

FINANCIAL SECTION

CONTENTS

- 28 FINANCIAL REVIEW
- 32 CONSOLIDATED BALANCE SHEETS
- 34 CONSOLIDATED STATEMENTS OF INCOME
- 35 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
- 36 CONSOLIDATED STATEMENTS OF CASH FLOWS
- 37 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 51 INDEPENDENT AUDITORS' REPORT



FINANCIAL REVIEW

GROUP OVERVIEW

The Konica Minolta Group (the Group) consists of the Company, Konica Minolta Holdings, Inc., 96 consolidated subsidiaries, 18 non-consolidated subsidiaries, and 7 affiliated companies. The Group's core business operations are Business Technologies, Optics, Medical and Graphic Imaging, and Sensing, all of which the Group operates on a global basis.

BUSINESS ENVIRONMENT

The domestic and global economic environment during the fiscal year ended March 31, 2010 (FY March 2010) saw weakness in the global economy grow more pronounced as fallout from the credit crunch triggered by the financial crisis that struck in the fall of 2008 adversely impacted the real economy. This development, in turn, spurred a troubling cycle of lackluster consumer spending, production cutbacks, and worsening employment prospects. A reprieve from this relentless picture would eventually come from successful policies and economic stimulus measures employed by treasuries and governments worldwide in a bid to restore financial stability. But although signs of an economic recovery gradually emerged from the second half of the year, the recovery remained weak as controlled capital investment in the corporate sector and limited credit availability persisted. The yen, moreover, settled at a high level of appreciation in the currency markets. This trend had a severe impact on the Konica Minolta Group with a high percentage of sales outside of Japan, and became one of the factors that put substantial pressure on business earnings for the year.

MANAGEMENT POLICY <09-10>

The Group recognized that the radical changes in the aforementioned market environment represented more than a temporary economic slowdown. Instead, these changes appear to be the turning point of a massive and global socioeconomic transformation. Seizing the moment as an opportunity to enhance its value, the

Group sought to achieve more vigorous growth with the formulation of MANAGEMENT POLICY <09-10>. The key policies comprising this two-year management plan spanning FY March 2010 to FY March 2011 are (1) Execute structural reforms, (2) Achieve strong growth, and (3) Reform the corporate culture. During the fiscal year under review, the initial year of the plan's enactment, the Group pursued bold reforms designed to achieve a robust corporate structure; one capable of generating free cash flow irrespective of the outlook for sales growth in a harsh business climate.

OPERATING RESULTS

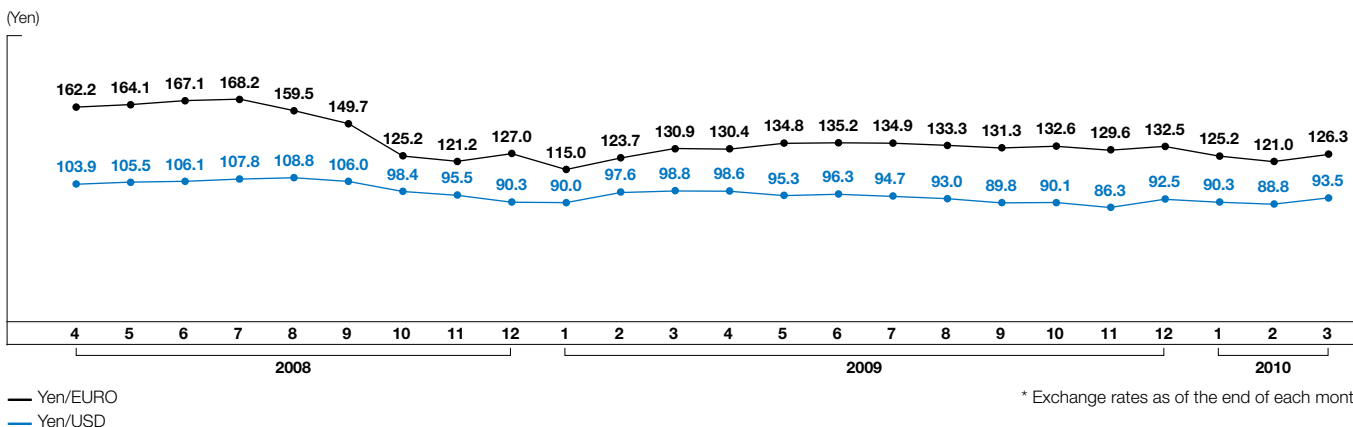
NET SALES

In the fiscal year ended March 31, 2010, net sales decreased ¥143.3 billion, or 15.1% year on year, to ¥804.4 billion. Sales for the Group's mainstay products, multi-functional peripherals (MFPs) for the office, were weaker compared to the previous fiscal year, and sales were also adversely impacted when converted to yen by the currency's appreciation. These and other negative factors were partially offset by firm sales of TAC films (protective films for the polarizing plates of LCD panels) and glass hard disk substrates, tracking a recovery in market prices for LCD televisions and PCs.

OPERATING INCOME

Operating income declined ¥12.2 billion, or 21.8% year on year, to ¥43.9 billion. The operating income ratio was down 0.4 of a percentage point to 5.5%. This outcome stemmed mainly from reduced profits accompanying lower sales and currency exchange rate effects. These factors outweighed benefits seen in the Business Technologies business from efforts to streamline bases and personnel structures at overseas sales divisions, as well as moves in the Optics business to optimize the domestic and overseas production frameworks. Steps were also taken to reduce fixed costs, pare down operating expenses, and trim R&D costs.

YEN/USD AND YEN/EURO EXCHANGE RATES*



NET INCOME

Net income for the year rose ¥1.7 billion, or 11.5%, to ¥16.9 billion, mainly as the result of a smaller write-down of investment securities and lower business structure improvement expenses. Return on equity increased 0.4 of a percentage point to 4.1%.

SEGMENT INFORMATION

Sales in the Business Technologies business fell ¥82.8 billion, or 13.3%, to ¥540.8 billion, while operating income declined ¥13.5 billion, or 25.9%, to ¥38.9 billion. Sales of the Group's mainstay products, MFPs for the office, were lower year on year, primarily due to corporate cutbacks in capital spending and operating expenses, coupled with more stringent lease contract terms due to the credit crunch. Performance in the second half of the year, however, surpassed that of the previous fiscal year due to steady growth in sales volume for color MFPs each quarter, as the Group generated demand by aggressively unveiling new color models.

In the Optics business, sales declined ¥36.6 billion, or 21.1%, to ¥136.7 billion, while operating income climbed ¥1.8 billion, or 14.8%, to ¥14.3 billion. Sales of TAC films and glass hard disk substrates were brisk, benefitting from a recovery in market prices for LCD televisions and PCs. Business performance was notably impacted, however, by lower sales volumes in image input/output components and optical pickup lenses for Blu-ray Discs.

In the Medical and Graphic Imaging business, sales declined ¥21.5 billion, or 17.1%, to ¥104.3 billion, with operating income down ¥1.6 billion, or 52.3%, to ¥1.4 billion. While sales for digital equipment remained largely on a par with the previous fiscal year, these levels were insufficient to cover the decline in sales of film products.

CAPITAL EXPENDITURE AND DEPRECIATION

Total capital expenditure for the fiscal year under review declined ¥24.2 billion year on year, to ¥36.9 billion. Of this expenditure, the Business Technologies business accounted for ¥18.1 billion, the Optics business for ¥13.5 billion, the Medical and Graphic Imaging business for ¥1.7 billion, and other businesses for ¥3.3 billion.

Capital expenditure during the year was used mainly for investment in casting molds for new products in the Business Technologies business, and to boost production capacity for TAC films in the Optics business.

Depreciation was ¥61.1 billion, down ¥9.0 billion from the previous fiscal year.

RESEARCH AND DEVELOPMENT COSTS

R&D costs declined ¥13.4 billion year on year, to ¥68.4 billion. While reducing expenses overall, the Group concentrated expenditures on investments in future growth fields. R&D costs by business segment were as follows.

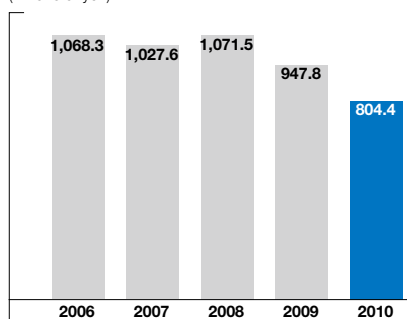
R&D costs declined 21.3% year on year in the Business Technologies business to ¥38.4 billion, 13.6% in the Optics business to ¥11.0 billion, and 16.0% in the Medical and Graphic Imaging business to ¥7.7 billion. In contrast, R&D costs in other businesses rose 2.1% to ¥11.1 billion.

FINANCIAL POSITION AND LIQUIDITY

"Execute structural reforms" is one of the core policies that the Konica Minolta Group is pursuing under the MANAGEMENT POLICY <09-10> management plan. Accordingly, the Group is focused on strengthening its financial position as a key component of this policy. During the fiscal year under review, the Group worked to streamline its balance sheet by reducing inventories, scaling back capital expenditure, and negotiating more favorable terms with respect to credit and debt.

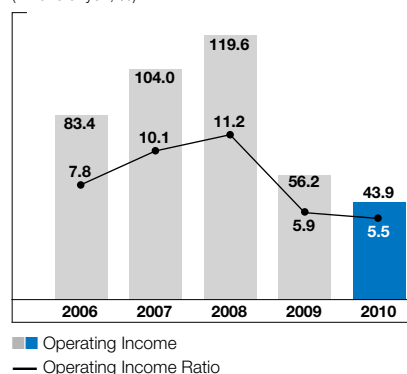
NET SALES

(Billions of yen)



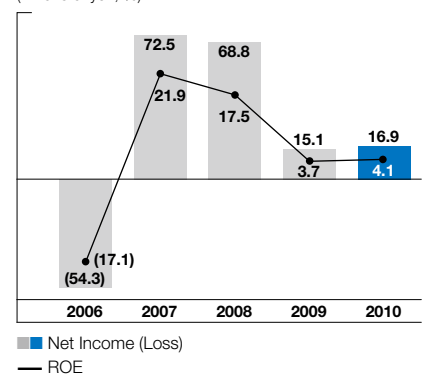
OPERATING INCOME AND OPERATING INCOME RATIO

(Billions of yen, %)



NET INCOME (LOSS) AND ROE

(Billions of yen, %)



ASSETS

Current assets at March 31, 2010 amounted to ¥489.2 billion, down ¥15.6 billion from the previous fiscal year-end. Cash on hand and in banks was virtually unchanged at ¥85.5 billion. Short-term investment securities rose ¥31.0 billion year on year, to ¥79.0 billion, fueling the increase in cash on hand. Notes and accounts receivable-trade increased ¥5.8 billion from a year ago to ¥177.7 billion, while inventories declined ¥30.8 billion to ¥98.2 billion for the same period. The latter mainly reflected the launch of competitive new products and a recovery in sales momentum. Other accounts receivable, meanwhile, declined ¥8.8 billion, primarily due to a drop in refunded corporation taxes receivable.

Property, plant and equipment decreased by ¥22.8 billion from the previous fiscal year-end, to ¥205.0 billion. One factor in this decline was efforts by the Group to curb capital expenditure. Intangible fixed assets fell ¥12.5 billion year on year, to ¥99.0 billion, attributed to progress in amortizing goodwill.

In investments and other assets, investment securities rose ¥3.9 billion year on year, to ¥22.0 billion, while deferred tax assets declined by ¥4.3 billion. Consequently, investments and other assets amounted to ¥72.4 billion, down ¥1.2 billion from a year earlier.

As a result of these factors, total assets at March 31, 2010 declined ¥52.2 billion year on year, to ¥865.7 billion.

LIABILITIES

Current liabilities at March 31, 2010 amounted to ¥267.3 billion, down ¥43.5 billion from the previous fiscal year-end. In addition to a decline of ¥21.4 billion in short-term interest-bearing debt, notes and accounts payable-trade and accrued expenses were down ¥3.9 billion and ¥3.3 billion, respectively, for the year, due to lower operating expenses and efforts to rein in capital expenditure. The reserve for discontinued operations, specifically the Photo Imaging

business, decreased ¥2.5 billion from the previous year to ¥4.7 billion. Long-term liabilities, meanwhile, declined ¥15.1 billion to ¥177.7 billion.

As a result, total liabilities at March 31, 2010 declined ¥58.7 billion year on year, to ¥445.0 billion.

Interest-bearing Debt (Sum of short-term/long-term loans and corporate bonds)

Due partially to the redemption of corporate bonds that reached maturity, interest-bearing debt declined ¥33.0 billion to ¥197.3 billion. As a result, the debt-equity (D/E) ratio decreased to 0.47 times, compared to 0.56 times at the previous fiscal year-end.

NET ASSETS

Net assets at the end of the fiscal year under review stood at ¥420.7 billion, up ¥6.4 billion from a year earlier. Although valuation and translation adjustments declined ¥2.1 billion from the previous fiscal year-end, net assets rose atop growth in retained earnings, mainly from ¥16.9 billion in net income posted for the year. Net assets per share was ¥791.28, while the equity ratio rose 3.4 percentage points year on year, to 48.5%.

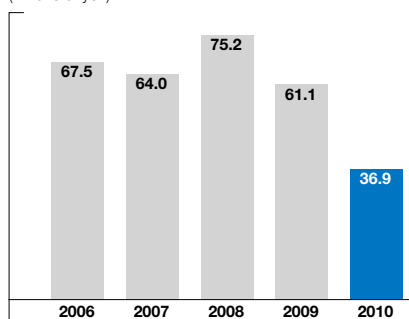
CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities was ¥113.3 billion, compared to ¥107.5 billion a year ago. Cash inflows consisted of income before income taxes and minority interests of ¥36.0 billion, depreciation and amortization of ¥61.1 billion, and ¥17.5 billion in cash from improved efficiency in working capital. This was partially offset by ¥6.5 billion decrease in accounts payable-other and accrued expenses, and ¥3.8 billion in interest paid.

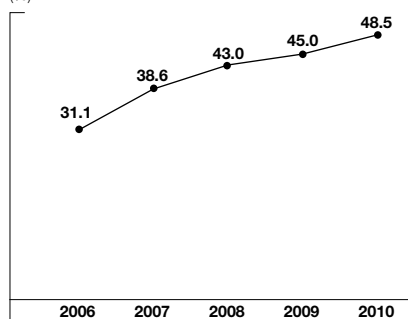
CAPITAL EXPENDITURE

(Billions of yen)



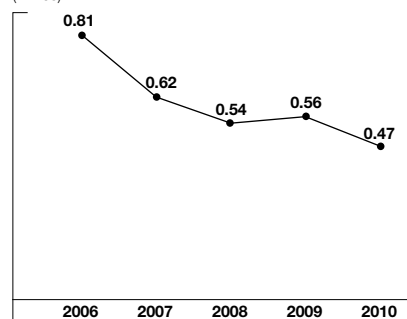
EQUITY RATIO

(%)



D/E RATIO

(Times)



CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities was ¥40.4 billion, compared to ¥90.1 billion used in the previous fiscal year. Cash used consisted largely of ¥33.6 billion for payments for acquisition of property, plant and equipment, mainly for the purchase of casting molds for new products in the Business Technologies business and for investments to augment production capacity in the Optics business.

As a result, free cash flow (the sum of cash flows from operating activities and investing activities) was a positive ¥72.9 billion, compared to a positive ¥17.3 billion in the previous fiscal year.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was ¥43.8 billion, compared to ¥4.9 billion provided by financing activities a year earlier. Along with a payment of ¥30.0 billion for the redemption of bonds, uses of cash included dividend payments of ¥9.2 billion and ¥4.4 billion for repayment of loans and lease obligations.

DIVIDEND POLICY AND DIVIDENDS FOR FY MARCH 2010 AND 2011

The Company's basic policy in deciding the distribution of retained earnings as dividends is to consistently return profits to shareholders following consideration of a comprehensive range of factors, including consolidated business results and the promotion of strategic investment in growth fields. To this end, the Company has set a dividend payout ratio of 25% or more as a specific medium- to long-term target in this regard. When deemed appropriate based on its financial position, share price and other relevant factors, the Company will also purchase treasury stock as a means of returning profit to shareholders.

For the fiscal year under review, the Company will pay an annual dividend of ¥15 per share, consisting of an interim and full-year dividend of ¥7.5, respectively. The Company opted to pay this dividend as initially forecast despite the impact of an operating environment that was far more severe than expected during the first half of the year.

In light of the challenging operating environment anticipated, in the fiscal year ending March 31, 2011 the Company expects to pay an annual dividend of ¥15 per share, consisting of interim and year-end dividends of ¥7.5 per share.

OUTLOOK

The business environment surrounding the Group is expected to see the economic recovery gain momentum in Japan and around the globe. Growth in emerging markets, particularly in Asia, is expected to remain robust, with a modest upturn also on the horizon for the developed economies of Japan, the United States and Europe. The Group recognizes, however, that conditions are likely to remain challenging due to several issues fueling uncertainty, among them negative factors such as a worsening employment environment, rising long-term interest rates, and the yen's strength in the currency markets. Regarding forecasts for the Company's key markets, in the Business Technologies business, although a full-scale recovery in office and production printing products is likely to remain elusive for some time, a modest upturn appears likely during the upcoming term. In the Optics business, demand for LCD televisions, PCs and other digital appliances is expected to continue to expand overall.

FORECASTS FOR FY MARCH 2011 (ANNOUNCED MAY 13, 2010)

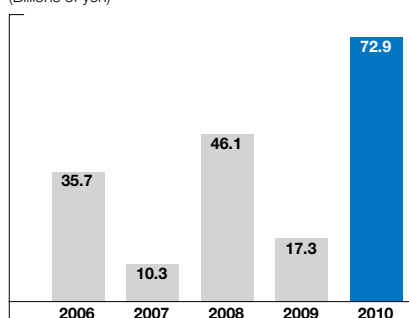
(Billions of yen)

	1H FY March 2011	2H FY March 2011	Full Year FY March 2011
Net Sales	400	430	830
Operating Income	21	29	50
Net Income	8	12	20

Free Cash Flow			20
----------------	--	--	----

FREE CASH FLOWS

(Billions of yen)



CURRENCY EXCHANGE RATE ASSUMPTIONS

(Yen)

Exchange rate USD	90.00
EUR	120.00

CONSOLIDATED BALANCE SHEETS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	March 31 2009	March 31
Assets			
Current Assets:			
Cash on hand and in banks (Note 5)	¥ 85,533	¥ 85,753	\$ 919,314
Notes and accounts receivable–trade (Notes 5 and 12)	177,720	171,835	1,910,146
Lease receivables and investment assets	13,993	13,598	150,398
Short-term investment securities (Notes 5 and 6)	79,000	48,000	849,097
Inventories (Note 10)	98,263	129,160	1,056,137
Deferred tax assets (Note 8)	19,085	25,326	205,127
Other accounts receivable	7,639	16,531	82,104
Other current assets	12,720	19,463	136,715
Allowance for doubtful accounts	(4,703)	(4,749)	(50,548)
Total current assets	489,253	504,919	5,258,523
Property, Plant and Equipment (Note 14):			
Buildings and structures	162,102	164,357	1,742,283
Machinery and equipment	229,961	243,614	2,471,636
Tools and furniture	149,534	151,943	1,607,201
Land	34,320	35,033	368,874
Lease assets	482	219	5,181
Construction in progress	16,901	11,522	181,653
Rental business-use assets	46,151	47,362	496,034
Total	639,454	654,054	6,872,893
Accumulated depreciation	(434,396)	(426,193)	(4,668,917)
Net property, plant and equipment	205,057	227,860	2,203,966
Intangible Fixed Assets:			
Goodwill (Note 14)	71,936	81,374	773,173
Other intangible fixed assets	27,137	30,248	291,670
Total intangible fixed assets	99,074	111,623	1,064,854
Investments and Other Assets:			
Investment securities (Notes 5 and 6)	22,029	18,068	236,769
Long-term loans	164	461	1,763
Long-term prepaid expenses	3,353	3,438	36,038
Deferred tax assets (Note 8)	35,304	39,608	379,450
Other	12,375	12,596	133,007
Allowance for doubtful accounts	(815)	(519)	(8,760)
Total investments and other assets	72,411	73,654	778,278
Total assets	¥ 865,797	¥ 918,058	\$ 9,305,643

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	March 31 2009	March 31 2010
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5 and 7)	¥ 58,231	¥ 64,980	\$ 625,871
Current portion of long-term debt (Note 7)	27,501	42,169	295,583
Notes and accounts payable—trade (Note 5)	83,118	87,105	893,358
Accrued expenses	36,205	39,593	389,134
Accrued income taxes (Note 8)	2,488	2,534	26,741
Reserve for discontinued operations	4,714	7,268	50,666
Other current liabilities (Note 7)	55,054	67,238	591,724
Total current liabilities.	267,313	310,889	2,873,098
Long-Term Liabilities:			
Long-term debt (Notes 5, 7 and 12)	111,625	123,259	1,199,753
Accrued retirement benefits (Note 22)	54,245	57,962	583,029
Accrued retirement benefits for directors and statutory auditors	450	534	4,837
Deferred tax liabilities on land revaluation (Note 8)	3,733	3,889	40,123
Other long-term liabilities (Note 7)	7,654	7,238	82,266
Total long-term liabilities.	177,708	192,884	1,910,017
Total liabilities.	445,022	503,773	4,783,126
Contingent Liabilities (Note 11)			
Net Assets (Notes 9 and 27):			
Common stock:			
Authorized—1,200,000,000 shares in 2010 and 2009			
Issued—531,664,337 shares in 2010 and 2009	37,519	37,519	403,257
Capital surplus	204,140	204,140	2,194,110
Retained earnings	193,790	185,453	2,082,868
Less: Treasury stock, at cost; Common stock,			
1,464,883 shares in 2010 and			
1,370,709 shares in 2009	(1,743)	(1,662)	(18,734)
Unrealized gains on securities, net of taxes	741	(513)	7,964
Unrealized losses on hedging derivatives, net of taxes	33	198	355
Foreign currency translation adjustments	(14,947)	(11,755)	(160,651)
Share subscription rights (Notes 7 and 24)	617	460	6,632
Minority interests	622	444	6,685
Total net assets	420,775	414,284	4,522,517
Total liabilities and net assets.	¥865,797	¥918,058	\$9,305,643

CONSOLIDATED STATEMENTS OF INCOME

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	March 31 2009	March 31 2010
Net Sales	¥804,465	¥947,843	\$8,646,442
Cost of Sales (Note 17)	439,978	520,206	4,728,912
Gross profit	364,486	427,637	3,917,519
Selling, General and Administrative Expenses (Note 13)	320,498	371,376	3,444,733
Operating income	43,988	56,260	472,786
Other Income (Expenses):			
Interest and dividend income	2,107	2,176	22,646
Interest expenses	(3,808)	(4,866)	(40,929)
Foreign exchange loss, net	(1,124)	(7,272)	(12,081)
Loss on sales and disposals of property, plant and equipment, net	(1,980)	(2,866)	(21,281)
Write-down of investment securities	(499)	(3,826)	(5,363)
Gain on sales of investment securities, net	348	5	3,740
Gain on sales of investments in affiliated companies, net	—	2,803	—
Loss on impairment of fixed assets (Note 14)	(2,561)	(1,168)	(27,526)
Gain on discontinued operations (Note 15)	1,025	932	11,017
Equity in net income (losses) of unconsolidated subsidiaries and affiliates	81	(99)	871
Patent-related income (Note 16)	257	560	2,762
Gain on transfer of business	—	3,063	—
Other extraordinary gain of overseas subsidiaries (Note 19)	757	—	8,136
Business structure improvement expenses (Note 18)	(2,084)	(10,094)	(22,399)
Loss on revision of retirement benefit plan	—	(2,046)	—
Other, net	(425)	(336)	(4,568)
Total	(7,906)	(23,035)	(84,974)
Income before income taxes and minority interests	36,082	33,224	387,812
Income Taxes (Note 8):			
Current	9,306	13,183	100,021
Deferred	9,806	4,857	105,396
Total	19,113	18,040	205,428
Minority Interests in Net Income of Consolidated Subsidiaries	37	5	398
Net Income	¥ 16,931	¥ 15,179	\$ 181,975

	Yen		U.S. dollars (Note 3)
	2010	March 31 2009	March 31 2010
Per Share Data (Notes 9 and 27):			
Net income—Basic	¥31.93	¥28.62	\$0.34
—Diluted	30.32	26.91	0.33
Cash dividends	15	20	0.16

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, 2010 and 2009

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, 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 . . .				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				(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

(From April 1, 2009 to March 31, 2010)

Net Assets at April 1, 2009	531,664,337	¥37,519	¥204,140	¥185,453	¥(1,662)	¥ (513)	¥ 198	¥(11,755)	¥460	¥444	¥414,284
Dividends paid from retained earnings . .				(9,280)							(9,280)
Net income				16,931							16,931
Purchase of treasury stock					(106)						(106)
Re-issuance of treasury stock				(11)	25						14
Pension liabilities adjustment of overseas subsidiaries (Note 20)				697							697
Net changes during the period						1,255	(164)	(3,192)	157	178	(1,766)
Total changes during the period		-	-	8,337	(81)	1,255	(164)	(3,192)	157	178	6,490
Balance at March 31, 2010	531,664,337	¥37,519	¥204,140	¥193,790	¥(1,743)	¥ 741	¥ 33	¥(14,947)	¥617	¥622	¥420,775

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, 2009 to March 31, 2010)											
Net Assets at April 1, 2009	531,664,337	\$403,257	\$2,194,110	\$1,993,261	\$(17,863)	\$(5,514)	\$ 2,128	\$(126,344)	\$4,944	\$4,772	\$4,452,752
Dividends paid from retained earnings . .				(99,742)							(99,742)
Net income				181,975							181,975
Purchase of treasury stock					(1,139)						(1,139)
Re-issuance of treasury stock				(118)	269						150
Pension liabilities adjustment of overseas subsidiaries (Note 20)				7,491							7,491
Net changes during the period						13,489	(1,763)	(34,308)	1,687	1,913	(18,981)
Total changes during the period		-	-	89,607	(871)	13,489	(1,763)	(34,308)	1,687	1,913	69,755
Balance at March 31, 2010	531,664,337	\$403,257	\$2,194,110	\$2,082,868	\$(18,734)	\$ 7,964	\$ 355	\$(160,651)	\$6,632	\$6,685	\$4,522,517

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2010	2009	2010
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 36,082	¥ 33,224	\$ 387,812
Depreciation and amortization	61,174	70,179	657,502
Loss on impairment of fixed assets	2,561	1,168	27,526
Amortization of goodwill	9,233	8,909	99,237
Interest and dividend income	(2,107)	(2,176)	(22,646)
Interest expense	3,808	4,866	40,929
Loss on sales and disposals of property, plant and equipment	1,980	2,866	21,281
Loss on sale and write-down of investment securities	150	3,820	1,612
Gain on sale and write-down of investments in affiliated companies	-	(2,803)	-
Gain on transfer of businesses	-	(3,063)	-
Decrease in provision for bonuses	(544)	(3,290)	(5,847)
Increase (decrease) in accrued retirement benefits	(2,926)	5,708	(31,449)
Decrease in reserve for discontinued operations	(2,553)	(4,459)	(27,440)
Decrease (increase) in trade notes and accounts receivable	(10,718)	50,596	(115,198)
Decrease (increase) in inventories	28,688	(3,550)	308,340
Decrease in trade notes and accounts payable	(451)	(10,372)	(4,847)
Transfer of rental business-use assets	(7,707)	(7,419)	(82,835)
Decrease in accounts receivable—other	1,900	4,545	20,421
Decrease in accounts payable—other and accrued expenses	(6,554)	(12,821)	(70,443)
Decrease/increase in consumption taxes receivable/payable	3,646	-	39,187
Other	889	9,010	9,555
Subtotal	116,551	144,939	1,252,698
Interest and dividend income received	2,271	2,000	24,409
Interest paid	(3,874)	(4,594)	(41,638)
Additional payments of retirement allowance	-	(105)	-
Income taxes paid	(1,572)	(34,676)	(16,896)
Net cash provided by operating activities	113,377	107,563	1,218,583
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	(33,687)	(61,645)	(362,070)
Proceeds from sales of property, plant and equipment	1,663	1,767	17,874
Payment for acquisition of intangible fixed assets	(5,837)	(7,774)	(62,736)
Proceeds from transfer of business	-	4,585	-
Proceeds from sales of investments in consolidated subsidiary	-	3,177	-
Payment for acquisition of newly consolidated subsidiaries	-	(27,987)	-
Payment for loans receivable	(296)	(286)	(3,181)
Proceeds from collection of loans receivable	254	216	2,730
Payment for acquisition of investment securities	(2,927)	(990)	(31,460)
Proceeds from sales of investment securities	1,197	18	12,865
Payment for acquisition of other investments	(1,207)	(1,440)	(12,973)
Other	383	191	4,117
Net cash used in investing activities	(40,457)	(90,169)	(434,834)
Cash Flows from Financing Activities:			
Decrease in short-term loans payable	(6,266)	(16,504)	(67,347)
Proceeds from long-term loans payable	16,005	44,817	172,023
Repayment of long-term loans payable	(12,237)	(6,364)	(131,524)
Payment for redemption of bonds	(30,000)	(5,000)	(322,442)
Repayments of lease obligations	(1,938)	(1,993)	(20,830)
Proceeds from disposal of treasury stock	14	218	150
Payment for purchase of treasury stock	(109)	(665)	(1,172)
Dividend payments	(9,271)	(9,279)	(99,645)
Dividend payments to minority shareholders in consolidated subsidiaries	-	(268)	-
Net cash provided by (used in) financing activities	(43,803)	4,959	(470,798)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,302	(11,311)	13,994
Increase in Cash and Cash Equivalents	30,418	11,041	326,935
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	133,727	122,187	1,437,307
Increase in Cash and Cash Equivalents Due to Newly Consolidated Subsidiaries	-	498	-
Cash and Cash Equivalents at the End of the Year (Note 4)	¥164,146	¥133,727	\$1,764,252

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, 2010 and 2009

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 format that is more appropriate to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but which is provided herein as additional information.

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 96 subsidiaries (105 subsidiaries for 2009) in which it has control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 5 unconsolidated subsidiaries (6 unconsolidated subsidiaries for 2009) and 3 significant affiliates (3 significant affiliates for 2009) are accounted for using the equity method of accounting. 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 includes 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 using the cost price method (carrying amount in the balance sheet is calculated with consideration of write-down due to decreased profitability) determined using the 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 using the first-in, first-out method.

(f) Property, Plant and Equipment

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

(g) Intangible Assets

Intangible assets are depreciated on the straight-line method. In addition, software is depreciated on the straight-line method over their estimated useful lives (5 years).

(h) Goodwill or Negative Goodwill

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

(i) Income Taxes

Deferred income taxes are recognized based on temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(j) Research and Development Costs

Research and development costs are expensed as incurred.

(k) Financial Instruments

Derivatives

All derivatives are stated at fair 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 of accounting; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost due to the effect of the application of the equity method of accounting being immaterial.

Held-to-maturity securities are recorded by the amortized cost method (straight-line method).

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 primarily interest rate swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable, trade accounts payable and long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risks of interest rate and exchange rate fluctuations. As such, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(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 using 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 in the following year using the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Changes in Accounting Standards

Effective from the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted Accounting Standards Board of Japan (ASBJ) Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)", issued by the ASBJ on July 31, 2008.

The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period.

This adoption had no impact on the consolidated statements of income and retirement benefit obligations for the year ended March 31, 2010.

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 in accordance with their 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) Cash Flows from Operating Activities

"Decrease/increase in consumption taxes receivable/payable" 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 separately disclosed from the year ended March 31, 2010.

The amount for the year ended March 31, 2009 was ¥952 million.

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

Effective from the year ended March 31, 2009, the Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006).

The Company makes necessary adjustments upon consolidation to unify accounting standards for foreign subsidiaries in principle.

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, 2010, of ¥93.04 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, 2010 and 2009, consist of:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	March 31
Cash on hand and in banks	¥ 85,533	¥ 85,753	\$ 919,314
Time deposits (over 3 months)	(387)	(26)	(4,160)
Short-term investments	79,000	48,000	849,097
Cash and cash equivalents	¥164,146	¥133,727	\$1,764,252

5. FINANCIAL INSTRUMENTS

Additional Information

Effective from the year ended March 31, 2010, the Companies adopted ASBJ Statement No. 10, "Accounting Standards for Financial Instruments", issued by the ASBJ on March 10, 2008 and ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about the Fair Value of Financial Instruments", issued by the ASBJ on March 10, 2008.

Conditions of Financial Instruments

The Companies raise short-term working capital mainly with bank borrowings and invest temporary surplus funds in financial instruments deemed to have lower risk. The Companies enter into derivative transactions based on the need for these transactions in accordance with its internal regulations.

In principle, the risk of currency fluctuations relating to receivables and payables, denominated in foreign currencies, are hedged using the forward exchange contract. With respect to the interest volatility risk relating to certain long-term loans payable, the Companies use interest-rate swap to fix interest expenses.

Investment securities consist mainly of stocks, and the market values of listed stocks are determined on a quarterly basis.

The Companies control credit risk of customers relating to notes and accounts receivable-trade through a comprehensive monitoring of reviewing aging schedules and balances.

Fair Values of Financial Instruments

The book value on consolidated balance sheets, fair value, and difference as of March 31, 2010 are as follows:

	Millions of yen		
	March 31		
	Book Value	Fair value	Differences
Assets			
(1) Cash on hand and in banks	¥ 85,533	¥ 85,533	¥ -
(2) Notes and accounts receivable-trade	177,720	177,720	-
(3) Short-term investment securities and Investment securities			
(i) Held-to-maturity securities	10	10	-
(ii) Other investment securities	95,848	95,848	-
Total	¥359,112	¥359,112	¥ -
Liabilities			
(1) Notes and accounts payable-trade	83,118	83,118	-
(2) Short-term loans	58,231	58,231	-
(3) Long-term loans	71,625	71,715	90
Total	¥212,974	¥213,064	¥90
Derivatives*	¥ (1,375)	¥ (1,375)	¥ -

	Thousands of U.S. dollars		
	March 31		
	Book Value	Fair value	Differences
Assets			
(1) Cash on hand and in banks	\$ 919,314	\$ 919,314	\$ -
(2) Notes and accounts receivable-trade	1,910,146	1,910,146	-
(3) Short-term investment securities and Investment securities			
(i) Held-to-maturity securities	107	107	-
(ii) Other securities	1,030,181	1,030,181	-
Total	\$3,859,759	\$3,859,759	\$ -
Liabilities			
(1) Notes and accounts payable-trade	893,358	893,358	-
(2) Short-term loans	625,871	625,871	-
(3) Long-term loans	769,830	770,798	967
Total	\$2,289,058	\$2,290,026	\$967
Derivatives *	\$ (14,779)	\$ (14,779)	\$ -

* Derivatives assets and liabilities are on a net basis, and the net liability position is enclosed in parentheses.

(i) Methods of calculating the fair value of financial instruments and securities & derivatives transactions

Assets

- (1) Cash on hand and in banks and (2) Notes and accounts receivable-trade
The fair value equates to the book value due to the short-term nature of these instruments.
- (3) Short-term investment securities and Investment securities
- (i) Held-to-maturity securities
The fair value equates to the book value due to the securities being entirely school bonds and as the credit risk of the issuers has not changed significantly since the time of acquisition.
- (ii) Other investment securities
The fair value of equity securities is determined based on the prevailing market price. The fair value of bonds is based on the prevailing market price or provided price by financial institutions.

These other securities are described further in 'Note 6. INVESTMENT SECURITIES'.

Liabilities

- (1) Notes and accounts payable-trade and (2) Short-term loans
The fair value equates to the book value due to the short-term nature of these instruments.

- (3) Long-term loans

Fair value of long-term loans with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Fair value of long-term loans with variable interest rates is based on the book value as the Company's credit risk has not significantly changed since entering the borrowing.

For those that are subject to the special treatment of interest rate swaps (Please see below 'Derivatives'), the total amount of the principal and interest that were accounted for as a single item with the relevant interest rate swap is discounted with a rate that is assumed to be applied when a new, similar loan is taken out.

Derivatives

Derivatives are described further in 'Note 23. DERIVATIVES'.

(ii) Financial instruments for which the fair value is extremely difficult to measure

	Thousands of U.S. dollars	
	Millions of yen March 31	U.S. dollars March 31
	Book Value	Book Value
Unlisted equity securities	¥2,354	\$25,301
Investments in unconsolidated subsidiaries and affiliated companies	2,816	30,267

Above are not included in '(3)(ii) Other securities' because there is no market value and it is difficult to measure the fair value.

(iii) Redemption schedule for money claim and securities with maturity date subsequent to the consolidated balance sheet date

	Millions of yen		Thousands of U.S. dollars	
	March 31		March 31	
	Within one year	More than one year, within five years	Within one year	More than one year, within five years
Cash on hand and in banks	¥ 85,533	¥ -	\$ 919,314	\$ -
Notes and accounts receivable-trade	177,720	-	1,910,146	-
Short-term investment securities and investment securities				
Held-to-maturity securities	-	10	-	107
Other securities	79,000	-	849,097	-
Total	¥342,254	¥10	\$3,678,568	\$107

(iv) Redemption schedule for long-term loans subsequent to the consolidated balance sheet date

	Millions of yen		Thousands of U.S. dollars	
	March 31		March 31	
	More than one year, within five years	More than five years, within ten years	More than one year, within five years	More than five years, within ten years
Long-term loans	¥63,622	¥8,002	\$683,813	\$86,006

6. INVESTMENT SECURITIES

As of March 31, 2010

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value			
(1) Shares	¥11,044	¥ 7,862	¥ 3,182
(2) Bonds	-	-	-
(3) Other			
(i) Short-term investment securities (Negotiable deposits)	-	-	-
(ii) Other	13	11	1
Subtotal	¥11,058	¥ 7,874	¥ 3,183

	Millions of yen		
	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 5,786	¥ 7,745	¥(1,959)
(2) Bonds	-	-	-
(3) Other			
(i) Short-term investment securities (Negotiable deposits)	79,000	79,000	-
(ii) Other	3	4	(1)
Subtotal	¥84,789	¥86,750	¥(1,960)
Total	¥95,848	¥94,624	¥ 1,223

	Thousands of U.S. dollars		
Total	\$1,030,181	\$1,017,025	\$13,145

(2) Other Securities Sold during the Year Ended March 31, 2010

	Millions of yen		
	Sale value	Total profit	Total loss
Shares	¥1,197	¥ 699	¥ 351

	Thousands of U.S. dollars		
	Sale value	Total profit	Total loss
Shares	\$12,865	\$7,513	\$3,773

(3) Securities for Which Loss on Impairment is Recognized

The Companies have recognized loss on impairment of ¥499 million (\$5,363 thousand) for securities for the year ended March 31, 2010.

For securities with quoted market values, if the market value has declined by more than 50% compared with the acquisition cost at the end of the period, or if the market value has declined by more than 30% but not more than 50% compared with the acquisition cost at the end of the period for two years in succession and has declined more than in the preceding year, the Companies record the impairment loss, taking into consideration recoverability and other factors, assuming that the market value has "significantly declined."

For securities without quoted market values, if the net assets per share have fallen by more than 50% compared with the acquisition cost, the Companies process the impairment loss, assuming that the market value has "significantly declined."

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 on the consolidated balance sheets 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

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts on the consolidated balance sheets 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)

(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

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

	Millions of yen	
Negotiable deposits		¥48,000
Unlisted stocks		648

7. SHORT-TERM DEBT, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term debt is primarily unsecured and generally represents bank overdrafts. The amounts as of March 31, 2010 and 2009 were ¥58,231 million (\$625,871 thousand) and ¥64,980 million, respectively, with the weighted-average interest rates approximately 1.1% and 1.8%, respectively.

Long-term debt as of March 31, 2010 and 2009, including the current portion, consisted of the following:

Bonds

	Millions of yen		Thousands of U.S. dollars
	2010	March 31 2009	March 31 2010
Zero coupon convertible unsecured bonds due in 2009	¥ -	¥ 30,066	\$ -
Zero coupon convertible unsecured bonds due in 2016	40,000	40,000	429,923
	¥40,000	¥ 70,066	\$429,923
Less—Current portion included in current liabilities	-	(30,066)	-
Bonds, less current portion	¥40,000	¥ 40,000	\$429,923

The zero coupon convertible unsecured bonds due in 2016 (on the previous page) are bonds with share subscription rights issued on December 7, 2006. Details of the share subscription rights are as follows:

2016 bonds	
Class of stock	Common Stock
Issue price of shares (Yen)	Zero
Initial conversion prices (Yen/per share)	¥2,383
Total issue price (Millions of yen)	¥40,000
Ratio of granted rights (%)	100%
Period share subscription rights can be exercised	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
	2010	2009		2010
Loans principally from banks, due through 2018	¥ 99,126	¥ 95,362	1.4%	\$1,065,413
Less—Current portion included in current liabilities	(27,501)	(12,102)	1.4%	(295,583)
Long-term loans, less current portion	¥ 71,625	¥ 83,259	1.4%	\$ 769,830

The aggregate annual maturities of long-term loans at March 31, 2010 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2011	¥24,571	\$264,091
2012	11,017	118,411
2013	23,009	247,302
2014	5,023	53,988
2015 and after	8,002	86,006

Lease obligations

Lease obligations is included in other liabilities.

	Millions of yen		Interest rate	Thousands of U.S. dollars
	March 31			March 31
	2010	2009		2010
Lease obligations, due through 2026	¥ 5,724	¥ 5,511	4.7%	\$ 61,522
Less—Current portion included in current liabilities	(1,594)	(1,545)	4.7%	(17,132)
Lease obligations, less current portion	¥ 4,130	¥ 3,965	4.7%	\$ 44,390

The aggregate annual maturities of long-term lease obligations at March 31, 2010 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2011	¥1,191	\$12,801
2012	881	9,469
2013	588	6,320
2014	383	4,117
2015 and after	1,086	11,672

8. 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, 2010 and 2009 is as follows:

	2010	2009
Statutory income tax rate	40.7%	40.7%
Increase (Decrease) in valuation allowance	1.8	6.4
Tax credits	(0.7)	(5.0)
Non-taxable income	(1.0)	(0.5)
Difference in statutory tax rates of foreign subsidiaries	(8.5)	(0.6)
Expenses not deductible for tax purposes	2.7	4.5
Amortization of goodwill	10.1	10.9
Impact of change in the recording standard of tax effects of retained earnings in accordance with revision of Corporate Tax Laws	-	(10.4)
Retained earnings of overseas subsidiaries	3.2	-
Ineffective portion of unrealized (gain) loss	5.9	5.5
Other, net	(1.2)	2.7
Effective income tax rate per consolidated statements of income	53.0%	54.3%

At March 31, 2010 and 2009, the significant components of deferred tax assets and liabilities in the consolidated financial statements are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	March 31
Deferred tax assets:			
Net operating tax loss carried forward	¥ 36,116	¥ 31,953	\$ 388,177
Accrued retirement benefits	29,147	29,824	313,274
Elimination of unrealized intercompany profits	4,761	9,064	51,172
Write-down of assets	4,345	5,122	46,700
Accrued bonuses	4,214	4,431	45,292
Depreciation and amortization	3,901	5,661	41,928
Reserve for discontinued operations	2,407	6,025	25,871
Allowance for doubtful accounts	1,470	1,039	15,800
Tax effects related to investments	1,337	1,717	14,370
Accrued enterprise taxes	461	242	4,955
Other	10,733	10,295	115,359
Gross deferred tax assets	98,898	105,378	1,062,962
Valuation allowance	(34,254)	(33,335)	(368,164)
Total deferred tax assets	¥ 64,644	¥ 72,043	\$ 694,798
Deferred tax liabilities:			
Retained earnings of overseas subsidiaries	(3,417)	(2,272)	(36,726)
Gains on securities contributed to employees' retirement benefit trust	(2,920)	(2,973)	(31,384)
Unrealized gains on securities	(1,171)	(440)	(12,586)
Special tax-purpose reserve for condensed booking of fixed assets	(61)	(558)	(656)
Other	(4,127)	(1,703)	(44,357)
Total deferred tax liabilities	¥(11,699)	¥ (7,948)	\$ (125,742)
Net deferred tax assets	¥ 52,945	¥ 64,094	\$ 569,056

Deferred tax liabilities related to revaluation:

Deferred tax liabilities on land revaluation	¥ (3,733)	¥ (3,889)	\$ (40,123)
--	-----------	-----------	-------------

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 2010	March 31 2009	March 31 2010
Current assets—deferred tax assets	¥19,085	¥25,326	\$205,127
Fixed assets—deferred tax assets	35,304	39,608	379,450
Current liabilities—other current liabilities	(720)	(734)	(7,739)
Long-term liabilities—other long-term liabilities	(724)	(105)	(7,782)
Net deferred tax assets	¥52,945	¥64,094	\$569,056

9. NET ASSETS

The Japanese Corporate Law became effective on May 1, 2006, replacing the Commercial Code. Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

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

Cash dividends and appropriations to the additional paid-in capital or the legal earnings reserve charged to retained earnings for the years ended March 31, 2010 and 2009 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, 2010 do not reflect current year-end dividends in the amount of ¥3,976 million (\$42,734 thousand) approved by the Board of Directors, which will be payable in June 2010.

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 29, 2009, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2009, totaling ¥3,977 million (\$42,745 thousand), at a rate of ¥7.5 per share. On May 13, 2010, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2010, totaling ¥3,976 million (\$42,734 thousand), at a rate of ¥7.5 per share.

10. INVENTORIES

Inventories as of March 31, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31 2010	March 31 2009	March 31 2010
Merchandise and finished goods	¥67,349	¥ 87,796	\$ 723,871
Work in process	15,541	19,003	167,036
Raw materials and supplies	15,373	22,360	165,230
Total	¥98,263	¥129,160	\$1,056,137

11. CONTINGENT LIABILITIES

The Companies were contingently liable at March 31, 2010 for loan and lease guarantees of ¥2,011 million (\$21,614 thousand) and at March 31, 2009 for loan and lease guarantees of ¥2,076 million.

12. COLLATERAL ASSETS

Assets pledged as collateral at March 31, 2010 for long-term debt of ¥46 million (\$494 thousand) are notes receivable of ¥696 million (\$7,481 thousand). Assets pledged as collateral at March 31, 2009 for short-term debt of ¥198 million and long-term debt of ¥146 million are notes receivable of ¥753 million.

13. 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, 2010 and 2009 are ¥68,475 million (\$735,974 thousand) and ¥81,904 million, respectively.

14. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Companies have recognized loss on impairment of ¥2,561 million (\$27,526 thousand) and ¥1,168 million for the following groups of assets for the years ended March 31, 2010 and 2009, respectively:

Description	Classification	Amount		
		Millions of yen	Thousands of U.S. dollars	
		March 31 2010	March 31 2009	
Manufacturing facilities of plates for printing	Buildings and structures, Land, Machinery and equipment, Goodwill	¥1,214	¥ -	\$13,048
Manufacturing facilities of microlenses for mobile phones	Buildings and structures, Land, Others	1,040	778	11,178
Manufacturing facilities and sales offices other than above	Machinery and equipment, Goodwill, Others	118	103	1,268
Rental assets	Rental business-use assets	71	149	763
Idle assets	Buildings and structures, Land, Others	116	137	1,247
Total		¥2,561	¥1,168	\$27,526

- (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) Fixed assets have been written down to the recoverable amount and the correlating impairment losses have been recognized due to worsening market conditions for plates in the Medical and Graphic business, restructuring of microlens manufacturing facilities in the Optics business, etc. In addition, the decline in real estate value and the poor performance and profitability of rental and idle assets have contributed to the write down.

- (3) Details of impairment of fixed assets

	Amount		2010
	Millions of yen	Thousands of U.S. dollars	
	March 31	March 31	
	2010	2009	
Buildings and structures	¥1,040	¥ –	\$11,178
Machinery and equipment	817	648	8,781
Land	407	–	4,374
Others	296	520	3,181

- (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.

15. DISCONTINUED OPERATIONS

The amounts included in the statements of income for discontinued operations for the years ended March 31, 2010 and 2009 represent:

	Amount		2010
	Millions of yen	Thousands of U.S. dollars	
	March 31	March 31	
	2010	2009	
Reversal of excess reserve made for discontinued operations in the previous fiscal year	¥1,327	¥1,412	\$14,263
Loss on discontinued operations in the fiscal year under review	(301)	(480)	(3,235)
Gain on discontinued operations	¥1,025	¥ 932	\$11,017

16. PATENT-RELATED INCOME

Patent-related income consists of patent royalties related to the Photo Imaging business.

17. COST OF SALES

The Companies have recognized valuation losses associated with the write down of inventory of ¥2,081 million (\$22,357 thousand) and ¥6,302 million for the years ended March 31, 2010 and 2009, respectively, due to decline of profitability. Those losses are included within the cost of sales.

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, with expenses on business reorganization in the Medical and Graphic Imaging business, and with expenses on the reorganization of manufacturing facilities in the Optics business.

19. EXTRAORDINARY GAINS OF OVERSEAS SUBSIDIARIES

Extraordinary gains of overseas subsidiaries represent the reduction in refund obligation, etc., in accordance with U.S. state laws for the U.S. subsidiary.

20. PENSION LIABILITIES ADJUSTMENT OF OVERSEAS SUBSIDIARIES

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

21. 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
	2010	2009	2010
Purchase cost:			
Buildings and structures	¥ 7,418	¥ 7,459	\$ 79,729
Machinery and equipment	2,180	2,268	23,431
Tools and furniture	2,755	4,622	29,611
Rental business-use assets	408	1,227	4,385
Intangible fixed assets	53	63	570
	12,816	15,641	137,747
Less: Accumulated depreciation	(10,691)	(11,853)	(114,908)
Loss on impairment of leased assets	(11)	(200)	(118)
Net book value	¥ 2,113	¥ 3,587	\$ 22,711

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Due within one year	¥ 801	¥1,650	\$ 8,609
Due over one year	1,323	2,136	14,220
Total	¥2,125	¥3,787	\$22,840

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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Lease rental expenses for the period	¥1,467	¥2,393	\$15,767
Depreciation equivalents	1,277	2,373	13,725

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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Reserve for loss	¥11	¥200	\$118

Loss on impairment and reversals of loss on impairment of leased assets for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Loss on impairment	¥ 1	¥198	\$ 11
Reversals of loss	190	19	2,042

2) Operating Leases

The scheduled maturities of future rental payments of operating non-cancelable leases as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Due within one year	¥ 5,299	¥ 5,978	\$ 56,954
Due over one year	13,011	17,175	139,843
Total	¥18,311	¥23,153	\$196,808

As Lessor

Operating Leases

The scheduled maturities of future rental incomes of operating non-cancelable leases as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Due within one year	¥1,521	¥ 920	\$16,348
Due over one year	2,207	1,189	23,721
Total	¥3,729	¥2,109	\$40,080

22. 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. In addition, the Companies have defined contributory 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, 2010 and 2009 is calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
a. Retirement benefit obligations	¥(146,078)	¥(140,843)	\$(1,570,056)
b. Plan assets	85,965	74,124	923,957
c. Unfunded retirement benefit obligations (a+b)	(60,112)	(66,718)	(646,088)
d. Unrecognized actuarial differences	13,545	18,621	145,583
e. Unrecognized prior service costs	(5,322)	(7,033)	(57,201)
f. Net amount on consolidated balance sheets (c+d+e)	(51,889)	(55,130)	(557,706)
g. Prepaid pension costs	2,356	2,831	25,322
h. Accrued retirement benefits (f-g)	¥ (54,245)	¥ (57,962)	\$ (583,029)

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

Net retirement benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	a. Service costs	¥ 4,098	¥ 5,181
b. Interest costs	4,002	4,074	43,014
c. Expected return on plan assets	(1,596)	(2,280)	(17,154)
d. Amortization of actuarial differences	3,372	1,860	36,242
e. Amortization of prior service costs	(1,402)	643	(15,069)
f. Retirement benefit costs (a+b+c+d+e)	8,473	9,479	91,068
g. Contributions to defined contribution pension plans	2,449	3,168	26,322
Total (f+g)	¥10,922	¥12,647	\$117,390

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:

	2010	2009
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

23. DERIVATIVES

The Companies utilize derivative instruments including foreign currency exchange forward contracts, interest rate swaps and currency swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rate and interest rate risk. Additionally, the Companies have a policy of limiting the activity of such transactions to only hedge identified exposures and not to hold transactions for speculative or trading purposes.

Risks associated with derivative transactions

Although the Companies are exposed to credit-related risks and risks associated with 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 transactions

In order to manage market and credit risks, the Finance Division of the Company is responsible for setting or managing the position limits and credit limits under the Company's internal policies for derivative instruments. Resources are assigned to each function, including transaction execution, administration, and risk management, independently, in order to clarify the responsibility and 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 to discuss the principal policies on foreign currency exchange instruments and to reaffirm and reassess other derivative instruments and market risks. All derivative instruments are reported monthly to the respective responsible officer.

Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules. 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, 2010 and 2009 is as follows:

Derivative transactions to which hedge accounting is not applied

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			2010		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US\$	¥ 11,192	¥ (279)	¥ (279)	¥21,978	¥23,296	¥(1,318)	\$120,292	\$ (2,999)	\$ (2,999)
EURO	11,739	165	165	22,253	23,709	(1,455)	126,172	1,773	1,773
Other	1,362	(74)	(74)	–	–	–	14,639	(795)	(795)
To buy foreign currencies:									
US\$	¥ 551	¥ 8	¥ 8	¥ 9,249	¥10,025	¥ 775	\$ 5,922	\$ 86	\$ 86
EURO	3,021	(47)	(47)	–	–	–	32,470	(505)	(505)
Other	1,549	(96)	(96)	–	–	–	16,649	(1,032)	(1,032)
Total	¥29,415	¥ (324)	¥ (324)	¥53,481	¥57,031	¥(1,998)	\$316,154	\$ (3,482)	\$ (3,482)
Currency Swaps:									
Pay JPY, receive US\$	¥15,942	¥ (852)	¥ (852)	¥40,736	¥37,460	¥ 3,275	\$171,346	\$ (9,157)	\$ (9,157)
Other	2,955	(149)	(149)	–	–	–	31,761	(1,601)	(1,601)
Total	¥18,897	¥(1,001)	¥(1,001)	¥40,736	¥37,460	¥ 3,275	\$203,106	\$ (10,759)	\$ (10,759)

Note: Fair value of foreign currency forward exchange contracts is calculated based on the foreign currency forward exchange rates prevailing as of March 31, 2010 and 2009, respectively.

Fair value of currency swaps is provided by the financial institutions with whom the derivative contracts were entered into and agreed.

(2) Interest Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2010			2009			2010		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Pay fixed, receive floating	¥3,747	¥(106)	¥(106)	¥10,387	¥(371)	¥(371)	\$40,273	\$ (1,139)	\$ (1,139)

Notes: 1. Fair value is provided by the financial institutions with whom the derivative contracts were entered into and agreed.

2. Contract value (notional principal amount) does not indicate the level of risk associated with interest rate swaps.

Derivative transactions to which hedge accounting is applied**(1) Currency-Related Derivatives**

Method of hedge accounting: Forecasted transactions such as forward exchange contracts

		Millions of yen		Thousands of U.S. dollars		
		March 31		March 31		
		2010		2010		
Type of derivatives transactions	Major hedged items	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value	
Forward foreign currency exchange contracts:						
To sell foreign currencies:						
	EURO	Accounts receivable-trade	¥ 6,141	¥(101)	\$ 66,004	\$(1,086)
To buy foreign currencies:						
	US\$	Accounts payable-trade	¥ 5,701	¥ 158	\$ 61,275	\$ 1,698
	Total		¥11,842	¥ 56	\$127,279	\$ 602

Note: Fair value is calculated based on the currency forward exchange rates prevailing as of March 31, 2010.

(2) Interest Rate-Related Derivatives

Method of hedge accounting: Special treatment of interest rate swap

		Millions of yen		Thousands of U.S. dollars		
		March 31		March 31		
		2010		2010		
Type of derivatives transactions	Major hedged items	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value	
Interest rate swaps:						
	Pay fixed, receive floating	Long-term loans	¥50,500	(*)	\$542,777	(*)

(*) As interest rate swaps used to hedge long-term loans are subject to special accounting treatment under accounting principles generally accepted in Japan, their fair values are included as a single line item with the hedged underlying liability, long-term loans, and are not included in the above information. (Please see 'Note 5. FINANCIAL INSTRUMENTS').

24. STOCK OPTION PLANS

The following tables summarize details of stock option plans as of March 31, 2010.

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

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

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

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

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 199,500
Date of issue	August 19, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 19, 2009 to June 30, 2010
Period stock options can be exercised	From August 20, 2009 to June 30, 2029

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2010 and 2009.

	Number of Shares
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
Granted	199,500
Exercised	5,500
Forfeited	2,500
Stock options outstanding at March 31, 2010	681,500

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2010.

Per unit information	Exercised	Outstanding at March 31, 2010
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	755	-
Fair value per unit (as of grant date)	-	775

25. INVESTMENT AND RENTAL PROPERTY

Additional Information

Effective from the year ended March 31, 2010, the Companies adopted ASBJ Statement No. 20, "Accounting Standards for Disclosures about Fair Value of Investment and Rental Property", issued by the ASBJ on November 28, 2008 and ASBJ Guidance No. 23, "Guidance on Accounting Standards for Disclosures about Fair Value of Investment and Rental Property", issued by the ASBJ on November 28, 2008.

Conditions and Fair Value of Investment and Rental Property

The Companies have office buildings for rent and idle assets, etc., in Japan and overseas.

The book value on the consolidated balance sheet, the changes and the fair value as of March 31, 2010 are as follows:

	Millions of yen			
			Book Value	Fair Value
	as of March 31, 2009	Increase (Decrease) —net	as of March 31, 2010	as of March 31, 2010
Investment and rental property	¥3,973	¥ (117)	¥3,855	¥4,800

	Thousands of U.S. dollars			
Investment and rental property	\$42,702	\$(1,258)	\$41,434	\$51,591

Notes: 1. Book value is calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost.

2. Fair value as of March 31, 2010 is recorded as follows:

(1) Fair value of a majority of domestic properties has been calculated by the Companies in accordance with the method similar to the Real-estate Appraisal Standards. When there is no significant change in fair value, the properties are valued using the most recent appraisal report.

Fair value of other properties has been calculated based on a certain appraisal or criteria which appear to best reflect the fair value of the property.

(2) Fair value of overseas properties has been primarily calculated by local real-estate appraisers.

Income and Expenses of Investment and Rental Property

The income and expenses as of March 31, 2010 are as follows.

	Millions of yen	Thousands of U.S. dollars
	March 31	March 31
	2010	2010
Income of investment and rental property	¥208	\$2,236
Expenses of investment and rental property	257	2,762
Difference	(48)	(516)
Other income (expenses) of investment and rental property	—	—

26. SEGMENT INFORMATION

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2010 and 2009 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:	Other products not categorized in the above segments

	Millions of yen						Eliminations and Corporate	Consolidated
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total		
2010:								
Net sales								
External	¥540,809	¥136,745	¥104,350	¥6,921	¥15,639	¥804,465	¥ —	¥804,465
Intersegment	3,681	924	1,569	970	46,493	53,640	(53,640)	—
Total	544,490	137,670	105,920	7,892	62,132	858,105	(53,640)	804,465
Operating expenses	505,526	123,279	104,450	7,899	58,350	799,507	(39,030)	760,477
Operating income (loss)	¥ 38,963	¥ 14,390	¥ 1,469	¥ (6)	¥ 3,781	¥ 58,598	¥ (14,610)	¥ 43,988
Assets	¥402,012	¥139,051	¥ 76,668	¥7,474	¥55,679	¥680,886	¥184,910	¥865,797
Depreciation	30,973	18,799	4,214	281	2,185	56,453	4,720	61,174
Impairment losses	168	1,050	1,338	—	3	2,561	—	2,561
Capital expenditure	18,190	13,599	1,782	165	1,485	35,223	1,710	36,933

Notes: 1. Operating expenses that are included in Eliminations and Corporate that can not be properly allocated are primarily R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥29,396 million for the year ended March 31, 2010.

2. Included within the Eliminations and Corporate figure of assets are ¥232,694 million of corporate assets, which primarily include the holding company's surplus of 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.

Millions of yen								
2009:	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
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

Thousands of U.S. dollars								
2010:	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
Net sales								
External	\$5,812,650	\$1,469,744	\$1,121,561	\$74,387	\$168,089	\$8,646,442	\$ -	\$8,646,442
Intersegment	39,564	9,931	16,864	10,426	499,710	576,526	(576,526)	-
Total	5,852,214	1,479,686	1,138,435	84,824	667,799	9,222,969	(576,526)	8,646,442
Operating expenses	5,433,426	1,325,011	1,122,635	84,899	627,150	8,593,153	(419,497)	8,173,656
Operating income (loss)	\$ 418,777	\$ 154,665	\$ 15,789	\$ (64)	\$ 40,638	\$ 629,815	\$ (157,029)	\$ 472,786
Assets	\$4,320,851	\$1,494,529	\$ 824,033	\$80,331	\$598,442	\$7,318,207	\$1,987,425	\$9,305,643
Depreciation	332,900	202,053	45,292	3,020	23,485	606,761	50,731	657,502
Impairment losses	1,806	11,285	14,381	-	32	27,526	-	27,526
Capital expenditure	195,507	146,163	19,153	1,773	15,961	378,579	18,379	396,958

(2) Geographic Segment Information

Millions of yen								
2010:	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated	
Net sales								
External	¥373,172	¥171,946	¥209,345	¥ 50,000	¥ 804,465	¥ -	¥804,465	
Intersegment	215,647	2,115	1,513	157,068	376,344	(376,344)	-	
Total	588,820	174,061	210,859	207,068	1,180,809	(376,344)	804,465	
Operating expenses	552,599	174,704	202,820	196,555	1,126,679	(366,202)	760,477	
Operating income (loss)	¥ 36,220	¥ (642)	¥ 8,038	¥ 10,513	¥ 54,129	¥ (10,141)	¥ 43,988	
Assets	¥571,861	¥100,195	¥121,276	¥ 96,076	¥ 889,409	¥ (23,611)	¥865,797	

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

- Operating expenses that are included in Eliminations and Corporate that can not be properly allocated are primarily R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥29,396 million for the year ended March 31, 2010.
- Included within the Eliminations and Corporate figure of assets are ¥232,694 million of corporate assets, which primarily include the holding company's surplus of 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.

Millions of yen							
2009:	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
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

Thousands of U.S. dollars							
2010:	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
Net sales							
External	\$4,010,877	\$1,848,087	\$2,250,054	\$ 537,403	\$ 8,646,442	\$ -	\$8,646,442
Intersegment	2,317,788	22,732	16,262	1,688,177	4,044,970	(4,044,970)	-
Total	6,328,676	1,870,819	2,266,326	2,225,580	12,691,412	(4,044,970)	8,646,442
Operating expenses	5,939,370	1,877,730	2,179,923	2,112,586	12,109,620	(3,935,963)	8,173,656
Operating income (loss)	\$ 389,295	\$ (6,900)	\$ 86,393	\$ 112,994	\$ 581,782	\$ (108,996)	\$ 472,786
Assets	\$6,146,399	\$1,076,902	\$1,303,482	\$1,032,631	\$ 9,559,426	\$ (253,773)	\$9,305,643

(3) Overseas Sales

	Millions of yen		Thousands of U.S. dollars		Percentage of net sales	
	2010	2009	2010	2010	2010	
North America	¥174,923	¥217,024	\$1,880,084	21.8%		
Europe	233,244	271,797	2,506,922	29.0%		
Asia and Other	166,842	202,074	1,793,229	20.7%		

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" are 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2010	2009	2010	2010
Net income				
Income attributable to common shares	¥16,931	¥15,179	\$181,975	
Income available to common stockholders	16,884	15,109	181,470	
	Thousands of shares			
	2010	2009		
Weighted average number of common shares outstanding:				
Basic	530,260	530,437		
Diluted	556,909	561,462		
	Yen		U.S. dollars	
	2010	2009	2010	
Net income per common share:				
Basic	¥31.93	¥28.62	\$0.34	
Diluted	30.32	26.91	0.33	

INDEPENDENT AUDITORS' REPORT

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries



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

We have audited the accompanying consolidated balance sheets of Konica Minolta Holdings, Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, 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, 2010 and 2009, 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, 2010 are presented solely for convenience of the reader. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 22, 2010