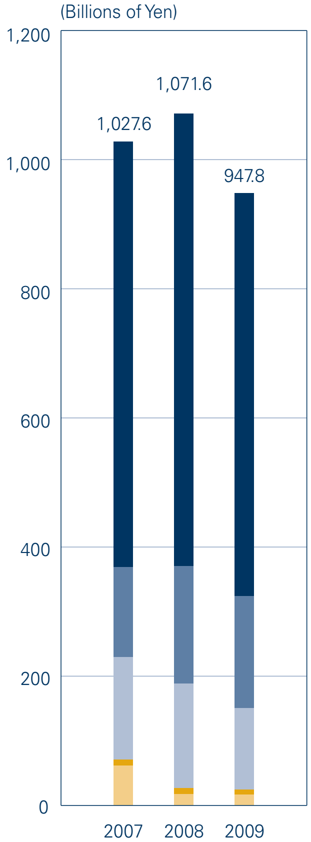
Financial Section

Net Sales

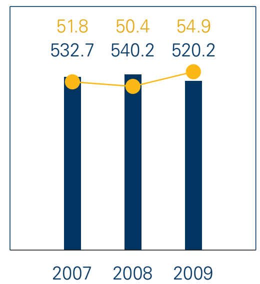
(Billions of Yen)



Business Technologies
Optics
Medical and Graphic Imaging
Sensing
Holdings, Others

Cost of Sales and Cost of Sales Ratio

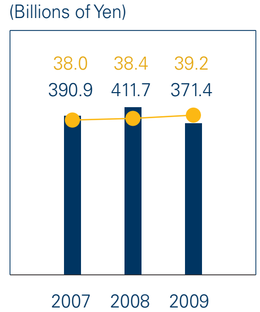
(Billions of Yen)



Cost of Sales
Cost of Sales Ratio (%)

SG&A Expenses and SG&A Expenses Ratio

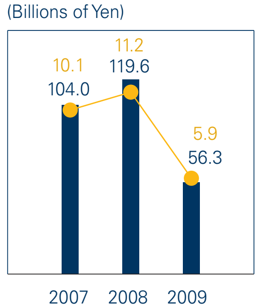
(Billions of Yen)



SG&A Expenses
SG&A Expenses Ratio (%)

Operating Income and Operating Income Ratio

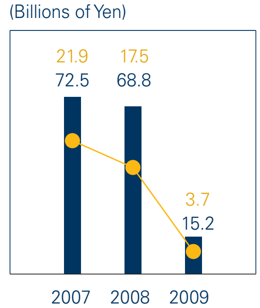
(Billions of Yen)



Operating Income
Operating Income Ratio (%)

Net Income and Return on Equity

(Billions of Yen)



Net Income
Return on Equity (%)

Significant Changes in Accounting Policies

Konica Minolta applied three changes in accounting policy that materially affected its Consolidated Statements of Income:

1) We recategorized the service expenses of some Business Technologies sales companies as cost of sales instead of selling, general and administrative (SG&A) expenses. The cost of sales thus increased ¥28.1 billion, while SG&A expenses decreased by the same amount. For details of this change, see Note 2 (o) of the Notes to the Consolidated Financial Statements.
2) In keeping with new inventory accounting standards, we recategorized the loss on disposal of inventories as cost of sales instead of non-operating expenses. The cost of sales thus increased ¥6.3 billion, while net other expenses decreased by the same amount. For details of this change, see Notes 2 (e) and (p) of the Notes to the Consolidated Financial Statements.
3) Pursuant to amendment to the Japanese Corporate Tax Law, we changed the useful lives of machinery and equipment, which increased cost of sales by ¥6.6 billion. For details of this change, see Note 2 (f) of the Notes to the Consolidated Financial Statements.

Performance

Net Sales

In the fiscal year ended March 31, 2009, net sales decreased 11.5%, or ¥123.7 billion, to ¥947.8 billion. Although sales were strong in the first half, a plunge in global demand saw sales decline from the third quarter for such strategic products as color MFPs, VA-TAC films, and optical pickup lenses for Blu-ray format. A surging yen cut around ¥81.3 billion from revenues.

Business Technologies sales were down 11.0%, or ¥77.3 billion, to ¥623.7 billion. This was because MFP sales slowed from the third quarter, as companies constrained investments and experienced credit crunches amid a global recession.

Performance also suffered from the soaring yen. Optics sales dropped 4.9%, or ¥8.8 billion, to ¥173.4 billion. This was due to digital appliance manufacturers slashing production from the third quarter, causing orders for such offerings as VA-TAC films and optical pickup lenses for Blu-ray format to plummet. Medical and Graphic Imaging sales dropped 21.9%, or ¥35.2 billion, to ¥125.9 billion. The prime factor was a further decrease in worldwide demand for film products, causing unit sales of film to plunge. Sensing sales fell 15.3%, or ¥1.5 billion, to ¥8.4 billion, largely because a rapid downturn in the global economy forced automotive and electrical equipment manufacturers to constrain capital spending.

Cost of Sales and SG&A Expenses

The cost of sales decreased 3.7%, or ¥20.0 billion, to ¥520.2 billion. This reflected significant changes in accounting policies, as described above, as well as lower sales and the impact of a higher yen. The cost of sales ratio increased 4.5 percentage points, to 54.9%, as an accounting policy change raised the cost of sales by about ¥40.5 billion. After stripping this factor out, the ratio would have been 50.6%, up 0.2 percentage point.

SG&A expenses dropped 9.8%, or ¥40.4 billion, to ¥371.4 billion. This reflected the new inclusion of service expenditure in the cost of sales and more robust expense reduction efforts from the third quarter, particularly for advertising and for transportation and storage. At the same time, we boosted research and development costs ¥0.5 billion, to ¥81.9 billion, as we recognize that it is crucial to keep investing solidly in this area to cultivate new businesses and thereby generate strong growth.

Operating Income

Operating income fell 53.0%, or ¥63.3 billion, to ¥56.3 billion. The operating income ratio was 5.9%, down 5.3 percentage points.

These numbers stemmed mainly from downturns in the Business Technologies and Optics businesses. Operating income from Business Technologies was down 41.7%, or ¥37.5 billion, to ¥52.6 billion, owing to lower unit sales and a reduced gross profit as a result of the high yen. In Optics, operating income dropped 59.9%, or ¥18.7 billion, to ¥12.5 billion. This was because unit sales plunged, while depreciation expenses increased in line with Japanese tax system reforms.

Other Income and Expenses

Net other expenses increased 11.8%, or ¥2.4 billion, to ¥23.0 billion. The positive factors included recategorizing the loss on disposal of inventories as part of the cost of sales, as mentioned earlier, gain on the Medical and Graphic Imaging business's sales of investments in affiliated companies and transfer of business, and a significantly lower loss on impairment of fixed assets. On the negative side, patent-related income declined, the write-down of investment securities increased owing to the stock market downturn, and we incurred higher business structure improvement expenses, largely to optimize personnel levels and reorganize businesses and plants.

Net Income

Net income was down 77.9%, or ¥53.7 billion, to ¥15.2 billion. This was because while income before income taxes and minority interests fell ¥65.8 billion owing to a plunge in operating income, total income taxes decreased ¥12.0 billion.

Return on equity was therefore 3.7%, down by 13.8 percentage points from 17.5% a year earlier.

Segment Information

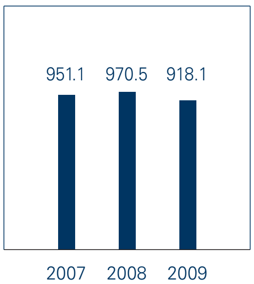
Business Technologies

Sales declined 11.0%, or ¥77.3 billion, to ¥623.7 billion, reflecting a unit sales downturn from the third quarter and lower margins because of the stronger yen. In keeping with our genre-top strategy, we focused on expanding sales of color MFPs for general offices and high-speed production printing models, particularly in the European and American markets. MFP sales slowed from the third quarter, however, as companies constrained investments and experienced credit crunches after a financial crisis triggered a global recession, with the yen's surge exacerbating the situation.

Operating income fell 41.7%, or ¥37.5 billion, to ¥52.6 billion. This reflected a unit sales downturn from the third quarter and lower margins because of the stronger yen, offsetting intensified efforts to slash costs in response to dramatic changes in the business climate.

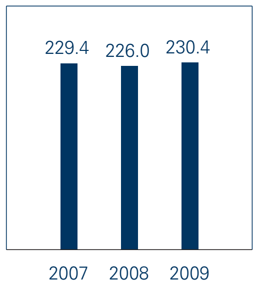
Total Assets

(Billions of Yen)



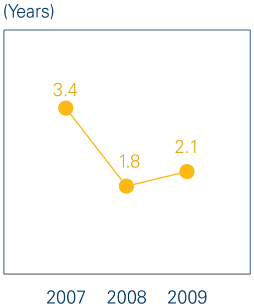
Interest-Bearing Debt

(Billions of Yen)



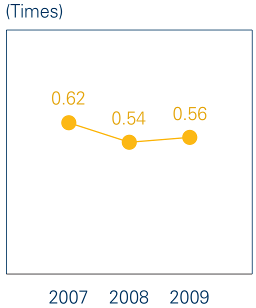
Debt Payback Period

(Years)



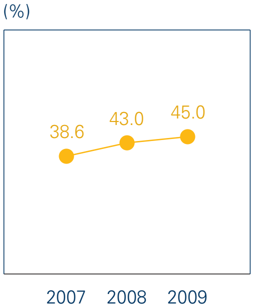
Debt /Equity Ratio

(Times)



Equity Ratio

(%)



Optics

Sales dropped 4.9%, or ¥8.8 billion, to ¥173.4 billion. We performed well in the first half of the fiscal year by concentrating on expanding revenues for such strategic products as VA-TAC films, in which we dominate rivals, and optical pickup lenses for Blu-ray format. Orders for these offerings plunged from the third quarter, however, as many digital appliance manufacturers slashed production.

Operating income fell 59.9%, or ¥18.7 billion, to ¥12.5 billion. This stemmed from the sales decline and increased depreciation expenses owing to Japanese tax law reforms. These factors outweighed more intense efforts to restructure and optimize our domestic plants and reduce fixed costs.

Medical and Graphic Imaging

Sales decreased 21.9%, or ¥35.2 billion, to ¥125.9 billion. This was primarily because film sales plunged amid a significant reduction in worldwide demand.

Operating income was down 60.3%, or ¥4.7 billion, to ¥3.1 billion, as a fall in gross profit from lower unit sales of film overshadowed extensive cost-cutting efforts.

Sensing

Sales dropped 15.3%, or ¥1.5 billion, to ¥8.4 billion. Operating income was down 71.4%, or ¥0.9 billion, to ¥0.3 billion. These results stemmed from a rapid downturn in the global economy, which forced manufacturers of automotive and electrical equipment, and other equipment, to constrain capital spending.

Financial Position and Liquidity

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

Our financial position remained fundamentally firm in the fiscal year under review from the medium- and long-term perspectives.

Despite ongoing reduction efforts over the medium and long terms, interest-bearing debt stood at ¥230.4 billion at the close of the year, up ¥4.4 billion. This was because we beefed up our cash position to overcome financial market instability. Our debt-to-equity ratio was 0.56 times, up 0.02 point. Shareholders' equity was down ¥3.8 billion, at ¥413.4 billion, although the equity ratio improved 2.0 percentage points, to 45.0%, as total assets dropped significantly.

Despite sluggish operating results, our debt repayment indices weakened only slightly. The interest coverage ratio was 23.4 times, down 4.3 points. The debt payback period (operating cash flows to interest-bearing debt) was 2.1 years, up from 1.8 years.

Our long-term debt ratings were unchanged.

As of March 31, 2009

	Rating & Investment Information, Inc.	Japan Credit Rating Agency, Ltd.
Rating	A–	A
Outlook	Positive	Stable

Assets, Liabilities, and Net Assets

At year-end, total assets were ¥918.1 billion, down ¥52.5 billion. This was despite a ¥15.0 billion increase in short-term investment securities, and reflected a ¥63.0 billion decline in trade notes and accounts receivable because of lower sales, an ¥18.1 billion drop in net property, plant and equipment owing to capital spending constraints, and a ¥10.6 billion fall in investment securities, reflecting an equity market downturn. Inventories were down ¥3.8 billion, to ¥129.2 billion, as we scaled back production in response to lower sales.

Total liabilities decreased ¥48.5 billion, to ¥503.8 billion. This was due largely to a decrease in trade notes and accounts payable because of production adjustments in line with lower sales. Long-term loans payable soared, as we increased cash to cover bond redemptions and loan repayments.

Net assets were ¥414.3 billion at year-end, down ¥4.0 billion. This was because of a decrease in foreign currency translation adjustments and a decline in the valuation difference on available-for-sale securities owing to a stock market slump, which offset an increase in retained earnings from the contribution of ¥15.2 billion in net income.

Cash Flows

Net cash provided by operating activities was ¥107.6 billion, down ¥15.5 billion from a year earlier. The principal cash flow contributors were ¥33.2 billion in income before income taxes and minority interests, ¥70.2 billion in depreciation and amortization, and a ¥36.7 billion increase in working capital from trade notes and accounts receivable, inventories, and trade notes and accounts payable, offset partly by ¥34.7 billion in income taxes paid. The decline in net cash provided by operating activities reflected a ¥65.8 billion drop in income before income taxes and minority interests, which overshadowed a ¥34.0 billion improvement because of enhanced working capital efficiency.

Net cash used in investing activities was ¥90.2 billion, up ¥13.4 billion. One factor was ¥28.0 billion spent in acquiring shares in DOIC and other subsidiaries to boost sales of Business Technologies operations in the United States. Also important was ¥61.6 billion in expenditure to buy tangible fixed assets, mainly to increase the Optics business's production capacity in glass hard disk substrates and TAC films. The rise in net cash used in investing activities was principally because we boosted acquisitions of shares in DOIC and other subsidiaries by ¥21.2 billion, against which we generated ¥7.8 billion in proceeds from the Medical and Graphic Imaging business's sales of investments in consolidated subsidiary and transfer of business.

Free cash flow was thus ¥17.4 billion, down ¥28.8 billion.

Net cash provided by financing activities was ¥5.0 billion, reflecting a ¥16.9 billion rise in interest-bearing debt and the use of ¥9.3 billion to pay cash dividends. In the previous fiscal year, we used net cash of ¥10.5 billion in financing activities.

At the end of the term, cash and cash equivalents were ¥133.7 billion, up ¥11.5 billion.

Regarding the anticipated business environment for the fiscal year ending March 31, 2010, domestic and overseas economic prospects for the year ahead are admittedly unclear, but management expects that the operating climate will remain very adverse. Despite recovery signs in some businesses, companies will likely continue to constrain investments and cut costs for the foreseeable future. It should therefore take considerable time for demand to fully recover, as we focus heavily on office MFPs and other business-to-business offerings. We will need to closely monitor the possible impacts of trends in the U.S. dollar, the euro, and other currencies on our operations and performance.

Consolidated Balance Sheets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2009 and 2008

Assets	Millions of yen March 31 2009	2008	Thousands of U.S. dollars (Note 3) March 31 2009
Current Assets:			
Cash on hand and in banks	**¥ 85,753**	¥ 89,218	**$ 872,982**
Notes and accounts receivable-trade (Note 11)	**171,835**	234,862	**1,749,313**
Lease receivables and investment assets	**13,598**	–	**138,430**
Short-term investment securities (Note 5)	**48,000**	33,000	**488,649**
Inventories (Note 9)	**129,160**	132,936	**1,314,873**
Deferred tax assets (Note 7)	**25,326**	37,086	**257,823**
Other accounts receivable	**16,531**	14,284	**168,289**
Other current assets	**19,463**	21,330	**198,137**
Allowance for doubtful accounts	**(4,749)**	(5,608)	**(48,346)**
Total current assets	**504,919**	557,110	**5,140,171**
Property, Plant and Equipment (Note 13)**:**			
Buildings and structures	**164,357**	162,931	**1,673,185**
Machinery and equipment	**243,614**	238,891	**2,480,037**
Tools and furniture	**151,943**	147,581	**1,546,809**
Land	**35,033**	35,961	**356,643**
Lease assets	**219**	–	**2,229**
Construction in progress	**11,522**	5,201	**117,296**
Rental business-use assets	**47,362**	68,746	**482,154**
Total	**654,054**	659,313	**6,658,394**
Accumulated depreciation	**(426,193)**	(413,324)	**(4,338,725)**
Net property, plant and equipment	**227,860**	245,989	**2,319,658**
Intangible Fixed Assets:			
Goodwill (Note 13)	**81,374**	75,809	**828,403**
Other intangible fixed assets	**30,248**	18,038	**307,930**
Total intangible fixed assets	**111,623**	93,848	**1,136,343**
Investments and Other Assets:			
Investment securities (Note 5)	**18,068**	28,651	**183,936**
Long-term loans	**461**	430	**4,693**
Long-term prepaid expenses	**3,438**	3,589	**34,999**
Deferred tax assets (Note 7)	**39,608**	28,604	**403,217**
Other	**12,596**	12,743	**128,230**
Allowance for doubtful accounts	**(519)**	(430)	**(5,284)**
Total investments and other assets	**73,654**	73,589	**749,812**
Total assets	**¥ 918,058**	¥ 970,538	**$ 9,346,004**

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

Liabilities and Net Assets

	Millions of yen March 31 2009	Millions of yen March 31 2008	Thousands of U.S. dollars (Note 3) March 31 2009
Current Liabilities:			
Short-term debt (Notes 6 and 11)	**¥ 64,980**	¥ 93,875	**$ 661,509**
Current portion of long-term debt (Note 6)	**42,169**	11,363	**429,288**
Notes and accounts payable-trade	**87,105**	109,413	**886,745**
Accrued expenses	**39,593**	48,734	**403,064**
Accrued income taxes (Note 7)	**2,534**	16,449	**25,797**
Reserve for discontinued operations	**7,268**	11,727	**73,990**
Other current liabilities (Note 6)	**67,238**	74,007	**684,496**
Total current liabilities	**310,889**	365,570	**3,164,909**
Long-Term Liabilities:			
Long-term debt (Notes 6 and 11)	**123,259**	120,786	**1,254,800**
Accrued retirement benefits (Note 23)	**57,962**	53,367	**590,064**
Accrued retirement benefits for directors and statutory auditors	**534**	544	**5,436**
Deferred tax liabilities on land revaluation (Note 7)	**3,889**	4,010	**39,591**
Other long-term liabilities (Note 6)	**7,238**	7,946	**73,684**
Total long-term liabilities	**192,884**	186,656	**1,963,596**
Total liabilities	**503,773**	552,227	**5,128,505**
Contingent Liabilities (Note 10)			
Net Assets (Notes 8 and 27)**:**			
Common stock:			
Authorized—1,200,000,000 shares in 2009 and 2008			
Issued—531,664,337 shares in 2009 and 2008	**37,519**	37,519	**381,951**
Capital surplus	**204,140**	204,140	**2,078,184**
Retained earnings	**185,453**	176,684	**1,887,947**
Less: Treasury stock, at cost; Common stock, 1,370,709 shares in 2009 and 1,055,317 shares in 2008	**(1,662)**	(1,340)	**(16,919)**
Unrealized gains on securities, net of taxes	**(513)**	2,913	**(5,222)**
Unrealized losses on hedging derivatives, net of taxes	**198**	(319)	**2,016**
Foreign currency translation adjustments	**(11,755)**	(2,431)	**(119,668)**
Share subscription rights (Notes 6 and 25)	**460**	286	**4,683**
Minority interests	**444**	858	**4,520**
Total net assets	**414,284**	418,310	**4,217,490**
Total liabilities and net assets	**¥918,058**	¥970,538	**$9,346,004**

Consolidated Statements of Income

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Net Sales	**¥947,843**	¥1,071,568	**$9,649,221**
Cost of Sales (Notes 12 and 16)	**520,206**	540,225	**5,295,796**
Gross profit	**427,637**	531,343	**4,353,426**
Selling, General and Administrative Expenses (Note 12)	**371,376**	411,736	**3,780,678**
Operating income	**56,260**	119,606	**572,737**
Other Income (Expenses):			
Interest and dividend income	**2,176**	2,643	**22,152**
Interest expenses	**(4,866)**	(4,465)	**(49,537)**
Foreign exchange gain (loss), net	**(7,272)**	(7,637)	**(74,030)**
Loss on sales and disposals of property, plant and equipment, net	**(2,866)**	(3,224)	**(29,176)**
Write-down of investment securities	**(3,826)**	(313)	**(38,949)**
Write-down of investment in affiliated companies	**–**	(54)	**–**
Loss on disposal of inventories	**–**	(7,065)	**–**
Gain on sales of investment securities, net	**5**	19	**51**
Gain on sales of investments in affiliated companies, net (Note 17)	**2,803**	47	**28,535**
Loss on impairment of fixed assets (Note 13)	**(1,168)**	(5,702)	**(11,890)**
Gain on discontinued operations (Note 14)	**932**	590	**9,488**
Equity in net income (losses) of unconsolidated subsidiaries and affiliates	**(99)**	182	**(1,008)**
Patent-related income (Note 15)	**560**	8,080	**5,701**
Gain on transfer of business (Note 17)	**3,063**	–	**31,182**
Environmental expenses	**–**	(1,856)	**–**
Other extraordinary losses of overseas subsidiaries	**–**	(1,731)	**–**
Business structure improvement expenses (Note 18)	**(10,094)**	–	**(102,759)**
Loss on revision of retirement benefit plan (Note 19)	**(2,046)**	–	**(20,829)**
Other, net	**(336)**	(120)	**(3,421)**
Total	**(23,035)**	(20,609)	**(234,501)**
Income before income taxes and minority interests	**33,224**	98,996	**338,227**
Income Taxes (Note 7)**:**			
Current	**13,183**	29,496	**134,205**
Deferred	**4,857**	544	**49,445**
Total	**18,040**	30,040	**183,651**
Minority Interests in Net Income of Consolidated Subsidiaries	**5**	126	**51**
Net Income	**¥ 15,179**	¥ 68,829	**$ 154,525**

	Yen		U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Per Share Data (Notes 8 and 27)**:**			
Net income—Basic	**¥28.62**	¥129.71	**$0.29**
—Diluted	**26.91**	122.44	**0.27**
Cash dividends	**20**	15	**0.20**

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, 2009 and 2008

		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, 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				1,059							1,059
Net changes during the period						(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
(From April 1, 2008 to March 31, 2009)											
Net Assets at April 1, 2008	531,664,337	¥37,519	¥204,140	¥176,684	¥(1,340)	¥ 2,913	¥(319)	¥ (2,431)	¥286	¥ 858	¥418,310
Changes in accounting policies applied to overseas subsidiaries (Note 20)				**5,210**							**5,210**
Dividends paid from retained earnings				**(9,283)**							**(9,283)**
Net income				**15,179**							**15,179**
Change in the scope of consolidation				**96**							**96**
Purchase of treasury stock					**(665)**						**(665)**
Re-issuance of treasury stock				**(117)**	**343**						**226**
Pension liabilities adjustment of overseas subsidiaries (Note 21)				**(2,316)**							**(2,316)**
Net changes during the period						**(3,426)**	**517**	**(9,323)**	**174**	**(414)**	**(12,473)**
Total changes during the period		**–**	**–**	**3,558**	**(321)**	**(3,426)**	**517**	**(9,323)**	**174**	**(414)**	**(9,236)**
Balance at March 31, 2009	**531,664,337**	**¥37,519**	**¥204,140**	**¥185,453**	**¥(1,662)**	**¥ (513)**	**¥ 198**	**¥(11,755)**	**¥460**	**¥ 444**	**¥414,284**

		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, 2008 to March 31, 2009)											
Net Assets at April 1, 2008	531,664,337	$381,951	$2,078,184	$1,798,677	$(13,641)	$ 29,655	$(3,247)	$ (24,748)	$2,912	$ 8,735	$4,258,475
Changes in accounting policies applied to overseas subsidiaries (Note 20)				**53,039**							**53,039**
Dividends paid from retained earnings				**(94,503)**							**(94,503)**
Net income				**154,525**							**154,525**
Change in the scope of consolidation				**977**							**977**
Purchase of treasury stock					**(6,770)**						**(6,770)**
Re-issuance of treasury stock				**(1,191)**	**3,492**						**2,301**
Pension liabilities adjustment of overseas subsidiaries (Note 21)				**(23,577)**							**(23,577)**
Net changes during the period						**(34,877)**	**5,263**	**(94,910)**	**1,771**	**(4,215)**	**(126,978)**
Total changes during the period		**–**	**–**	**36,221**	**(3,268)**	**(34,877)**	**5,263**	**(94,910)**	**1,771**	**(4,215)**	**(94,024)**
Balance at March 31, 2009	**531,664,337**	**$381,951**	**$2,078,184**	**$1,887,947**	**$(16,919)**	**$ (5,222)**	**$ 2,016**	**$(119,668)**	**$4,683**	**$ 4,520**	**$4,217,490**

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥ 33,224**	¥ 98,996	**$ 338,227**
Depreciation and amortization	**70,179**	60,443	**714,436**
Loss on impairment of fixed assets	**1,168**	5,702	**11,890**
Amortization of goodwill	**8,909**	7,171	**90,695**
Increase in allowance for doubtful accounts	**–**	780	**–**
Interest and dividend incomes	**(2,176)**	(2,643)	**(22,152)**
Interest expense	**4,866**	4,465	**49,537**
Loss (gain) on sales and disposals of property, plant and equipment	**2,866**	3,224	**29,176**
Loss (gain) on sale and write-down of investment securities	**3,820**	293	**38,888**
Loss (gain) on sale and write-down of investments in affiliated companies	**(2,803)**	6	**(28,535)**
Patent-related income	**–**	(8,080)	**–**
Reversal of reserve for discontinued operations	**–**	(590)	**–**
Legal-related expenses	**–**	625	**–**
Environmental expenses	**–**	1,856	**–**
Additional retirement expenses	**–**	460	**–**
Other extraordinary losses of overseas subsidiaries	**–**	1,731	**–**
Gain on transfer of businesses	**(3,063)**	–	**(31,182)**
Decrease in provision for bonuses	**(3,290)**	–	**(33,493)**
Increase (decrease) in accrued retirement benefits	**5,708**	(4,462)	**58,109**
Decrease in reserve for discontinued operations	**(4,459)**	(16,370)	**(45,393)**
Decrease in trade notes and accounts receivable	**50,596**	11,157	**515,077**
Increase in inventories	**(3,550)**	(6,422)	**(36,140)**
Decrease in trade notes and accounts payable	**(10,372)**	(2,027)	**(105,589)**
Transfer of rental business-use assets	**(7,419)**	(11,847)	**(75,527)**
Decrease in accounts receivable-other	**4,545**	–	**46,269**
Decrease in accounts payable-other and accrued expenses	**(12,821)**	–	**(130,520)**
Increase in accrued consumption tax payable	**–**	904	**–**
Reversal of reserve for loss on impairment of lease assets	**–**	(171)	**–**
Other	**9,010**	7,468	**91,724**
Subtotal	**144,939**	152,674	**1,475,506**
Interest and dividend income received	**2,000**	2,681	**20,360**
Interest paid	**(4,594)**	(4,444)	**(46,768)**
Additional payments of retirement allowance	**(105)**	(355)	**(1,069)**
Income taxes paid	**(34,676)**	(27,543)	**(353,008)**
Net cash provided by operating activities	**107,563**	123,014	**1,095,012**
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	**(61,645)**	(62,969)	**(627,558)**
Proceeds from sales of property, plant and equipment	**1,767**	2,907	**17,988**
Payment for acquisition of intangible fixed assets	**(7,774)**	(5,864)	**(79,141)**
Proceeds from transfer of business	**4,585**	–	**46,676**
Payment for acquisition of additional shares of consolidated subsidiaries	**–**	(855)	**–**
Proceeds from sales of investments in consolidated subsidiary	**3,177**	–	**32,342**
Payment for acquisition of newly consolidated subsidiaries	**(27,987)**	(6,832)	**(284,913)**
Payment for loans receivable	**(286)**	(113)	**(2,912)**
Proceeds from collection of loans receivable	**216**	265	**2,199**
Payment for acquisition of investment securities	**(990)**	(1,718)	**(10,078)**
Proceeds from sales of investment securities	**18**	35	**183**
Payment for acquisition of other investments	**(1,440)**	(2,609)	**(14,659)**
Other	**191**	939	**1,944**
Net cash used in investing activities	**(90,169)**	(76,815)	**(917,937)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**(16,504)**	16,314	**(168,014)**
Proceeds from long-term loans payable	**44,817**	–	**456,246**
Repayment of long-term loans payable	**(6,364)**	(17,159)	**(64,787)**
Payment for redemption of bonds	**(5,000)**	(30)	**(50,901)**
Repayments of lease obligations	**(1,993)**	–	**(20,289)**
Proceeds from disposal of treasury stock	**218**	16	**2,219**
Payment for purchase of treasury stock	**(665)**	(289)	**(6,770)**
Dividend payments	**(9,279)**	(9,271)	**(94,462)**
Dividend payments to minority shareholders in consolidated subsidiaries	**(268)**	(126)	**(2,728)**
Net cash provided by (used in) financing activities	**4,959**	(10,545)	**50,484**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(11,311)**	(347)	**(115,148)**
Increase in Cash and Cash Equivalents	**11,041**	35,305	**112,399**
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	**122,187**	86,587	**1,243,887**
Increase in Cash and Cash Equivalents Due to Newly Consolidated Subsidiaries	**498**	294	**5,070**
Cash and Cash Equivalents at the End of the Year (Note 4)	**¥133,727**	¥122,187	**$1,361,366**

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

Notes to the Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 and 2008

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 International Financial Reporting Standards or accounting principles generally accepted in the United States.

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 105 subsidiaries (108 subsidiaries for 2008) in which it has control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 6 unconsolidated subsidiaries (8 unconsolidated subsidiaries for 2008) and 3 significant affiliates (3 significant affiliates for 2008) 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.

(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

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

Changes in Accounting Standards

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted Accounting Standards Board of Japan (ASBJ) Statement No. 9, *"Accounting Standards for Measurement of Inventories"*, issued by the ASBJ on July 5, 2006. Under ASBJ Statement No. 9, domestic consolidated subsidiaries' inventories, which were stated at cost previously, are stated by a cost price method (carrying amount in the balance sheet is calculated with consideration of write-down due to decreased profitability).

As a result of this adoption, for the year ended March 31, 2009, gross profit and operating income decreased ¥3,644 million ($37,097 thousand) when compared to the previous method. Further, income before income taxes and minority interests decreased ¥865 million ($8,806 thousand) when compared to the previous method.

(f) Property, Plant and Equipment

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

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

Additional Information

Pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment.

As a result of this change, operating income and income before income taxes and minority interests decreased ¥6,587 million ($67,057 thousand) from the prior year when compared with the previous method.

(g) Goodwill or Negative Goodwill

Goodwill recognized by the Companies including foreign subsidiaries is amortized on a straight-line basis over a period not exceeding 20 years.

(h) 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.

(i) Research and Development Costs

Research and development costs are expensed as incurred.

(j) Financial Instruments

Derivatives

All derivatives are stated at fair market value, with changes in fair market 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 market 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 market 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 market value and the resulting losses are charged to income during the period.

Hedge Accounting

Gains or losses arising from changes in fair market 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, and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, 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 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.

(k) Leases (as a lessee)

Changes in Accounting Standards

Previously, lease payments under finance leases that do not transfer ownership of the leased property to the lessee were recognized as an expense. Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 13, *"Accounting Standard for Lease Transaction"*, and ASBJ Guideline No. 16, *"Guidance on Accounting Standard for Lease Transaction"*, originally issued by the Business Accounting Deliberation Council on June 17, 1993 and the Japanese Institute of Certified Public Accountants on January 18, 1994, respectively, and both revised by the ASBJ on March 30, 2007. Consequently, lease assets are recognized as a normal sales transaction. This adoption had no impact on the consolidated statements of income.

Upon adoption, lease payments under finance leases, previously accounted for in the "Cash flows from operating activities" section of the consolidated statement of cash flows, are now accounted for in the "Cash flows from financing activities" section. The effect of this change was not material to the consolidated statement of cash flows.

(l) Retirement Benefit Plans

Retirement Benefits for Employees

The Company, domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have obligations to make defined benefit retirement payments to their employees and, therefore, provide 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.

(m) 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.

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

Changes in Accounting Standards

Effective from the year ended March 31, 2009, the Company applied the *"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (ASBJ Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006). Accordingly, the Company uses financial statements of the foreign subsidiaries prepared in accordance with International Financial Reporting Standards or accounting principles generally accepted in the United States for preparation of the consolidated financial statements, except for certain adjustments required to be made in consolidation to comply with accounting principles generally accepted in Japan and amended the consolidated financial statements as required.

As a result, the effect of this change was not material to the consolidated statement of income. For the year ended March 31, 2009, lease receivables and investment assets increased ¥13,598 million ($138,430 thousand) in consolidated balance sheet.

(o) Service Expenses from SG&A Expenses to Cost of Sales

Changes in Accounting Policy

Previously, some consolidated subsidiaries recognized service expenses (related to digital multifunction devices and other products) as SG&A expense. Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize service expense as cost of sales, following a change in accounting policy.

As a result of this change, gross profit decreased ¥28,126 million ($286,328 thousand) when compared to the previous method.

(p) Loss on Disposal of Inventories

Changes in Accounting Policy

Previously, some consolidated subsidiaries recognized loss on disposal of inventories as non-operating expenses.

Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventories as cost of sales, following the accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, *"Accounting Standards for Measurement of Inventories"*, issued by the ASBJ on July 5, 2006.

As a result of this change, gross profit and operating income decreased ¥2,606 million ($26,530 thousand) when compared to the previous method.

(q) Cash Flows from Operating Activities

"Decrease in provision for bonuses", "Decrease in accounts receivable-other" and "Decrease in accounts payable-other and accrued expenses", which were included within "Other" in the "Cash flows from operating activities" section of the consolidated statements of cash flows in the previous fiscal year, are now segmentalized in each account from the year ended March 31, 2009.

"Increase in allowance for doubtful accounts", "Increase in accrued consumption tax payable" and "Reversal of reserve for loss on impairment of lease assets", which were segmentalized in the "Cash flows from operating activities" section of the consolidated statements of cash flows in the previous fiscal year, are now included within "Other" from the year ended March 31, 2009.

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, 2009, which was ¥98.23 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, 2009 and 2008, consist of:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Cash on hand and in banks	**¥ 85,753**	¥ 89,218	**$ 872,982**
Time deposits (over 3 months)	**(26)**	(31)	**(265)**
Short-term investments	**48,000**	33,000	**488,649**
Cash and cash equivalents	**¥133,727**	¥122,187	**$1,361,366**

5. Investment Securities

As of March 31, 2009

(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	¥ 7,287	¥ 8,823	**¥ 1,536**
(2) Bonds	–	–	**–**
(3) Other	8	8	**0**
Subtotal	¥ 7,295	¥ 8,832	**¥ 1,536**
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 8,426	¥ 6,031	**¥(2,395)**
(2) Bonds	–	–	**–**
(3) Other	8	6	**(1)**
Subtotal	¥ 8,435	¥ 6,037	**¥(2,397)**
Total	¥15,730	¥14,869	**¥ (861)**
	Thousands of U.S. dollars		
Total	$160,134	$151,369	**$(8,765)**

(2) Other Securities Sold during the Year Ended March 31, 2009

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥15	¥6	¥0
	Thousands of U.S. dollars		
Other securities	$153	$61	$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	¥48,000	$488,649
Unlisted stocks	648	6,597

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

(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

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

	Millions of yen
Negotiable deposits	¥33,000
Unlisted stocks	863

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

Short-term debt was principally unsecured and generally represents bank overdrafts. The amounts as of March 31, 2009 and 2008 were ¥64,980 million ($661,509 thousand) and ¥93,875 million, respectively, and the weighted-average interest rates were approximately 1.8% and 3.4%, respectively.

Long-term debt as of March 31, 2009 and 2008, including current portion, consisted of the following:

Bonds

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
2.825% unsecured bonds due in 2008	**¥ –**	¥ 5,000	**$ –**
Zero coupon convertible unsecured bonds due in 2009	**30,066**	30,166	**306,078**
Zero coupon convertible unsecured bonds due in 2016	**40,000**	40,000	**407,208**
	¥ 70,066	¥75,166	**$ 713,285**
Less—Current portion included in current liabilities	**(30,066)**	(5,000)	**(306,078)**
Bonds, less current portion	**¥ 40,000**	¥70,166	**$ 407,208**

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
	2009	2008	**2009**	**2009**
Loans principally from banks, due through 2018	**¥ 95,362**	¥56,983		**$ 970,803**
Less—Current portion included in current liabilities	**(12,102)**	(6,363)	**1.5%**	**(123,201)**
Long-term loans, less current portion	**¥ 83,259**	¥50,620	**1.5%**	**$ 847,592**

The aggregate annual maturities of long-term loans at March 31, 2009 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2010	¥12,102	$123,201
2011	27,624	281,218
2012	24,575	250,178
2013	18	183
2014	23,010	234,246

Lease obligations

Lease obligations is included in other liabilities.

	Millions of yen		Interest rate	Thousands of U.S. dollars
	March 31			March 31
	2009	2008	**2009**	**2009**
Lease obligations, due through 2018	**¥ 5,511**	¥ –		**$ 56,103**
Less—Current portion included in current liabilities	**(1,545)**	–	**5.7%**	**(15,728)**
Lease obligations, less current portion	**¥ 3,965**	¥ –	**5.2%**	**$ 40,364**

The aggregate annual maturities of long-term lease obligations at March 31, 2009 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2010	¥1,545	$15,728
2011	1,118	11,381
2012	778	7,920
2013	515	5,243
2014	345	3,512

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, 2009 and 2008 is as follows:

	2009	2008
Statutory income tax rate	**40.7%**	40.7%
Increase (Decrease) in valuation allowance	**6.4**	(4.9)
Tax credits	**(5.0)**	(4.3)
Non-taxable income	**(0.5)**	(4.7)
Difference in statutory tax rates of foreign subsidiaries	**(0.6)**	(0.0)
Expenses not deductible for tax purposes	**4.5**	2.6
Amortization of goodwill	**10.9**	2.7
Impact of change in the recording standard of tax effects of retained earnings in accordance with revision of Corporate Tax Laws	**(10.4)**	–
Ineffective portion of unrealized (gain) loss	**5.5**	–
Other, net	**2.7**	(1.8)
Effective income tax rate per consolidated statements of income	**54.3%**	30.3%

At March 31, 2009 and 2008, 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
	2009	2008	**2009**
Deferred tax assets:			
Net operating tax loss carried forward	**¥ 31,953**	¥ 27,061	**$ 325,288**
Accrued retirement benefits	**29,824**	26,973	**303,614**
Elimination of unrealized intercompany profits	**9,064**	20,131	**92,273**
Reserve for discontinued operations	**6,025**	9,565	**61,336**
Depreciation and amortization	**5,661**	5,710	**57,630**
Write-down of assets	**5,122**	4,151	**52,143**
Accrued bonuses	**4,431**	5,768	**45,108**
Tax effects related to investments	**1,717**	1,721	**17,479**
Allowance for doubtful accounts	**1,039**	1,169	**10,577**
Accrued enterprise taxes	**242**	2,059	**2,464**
Other	**10,295**	8,657	**104,805**
Gross deferred tax assets	**105,378**	112,970	**1,072,768**
Valuation allowance	**(33,335)**	(34,639)	**(339,357)**
Total deferred tax assets	**72,043**	78,331	**733,411**
Deferred tax liabilities:			
Gains on securities contributed to employees' retirement benefit trust	**(2,973)**	(3,042)	**(30,266)**
Retained earnings of overseas subsidiaries	**(2,272)**	(5,455)	**(23,129)**
Special tax-purpose reserve for condensed booking of fixed assets	**(558)**	(800)	**(5,681)**
Unrealized gains on securities	**(440)**	(3,265)	**(4,479)**
Other	**(1,703)**	(377)	**(17,337)**
Total deferred tax liabilities	**(7,948)**	(12,941)	**(80,912)**
Net deferred tax assets	**¥ 64,094**	¥ 65,389	**$ 652,489**
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	**¥ (3,889)**	¥ (4,010)	**$ (39,591)**

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
	2009	2008	**2009**
Current assets – deferred tax assets	**¥25,326**	¥37,086	**$257,823**
Fixed assets – deferred tax assets	**39,608**	28,604	**403,217**
Current liabilities – other current liabilities	**(734)**	(248)	**(7,472)**
Long-term liabilities – other long-term liabilities	**(105)**	(53)	**(1,069)**
Net deferred tax assets	**¥64,094**	¥65,389	**$652,489**

8. 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, 2009 and 2008 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, 2009 do not reflect current year-end dividends in the amount of ¥5,302 million ($53,975 thousand) approved by the Board of Directors, which will be payable in June 2009.

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

On October 30, 2008, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2008, totaling ¥5,303 million ($53,986 thousand), at a rate of ¥10.0 per share. On May 14, 2009, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2009, totaling ¥5,302 million ($53,975 thousand), at a rate of ¥10.0 per share.

9. Inventories

Inventories as of March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31	March 31
Merchandise and finished goods	**¥ 87,796**	**$ 893,780**
Work in process	**19,003**	**193,454**
Raw materials and supplies	**22,360**	**227,629**
Total	**¥129,160**	**$1,314,873**

10. Contingent Liabilities

The Companies were contingently liable at March 31, 2009 for loan and lease guarantees of ¥2,076 million ($21,134 thousand) and at March 31, 2008 for loan and lease guarantees of ¥3,266 million.

11. Collateral Assets

Assets pledged as collateral for short-term debt of ¥198 million ($2,016 thousand) and long-term debt of ¥146 million ($1,486 thousand) are notes receivable of ¥753 million ($7,666 thousand).

12. 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, 2009 and 2008 are ¥81,904 million ($833,798 thousand) and ¥81,370 million, respectively.

13. Loss on Impairment of Fixed Assets

The Companies have recognized loss on impairment of ¥1,168 million ($11,890 thousand) and ¥5,702 million for the following groups of assets for the years ended March 31, 2009 and 2008, respectively:

Description	Classification	Amount		
		Millions of yen		Thousands of U.S. dollars
		March 31		March 31
		2009	2008	**2009**
Manufacturing facilities of microlens for mobile phone	Machinery and equipment, Tools and furniture, Lease assets*	**¥ 778**	¥ –	**$ 7,920**
Manufacturing facilities of medical and graphic film etc.	Machinery and equipment, Tools and furniture, Others	**103**	2,361	**1,049**
Rental assets	Rental business-use assets	**149**	91	**1,517**
Idle assets	Land, Buildings and structures, Machinery and equipment, Others	**137**	328	**1,395**
Others	Goodwill	**–**	2,921	**–**
Total		**¥1,168**	¥5,702	**$11,890**

(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 restructuring of microlens manufacturing facilities in the Optics business, worsening of the market environment in the Medical and Graphic business, etc., and the decline in real estate value, poor performance and profitability of rental and idle assets.

(3) Details of impairment of fixed assets

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Machinery and equipment	**¥648**	¥2,451	**$6,597**
Rental business-use assets	**149**	–	**1,517**
Lease assets*	**198**	–	**2,016**
Goodwill	**–**	2,921	**–**
Others	**172**	330	**1,751**

(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.

** Lease assets*

These lease assets are finance leased assets that do not transfer ownership, for which the starting date for the lease transaction is prior to March 31, 2008, and lease payments are recognized as expenses.

14. Discontinued Operations

The amounts included in the statements of income for discontinued operations for the years ended March 31, 2009 and 2008 represent:

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Reversal of excess reserve made for discontinued operations in the previous fiscal year	**¥1,412**	¥ 8,425	**$14,374**
Loss on discontinued operations in the fiscal year under review	**(480)**	(7,834)	**(4,886)**
Gain on discontinued operation	**¥ 932**	¥ 590	**$ 9,488**

15. Patent-Related Income

Regarding patent-related income, amounts for patent royalities related to the Photo Imaging business are recorded.

16. Cost of Sales

The cost of sales includes the cut-down of book values by ¥6,302 million ($64,156 thousand), by a low price method caused by a decline of profitability and the lower of cost or market value.

17. Gain on Sales of Investments in Affiliated Companies and Gain on Transfer of Business

The gain on sales of investments in affiliated companies and gain on transfer of business resulted from the transfer of a domestic subsidiary and related business assets belonging to the Medical and Graphic Imaging business to a company outside the Group.

18. Business Structure Improvement Expenses

The business structure improvement expenses consist mainly of retirement allowances, etc., associated with staff allocation/optimization in the Business Technologies business, expenses on business reorganization in the Medical and Graphic Imaging business, and expenses on the reorganization of manufacturing facilities in the Optics business.

19. Loss on Revision of Retirement Benefit Plan

The loss on revision of retirement benefit plan is the lump sum of the past service obligation resulting from a change of employees' retirement plan at a domestic subsidiary.

20. Changes in Accounting Policies Applied to Overseas Subsidiaries

The Changes in accounting policies applied to overseas subsidiaries reflects the application of the *"Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (ASBJ PITF No. 18 issued by the ASBJ on May 17, 2006) from the year ended March 31, 2009, as noted earlier in "Summary of Significant Accounting Policies 2 (n)".

21. Pension Liabilities Adjustment of Overseas Subsidiaries

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

22. Lease Transactions

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

As Lessee

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Purchase cost:			
Buildings and structures	**¥ 7,459**	¥ 8,426	**$ 75,934**
Machinery and equipment	**2,268**	2,466	**23,089**
Tools and furniture	**4,622**	6,074	**47,053**
Rental business-use assets	**1,227**	2,750	**12,491**
Intangible fixed assets	**63**	153	**641**
	15,641	19,871	**159,228**
Less: Accumulated depreciation	**(11,853)**	(12,369)	**(120,666)**
Loss on impairment of leased assets	**(200)**	(21)	**(2,036)**
Net book value	**¥ 3,587**	¥ 7,480	**$ 36,516**

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥1,650**	¥3,037	**$16,797**
Due over one year	**2,136**	4,464	**21,745**
Total	**¥3,787**	¥7,502	**$38,552**

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, 2009 and 2008 are as follows:

Lease rental expenses for the period	**¥2,393**	¥3,395	**$24,361**
Depreciation equivalents	**¥2,373**	¥3,378	**$24,158**

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, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Reserve for loss	**¥200**	¥21	**$2,036**

Loss on impairment and reversals of loss on impairment of leased assets for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Loss on impairment	**¥198**	¥23	**$2,016**
Reversals of loss	**¥ 19**	¥16	**$ 193**

2) Operating Leases

The scheduled maturities of future rental payments of noncancelable lease in operating leases as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ 5,978**	¥ 5,468	**$ 60,857**
Due over one year	**17,175**	14,016	**174,845**
Total	**¥23,153**	¥19,485	**$235,702**

As Lessor

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Leased rental business-use assets:			
Purchase cost	**¥ –**	¥ 22,648	**$ –**
Less: Accumulated depreciation	**–**	(13,523)	**–**
Net book value	**¥ –**	¥ 9,125	**$ –**

The scheduled maturities of future finance lease rental income as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ –**	¥4,179	**$ –**
Due over one year	**–**	4,945	**–**
Total	**¥ –**	¥9,125	**$ –**

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, 2009 and 2008 are as follows:

Lease rental income for the period	**¥ –**	¥4,267	**$ –**
Depreciation	**¥ –**	¥3,936	**$ –**

2) Operating Leases

The scheduled maturities of future rental incomes of noncancelable lease in operating leases as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ 920**	¥2,238	**$ 9,366**
Due over one year	**1,189**	3,420	**12,104**
Total	**¥2,109**	¥5,658	**$21,470**

23. Retirement Benefit Plans

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans, tax-qualified pension plans and lump-sum payment plans and the Companies have also defined contibutory pension plans. The Companies may pay additional retirement benefits to employees at their discretion.

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

The reserve for retirement benefits as of March 31, 2009 and 2008 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
a. Retirement benefit obligations	**¥(140,843)**	¥(144,011)	**$(1,433,808)**
b. Plan assets	**74,124**	91,360	**754,596**
c. Unfunded retirement benefit obligations (a+b)	**(66,718)**	(52,651)	**(679,202)**
d. Unrecognized actuarial differences	**18,621**	10,276	**189,565**
e. Unrecognized prior service costs	**(7,033)**	(8,131)	**(71,597)**
f. Net amount on consolidated balance sheets (c+d+e)	**(55,130)**	(50,506)	**(561,234)**
g. Prepaid pension costs	**2,831**	2,861	**28,820**
h. Accrued retirement benefits (f-g)	**¥ (57,962)**	¥ (53,367)	**$ (590,064)**

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

Net retirement benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
a. Service costs	**¥ 5,181**	¥ 5,662	**$ 52,744**
b. Interest costs	**4,074**	4,410	**41,474**
c. Expected return on plan assets	**(2,280)**	(3,095)	**(23,211)**
d. Amortization of actuarial differences	**1,860**	1,248	**18,935**
e. Amortization of prior service costs	**643**	(1,426)	**6,546**
f. Retirement benefit costs (a+b+c+d+e)	**9,479**	6,799	**96,498**
g. Contributions to defined contribution pension plans	**3,168**	3,199	**32,251**
Total (f+g)	**¥12,647**	¥ 9,998	**$128,749**

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

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

	2009	2008
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

24. Derivatives

The Companies utilize derivative instruments including forward foreign currency exchange contracts, interest rate swaps and currency swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rates and interest rates. 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 and currency swap contracts are approved by the Finance Manager of the Company and the President or equivalent of other subsidiaries, respectively.

A summary of derivative instruments at March 31, 2009 and 2008 is as follows:

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2009			2008			**2009**		
	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	**¥21,978**	**¥23,296**	**¥(1,318)**	¥34,670	¥32,782	¥ 1,887	**$223,740**	**$237,158**	**$(13,417)**
EURO	**22,253**	**23,709**	**(1,455)**	30,954	30,983	(28)	**226,540**	**241,362**	**(14,812)**
To buy foreign currencies:									
US$	**¥ 9,249**	**¥10,025**	**¥ 775**	¥15,103	¥13,912	¥(1,191)	**$ 94,157**	**$102,056**	**$ 7,890**
Total	**¥53,481**	**¥57,031**	**¥(1,998)**	¥80,729	¥77,678	¥ 667	**$544,447**	**$580,586**	**$(20,340)**
Currency Swaps:									
Pay JPY, receive US$	**¥40,736**	**¥37,460**	**¥ 3,275**	–	–	–	**$414,700**	**$381,350**	**$ 33,340**
Total	**¥40,736**	**¥37,460**	**¥ 3,275**	–	–	–	**$414,700**	**$381,350**	**$ 33,340**

Notes: 1. Fair market value of forward foreign currency exchange contracts is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2009 and 2008, respectively. Fair market value of currency swaps is provided by the financial institutions with whom the derivative contracts were concluded.
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		
	2009			2008			**2009**		
	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)
Interest rate swaps:									
Pay fixed, receive floating	**¥10,387**	**¥(371)**	**¥(371)**	¥12,655	¥(62)	¥(62)	**$105,742**	**$(3,777)**	**$(3,777)**

Notes: 1. Fair market 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.

25. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2009.

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

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

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

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

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2009 and 2008.

	Number of Shares
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
Granted	128,000
Exercised	16,500
Forfeited	500
Stock options outstanding at March 31, 2009	490,000

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2009.

Per unit information	Exercised	Outstanding at March 31, 2009
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,202	–
Fair value per unit (as of grant date)	–	1,418

26. Segment Information

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2009 and 2008 is presented as follows:

Business segment	Related business segment products
Business Technologies:	MFPs, printers and others
Optics:	Optical devices, electronics materials and others
Medical and Graphic Imaging:	Medical products, graphic imaging products and others
Sensing:	Industrial-use and medical-use measuring 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
2009: Net sales								
External	**¥623,682**	**¥173,416**	**¥125,890**	**¥8,393**	**¥16,459**	**¥ 947,843**	**¥ –**	**¥947,843**
Intersegment	**4,128**	**1,052**	**2,419**	**595**	**58,860**	**67,055**	**(67,055)**	**–**
Total	**627,810**	**174,469**	**128,309**	**8,989**	**75,319**	**1,014,899**	**(67,055)**	**947,843**
Operating expenses	**575,259**	**161,930**	**125,226**	**8,641**	**72,043**	**943,100**	**(51,517)**	**891,583**
Operating income	**¥ 52,551**	**¥ 12,538**	**¥ 3,083**	**¥ 348**	**¥ 3,276**	**¥ 71,798**	**¥ (15,538)**	**¥ 56,260**
Assets	**¥440,552**	**¥156,283**	**¥ 89,736**	**¥8,125**	**¥56,493**	**¥ 751,190**	**¥166,867**	**¥918,058**
Depreciation	**30,074**	**28,141**	**4,335**	**326**	**2,341**	**65,219**	**4,959**	**70,179**
Impairment losses	**150**	**785**	**232**	**–**	**–**	**1,168**	**–**	**1,168**
Capital expenditure	**23,918**	**27,591**	**3,151**	**306**	**2,257**	**57,224**	**3,939**	**61,164**

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 ¥31,297 million for the year ended March 31, 2009.*
2. *Included within the Eliminations and Corporate figure for assets are ¥202,373 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. *Accounting Changes*

(1) Accounting standards for measurement of inventories

As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this adoption, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥1,191 million, ¥1,680 million, ¥668 million, ¥39 million and ¥64 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

(2) Loss on disposal of inventories

As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventory as cost of sales, following accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this change, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥2,092 million, ¥294 million, ¥185 million, ¥17 million and ¥16 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

4. Change in Method for Calculation of Depreciation of Tangible Fixed Assets
As noted earlier in "Summary of Significant Accounting Policies", pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment. As a result of this change, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥379 million, ¥6,145 million, ¥54 million, ¥1 million and ¥5 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

	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

	Thousands of U.S. dollars							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales								
External	**$6,349,201**	**$1,765,408**	**$1,281,584**	**$85,442**	**$167,556**	**$ 9,649,221**	**$ –**	**$9,649,221**
Intersegment	**42,024**	**10,710**	**24,626**	**6,057**	**599,206**	**682,633**	**(682,633)**	**–**
Total	**6,391,225**	**1,776,127**	**1,306,210**	**91,510**	**766,762**	**10,331,864**	**(682,633)**	**9,649,221**
Operating expenses	**5,856,246**	**1,648,478**	**1,274,824**	**87,967**	**733,411**	**9,600,937**	**(524,453)**	**9,076,484**
Operating income	**$ 534,979**	**$ 127,639**	**$ 31,386**	**$ 3,543**	**$ 33,350**	**$ 730,917**	**$ (158,180)**	**$ 572,737**
Assets	**$4,484,903**	**$1,590,991**	**$ 913,529**	**$82,714**	**$575,109**	**$ 7,647,256**	**$1,698,738**	**$9,346,004**
Depreciation	**306,159**	**286,481**	**44,131**	**3,319**	**23,832**	**663,942**	**50,484**	**714,436**
Impairment losses	**1,527**	**7,991**	**2,362**	**–**	**–**	**11,890**	**–**	**11,890**
Capital expenditure	**243,490**	**280,882**	**32,078**	**3,115**	**22,977**	**582,551**	**40,100**	**622,661**

(2) Geographic Segment Information

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales							
External	**¥437,312**	**¥210,565**	**¥247,130**	**¥ 52,835**	**¥ 947,843**	**¥ –**	**¥947,843**
Intersegment	**280,586**	**2,632**	**1,952**	**191,656**	**476,827**	**(476,827)**	**–**
Total	**717,898**	**213,197**	**249,082**	**244,492**	**1,424,670**	**(476,827)**	**947,843**
Operating expenses	**662,001**	**221,571**	**247,096**	**238,702**	**1,369,371**	**(477,788)**	**891,583**
Operating income (loss)	**¥ 55,897**	**¥ (8,373)**	**¥ 1,985**	**¥ 5,789**	**¥ 55,299**	**¥ 961**	**¥ 56,260**
Assets	**¥618,121**	**¥123,255**	**¥133,427**	**¥ 86,430**	**¥ 961,235**	**¥ (43,176)**	**¥918,058**

Notes:
1. 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
2. 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 ¥31,297 million for the year ended March 31, 2009.
3. Included within the Eliminations and Corporate figure for assets are ¥202,373 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.
4. Accounting Changes
(1) Accounting standards for measurement of inventories
As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this adoption, the Japan figures for operating expenses increased ¥3,644 million when compared to the previous method. And also the Japan figures for operating income decreased by the same amount.

(2) Loss on disposal of inventories

As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventory as cost of sales, following accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this change, the North America figures, the Europe figures and the Asia and Other figures for operating expenses increased ¥995 million, ¥1,140 million and ¥470 million, respectively, when compared to the previous method. And also these geographical segments figures for operating income decreased by the same amount.

5. *Change in Method for Calculation of Depreciation of Tangible Fixed Assets*

As noted earlier in "Summary of Significant Accounting Policies", pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment. As a result of this change, the Japan figures for operating expenses increased ¥6,587 million when compared to the previous method. And also the Japan figures for operating income decreased by the same amount.

	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

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales							
External	**$4,451,919**	**$2,143,592**	**$2,515,830**	**$ 537,870**	**$ 9,649,221**	**$ –**	**$9,649,221**
Intersegment	**2,856,419**	**26,794**	**19,872**	**1,951,094**	**4,854,189**	**(4,854,189)**	**–**
Total	**7,308,338**	**2,170,386**	**2,535,702**	**2,488,975**	**14,503,410**	**(4,854,189)**	**9,649,221**
Operating expenses	**6,739,296**	**2,255,635**	**2,515,484**	**2,430,032**	**13,940,456**	**(4,863,972)**	**9,076,484**
Operating income (loss)	**$ 569,042**	**$ (85,239)**	**$ 20,208**	**$ 58,933**	**$ 562,954**	**$ 9,783**	**$ 572,737**
Assets	**$6,292,589**	**$1,254,759**	**$1,358,312**	**$ 879,874**	**$ 9,785,554**	**$ (439,540)**	**$9,346,004**

(3) Overseas Sales

	Millions of yen		Thousands of U.S. dollars	Percentage of net sales
	2009	2008	**2009**	**2009**
North America	**¥217,024**	¥245,486	**$2,209,345**	**22.9%**
Europe	**271,797**	312,115	**2,766,945**	**28.7%**
Asia and Other	**202,074**	225,182	**2,057,152**	**21.3%**

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" is the Company and consolidated subsidiary sales in countries or regions outside of Japan.

27. Net Income per Share

Calculations of net income per share for the years ended March 31, 2009 and 2008, are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Net income			
Income attributable to common shares	**¥15,179**	¥68,829	**$154,525**
Income available to common stockholders	**15,109**	68,757	**153,812**

	Thousands of shares	
Weighted average number of common shares outstanding:		
Basic	**530,437**	530,660
Diluted	**561,462**	561,580

	Yen		U.S. dollars
Net income per common share:			
Basic	**¥28.62**	¥129.71	**$0.29**
Diluted	**26.91**	122.44	**0.27**

KPMG

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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 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 23, 2009