# 5. SEGMENT INFORMATION

### (1) Information by Business Segment

### Fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)

(Millions of yen)

| | Business Technologies | Optics | Photo Imaging | Medical and Graphic | Sensing | Other | Total | Elimination & corporate | Consoli-dation |
|---|---|---|---|---|---|---|---|---|---|
| Sales | | | | | | | | | |
| Outside customers | 606,730 | 110,368 | 187,117 | 146,600 | 5,822 | 11,752 | 1,068,390 | - | 1,068,390 |
| Intersegment sales/transfers | 3,488 | 1,803 | 12,179 | 27,269 | 2,352 | 58,734 | 105,828 | [ 105,828 ] | - |
| Total | 610,218 | 112,171 | 199,296 | 173,869 | 8,174 | 70,486 | 1,174,218 | [ 105,828 ] | 1,068,390 |
| Operating expenses | 545,098 | 94,578 | 206,412 | 162,180 | 6,319 | 60,041 | 1,074,630 | [ 89,655 ] | 984,974 |
| Operating income (loss) | 65,120 | 17,593 | (7,115) | 11,689 | 1,855 | 10,445 | 99,588 | [ 16,172 ] | 83,415 |
| Assets, depreciation, and capital expenditure | | | | | | | | | |
| Assets | 462,534 | 119,174 | 102,061 | 122,610 | 8,813 | 430,648 | 1,245,842 | [ 301,787 ] | 944,054 |
| Depreciation | 27,214 | 7,593 | 4,070 | 5,128 | 141 | 7,050 | 51,198 | - | 51,198 |
| Impairment losses | 704 | - | 24,756 | 2,659 | - | 4,632 | 32,752 | - | 32,752 |
| Capital expenditure | 28,765 | 21,835 | 2,975 | 6,704 | 141 | 7,146 | 67,570 | - | 67,570 |

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 18,313 million.
3. We have adopted accounting standards for the impairment of fixed assets in fiscal year ended March 31, 2006 (consolidated). This has led to declines in depreciation expenses and other categories, and increases in operating income at the Photo Imaging business (up ¥2,997 million) and other businesses (up ¥20 million).

### Fiscal year ended March 31, 2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

| | Business Technologies | Optics | Photo Imaging | Medical and Graphic | Sensing | Other | Total | Elimination & corporate | Consoli-dation |
|---|---|---|---|---|---|---|---|---|---|
| Sales | | | | | | | | | |
| Outside customers | 564,837 | 91,705 | 268,471 | 129,872 | 5,293 | 7,266 | 1,067,447 | - | 1,067,447 |
| Intersegment sales/transfers | 29,886 | 4,079 | 12,782 | 19,918 | 2,425 | 60,757 | 129,849 | [ 129,849 ] | - |
| Total | 594,724 | 95,785 | 281,253 | 149,791 | 7,719 | 68,024 | 1,197,297 | [ 129,849 ] | 1,067,447 |
| Operating expenses | 538,892 | 79,783 | 289,905 | 143,134 | 6,125 | 56,490 | 1,114,332 | [ 114,462 ] | 999,869 |
| Operating income (loss) | 55,832 | 16,001 | (8,651) | 6,656 | 1,593 | 11,533 | 82,965 | [ 15,387 ] | 67,577 |
| Assets, depreciation, and capital expenditure | | | | | | | | | |
| Assets | 451,381 | 95,214 | 169,545 | 103,963 | 7,817 | 443,501 | 1,271,424 | [ 315,881 ] | 955,542 |
| Depreciation | 27,359 | 5,672 | 8,904 | 4,366 | 133 | 6,517 | 52,953 | - | 52,953 |
| Capital expenditure | 24,,258 | 14,378 | 7,366 | 3,695 | 178 | 6,571 | 56,448 | - | 56,448 |

Notes:
1. Business classification is based on similarity of product type and market. Konica Minolta's operations are classified into the segments of Business Technologies, Optics, Photo Imaging, Medical and Graphic, Sensing, and other businesses.
2. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 17,088 million.

## (2) Information by Geographical Area

### Fiscal year ended March 31, 2006 (from April 1, 2005, to March 31, 2006)

(Millions of yen)

| | Japan | North America | Europe | Asia excluding Japan, Others | Total | Elimination & corporation | Consolidation |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| Outside customers | 476,720 | 262,288 | 270,566 | 58,815 | 1,068,390 | - | 1,068,390 |
| Intersegment sales/transfers | 294,586 | 5,898 | 1,302 | 185,488 | 487,276 | [ 487,276 ] | - |
| Total | 771,307 | 268,186 | 271,868 | 244,304 | 1,555,666 | [ 487,276 ] | 1,068,390 |
| Operating expenses | 685,718 | 261,121 | 267,633 | 243,206 | 1,457,681 | [ 472,706 ] | 984,974 |
| Operating income | 85,588 | 7,065 | 4,235 | 1,097 | 97,985 | [ 14,569 ] | 83,415 |
| Total assets | 821,766 | 183,772 | 144,887 | 86,231 | 1,236,657 | [ 292,603 ] | 944,054 |

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States, and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 18,313 million.
4. We have adopted accounting standards for the impairment of fixed assets in the fiscal year ended March 31, 2006 (consolidated). This has led to declines in depreciation expenses and other categories. Operating income in Japan, North America, Europe, and Asia and Others (excluding Japan) increased ¥1,840 million, ¥1,077 million, ¥6.4 million, and ¥35 million, respectively.

### Fiscal year ended March 31, 2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

| | Japan | North America | Europe | Asia excluding Japan, Others | Total | Elimination & corporation | Consolidation |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| Outside customers | 480,522 | 250,207 | 278,164 | 58,552 | 1,067,447 | - | 1,067,447 |
| Intersegment sales/transfers | 313,852 | 8,565 | 1,624 | 145,636 | 469,679 | [ 469,679 ] | - |
| Total | 794,375 | 258,773 | 279,789 | 204,188 | 1,537,127 | [ 469,679 ] | 1,067,447 |
| Operating expenses | 719,788 | 256,412 | 276,369 | 200,856 | 1,453,427 | [ 453,557 ] | 999,869 |
| Operating income | 74,587 | 2,360 | 3,419 | 3,332 | 83,699 | [ 16,122 ] | 67,577 |
| Total assets | 819,494 | 154,093 | 158,021 | 75,106 | 1,206,715 | [ 251,173 ] | 955,542 |

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
   (1) North America: United States, Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the parent company and expenses associated with head office functions. This amount was ¥ 17,088 million.

### (3) Overseas Sales

**Fiscal year ended March 31, 2006 (from April 1, 2005 to March 31, 2006)**

(Millions of yen)

| | North America | Europe | Asia excluding Japan and Other Countries | Total |
|---|---|---|---|---|
| Overseas sales | 274,218 | 281,418 | 199,529 | 755,166 |
| Consolidated sales | - | - | - | 1,068,390 |
| Overseas sales as a percentage of consolidated sales | 25.7% | 26.3% | 18.7% | 70.7% |

**Fiscal year ended March 31, 2005 (from April 1, 2004 to March 31, 2005)**

(Millions of yen)

| | North America | Europe | Asia excluding Japan and Other Countries | Total |
|---|---|---|---|---|
| Overseas sales | 264,718 | 282,475 | 213,435 | 760,628 |
| Consolidated sales | - | - | - | 1,067,447 |
| Overseas sales as a percentage of consolidated sales | 24.8% | 26.5% | 20.0% | 71.3% |

Notes:
1. Countries and territories are classified based on geographical proximity.
2. Principal country markets in the above areas, excluding Japan, are as follows:
(1) North America: United States and Canada
(2) Europe: Germany, France, and United Kingdom
(3) Asia excluding Japan, Others: Australia, China, and Singapore
3. Overseas sales are Konica Minolta and consolidated subsidiary sales in countries or regions outside of Japan.

## 6. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

## 7.Transactions with related parties

No relevant transactions occurred during fiscal year ended March 31, 2006.

## 8. Tax-Effect Accounting

1. Breakdown by cause of deferred tax assets and liabilities.

| Deferred tax assets | As of March 31, 2005<br>Millions of yen | As of March 31, 2006<br>Millions of yen |
|---|---|---|
| Excess of reserve for retirement benefits over deductible limit | 31,309 | 32,417 |
| Net loss carried forward | 17,112 | 23,529 |
| Elimination of unrealized profit by internal trading | 14,651 | 14,807 |
| Excess of allowance for loss on restructuring or liquidation of businesses | - | 14,405 |
| Write-down on assets | 7,119 | 11,457 |
| Excess of depreciation and amortization over deductible limit | 1,497 | 7,446 |
| Tax effects related to investments | - | 6,054 |
| Excess of accrued bonuses over deductible limit | 5,993 | 5,621 |
| Excess of allowance for doubtful accounts over deductible limit | 1,693 | 3,157 |
| Special additional retirement benefits | - | 2,638 |
| Accrued enterprise taxes | 1,556 | 1,728 |
| Other | 12,285 | 13,999 |
| Deferred tax assets subtotal | 93,220 | 137,265 |
| Valuation allowance | (18,264) | (52,392) |
| Total deferred tax assets | 74,955 | 84,872 |
| Deferred tax liabilities | | |
| Revaluation difference of marketable securities | (4,299) | (7,689) |
| Gain on establishment of employee pension trust | (3,353) | (3,161) |
| Retained profit of overseas subsidiaries | (1,870) | (2,185) |
| Reserve for deferred fixed assets | (1,440) | (1,448) |
| Other | - | (111) |
| Total deferred tax liabilities | (10,964) | (14,596) |
| Net deferred tax assets | 63,991 | 70,276 |

| Deferred tax liabilities related to revaluation | Millions of yen | Millions of yen |
|---|---|---|
| Deferred tax liabilities related to revaluation of land | (3,926) | (4,042) |

The net sum of deferred tax assets is included in the following items in the consolidated balance sheets.

| | As of March 31, 2005<br>Millions of yen | As of March 31, 2006<br>Millions of yen |
|---|---|---|
| Current assets – deferred tax assets | 37,850 | 43,242 |
| Fixed assets – deferred tax assets | 27,049 | 29,135 |
| Current liabilities – other current liabilities | (294) | (3) |
| Long-term liabilities – other long-term liabilities | (659) | (2,097) |

2. Reconciliation between the statutory income tax rate and the effective income tax rate after the adoption of tax effect accounting.

| | As of March 31, 2005<br>% | As of March 31, 2006<br>% |
|---|---|---|
| Statutory income tax rate | 40.7 | 40.7 |
| (Adjustments) | | |
| Valuation allowance | (3.5) | (95.0) |
| Tax credits | (8.6) | 6.5 |
| Amortization of consolidation goodwill | 12.9 | (9.0) |
| Effect of the introduction of a consolidated tax return system | 28.6 | - |
| Other | 7.1 | 8.0 |
| Effective income tax rate after the adoption of tax effect accounting | 77.2 | (48.8) |

# 9. MARKETABLE SECURITIES

Fiscal year ended March 31, 2006 (As of March 31, 2006)

**(1) Other marketable securities with market values:**

(Millions of yen)

| Type | | Acquisition cost | Total amount on consolidated balance | Difference |
|---|---|---|---|---|
| Total amount on consolidated balance sheets exceeds the acquisition cost | (1) Stocks | 13,688 | 30,417 | 16,728 |
| | (2) Bonds | 12 | 21 | 8 |
| | (3) Other | 107 | 107 | - |
| | Total | 13,808 | 30,546 | 16,737 |
| Total amount on consolidated balance sheets does not exceed the acquisition cost | (1) Stocks | 2,881 | 2,694 | (187) |
| | (2) Bonds | 16 | 12 | (3) |
| | (3) Other | - | - | - |
| | Total | 2,897 | 2,706 | (191) |
| Total | | 16,706 | 33,252 | 16,546 |

**(2) Other marketable securities sold in fiscal year ended March 31, 2006**
**(April 1, 2005 – March 31, 2006)**

(Millions of yen)

| | Sales Amount | Total Gain | Total Loss |
|---|---|---|---|
| Other marketable securities | 5,215 | 1,531 | 420 |

**(3) Breakdown of other marketable securities that are not assessed at market value and full year consolidated balance sheet total amounts:**

(Millions of yen)

| | Total amount on consolidated balance sheets |
|---|---|
| Unlisted stocks | 486 |

Fiscal year ended March 31, 2005 (As of March 31, 2005)

**(1) Other marketable securities with market values:**

(Millions of yen)

| Type | | Acquisition cost | Total amount on consolidated balance | Difference |
|---|---|---|---|---|
| Total amount on consolidated balance sheets exceeds the acquisition cost | (1) Stocks | 13,010 | 21,391 | 8,381 |
| | (2) Bonds | - | - | - |
| | (3) Other | 19 | 20 | 1 |
| | Total | 13,029 | 21,412 | 8,382 |
| Total amount on consolidated balance sheets does not exceed the acquisition cost | (1) Stocks | 6,428 | 5,519 | (909) |
| | (2) Bonds | 116 | 116 | - |
| | (3) Other | 70 | 69 | (0) |
| | Total | 6,616 | 5,706 | (909) |
| Total | | 19,645 | 27,119 | 7,473 |

**(2) Other marketable securities sold in fiscal year ended March 31, 2005**
**(April 1, 2004 – March 31, 2005)**

(Millions of yen)

| | Sales Amount | Total Gain | Total Loss |
|---|---|---|---|
| Other marketable securities | 5,128 | 2,461 | 3 |

**(3) Breakdown of other marketable securities that are not assessed at market value and full year consolidated balance sheet total amounts:**

(Millions of yen)

| | Total amount on consolidated balance sheets |
|---|---|
| Unlisted stocks | 1,545 |
| Others | 155 |

## 10. Derivatives

References have been omitted here and will be disclosed on EDINET.

## 11. Retirement Benefits

**(1) Outline of the retirement benefit system adopted**

The Company and its domestic subsidiaries adopt the following defined benefit plans: a tax-qualified benefit plan, a defined benefit corporate pension plan, and a lump-sum retirement allowance. In addition, in some cases when employees retire, the Company and consolidated subsidiaries provides for additional retirement benefit that are not related to the retirement benefit liabilities computed according to actuarial methods in accordance with retirement benefit accounting. Some of the Company's overseas subsidiaries have instituted defined benefit plans and some have instituted defined contribution pension plan, while the parent company and a portion of its domestic subsidiaries have instituted retirement benefit trusts. As of the fiscal year-end, 14

Group companies have adopted tax-qualified benefit plans and 9 have adopted defined benefit corporate pension plans. In addition, 2 companies have enrolled in the National Optical Industries welfare pension fund, which is a general establishment welfare pension fund, and one company has enrolled in the mutual aid system for specific retirement allowances.

### (2) Items related to retirement benefit liabilities

[Millions of yen]

| | As of March 31, 2005 | As of March 31, 2006 |
|---|---|---|
| a. Retirement benefit liabilities | (142,123) | (154,221) |
| b. Pension assets | 76,808 | 108,320 |
| c. Unfunded retirement benefit liabilities (a+b) | (65,315) | (45,901) |
| d. Unrecognized difference under actuarial calculations | 14,638 | (5,572) |
| e. Unrecognized liabilities for employees' prior service(reduction in liabilities) | (10,345) | (11,768) |
| f. Net amount on consolidated balance sheets (c+d+e) | (61,022) | (63,241) |
| g. Prepaid pension costs | 2,021 | 1,627 |
| h. Allowance for retirement benefits (f-g) | (63,044) | (64,869) |

**Note:**

<As of March 31, 2005>

1.
The company and certain consolidated subsidiaries made amendments to their welfare pension fund plan with respect to the age of eligibility for annuity payments under the employees' pension fund system and the approved retirement annuity system. As a result, prior service cost was incurred.

2.
Certain subsidiaries use a simplified method of calculated pension liabilities.

3.
The effects of the partial change from the lump-sum retirement pay system of Pre-merger Minolta Co., Ltd., to a defined contribution pension system are as follows.

| | |
|---|---|
| Decrease in retirement benefit obligations | ¥1,667 million |
| Difference in unrecognized actual difference | ¥243 million |
| Unrecognized prior service cost | (¥250 million) |
| Decrease in retirement benefit reserve | ¥1,660 million |

In addition, ¥1,500 million in assets are scheduled to be transferred to the defined contribution system over a period of four years. The ¥1,161 million, which was not yet transferred as of the end of the consolidated accounting period ended March 31, 2005, was accounted as other long-term liabilities and accrued expenses on the Consolidated Balance Sheets.

<As of March 31, 2006>

1.
The company and certain consolidated subsidiaries made amendments to their welfare pension fund plans with respect to the age of eligibility for annuity payments under the employees' pension fund system and the approved retirement annuity system. As a result, prior service cost was incurred.

2.
Certain subsidiaries use a simplified method of calculated pension liabilities.

### (3) Items related to retirement benefit costs

| | April 1, 2004 – March 31, 2005 | April 1, 2004 – March 31, 2005 |
|---|---|---|
| a. Employment costs | 7,426 | 5,024 |
| b. Interest costs | 2,947 | 4,107 |
| c. Expected income from management of funds | (736) | (2,046) |
| d. Amount amortized of difference due to changes inaccounting standards | 521 | - |
| e. Amount amortized of difference under actuarial calculations | 2,042 | 3,220 |
| f. Amount amortized of liabilities for employees' prior service | (1,233) | (1,536) |
| g. Retirement benefit costs (a+b+c+d+e+f) | 10,968 | 8,769 |
| h. Loss on conversion to defined contribution pension plan | (160) | - |
| i. Account on defined contribution pension plan | 1,257 | 2,895 |
| Total (g+h+i) | 12,065 | 11,665 |

**Notes:**

| As of March 31, 2005 | As of March 31, 2006 |
|---|---|
| Retirement benefit costs for consolidated subsidiaries using a simplified method are included in "a. Employment costs". | Retirement benefit costs for consolidated subsidiaries using a simplified method are included in "a. Employment costs" |

### (4) Items forming the basis for the calculation of retirement benefit liabilities

| | April 1, 2004 – March 31, 2005 | April 1, 2005 – March 31, 2006 |
|---|---|---|
| a. Method for intertemporal allocation of the expect amount of retirement benefits | Periodic allocation method for projected benefit obligations | Periodic allocation method for projected benefit obligations |
| b. Discount rate | Mainly 2.5% | Mainly 2.5% |
| c. Expected return on plan assets | Mainly 1.25% | Mainly 1.25% |
| d. Period for amortization of prior service cost | Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.) | Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.) |
| e. Period for amortization of differences under actuarial calculations years | Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining service period starting the year after actuarial loss or gain are recognized.) | Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining service period starting the year after actuarial loss or gain are recognized.) |

# 12. PRODUCTION AND ORDERS

## (1) Production Results

(Millions of yen)

| Business Segments | April 1, 2004 – March 31, 2005 | April 1, 2005 – March 31, 2006 | YoY(%) |
|---|---|---|---|
| Business Technologies | 318,750 | 336,627 | 5.6% |
| Optics | 101,105 | 109,223 | 8.0% |
| Photo Imaging | 168,823 | 104,285 | (38.2%) |
| Medical and Graphic | 89,822 | 96,365 | 7.3% |
| Sensing | 7,010 | 7,741 | 10.4% |
| Other | 1,652 | 1,969 | 19.2% |
| Total | 687,164 | 656,212 | (4.5%) |

Notes: 1. Amounts are based on manufacturers' sales prices.
2. The above amounts do not include consumption and other taxes.

## (2) Orders

Konica Minolta does not conduct order production.