(Billions of Yen, %)



Operating Income (left scale)
Operating Income Ratio (right scale)

Research and Development Costs

These expenditures rose ¥9.2 billion, to ¥81.4 billion. Business Technologies spending was ¥48.9 billion, and accounted for 60.1% of the total, largely for developing color MFPs and for R&D in solutions software and applications. Optics R&D costs increased, to ¥11.0 billion, or 13.5% of the total, primarily for work on display materials and memory devices. In Medical and Graphic Imaging, R&D spending advanced to ¥11.3 billion, or 13.9% of the total, mainly to develop digital equipment. We also invested in such areas as organic electroluminescent technologies to cultivate new businesses.

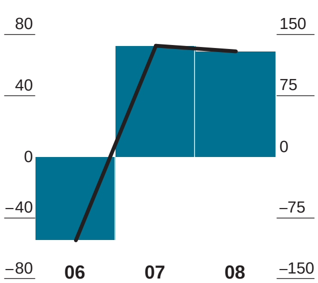
Segment Information

Business Technologies sales increased 6.4%, to ¥701.0 billion, with operating income rising 12.6%, to ¥90.1 billion. One driver was a stronger lineup across the performance range, reflecting the launches of two medium- and high-speed color MFPs in the first half and introductions of three low- and medium-speed color MFPs in the second half. New production printing models also contributed to results.

Optics sales rose 31.2%, to ¥182.3 billion. Operating income increased 48.8%, to ¥31.3 billion. Domestic and overseas market shares surged for display materials, especially high-performance TAC films used in large-screen LCD televisions. In November 2007, the Group boosted capacity by starting operations at its fifth TAC film plant, in Kobe, Japan, helping to significantly expand TAC film sales. In memory devices, sales were favorable for mainstay optical pickup lenses for the Blu-Ray Disk, as next-generation DVD formats moved into the mainstream. Demand recovered after summer 2007 for glass hard disk substrates, for solid second-half sales of these offerings. In image input and output components, sales rocketed for microcamera lenses used in camera-equipped mobile phones and for digital camera zoom lenses.

Medical and Graphic Imaging sales advanced 1.5%, to ¥161.1 billion. Operating income dropped 12.4%, to ¥7.8 billion. In Medical Imaging, as digitization and networking accelerated at medical facilities, the Group expanded sales by broadening its market focus, releasing new systems for clinics and other small facilities. In Graphic Imaging, the Group focused on strengthening sales of digital printing equipment. Operating income in this area declined, however, reflecting high costs for silver used in film and additional R&D costs.

Net Income (Loss) and Basic Net Income per Share
(Billions of Yen, Yen)



Net Income (Loss) (left scale)
Basic Net Income per Share (right scale)

Sensing sales were almost unchanged, at ¥9.9 billion. Operating income declined 26.2%, to ¥1.2 billion, owing to higher selling costs that offset efforts to expand sales by developing core next-generation colorimetric, light source color, object color, and 3D measurement instruments, and the release of three new products.

Industrial Inkjet business sales increased 15.4%, to ¥6.9 billion, although operating income fell 31.8%, to ¥0.9 billion, owing to higher R&D spending. The Group cultivated sales of inks employing its proprietary inkjet, chemical, and ink technologies.

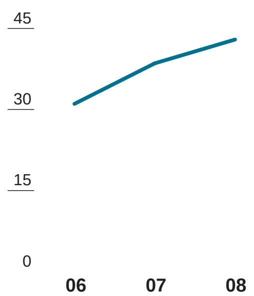
Earnings Analysis

The operating income ratio increased 1.1 percentage points, to 11.2%. This gain stemmed from solid performances in core businesses, with higher-value-added and more price-competitive products enabling the Group to raise the gross margin.

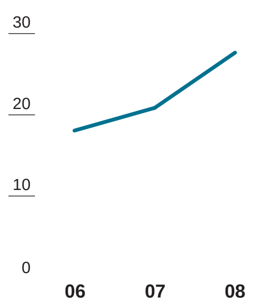
Net other expenses were ¥20.6 billion, down ¥21.5 billion from a year earlier. This was attributable largely to the yen's swift appreciation in the second half, which resulted in ¥7.6 billion in net foreign exchange loss, compared to ¥3.4 billion gain a year earlier. Other factors included a ¥6.0 billion decline in the gain on sales of fixed assets, and a ¥2.8 billion reduction in the gain on sales of investment securities owing to our exit from the Photo Imaging business in the previous year. In addition, loss on impairment of fixed assets increased ¥5.1 billion because book values for recoverable values decreased, notably for production facilities and goodwill in the Medical and Graphic Imaging business and goodwill in the Business Technologies business. Partially offsetting these changes was ¥8.1 billion in patent-related income for the Photo Imaging business.

Income before income taxes and minority interests was thus ¥99.0 billion. Net income declined ¥3.7 billion to ¥68.8 billion. Basic net income per share of common stock was ¥129.71, and the return on equity was 17.5%.

Equity Ratio
(%)



Interest Coverage Ratio
(Times)



Financial Position and Liquidity

Assets, Liabilities, and Net Assets

At the close of the term, total assets were ¥970.5 billion, up ¥19.5 billion from a year earlier.

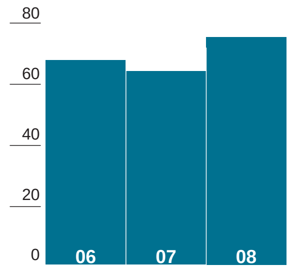
Trade notes and accounts receivable were down ¥22.5 billion despite an increase in net sales, as efforts to shorten collection periods in the Optics business bore fruit. Short-term investment securities surged to ¥33.0 billion because the Group restated negotiable deposits issued by domestic companies as part of short-term investment securities, instead of part of cash on hand and in banks, in keeping with revised consolidated financial reporting guidelines.

Net property, plant and equipment increased ¥15.9 billion, reflecting Optics business initiatives that included building a fifth plant, in Kobe, Japan, for TAC films and constructing a glass hard disk substrate facility in Malaysia.

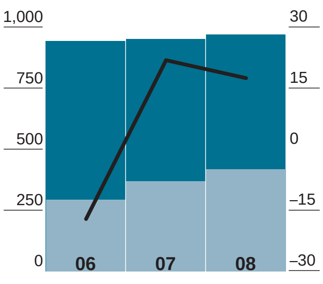
Total liabilities decreased ¥30.2 billion, to ¥552.2 billion.

Current portion of long-term loans was down ¥10.7 billion, although short-term debt rose ¥13.9 billion. Current portion of bonds increased ¥5.0 billion, although there were effectively no changes to total liabilities because this rise stemmed from a restatement of bonds previously included in long-term liabilities. Also contributing to a decrease in liabilities was a ¥16.4 billion drop in the reserve for discontinued operations in keeping with the exit from the Photo Imaging business.

Capital Expenditure
(Billions of Yen)



Total Assets, Net Assets and Return on Equity (ROE)
(Billions of Yen, %)



Retained earnings were ¥176.7 billion, up ¥61.0 billion, mainly because from the contribution of ¥68.8 billion in net income. The unrealized gains on securities, net of taxes, and the foreign currency translation adjustments were down ¥4.5 billion and ¥6.3 billion, respectively, owing to sluggish equity markets and a higher yen. Total net assets thus rose ¥49.7 billion. The equity ratio was 43.0%, up 4.4 percentage points.

Capital Expenditure and Depreciation and Amortization

Capital expenditure increased ¥11.3 billion, to ¥75.3 billion, mainly to expand production facilities. Spending for the core Business Technologies business declined ¥7.9 billion, to ¥16.6 billion, although Optics business allocations rose ¥17.5 billion, to ¥42.0 billion. Medical and Graphic Imaging business expenditures were ¥4.6 billion.

Noteworthy developments during the term included the construction of a fifth TAC film plant, in Kobe, Japan, and spending on a glass hard disk substrate facility in Malaysia.

Cash Flows

Net cash provided by operating activities was ¥123.0 billion, up ¥56.3 billion. This reflected lower outflows from a decrease in reserve for discontinued operations in line with the exit from the Photo Imaging business and higher inflows from a decrease in trade notes and accounts receivable.

Net cash used in investing activities was ¥76.8 billion, up ¥20.4 billion. This stemmed from a significant fall in inflows from proceeds from sales of property, plant and equipment, and outflows from payment for acquisition of newly consolidated subsidiaries.

Net cash used in financing activities was ¥10.5 billion, up ¥5.4 billion. Key factors included an increase in repayment of long-term loans payable and the restoration of interim cash dividend payments, which raised dividend outlays.

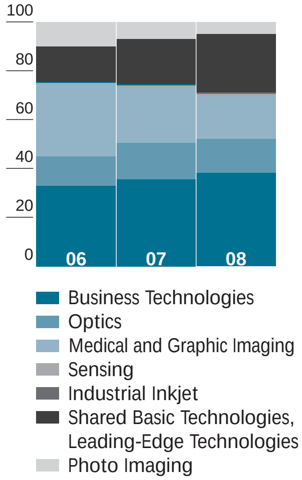
Cash and cash equivalents at the end of the year were thus ¥122.2 billion, up ¥35.6 billion from the start of the term.

Future Financial Strategies

The Group will accelerate sustainable growth to ensure superior global competitiveness, completing its steady progress toward targets it set in its *FORWARD 08* medium-term management strategy. Management seeks a net asset ratio exceeding 50% and a debt-to-equity ratio of less than 0.5 times.

Intellectual Property Update

Proportion of Disclosed Patents by Business Segment
(%)



1. Intellectual Property Strategies

The Group maintains a system to improve the quality of patent applications and harnesses the Patent Cooperation Treaty (PCT) in line with the global nature of its operations. During the year under review, we recorded 3,945 patent applications including PCT-based and Japanese regulation-based applications.

The Business Technologies and Optics segments together accounted for 52% of that number, reflecting concerted efforts under our intellectual property strategies, which are integral to our business strategies. The proportion of published patents in basic and advanced technologies has risen every year, reaching 24% of all such publications in the fiscal year ended March 2008. We will continue to apply for patents in the years ahead to support our white-light-emitting organic electroluminescent device and other businesses.

2. R&D, Intellectual Property Organization, and Alliances and Collaboration

(1) R&D and Intellectual Property Organization

The Group's R&D organization covers development operations within each business company and the Konica Minolta Technology Center, Inc., which explores basic and advanced areas.

The business companies focus resources on their specific fields to create superior technologies. The Konica Minolta Technology Center reinforces basic technologies and tackles new fields to drive Group progress.

The Intellectual Property Center, the organizational core of the Group's intellectual property activities, is part of the above-mentioned Konica Minolta Technology Center. Here, we monitor the creation of intellectual property by each business company. Through these organizational and strategic efforts, the center works with each business company to fulfill intellectual property strategies that are in keeping with their business strategies.

The center's branches, located within our R&D units, collaborate closely with those operations, helping them formulate business and R&D strategies for key themes according to priority. The center plans, implements and works with R&D departments to polish and evaluate inventions through activities that foster close-knit relationships with people at R&D sites.

The center stations personnel overseas and promotes intellectual property activities from a global perspective. Deploying staff in China enables the center to strengthen its local intellectual property activities and respond swiftly to the discovery of counterfeit products. The center also regularly dispatches its employees to U.S. development subsidiaries to conduct intellectual property activities locally.

(2) R&D Alliances and Collaboration

The Group actively promotes R&D alliances. In Business Technologies, we concluded a strategic office and production printing alliance with Océ N.V. of the Netherlands in April 2008. The two companies are taking advantage of their respective strengths to help each other develop technologies and products for the office information equipment and digital printing markets.

We drew on our core functional organic materials synthesis technologies to develop a white-light-emitting organic electroluminescent device that features the world's best luminous efficiency and durability. Collaboration with Universal Disk Corporation and a strategic alliance with the General Electric Company, both of the United States, help us accelerate work to develop and commercialize organic electroluminescent technologies for lighting applications.

We are participating in several projects for Japan's Ministry of Economy, Trade and Industry.

3. Acquiring and Overseeing Intellectual Property, Managing Trade Secrets, and Maintaining Policies to Prevent Technology Leaks

Intellectual property is a crucial resource that the Group uses to create business assets and apply its rights to them. We implemented "Regulations for the Management of Industrial Property Rights" in the fiscal year ended March 31, 2006 to encourage employee inventiveness in line with Article 35 of the Japanese Patent Law.

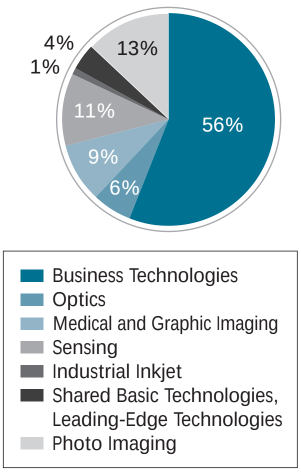
The in-house expertise that we have created, as well as other confidential information, constitute important technology assets, and the inappropriate disclosure of such information could reduce competitive advantages stemming from our technologies and harm the healthy development of our businesses. Similarly, confidential information that other companies have disclosed to us are important technology assets of their own. In addition to damaging its reputation, any leaks of such information by the Group could result in a variety of legal issues. Consequently, the Group has created "Standards for the Management of Confidential Information" and formed a robust structure to prevent leaks of confidential information.

4. Business Contributions of Licensing Activities

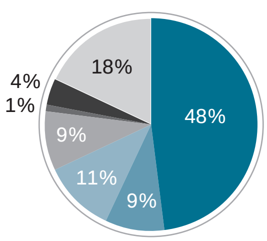
The Group strategically employs its many patents to differentiate our products and gain competitive advantages in businesses in which we enjoy technological leads.

We pursue cross-licensing strategies in domains where technologies are increasingly advanced and complex to sustain businesses and maintain R&D freedom. We license from other companies when we conclude that such agreements ensure business freedom and shorten development cycles.

Proportion of Japanese Patents by Business Segment



Proportion of U.S. Patents by Business Segment



5. Business Contributions of Patents and Other Intellectual Property

(1) Patent Portfolio Contributions to Business

Konica Minolta believes that seeking and obtaining patents to the fruits of R&D helps ensure the superiority of each business.

We maintain strong patent positions by prioritizing technologies to expand and dominate business areas and by systematically pursuing innovations and acquiring patent rights. We also choose the right countries in which to apply for patents and maintain policies to swiftly obtain protection. Our domestic and international patent initiatives contribute to our businesses.

We held 6,450 patents in Japan and 5,852 in the United States as of March 31, 2008. The Business Technologies and Optics segments accounted for around 60% of our patents in both countries, where our patent numbers have surged since the fiscal year ended March 2006.

In the *Japan Patent Annual Report 2008*, Konica Minolta Holdings ranked 30th in 2007, with 662 patents granted. Konica Minolta Business Technologies was 74th, with 307. Our own research shows that we obtained 1,071 patents that year, for a ranking of 19th.

In the United States, a key country, we again rose up the patent filing and grant rankings in 2007, placing 40th overall and 15th among Japanese companies.

Estimated Group Ranking in U.S. Patents Granted

Calendar year	2003	2004	2005	2006	2007
Patents Granted	380	404	316	497	509
Ranking (Est.)	55	50	56	44	40

Note: Estimate of aggregate ranking of Konica Minolta Group companies based on data compiled by the Intellectual Property Owners Association.

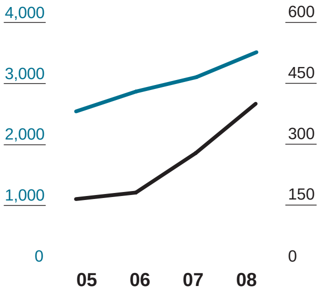
(2) Business Contributions of Other Intellectual Property

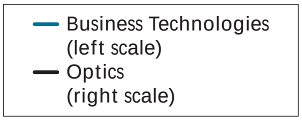
The Konica Minolta brand is an invaluable Group asset. We created a brand management unit because exiting the photographic film and digital camera business made maintaining and improving our brand image even more important. The Intellectual Property Center seeks and maintains trademark protection in more than 200 countries to safeguard our brand.

The center also works with businesses to combat rising product counterfeiting in Japan and abroad.

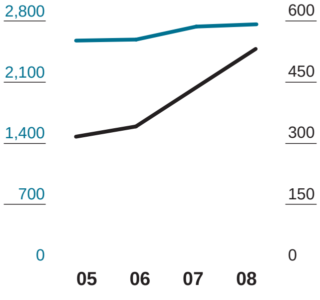
In the design arena, in the fiscal year ended March 2008 we won Good Design Awards, which are sponsored by the Japan Industrial Design Promotion Organization, for the *bizhub C650/C550/C451*, color MFPs based on a new design concept that launched in 2007, and the *REGIUS Unitea* (marketed as *ImagePilot* outside Japan), a next-generation multi-unit for medical clinics. These products attest to the success of our efforts to enhance the Konica Minolta brand image through product design.

Trend of Japanese Patents in Business Technologies and Optics





Trend of U.S. Patents in Business Technologies and Optics



6. Intellectual Property Portfolio Policies

These portfolios are especially important for the core Business Technologies and strategic Optics segments. We are expanding patent applications in these businesses while enhancing patent quality by more effectively searching prior art documents and evaluating inventions. We will continue to emphasize patent applications abroad as we globalize.

We regularly inventory our patents and manage the portfolio to help capitalize on earnings opportunities and foster new internal and external uses of our patents. We are identifying uses for patents from the defunct Photo Imaging business. Examples are silver-halide photographic materials and processing equipment and film and digital cameras. We are transferring such patent assets to Group companies and third parties or have licensed them.

7. Risk Response Information

At the date of this report, the Konica Minolta Group was not involved in any intellectual property disputes or litigation that would materially affect operations.

Consolidated Balance Sheets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Assets			
Current Assets:			
Cash on hand and in banks (Note 4)	¥ 89,218	¥ 70,677	$ 890,488
Notes and accounts receivable—trade	234,862	257,380	2,344,166
Short-term investment securities (Notes 4 and 5)	33,000	15,909	329,374
Inventories	132,936	133,550	1,326,839
Deferred tax assets (Note 7)	37,086	41,336	370,157
Other accounts receivable	14,284	10,999	142,569
Other current assets	21,330	19,489	212,895
Allowance for doubtful accounts	(5,608)	(5,106)	(55,974)
Total current assets	557,110	544,237	5,560,535
Property, Plant and Equipment (Note 11):			
Buildings and structures	162,931	163,895	1,626,220
Machinery and equipment	238,891	215,227	2,384,380
Tools and furniture	147,581	143,672	1,473,011
Land	35,961	33,065	358,928
Construction in progress	5,201	12,406	51,911
Rental business-use assets	68,746	73,793	686,156
Total	659,313	642,060	6,580,627
Accumulated depreciation	(413,324)	(411,965)	(4,125,402)
Net property, plant and equipment	245,989	230,094	2,455,225
Intangible Fixed Assets:			
Goodwill (Note 11)	75,809	82,074	756,652
Other intangible fixed assets	18,038	15,897	180,038
Total intangible fixed assets	93,848	97,971	936,700
Investments and Other Assets:			
Investment securities (Note 5)	28,651	33,948	285,967
Long-term loans	430	614	4,292
Long-term prepaid expenses	3,589	4,393	35,822
Deferred tax assets (Note 7)	28,604	27,306	285,498
Other	12,743	13,037	127,188
Allowance for doubtful accounts	(430)	(552)	(4,292)
Total investments and other assets	73,589	78,748	734,494
Total assets	¥ 970,538	¥ 951,052	$ 9,686,975

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Note 6)	¥ 93,875	¥ 79,927	$ 936,970
Current portion of long-term debt (Note 6)	11,363	17,105	113,415
Notes and accounts payable—trade	109,413	121,707	1,092,055
Accrued expenses	48,734	50,563	486,416
Accrued income taxes (Note 7)	16,449	14,171	164,178
Reserve for discontinued operations	11,727	28,097	117,048
Other current liabilities	74,007	65,496	738,667
Total current liabilities	365,570	377,069	3,648,767
Long-Term Liabilities:			
Long-term debt (Note 6)	120,786	132,331	1,205,569
Accrued retirement benefits (Note 17)	53,367	57,947	532,658
Accrued retirement benefits for directors and statutory auditors	544	459	5,430
Deferred tax liabilities on land revaluation (Note 7)	4,010	4,028	40,024
Other long-term liabilities	7,946	10,590	79,309
Total long-term liabilities	186,656	205,358	1,863,020
Contingent Liabilities (Note 10)			
Net Assets (Notes 9 and 21):			
Common stock:			
Authorized—1,200,000,000 shares in 2008 and 2007			
Issued—531,664,337 shares in 2008 and 2007	37,519	37,519	374,478
Capital surplus	204,140	204,143	2,037,529
Retained earnings	176,684	115,704	1,763,489
Less: Treasury stock, at cost; Common stock, 1,055,317 shares in 2008 and 939,214 shares in 2007	(1,340)	(1,097)	(13,375)
Unrealized gains on securities, net of taxes	2,913	7,454	29,075
Unrealized losses on hedging derivatives, net of taxes	(319)	(90)	(3,184)
Foreign currency translation adjustments	(2,431)	3,834	(24,263)
Share subscription rights (Notes 6 and 19)	286	108	2,855
Minority interests	858	1,048	8,564
Total net assets	418,310	368,624	4,175,167
Total liabilities and net assets	¥ 970,538	¥ 951,052	$9,686,975

Consolidated Statements of Income

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Net Sales	¥1,071,568	¥1,027,630	$10,695,359
Cost of Sales (Note 8)	540,225	532,714	5,392,005
Gross profit	531,343	494,916	5,303,354
Selling, General and Administrative Expenses (Note 8)	411,736	390,909	4,109,552
Operating income	119,606	104,006	1,193,792
Other Income (Expenses):			
Interest and dividend income	2,643	2,316	26,380
Interest expenses	(4,465)	(5,088)	(44,565)
Foreign exchange gain (loss), net	(7,637)	3,432	(76,225)
Gain (loss) on sales and disposals of property, plant and equipment, net	(3,224)	4,484	(32,179)
Write-down of investment securities	(313)	(26)	(3,124)
Write-down of investment in affiliated companies	(54)	—	(539)
Loss on disposal of inventories	(7,065)	(7,054)	(70,516)
Gain on sales of investment securities, net	19	2,744	190
Gain on sales of investments in affiliated companies, net	47	580	469
Loss on impairment of fixed assets (Note 11)	(5,702)	(640)	(56,912)
Gain on discontinued operations (Note 12)	590	—	5,889
Loss on discontinued operations (Note 12)	—	(935)	—
Equity in net income (losses) of unconsolidated subsidiaries and affiliates	182	(160)	1,817
Patent-related income (Note 13)	8,080	—	80,647
Environmental expenses	(1,856)	—	(18,525)
Other extraordinary losses of overseas subsidiaries (Note 14)	(1,731)	—	(17,277)
Other, net	(120)	1,233	(1,198)
Total	(20,609)	884	(205,699)
Income before income taxes and minority interests	98,996	104,890	988,083
Income Taxes (Note 7):			
Current	29,496	27,307	294,401
Deferred	544	4,827	5,430
Total	30,040	32,135	299,830
Minority Interests in Net Income of Consolidated Subsidiaries	126	213	1,258
Net Income	¥ 68,829	¥ 72,542	$ 686,985

	Yen		U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Per Share Data (Notes 9 and 21):			
Net income—Basic	¥129.71	¥136.67	$1.29
—Diluted	122.44	134.00	1.22
Cash dividends	15	10	0.15

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 Holdings, Inc. and Consolidated Subsidiaries

For the fiscal years ended March 31, 2008 and 2007

		Millions of yen									
	Shares of issued common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2006 to March 31, 2007)											
Net Assets at April 1, 2006	531,664,337	¥37,519	¥226,069	¥ 20,088	¥ (915)	¥10,180	¥ —	¥ 875	¥ —	¥ 2,753	¥296,571
Net income				72,542							72,542
Change in the scope of consolidation				527							527
Transfer from capital surplus to retained earnings			(21,928)	21,928							—
Purchase of treasury stock					(190)						(190)
Re-issuance of treasury stock			2		7						9
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans (Note 15)				618							618
Net changes during the year						(2,725)	(90)	2,958	108	(1,705)	(1,455)
Total changes during the period		—	(21,926)	95,616	(182)	(2,725)	(90)	2,958	108	(1,705)	72,053
Balance at March 31, 2007	531,664,337	¥37,519	¥204,143	¥115,704	¥(1,097)	¥ 7,454	¥ (90)	¥ 3,834	¥108	¥ 1,048	¥368,624
(From April 1, 2007 to March 31, 2008)											
Net Assets at April 1, 2007	531,664,337	¥37,519	¥204,143	¥115,704	¥(1,097)	¥ 7,454	¥ (90)	¥ 3,834	¥108	¥ 1,048	¥368,624
Dividends paid from retained earnings				(9,287)							(9,287)
Net income				68,829							68,829
Change in the scope of consolidation				405							405
Purchase of treasury stock					(289)						(289)
Re-issuance of treasury stock			(2)	(28)	46						16
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans (Note 15)				1,059							1,059
Net changes during the year						(4,541)	(228)	(6,266)	177	(189)	(11,048)
Total changes during the period		—	(2)	60,979	(242)	(4,541)	(228)	(6,266)	177	(189)	49,686
Balance at March 31, 2008	531,664,337	¥37,519	¥204,140	¥176,684	¥(1,340)	¥ 2,913	¥(319)	¥(2,431)	¥286	¥ 858	¥418,310

		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 losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2007 to March 31, 2008)											
Net Assets at April 1, 2007	531,664,337	$374,478	$2,037,559	$1,154,846	$(10,949)	$74,399	$(898)	$38,267	$1,078	$10,460	$3,679,249
Dividends paid from retained earnings				(92,694)							(92,694)
Net income				686,985							686,985
Change in the scope of consolidation				4,042							4,042
Purchase of treasury stock					(2,885)						(2,885)
Re-issuance of treasury stock			(20)	(279)	459						160
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans (Note 15)				10,570							10,570
Net changes during the year						(45,324)	(2,276)	(62,541)	1,767	(1,886)	(110,270)
Total changes during the period		—	(20)	608,634	(2,415)	(45,324)	(2,276)	(62,541)	1,767	(1,886)	495,918
Balance at March 31, 2008	531,664,337	$374,478	$2,037,529	$1,763,489	$(13,375)	$29,075	$(3,184)	$(24,263)	$2,855	$8,564	$4,175,167

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

Consolidated Statements of Cash Flows

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2008	2007	2008
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 98,996	¥104,890	$ 988,083
Depreciation and amortization	60,443	52,692	603,284
Loss on impairment of fixed assets	5,702	640	56,912
Amortization of goodwill	7,171	6,476	71,574
Increase (decrease) in allowance for doubtful accounts	780	(4,378)	7,785
Interest and dividend income	(2,643)	(2,316)	(26,380)
Interest expense	4,465	5,088	44,565
Loss (gain) on sales and disposals of property, plant and equipment	3,224	(4,484)	32,179
Loss (gain) on sale and write-down of investment securities	293	(2,717)	2,924
Loss (gain) on sale and write-down of investments in affiliated companies	6	(580)	60
Patent-related income	(8,080)	—	(80,647)
Reversal of reserve for discontinued operations	(590)	—	(5,889)
Loss on discontinued operations	—	935	—
Legal-related expenses	625	—	6,238
Environmental expenses	1,856	—	18,525
Additional retirement expenses	460	—	4,591
Other extraordinary losses of overseas subsidiaries	1,731	—	17,277
Decrease in accrued retirement benefits	(4,462)	(8,383)	(44,535)
Decrease in reserve for discontinued operations	(16,370)	(29,980)	(163,390)
(Increase) decrease in trade notes and accounts receivable	11,157	(976)	111,358
(Increase) decrease in inventories	(6,422)	19,262	(64,098)
Decrease in trade notes and accounts payable	(2,027)	(5,064)	(20,232)
Increase (decrease) in accrued consumption tax payable	904	(1,969)	9,023
Reversal of reserve for loss on impairment of lease assets	(171)	(3,129)	(1,707)
Transfer of rental business-use assets	(11,847)	(10,168)	(118,245)
Other	7,468	(17,700)	74,538
Subtotal	152,674	98,137	1,523,845
Interest and dividend income received	2,681	2,473	26,759
Interest paid	(4,444)	(5,220)	(44,356)
Additional payments of retirement allowance	(355)	(6,484)	(3,543)
Income taxes paid	(27,543)	(22,193)	(274,908)
Net cash provided by operating activities	123,014	66,712	1,227,807
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	(62,969)	(62,517)	(628,496)
Proceeds from sales of property, plant and equipment	2,907	12,064	29,015
Payment for acquisition of intangible fixed assets	(5,864)	(6,703)	(58,529)
Payment for acquisition of additional shares of consolidated subsidiaries	(855)	(2,744)	(8,534)
Proceeds from sales of investments in consolidated subsidiaries	—	1,744	—
Payment for acquisition of newly consolidated subsidiaries	(6,832)	—	(68,190)
Payment for loans receivable	(113)	(891)	(1,128)
Proceeds from collection of loans receivable	265	1,142	2,645
Payment for acquisition of investment securities	(1,718)	(1,411)	(17,147)
Proceeds from sales of investment securities	35	3,461	349
Payment for acquisition of other investments	(2,609)	(2,129)	(26,041)
Other	939	1,585	9,372
Net cash used in investing activities	(76,815)	(56,401)	(766,693)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	16,314	(53,125)	162,831
Repayment of long-term loans payable	(17,159)	(8,079)	(171,265)
Proceeds from issuance of bonds	—	70,300	—
Payment for redemption of bonds	(30)	(14,002)	(299)
Proceeds from disposal of treasury stock	16	9	160
Payment for purchase of treasury stock	(289)	(190)	(2,885)
Dividend payments	(9,271)	(12)	(92,534)
Dividend payments to minority shareholders in consolidated subsidiaries	(126)	(70)	(1,258)
Net cash used in financing activities	(10,545)	(5,170)	(105,250)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(347)	322	(3,463)
Increase in Cash and Cash Equivalents	35,305	5,463	352,380
Cash and Cash Equivalents at the Beginning of the Year	86,587	80,878	864,228
Increase in Cash and Cash Equivalents Due to Newly Consolidated Subsidiaries	294	245	2,934
Cash and Cash Equivalents at the End of the Year	¥122,187	¥ 86,587	$1,219,553

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

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.

Independent Auditors' Report

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

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

We have audited the accompanying consolidated balance sheets of Konica Minolta Holdings, Inc. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience of the reader. Our audit also included the translation of 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 & Co.

Tokyo, Japan
June 13, 2008

The Konica Minolta Group

As of June 30, 2008

Business Technologies

	Country
Business Company	
Konica Minolta Business Technologies, Inc.	Japan
Production Companies	
Konica Minolta Electronics Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Kansai Co., Ltd.	Japan
Toyohashi Precision Products Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing U.S.A., Inc.	U.S.A.
Konica Minolta Supplies Manufacturing France S.A.S.	France
Konica Minolta Business Technologies (DONGGUAN) Ltd.	China
Konica Minolta Business Technologies (WUXI) Co., Ltd.	China
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	China (Hong Kong)
Sales Companies	
Konica Minolta Bizcom Co., Ltd.	Japan
Konica Minolta Business Solutions Japan Co., Ltd.	Japan
Konica Minolta Printing Solutions Japan Co., Ltd.	Japan
Konica Minolta Software Laboratory Co., Ltd.	Japan
Powerprint, Inc.	Japan
Konica Minolta Business Solutions do Brasil Ltda.	Brazil
Konica Minolta Business Solutions (Canada) Ltd.	Canada
Konica Minolta Business Solutions (MONTREAL) Inc.	Canada
Konica Minolta Business Solutions de Mexico SA de CV.	Mexico
Albin Industries, Inc.	U.S.A.
Frontier Business Systems, Inc.	U.S.A.
Hughes-Calihan Corporation	U.S.A.
Konica Minolta Business Solutions U.S.A., Inc.	U.S.A.
Konica Minolta Danka Imaging Company	U.S.A.
Konica Minolta Systems Laboratory, Inc.	U.S.A.
Konica Minolta Business Solutions Austria GmbH	Austria
Konica Minolta Business Solutions (BELGIUM) N.V.	Belgium
Konica Minolta BH-Poslovna Rjesenja d.o.o.	Bosnia and Herzegovina
Konica Minolta Croatia-Business Solutions d.o.o.	Croatia
Konica Minolta Business Solutions Czech spol. Sr.o.	Czech Republic
Konica Minolta Business Solutions Denmark a/s	Denmark
Konica Minolta Business Solutions Finland Oy	Finland
Konica Minolta Business Solutions France S.A.S.	France
Repro Conseil S.A.S.	France
Develop GmbH	Germany
dots Gesellschaft für Softwareentwicklung mbh	Germany
ECS Buero-und Datensysteme GmbH	Germany
Konica Minolta Business Solutions Deutschland GmbH	Germany
Konica Minolta Business Solutions Europe GmbH	Germany
Office-boerse. de Internet GmbH	Germany
Plankopie Gesellschaft für Burosysteme (Monchengladbach) mbH	Germany
Veenman Deutschland GmbH	Germany
Konica Minolta Business Solutions Greece S.A.	Greece
Konica Minolta Hungary Business Solutions Ltd.	Hungary
Konica Minolta Business Solutions Italia S.p.A.	Italy
Konica Minolta Baltia UAB	Lithuania
Konica Minolta Printing Solutions Benelux B.V.	Netherlands
Konica Minolta Business Solutions Norway AS	Norway
Konica Minolta Business Solutions Polska s.p. z.o.o.	Poland
Konica Minolta Business Solutions Portugal, Unipessoal Lda.	Portugal
NEA Rent-Aluguer e Comercio de Equipamentos S.A.	Portugal
Konica Minolta Business Solutions Romania s.r.l.	Romania
Konica Minolta Business Solutions Russia LLC	Russia
Konica Minolta Business Solutions SE, Ltd.	Serbia
Konica Minolta Slovakia spol. s.r.o.	Slovakia
Konica Minolta Business Solutions Slovenia d.o.o.	Slovenia
Konica Minolta Business Solutions Spain S.A.	Spain
Konica Minolta Business Solutions Sweden AB	Sweden
Konica Minolta Business Solutions East Ltd.	U.K.
Konica Minolta Business Solutions (Ideal) Ltd.	U.K.
Konica Minolta Business Solutions (UK) Ltd.	U.K.
Konica Minolta Ukraine	Ukraine
Konica Minolta Business Solutions Australia Pty. Ltd.	Australia
Konica Minolta Printing Solutions Asia Pty. Ltd.	Australia
Konica Minolta Business Solutions (CHINA) Co., Ltd.	China
Konica Minolta Business Solutions (Shenzhen) Co., Ltd.	China
Konica Minolta Consulting (SHENZHEN) Co., Ltd.	China
Konica Minolta Software Development (Dalian) Co., Ltd.	China
Konica Minolta Business Solutions (HK) Ltd.	China (Hong Kong)
Konica Minolta Business Solutions (M) Sdn. Bhd.	Malaysia
Konica Minolta Business Solutions (S) Pte. Ltd.	Singapore

Optics

	Country
Business Company	
Konica Minolta Opto, Inc.	Japan
Production Companies	
Konica Minolta Components Co., Ltd.	Japan
Konica Minolta Glass Tech. Co., Ltd.	Japan
Konica Minolta Opto Devices Co., Ltd.	Japan
Konica Minolta Opto Products Co., Ltd.	Japan
Konica Minolta Optical Products (SHANGHAI) Co., Ltd.	China
Konica Minolta Opto (DALIAN) Co., Ltd.	China
Konica Minolta Glass Tech Malaysia Sdn. Bhd.	Malaysia
Sales Company	
Konica Minolta Opto (SHANGHAI) Co., Ltd.	China

Medical and Graphic Imaging

	Country
Business Company	
Konica Minolta Medical & Graphic, Inc.	Japan
Production Companies	
Konica Minolta Repro Co., Ltd.	Japan
Konica Minolta Technoproducts Co., Ltd.	Japan
American Litho Inc.	U.S.A.
Sales Companies	
Chuo Medical	Japan
Konica Minolta Graphic Imaging Japan Co., Ltd.	Japan
Konica Minolta Health Care Co., Ltd.	Japan
Konica Minolta Health Care System Support Co., Ltd.	Japan
ME Kikai	Japan
Toho Chemical Laboratory Co., Ltd.	Japan
Konica Minolta Graphic Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical & Graphic Imaging Europe GmbH	Germany
Konica Minolta Medical & Graphic Imaging Europe B.V.	Netherlands
Konica Minolta Medical Systems Russia	Russia
Konica Minolta Medical & Graphic (SHANGHAI) Co., Ltd.	China

Sensing

	Country
Business Company	
Konica Minolta Sensing, Inc.	Japan
Sales Companies	
Konica Minolta Sensing Americas, Inc.	U.S.A.
Konica Minolta Sensing Europe B.V.	Germany
Konica Minolta Sensing Singapore, Pte. Ltd.	Singapore

Industrial Inkjet

	Country
Business Company	
Konica Minolta IJ Technologies, Inc.	Japan

Other Businesses

	Country
Konica Minolta Business Expert, Inc.	Japan
Konica Minolta Chemical Corporation	Japan
Konica Minolta Engineering Co., Ltd.	Japan
Konica Minolta Information System Corporation	Japan
Konica Minolta Logistics Co., Ltd.	Japan
Konica Minolta Planetarium Co., Ltd.	Japan
Konica Minolta Sogo Service Co., Ltd.	Japan
Konica Minolta Technology Center, Inc.	Japan
Konica Minolta Technosearch Corporation	Japan
Konica Minolta Holdings U.S.A., Inc.	U.S.A.
Konica Minolta Technology U.S.A., Inc.	U.S.A.
Konica Minolta (CHINA) INVESTMENT Ltd.	China

(In order of business, region and alphabetical order by country name.)

Board of Directors
As of June 19, 2008

Chairman of the Board
Fumio Iwai

Directors
Yoshikatsu Ota

Tadao Namiki
President of Namiki Office

Tadaaki Jagawa
*Advisor to the Board, Hino Motors, Ltd.**

Takeo Higuchi
Chairman and CEO
Daiwa House Industry Co., Ltd.

Tohru Tsuji
Senior Corporate Advisor
Member of the Board
MARUBENI CORPORATION

Masanori Hondo

Hisao Yasutomi

Hiroshi Ishiko

Shoei Yamana

Akio Kitani

Yasuo Matsumoto

Masatoshi Matsuzaki

**New title as of June 25, 2008*

Executive Officers
As of June 19, 2008

Yoshikatsu Ota
President and CEO

Senior Executive Officers
Shoei Yamana
In charge of Corporate Strategy
Chairman of Risk Management Committee

Hiroshi Ishiko
In charge of CSR, Legal Affairs, General Affairs, and Compliance
General Manager, Kansai Headquarters

Yoshihiko Someya
In charge of Human Resources, and Corporate Branding

Takashi Matsumaru
President,
Konica Minolta Opto, Inc.

Toshifumi Hori
President,
Konica Minolta Business Expert, Inc.

Akio Kitani
In charge of Supply Chain Management (SCM)
President,
Konica Minolta Business Technologies, Inc.

Kiyofumi Tanida
President,
Konica Minolta Medical & Graphic, Inc.

Masatoshi Matsuzaki
In charge of Technology Strategy
President,
Konica Minolta Technology Center, Inc.

Yasuo Matsumoto
In charge of Corporate Accounting, Corporate Finance, and IT Innovation

Executive Officers
Tomohisa Saito
Director,
Konica Minolta Business Technologies, Inc.

Hideki Okamura
Executive Director,
Konica Minolta Business Technologies, Inc.
President,
Konica Minolta Business Solutions Europe GmbH

Atsushi Kodama
Executive Director,
Konica Minolta Business Technologies, Inc.

Takashi Sugiyama
Executive Director,
Konica Minolta Business Technologies, Inc.

Takumi Kawakami
Director,
Konica Minolta Business Technologies, Inc.
President,
Konica Minolta Business Solutions Japan Co., Ltd.

Hisashi Tokumaru
In charge of New Business Development

Yoshiaki Ando
General Manager, Corporate Finance Division

Masaru Kamei
Director,
Konica Minolta Technology Center, Inc.
General Manager, Intellectual Property Center

Yoshifumi Johno
General Manager, Corporate Audit Division

Masami Akiyama
Executive Director,
Konica Minolta Opto, Inc.

Nobuyasu Ieuji
In charge of Production Innovation
Executive Director,
Konica Minolta Business Technologies, Inc.

Toshihiko Karasaki
President,
Konica Minolta Sensing, Inc.

Corporate Data
As of March 31, 2008

Company Name
Konica Minolta Holdings, Inc.

Address
1-6-1 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel: (81) 3-6250-2100
Fax: (81) 3-3218-1368
URL: http://konicaminolta.com

Established
August 2003

Paid-in Capital
¥37,519 million (US$375 million)

Number of Employees
Parent company: 160
Group: 31,717

Investor Relations Contact
Tel: (81) 3-6250-2011
Fax: (81) 3-3218-1362
E-mail: ir4902@konicaminolta.jp

Investor Information

Konica Minolta Holdings, Inc.
As of March 31, 2008

Common Stock
Authorized: 1,200,000,000 shares
Outstanding: 531,664,337 shares

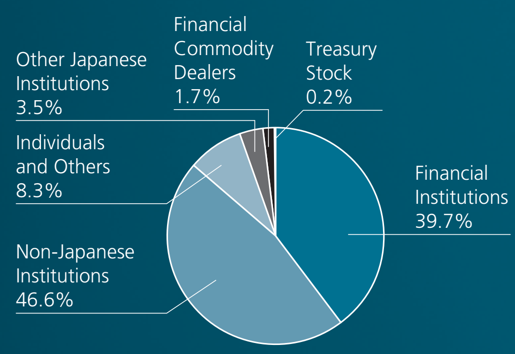
Stock Exchange Listings
Tokyo, Osaka, 1st Sections

Number of Shareholders
32,599

Independent Auditor
KPMG AZSA & CO.

Transfer Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Types of Shareholders



Principal Shareholders

Shareholders	Investment in Konica Minolta Holdings, Inc. Number of shares held (Thousand shares)	Investment ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	35,834	6.8
The Master Trust Bank of Japan, Ltd. (Trust account)	32,328	6.1
JPMorgan Chase Bank 380055	29,927	5.6
State Street Bank and Trust Company	21,500	4.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,494	2.9
Nippon Life Insurance Company	12,009	2.3
Japan Trustee Services Bank, Ltd. (Chuo Mitsui Asset Trust and Banking Company, Limited Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.2
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	10,801	2.0
The Chase Manhattan Bank 385036	9,783	1.8
Daido Life Insurance Company	9,040	1.7

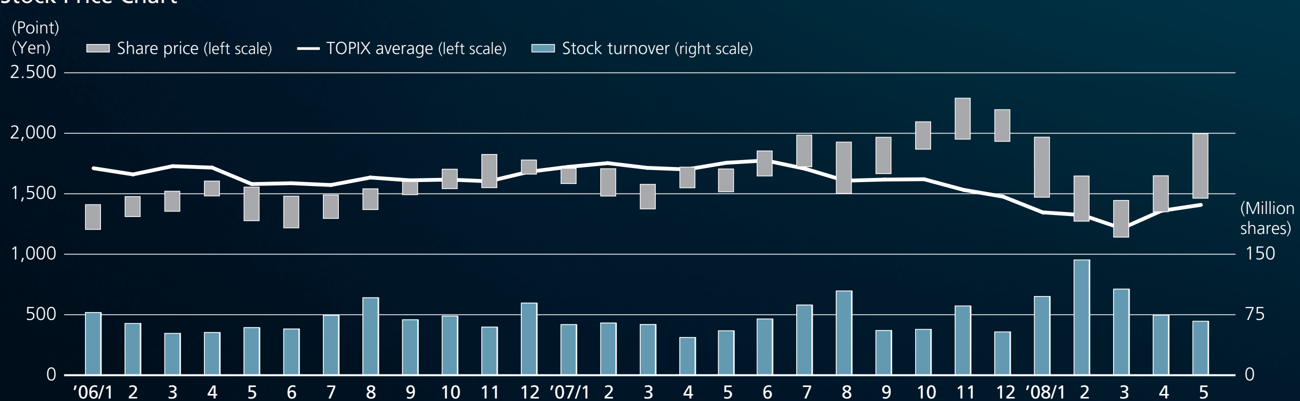
Note: Although significant shareholder reports from five joint shareholders including The Bank of Tokyo-Mitsubishi UFJ, Ltd., member of the Mitsubishi UFJ Financial Group, claim that they hold shares of Konica Minolta as set forth below, the Company is unable to confirm the exact number of shares held at period end. For this reason only the top 10 shareholders as per the shareholders' register have been listed.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held
Mitsubishi UFJ Financial Group, Inc. (Joint holding)	December 10, 2007	51,715	9.7%

Note: Although significant shareholder reports from the following companies claim that they hold substantial numbers of shares in Konica Minolta Holdings, Inc. as of March 31, 2008 the Company is unable to confirm the number of shares held and hence these companies have not been included in the major shareholders overview stated above.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held
Fidelity Investments Japan Limited (Joint holding)	January 15, 2008	44,548	8.4%
Templeton Asset Management Limited (Joint holding)	March 14, 2008	41,512	7.8%
Barclays Global Investors Japan Trust & Banking Co., Ltd. (BTB) (Joint holding)	June 29, 2007	23,496	4.4%
AllianceBernstein Japan Ltd. (Joint holding)	February 15, 2008	16,700	3.1%

Stock Price Chart



KONICA MINOLTA HOLDINGS, INC.

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http://konicaminolta.com

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