May 10, 2007

CONSOLIDATED FINANCIAL RESULTS
Fiscal Year Ended March 31, 2007

Konica Minolta Holdings, Inc.

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Stock Exchange Listings: Tokyo, Osaka (First Sections)
Local Securities Code Number: 4902
Scheduled date of Regular General Meeting of Shareholders June 21, 2007
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1. CONSOLIDATED FINANCIAL RESULTS FOR FISCAL YEAR ENDED MARCH 31, 2007
(From April 1, 2006 to March 31, 2007)

(Figures less than ¥1 million have been omitted.)

(1) Operating Results

[Millions of yen]

	Net sales		Operating income		Recurring profit	
Fiscal year ended March 31, 2007	1,027,630	-3.8%	104,006	24.7%	98,099	27.7%
Fiscal year ended March 31, 2006	1,068,390	0.1%	83,415	23.4%	76,838	43.3%

	Net income		Net income (loss) per share [yen]	Net income per share (after full dilution) [yen]
Fiscal year ended March 31, 2007	72,542	- %	136.67	134.00
Fiscal year ended March 31, 2006	(54,305)	- %	(102.29)	-

	Net income to shareholders' equity	Recurring profit to total assets	Operating profit to net sales
Fiscal year ended March 31, 2007	21.9%	10.4%	10.1%
Fiscal year ended March 31, 2006	-17.1%	8.1%	7.8%

Note: Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Fiscal year ended March 31, 2007: ¥ (160 million)
Fiscal year ended March 31, 2006: ¥ (2,507 million)

(2) Financial Position

[Millions of yen]

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share [yen]
Fiscal year ended March 31, 2007	951,052	368,624	38.6 %	692.39
Fiscal year ended March 31, 2006	944,054	293,817	31.1 %	553.50

Notes: Shareholders equity
Fiscal year ended March 31, 2007: ¥ 367,467 million
Fiscal year ended March 31, 2006: --

(3) Cash Flows

[Millions of yen]

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents year at end of period
Fiscal year ended March 31, 2007	66,712	-56,401	-5,170	86,587
Fiscal year ended March 31, 2006	78,924	-43,146	-16,850	80,878

2. DIVIDENDS

	Dividends per share			Total dividends (annual)	Dividend pay-out ratio (consolidated)	Net asset-to-dividend ratio (consolidated)
	Interim	Year-end	Total annual			
	yen	yen	yen	Millions of yen	%	%
Fiscal year ended March 31, 2006	-	-	-	-	-	-
Fiscal year ended March 31, 2007	-	10.00	10.00	5,307	7.3	1.6
Fiscal year ending March31, 2008 (forecast)	5.00	5.00	10.00	-	11.2	-

3. CONSOLIDATED RESULTS FORECAST FOR FISCAL YEAR ENDING MARCH 31, 2008 (From April 1, 2007 to March 31, 2008)

Percentage figures for the full fiscal year represent the change from the previous fiscal year, while percentage figures for the interim period represent the change from the previous interim period.

[Millions of yen]

	Net sales		Operating income		Recurring profit		Net income		Net income per share [yen]
Interim	496,000	0.4%	48,000	3.8%	42,000	-6.4%	20,500	-8.9%	38.63
Full-year	1,045,000	1.7%	105,000	1.0%	93,000	-5.2%	47,500	-34.5%	89.50

** The above performance projections and other forward looking statements were made based on information currently available to the Company at the time of the business report and on certain rationally determined assumptions. Depending on diverse factors, actual performance may be considerably different from projected performance.*
For more cautionary information, etc., regarding the use of the forecasts, please see the "(1) Business Performance Analysis" portion of the "Operating Results" section on page 5 of this report.

4. OTHER

(1) Changes to principal subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): Yes

Consolidated companies: (new): 7 (excluded): 11

Equity-method affiliates: (new): - (excluded): 1

(2) Changes to consolidated financial statement principles, preparation processes, disclosure methods, etc.

(Description of changes to important items fundamental to financial statement preparation)

a. Changes accompanying amendment of accounting principles: Yes

b. Changes other than “a.”: Yes

(3) Number of outstanding shares（common stock）

a. Outstanding shares at period-end（including treasury stock）

Fiscal year ended March31, 2006: 531,664,337 shares

Fiscal year ended March31, 2007: 531,664,337 shares

b. Treasury stock at period-end

Fiscal year ended March31, 2007: 939,214 shares

Fiscal year ended March31, 2006: 825,124 shares

UNONSOLIDATED FINANCIAL RESULTS (REFERENCE)

1. UNCONSOLIDATED FINANCIAL RESULTS
(From April 1, 2006 to March 31, 2007)

(1) Operating Results

[Millions of yen]

	Net sales		Operating income		Recurring profit	
Fiscal year ended March 31, 2007	58,201	4.2%	29,693	8.3%	30,999	96%
Fiscal year ended March 31, 2006	55,854	36.2%	27,409	93.5%	28,283	87.9%

	Net income (loss)		Net income (loss) per share [yen]	Net income per share (after full dilution) [yen]
Fiscal year ended March 31, 2007	40,984	—%	77.22	75.69
Fiscal year ended March 31, 2006	(34,240)	—%	(64.50)	—

(2) Financial Position

[Millions of yen]

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share [yen]
Fiscal year ended March 31, 2007	448,372	229,372	51.1%	431.98
Fiscal year ended March 31, 2006	385,184	189,729	49.3%	357.41

Notes: Shareholders equity
Fiscal year ended March 31, 2007: ¥229,264 million
Fiscal year ended March 31, 2006: -

2. UNCONSOLIDATED RESULTS FOECAST
(From April 1, 2007 to March 31, 2008)

[Millions of yen]

	Net sales		Operating income		Recurring profit		Net income		Net income per share [yen]
Interim	36,000	-28.1%	20,500	-41.8%	21,500	-40.1%	23,000	-41.9%	43.34
Full-year	55,500	-4.6%	24,000	-19.2%	26,000	-16.1%	28,500	-30.5%	53.70

** The above performance projections were made based on assumptions, forecasts, and plans that were current at the time of the business report and are subject to change due to various potential risks and uncertainties. Depending on economic conditions, market trends, exchange rate trends, and diverse other factors, actual performance may be considerably different from projected performance.*

For more information on the assumptions used as premises for performance forecasts and cautionary notes, etc., regarding the use of the forecasts, please see the "(1) Business Performance Analysis" portion of the "Operating Results" section on page 5 of this report.

1. OPERATING RESULTS

Overview

(1) Business Performance Analysis

[Millions of yen]

		April 1, 2006 – March 31, 2007	April 1, 2005 – March 31, 2006	Increase (Decrease)	
Net Sales		1,027,630	1,068,390	(40,759)	(3.8%)
Gross profit		494,916	493,227	1,689	0.3%
Operating Income		104,006	83,415	20,590	24.7%
Recurring profit		98,099	76,838	21,261	27.7%
Net income (loss) before income taxes and minority interests		104,890	(35,934)	140,824	- %
Net income (loss)		72,542	(54,305)	126,847	- %
Net income per share [yen]		136.67	(102.29)	238.96	- %
Capital expenditure		64,000	67,570	(3,570)	(5.3%)
Depreciation		52,692	51,198	1,494	2.9%
R&D expenses		71,961	67,039	4,921	7.3%
Exchange rates [yen]	US dollar	117.02	113.31	3.71	3.3%
	Euro	150.09	137.86	12.23	8.9%

Looking back at the world economy in the fiscal year ending March 31, 2007, the U.S. economy continued to show signs of deceleration due to a cooling down of housing investment and other factors but generally maintained its gradual growth trend against the backdrop of improving conditions in the labor market and rising wages. With respect to Europe, a recovery in the German economy helped support an overall trend of improvement in economic conditions throughout Europe, with expanding personal consumption exerting a positive influence during the first half of the year and autonomous internal demand supporting firm economic conditions in the latter half of the year. Regarding Asia, external demand and expansion of the IT industry sustained generally strong economic conditions, with China and India continuing to play the role of economic growth locomotives.

In Japan, despite slack personal consumption and fears of a U.S. recession, robust capital investment seen in a wide range of industries and continued positive employment environment conditions helped sustain economic recovery. On the other hand, the high levels of prices for oil and other raw materials emerged as a factor generally decelerating the revenue growth of manufacturing companies.

With respect to markets in which Konica Minolta has a presence, Japan-based manufacturers' shipments of copiers and MFPs during calendar 2006 declined slightly from the 2005 level in the domestic market. The manufacturer's shipments of color products to overseas markets surged, while their shipments of monochrome products to overseas markets were approximately unchanged from the 2005 level.

Moreover, a general trend of rising sales was seen with respect to personal computers, LCD televisions, camera-equipped mobile phones, and other products related to Konica Minolta's Optics Business. Demand for such digital equipment and communications equipment products continues to be subject to considerable fluctuation, however, and the pronounced impact of demand fluctuations during the latter half of the fiscal year depressed shipments of LCD panels, hard disk drives (HDDs), and other components and materials related to such products. Particularly in LCD-related fields, intensifying competition has reduced the selling prices of finished products and generated increasing pressure on component and materials manufacturers to lower the prices of their products.

Amid these conditions, Konica Minolta implemented the first year of measures based on its new medium-term business plan "FORWARD 08," which was drafted in May 2006. These measures were designed to promote the Group's growth and maximize the Group's corporate value by concentrating management resources in such growth fields as the Business Technologies Business and the Optics Business and effectively implementing the "genre-top strategy," which calls for concentrating management resources in specified business fields and markets to establish the top brand in those fields and markets.

In line with this strategy, Konica Minolta worked to expand sales in the strategically emphasized MFP sector of the Group's core Business Technologies Business field. Reflecting the abundant array of product line items, the Group maintained strong sales in this sector and maintained its position as the top Group regarding the general office-use color MFP(multi functional peripheral) Europe and the United States. Anticipating rising demand for MFP consumables, Konica Minolta completed the construction of its No. 3 polymerized toner plant (Nagano, Japan) in December 2006. Together with the capacity of a previously existing plant (Yamanashi, Japan), the new plant's 7,000-ton annual production capacity makes the Group one of the world top toner manufacturers in terms of volume, with capabilities for producing 15,000 tons of polymerized toner per year.

In the strategic business field of the Optics Business, Konica Minolta began mass shipments of optical pickup lenses for the Blue-ray Disc (BD) and other next-generation DVD products. The Group has continued to increase its sales of protective film for polarizing plates used in LCDs (TAC film), a key component of LCD panels incorporated into televisions and computer displays. In September 2006, it completed the construction of its No. 4 TAC film plant (Kobe, Japan), boosting its annual production capacity for TAC film from 90 million m2 to 120 million m2, and the addition of capacity was accompanied by a rise in sales of this product. Construction has been begun of the No. 5 TAC film plant, which on its completion in fall 2007 is expected to boost the Group's annual production capacity to 170 million m2. These measures illustrate Konica Minolta's approach to concentrating management resources in strategic growth fields.

Having in January 2006 decided to exit from the Photo Imaging Business, Konica Minolta concluded its camera business at the end of the previous fiscal year. At the same time, the Company transferred a portion of assets related to the development, design, and manufacture of digital SLR cameras to Sony Corporation. Moreover, Group units in Japan and overseas are taking measures in line with a plan to discontinue all other Photo Imaging Business operations, including film and photographic paper, by September 30, 2007. Manufacturing activities related to these operations have already been halted, and the Odawara site (Kanagawa, Japan) where photographic paper is manufactured, along with the Photo Imaging Business domestic sales organization has been transferred to Dai Nippon Printing Co., Ltd. (DNP). While deciding to exit from the original business field of Konica Minolta's predecessor companies was extremely painful, the subsequent process of exciting has advanced smoothly and quickly, and it is scheduled to be generally completed by the end of fiscal year ended March 2007.

Reflecting the aforementioned measures, net sales for the fiscal year under review amounted to ¥1,027.6 billion. Overall sales for the Group declined 3.8% year on year, owing primarily to lower sales from the Photo Imaging Business as it goes through the process of exciting. However, sales of other businesses were strong, reflecting such factors as the Business Technologies Business's robust sales of color MFP products centered on new products and the Optics Business's sustained increase in TAC film sales and inauguration of operations in optical pickup lenses for next-generation DVD products. The negative impact of the surge in silver and other raw materials procurement prices and the fall in selling prices accompanying the intensification of competition was more than offset by the positive effects of Konica Minolta's Groupwide cost-cutting efforts, improvement in the product mix accompanying the launch of new products, and the exchange rate benefits of a weaker yen. As a result, the gross profit margin improved 2.0 percentage points, from 46.2% to 48.2%. Despite an increase in R&D spending concentrated primarily in the Business Technologies Business and other strategically emphasized fields as well as a rise in such Groupwide infrastructure project expenses as those associated with IT systems and environmental countermeasures, selling, general and administrative (SG&A) expenses fell ¥18.9 billion from the previous fiscal year, owing to a significant reduction in Photo Imaging Business expenses reflecting the reinforcement of the Company's focus on select operations. As a result, operating income totaled ¥104.0 billion, up 24.7%, or ¥20.5 billion, from the previous fiscal year. In addition, the operating profit margin improved 2.3 percentage points, from 7.8% to 10.1%.

Recurring income increased ¥21.2 billion, or 27.7%, year on year, to ¥98.0 billion, owing mainly to a ¥0.6 billion reduction in the investment loss on equity method and the loss on disposal of inventory assets in non-operating income. Exerting a positive influence on the balance of extraordinary gain and loss items were such factors as the absence of the Photo Imaging Business related impairment loss and provision of reserves associated with the exit from the Photo Imaging Business in the previous fiscal year as well as the recording in the fiscal year under review of gains on the sales of fixed assets. As a result, net income before income taxes amounted to ¥104.8 billion, and net income totaled ¥72.5 billion. Operating income surpassed the ¥100 billion mark for the first time, and ordinary income, recurring income, and net income all attained record high levels.

Average yen exchange rates against the dollar and euro were ¥117 and ¥150, respectively, representing yen depreciation rates against the dollar and euro of ¥4 or 3% and ¥12 or 9%, respectively.

Segment Information

1. Business Technologies Business
[Multifunctional peripherals (MFPs), laser printers (LBPs), etc.]

[Millions of yen]

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase (Decrease)	Change
(1) Net sales to outside customers	658,693	606,730	51,963	8.6%
(2) Intersegment net sales	3,955	3,488	466	13.4%
Total net sales	662,648	610,218	52,429	8.6%
Operating income	79,982	65,120	14,862	22.8%

The Business Technologies Business is implementing the “genre-top strategy” by working to expand its operating base with regard to color MFPs, for which demand in general office markets is continuing to grow, as well the light production print field, which is focused on such customers as the in-house printing departments of major corporations, data centers, and major franchise copy shops.

In the color MFP field, Konica Minolta worked to bolster its product lineup in its emphasized medium-to-high-speed market segment of products with speeds of 30ppm to 55ppm by launching four new products—the bizhub C300, the bizhub C352, (May 2006) the bizhub C252 (October 2006), and the bizhub C550 (February 2007). In addition to abundant network functions that respond to office network environments as well as the latest security functions, these new products feature high-quality images achieved through our unique polymerized toner with outstanding particle consistency and our exclusive image technologies as well as excellent cost performance afforded by tandem engines that enable high-speed outputting and other outstanding performance characteristics. These features were highly evaluated by customers, supporting robust sales of the newly launched color MFPs, particularly in Europe.

Unit sales of color MFPs continued to increase, and the Company maintained its solid position among the top companies with respect to the medium-to-high-speed segments of U.S. and European markets, where it has particularly strong business bases. In the (light) production print market, Konica Minolta added two high-speed models to its lineup with the launch of the bizhub PRO C6500 (September 2006; 65ppm color and black and white) and the bizhub PRO 1050e (December 2006; 105ppm black and white). Unit sales of these products increased, reflecting the Company’s strategy of emphasizing steps to strengthen and expand marketing systems in the U.S. (light) production print market, the world’s largest (light) production print market, through such measures as those to bolster its specialized direct marketing system and augment collaboration with leading dealers. Besides measures focused on such strategically emphasized fields as color MFPs and high-speed MFPs, Konica Minolta has steadily increased its response to persistently strong demand from customers in the United States and Asia for monochrome MFPs for general office applications, and this was a principal factor enabling the Company to sustain rapid growth in its unit sales of both color MFPs and monochrome MFPs.

In LBP operations, Konica Minolta has progressively shifted to marketing strategies that place greater emphasis on printing volumes and profitability. Moreover, striving to give more emphasis in its marketing strategies to general corporate users, the Company strengthened its product lineup in the medium-to-high-speed tandem color LBP segment with the launch of the magicolor 5570 (March 2007; 30ppm color) and upgraded its product lineup in the high-value-added segment with the launch of the magicolor 2490 (February 2007), which is an “all-in-one” printer equipped with copying, scanning, and facsimile functions.

As a result, sales to external customers rose 9% year on year, to ¥658.6 billion, and operating income surged 23%, to ¥79.9 billion.

2. Optics Business
[Optical devices, electronic materials, etc.]

[Millions of yen]

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase (Decrease)	Change
(1)) Net sales to outside customers	138,960	110,368	28,592	25.9%
(2) Intersegment net sales	1,396	1,803	(407)	-22.6%
Total net sales	140,356	112,171	28,184	25.1%
Operating income	21,000	17,593	3,407	19.4%

In the Optics Business, Konica Minolta fully leveraged its strengths in optical technology, coating technology, materials technology, and nano fabrication technology, and it took steps to expand the scale of its operations by providing products that anticipate market trends, customer needs, and technological trends.

Regarding displays, demand for TAC film continued to increase in step with growth in the scale of the LCD panel market as well as in the size of LCD panels, and Konica Minolta responded to this trend by increasing its TAC film production capacity in September 2006. In response to intensifying competition in the market for films that broaden the range of angles from which LCDs can be viewed, for use with LCD televisions, the Company launched a new product in January 2007 and proactively took various other measures to strengthen its product competitiveness, and these efforts helped sustain a high rate of growth in its TAC film sales volume.

As for memory-related products, current-generation DVD optical pickup lenses centered on recording lenses emerged from an adjustment period. Moreover, along with the start of next-generation DVD product mass production during the latter half of the year, Konica Minolta initiated objective lens shipments and took other measures that greatly contributed to a recovery in the profitability of business in such lenses. Sales of glass hard disk substrates were also strong, reflecting the growth in the personal computer markets and the expanding applications of information appliances that incorporate hard disc drives (HDDs) as well as the Company's progressive response to vertical magnetic recording format HDDs.

The scale of Konica Minolta's business in image input/output components grew, reflecting a large increase in the volume of shipments of micro cameras for incorporation in camera-equipped mobile phones by customers in Japan and overseas.

As a result, sales to outside customers in this segment grew 26% year on year, to ¥138.9 billion, and operating income advanced 19%, to ¥21.0 billion.

3. Medical and Graphic Imaging Business
[Medical and graphic products, etc.]

[Millions of yen]

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase (Decrease)	Change
(1) Net sales to outside customers	158,705	146,600	12,104	8.3%
(2) Intersegment net sales	12,249	27,269	(15,019)	-55.1%
Total net sales	170,955	173,869	(2,914)	-1.7%
Operating income	8,880	11,689	(2,809)	-24.0%

In the medical segment, we took steps to expand sales of digital input/output equipment, including the REGIUS series of digital radiography systems and the DRYPRO series of imaging output equipment, as well as X-ray film. Domestic sales were depressed by revisions to the payment system for medical services (National Health Insurance reimbursement price revisions affecting diagnostic and therapeutic services), which restrained growth in demand related to X-ray equipment. Strong sales of equipment and film were recorded in overseas markets, however, reflecting the establishment of an additional marketing company in Europe and other measures taken to bolster overseas marketing systems.

In the graphic (printing) segment, the move to filmless imaging is accelerating as digital printing processes take root both in Japan and overseas. Regarding its mainstay printing-use films, Konica Minolta selectively strengthened its marketing operations in overseas markets and strove to maintain the level of sales volume.

As a result, sales to outside customers in this segment increased 8% from the previous fiscal year, to ¥158.7 billion. Operating income, however, dropped 24%, to ¥8.8 billion, owing to a rise in expenses connected with the development of digital equipment products as well as to the soaring price of silver used as a raw material.

4. Other Business

Sensing Business [Colorimeters, 3-D digitizers, and other measurement devices]

This segment maintained strong sales of colorimeters to customers in the flat panel display industry and automobile manufacturing industry. Moreover, various market route development efforts were made for three-dimensional digitizers including industrial and academic applications. From the fiscal year under review, the performance of three new autonomous sensing business marketing companies—in the United States, Europe, and Singapore—has been included within the scope of consolidated accounts. Sales to outside customers amounted to ¥10.0 billion, and operating income totaled ¥1.6 billion,

Industrial Ink-Jet Printer Business [Industrial ink-jet printer heads, large ink-jet printers, etc.]

Drawing on Konica Minolta's proprietary ink-jet technologies and unique chemical and ink technologies, this segment markets high-definition printer heads to major printer manufacturers and large ink-jet printers for textile use as well as various ink consumables for these printers. Established in January 2005, the business corporation responsible for this segment has entered its second year of full-fledged operations. Thanks to proactive initiatives during the first half of the current fiscal year aimed at developing new customers, that company has maintained robust performance. In the fiscal year under review, sales to outside customers in this business were ¥5.9 billion, and operating income was ¥1.2 billion.

Photo Imaging Business [Film, photographic paper, etc.]

In the Photo Imaging Business, as mentioned previously, Konica Minolta plans to progressively terminate all business operations by September 30, 2007. Regarding color film and photographic paper business, the Company has reduced the number of products and volume of production in stages, and manufacturing operations were ended as of March 31, 2007. Plans call for completing the closure or ownership transfer of all related domestic and overseas marketing companies and offices during the first half of the current fiscal year. As a result of this policy, sales to outside customers amounted to ¥47.7 billion, and an operating loss of ¥800 million was recorded.

Outlook for the fiscal year ending March 31, 2008

Despite concerns regarding the possibility of a slowdown in the U.S. economy, which has been driving the world economy, the overall prognosis is for continued strong economic expansion both in Japan and overseas. However, we recognize that conditions will remain challenging due to such factors as intensifying price competition in digital product markets and skyrocketing prices of crude oil and other raw materials as well as the difficulty of forecasting yen exchange rates against the dollar, euro, yuan, and other currencies.

Regarding trends in the Konica Minolta Group's principal markets, in the Business Technologies Business, the Company believes ordinary companies' propensities to invest in IT equipment will continue increasing, sustaining robust demand for high-function, high-performance, office network-compatible color MFPs with the objective of replacing existing products as well as expanding existing stocks of products. Regarding the Optics Business, demand for certain products in digital equipment and telecommunication equipment industries—including TAC film and other LCD-related materials as well as glass hard disk substrates—is projected to undergo a period of adjustment during the first half of the current fiscal year, but a general trend of expanding demand is expected from the latter half of the year. The Medical and Graphic Imaging Business is expected to be impacted by the ongoing shift to filmless imaging in Japan and overseas, and the Group is responding by emphasizing speedy measures to strengthen digital product marketing operations.

Amid these circumstances, the Company will expeditiously implement the strategies and other measures described in FORWARD 08 and concertedly use Group capabilities to attain the performance targets specified below. Regarding net sales, as the drop accompanying the exit from Photo Imaging Business is expected to be more than offset by growth in the Business Technologies Business and the Optics Business, sustained growth in overall Group sales is anticipated. Regarding operating income, despite an approximately ¥5.0 billion rise in amortization expense due to the revision of the depreciation and amortization system within the fiscal 2007 tax code reform, the Group is aiming to generate a level of operating income that is higher than that in the fiscal year under review. The projected level of net income in the current fiscal year is down ¥25.0 billion from the fiscal year under review, but this decrease reflects the projected lack of certain special circumstances that temporarily increased net income during the fiscal year under review. For example, approximately ¥12.0 billion in extraordinary gains were recorded for the fiscal year under review on the disposal of fixed assets and investment securities in connection with the exit from Photo Imaging Business, and permitted deductions from taxable income associated with losses on business discontinuation are projected to decrease during the current fiscal year in step with progress in the discontinuation of the Photo Imaging Business.

[Billions of yen]

	Fiscal year ending March 31, 2008		Fiscal year ended March 31, 2007		Increase (Decrease)	
	Interim	Full year	Interim	Full year	Interim	Full year
Net sales	496.0	1,045.0	493.9	1,027.6	2.1	17.4
Operating income	48.0	105.0	46.2	104.0	1.8	1.0
Recurring profit	42.0	93.0	44.8	98.0	(2.8)	(5.0)
Net income (loss)	20.5	47.5	22.5	72.5	(2.0)	(25.0)

Please note that the following foreign currency exchange rates have been assumed in this outlook:

U.S. dollar: ¥115
Euro: ¥150

**The above performance projections were made based on assumptions, forecasts, and plans that were current at the time of the business report and are subject to change due to various potential risks and uncertainties. Depending on economic conditions, market trends, exchange rate trends, and diverse other factors, actual performance may be considerably different from projected performance.*

(2) Financial Position

Overview

		As of March 31, 2007	As of March 31, 2006	Increase (Decrease)
Total assets	[millions of yen]	951,052	944,054	6,997
Shareholders' equity	[millions of yen]	368,624	293.817	-
Shareholders' equity per share	[yen]	692.39	553.50	-
Equity ratio	[%]	38.6	31.1	7.5

Note: The figure used for total assets at previous fiscal year-end is the total for the shareholders' equity section.

At fiscal year-end, total assets amounted to ¥951.0 billion, up ¥6.9 billion compared with the end of the previous fiscal year. While the exit from the Photo Imaging Business was accompanied by progressive measures to dispose of certain assets during the fiscal year under review, business expansion in other business fields during the year was accompanied by an increase in assets centered on receivables and tangible assets. Inventory assets fell ¥15.8 billion, to ¥133.5 billion, and sustained efforts to reduce the level of interest-bearing debt caused the balance of interest-bearing debt to decrease ¥7.1 billion, to ¥229.3 billion.

Regarding net assets, such factors as the posting of ¥72.5 billion in net income for the fiscal year under review boosted retained earnings and consequently net assets recorded ¥368.6 billion. Net assets per share came to ¥692.39 and the shareholders' equity ratio rose 7.5 percentage points from the end of the previous fiscal year, to 38.6%,

Cash Flows [Million of yen]

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase (Decrease)
Cash flows from operating activities	66,712	78,924	(12,212)
Cash flows from investing activities	-56,401	-43,146	(13,254)
Total (Free cash flow)	10,311	35,778	(25,467)
Cash flows from financing activities	-5,170	-16,850	11,680

Cash flows from operating activities

Despite an increase in cash flow reflecting such factors as ¥104.8 billion in income before income taxes, ¥52.6 billion in depreciation and amortization, and ¥13.2 from improvement in the balance of operating capital items, this increase was more than offset by factors including payments for liabilities due to provision for loss on the discontinuation of Photo Imaging Business operations that was posted at the previous fiscal year-end and the reserve for retirement benefits and pension plans as well as income tax payments. Thus, net cash provided by operating activities totaled ¥66.7 billion, ¥12.2 billion less than in the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities totaled ¥56.4 billion, a cash outflow increase of ¥13.2 billion compared with the previous fiscal year. This was primarily due the acquisition of tangible fixed assets amounting to ¥62.5 billion—mainly in the Group's core fields of Business Technologies Business and strategic Optics Business. The investments focused primarily on dies for new products as well as projects to bolster production capacity for such products as polymerized toner and TAC film.

As a result, free cash flows, calculated from the total of cash flows from operating activities and cash flows from investing activities, amounted to ¥10.3 billion, a level ¥25.4 billion lower than in the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5.1 billion, ¥11.6 billion less than in the previous fiscal year. Although ¥70.3 billion was raised through the issuance of convertible bonds, a greater amount was used to redeem bonds and repay borrowings.

As a result of the above, cash and cash equivalents at fiscal year-end totaled ¥86.5 billion, up ¥5.7 billion from the end of the previous fiscal year.

<Cash flow indicators>

	FY ended March 31, 2003	FY ended March 31, 2004	FY ended March 31, 2005	FY ended March 31, 2006	FY ended March 31, 2007
Shareholders' equity ratio [%]	35.1	34.6	35.6	31.1	38.6
Market price-based shareholders' equity ratio [%]	65.0	81.5	60.2	84.5	86.4
Debt redemption period [years]	2.3	3.1	4.4	3.0	3.4
Interest coverage ratio	14.3	11.1	10.1	14.4	12.8

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets
Market price-based shareholders' equity ratio: Market capitalization / Total assets
Years of debt redemption: Interest-bearing debt / Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities / Interest payments

Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock). Net cash flow from operating activities are those stated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows.

Cash Flow Outlook for the Fiscal Year Ending March 31, 2008

Konica Minolta projects that free cash flow, the net value of cash flows from operating and investing activities, will amount to an outflow of approximately ¥20 billion,

(3) Basic Policy Regarding Profit Distribution, Dividends for the Fiscal Year under Review, and Projected Dividends for the Current Fiscal Year

[1] Basic policy regarding profit distribution

Regarding the retained earnings distribution policies determined by the Company's board of directors, in accordance with the FORWARD 08 medium-term management plan objectives of increasing the new added value by the Group's operations and pursuing the Group's growth as well as maximizing the Group's corporate value, during the period of the plan, priority will be given to accumulating internal reserves, proactively working to promote strategic investments in growth fields, and proactively strengthening the Company's financial position while also striving to distribute stable levels of profit to shareholders.

With respect to its basic policy of paying stable dividends from retained earnings, the Company has chosen ¥10 per share as a benchmark dividend level. Moreover, in view of its goal of increasing dividends, the Company has set the objective of maintaining a dividend payout ratio of 15% or more on a consolidated basis and will to the extent possible increase dividends in line with changes in Group performance.

Regarding retained earnings, the Company intends to employ retained earnings to fund such projects as R&D and capital investments in current and future growth fields while also appropriately taking such measures as those to distribute retained earnings.

With respect to the acquisition of treasury stock, the Company does not currently intend to acquire treasury stock but intends to make appropriate decisions regarding treasury stock acquisition as a means of profit distribution while giving due attention to such factors as the Company's financial condition and stock price trends.

[2] Dividends for the fiscal year under review

We greatly regret not being able to distribute interim dividends for the fiscal year under review due to the considerable extraordinary losses recorded on both consolidated and nonconsolidated bases in the previous fiscal year in connection with the decision to exit the Photo Imaging Business.

However, because structural reforms associated with the exit of those operations are moving ahead on schedule and because the benefits of steps being taken to strengthen operations centered on the Business Technologies Business and the Optics Business are progressively being reflected in consolidated performance in a manner that enables the forecast of the restoration of the basis for renewed dividends, the Company is proposing to draw on retained earnings to distribute a ¥10-per-share year-end dividend as a means of rewarding loyal shareholders for their support to date.

[3] Projected dividends for the current fiscal year

Regarding dividends applicable to the current fiscal year, based on the FORWARD 08 medium-term management plan objectives of increasing the new added value by the Group's operations and maximizing the Group's corporate value, during the period of the plan, the Company will proactively work to promote strategic investments in growth fields, and proactively strengthening the Company's financial position while also striving to distribute stable levels of profit to shareholders. Accordingly, the Company currently plans to distribute interim dividends and year-end dividends of ¥5 per share (¥10 per share dividends applicable to the fiscal year).

**Figures given in the text as billions of yen have been rounded off to the nearest hundred million.*

2. GROUP OVERVIEW

The Group comprises the parent company, 120 consolidated subsidiaries, 25 non-consolidated subsidiaries, and 9 affiliates. A chart detailing the business structure follows.

Konica Minolta Holdings, Inc

Business Technologies Businesses: 80
(Consolidated Subsidiaries: 59, Unconsolidated Subsidiaries: 16, Affiliates: 5)

Production: 9
Konica Minolta Supplies Manufacturing Co., Ltd.
Toyohashi Precision Products Co., Ltd.
Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
Konica Minolta Business Technologies (WUXI) Co., Ltd. (China)

Other Companies: 5

↓

Konica Minolta Business Technologies, Inc.

↓

Sales: 70
Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Business Solutions U.S.A., Inc. (U.S.A)
Konica Minolta Business Solutions Europe GmbH (Germany)
Konica Minolta Business Solutions Deutschland GmbH (Germany)
Konica Minolta Business Solutions (UK) Ltd. (U. K.)
Konica Minolta Business Solutions France S.A.S. (France)
Konica Minolta Business Solutions Australia Pty. Ltd. (Australia)
Other Companies: 63

Sensing Business: 4
(Consolidated Subsidiaries: 4)

Konica Minolta Sensing, Inc.
Sales: 3
Konica Minolta Sensing Europe B.V. (Netherlands)
Konica Minolta Sensing Americas, Inc. (U.S.A)
Konica Minolta Sensing Singapore, Pte.Ltd. (Singapore)

Photo Imaging Businesses: 28
(Consolidated Subsidiaries: 22, Unconsolidated Subsidiaries: 5, Affiliates: 1)

Production: 7
↓
Konica Minolta Photo Imaging, Inc.
↓
Sales: 20

Optics Businesses: 9
(Consolidated Subsidiaries: 9)

Production: 7
Konica Minolta Opto Products Co., Ltd.
Konica Minolta Opto (DALIAN) Co., Ltd. (China)
Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China) *2
Konica Minolta Glass Tech Malaysia Sdn. Bhd. (Malaysia) *4
Other Companies: 3

↓

Konica Minolta Opto, Inc.

↓

Sales: 1
Konica Minolta Opto (SHANGHAI) Co., Ltd. (China)

Medical and Graphic Imaging Businesses: 19
(Consolidated Subsidiaries: 14, Unconsolidated Subsidiaries: 3, Affiliates: 2)

Production: 4
Konica Minolta Technoproducts Co., Ltd.

Konica Minolta Repro Co., Ltd.

Other Companies: 2

↓

Konica Minolta Medical & Graphic , Inc.

↓

Sales: 14
Konica Minolta Medical Co., Ltd. *5
Konica Minolta ID System Co., Ltd.
Konica Minolta Medical Imaging U.S.A., Inc. (U.S.A.)
Konica Minolta Graphic Imaging Japan Co., Ltd.
Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.A.)

Other Companies: 9

Other Businesses: 14
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 1, Affiliates: 1)

Konica Minolta IJ Technologies, Inc.
Konica Minolta Business Expert, Inc.
Konica Minolta Technology Center, Inc.
Konica Minolta Logistics Co., Ltd.
Konica Minolta Sogo Service Co., Ltd.
Konica Minolta Engineering Co., Ltd.
Konica Minolta Information System Co., Ltd.
Konica Minolta Technosearch Co., Ltd.
Konica Minolta Planetarium Co., Ltd.
Other Companies: 5

Notes:
*1: Organization chart is as March 31, 2007. Only major consolidated subsidiaries are shown.
*2: On August 31, 2006, Konica Minolta Optical Products (SHANGHAI) Co., Ltd. was transferred to the Optics Business from the Photo Imaging Business through the transfer of the shares.
*3: On July 1, 2006, Konica Minolta ID Imaging Co., Ltd., was transferred to a third party.
*4: On November 2, 2006, Konica Minolta Glass Tech Malaysia Sdn. Bhd is established.
*5: On April 1, 2007, Konica Minolta Medical Co., Ltd., and Konica Minolta MG Techno Support Co., Ltd., merged and the merged company was renamed Konica Health Care Co., Ltd.,

3. MANAGEMENT POLICY

(1) Basic Management Policy

With its sights set on becoming an innovative corporate group that generates new excitement in the area of imaging input/output, the Konica Minolta Group is developing its business globally under the business philosophy “Creation of new value.”

Management philosophy:	“Creation of new value”
Management vision:	“Innovative corporation that continues to create impressions in the field of imaging” “A global market leader that offers advanced technology and reliability.”
Corporate message:	“The essentials of imaging”

(2) Medium-to Long-Term Management Strategies and Pending Issues

Medium-Term Business Plan “FORWARD 08”

In line with its “Creation of new value” management philosophy, the Konica Minolta Group is leveraging its advanced technologies and reputation for reliability to expand its global operations while aiming to be an innovative corporate group that elicits new excitement in the image inputting and outputting field. Based on consideration of strategies for Group development after exciting the Photo Imaging Business, in May 2006, the Konica Minolta Group drafted “FORWARD 08,” a new medium-term business plan that covers the three-year period from April 2006 through March 2009. This plan outlines the growth strategies the Group is using to further increase the added value in its operations and maximize its corporate value.

Basic Strategies and Numerical Targets of the Medium-Term Business Plan “FORWARD 08”

- Basic Strategies
  1. Promote growth by leveraging collective Group resources
  2. Build a new corporate image
  3. Promote world-class corporate social responsibility (CSR) management
- Numerical Targets (for Fiscal year ending March 31, 2009)
  1. Consolidated net sales: ¥1,100 billion
  2. Consolidated operating income: ¥110 billion
     (consolidated operating profit margin: 10%)
  3. Consolidated Net income: ¥57 billion

To improve our growth potential, we consider it crucial to pursue inter-business synergies beyond the Group’s current framework and increase the added value of our businesses. We will accelerate Group growth in the equipment and services business group, which includes MFPs, LBPs and digital printing, and medical imaging businesses as well as in the component business group, which focuses on business related to optical components and display materials.

We are intent on integrating the Group’s core technologies—namely, optical, image processing, materials, and nano fabrication technologies—and providing innovative high quality products and services that anticipate customers’ needs. To demonstrate that the Group is a business partner worthy of absolute confidence, we are working to further strengthen our capabilities for employing technologies and drafting proposals in line with customers’ perspectives.

Strong corporate social responsibility (CSR) performance is an increasingly important requirement for realizing sustained corporate growth. To accelerate the implementation of CSR management activities in line with global standards, Konica Minolta is dynamically implementing programs aimed at ensuring that it is consistently in the top class of companies regarding such fundamental manufacturing-related issues as environmental protection and quality assurance matters. At the same time, the Group is progressively implementing a broad range of other CSR initiatives, including those aimed at augmenting its communications with all kinds of stakeholders—including shareholders as well as customers, transactional partners, residents of local communities, and employees—and stepping up its contribution to society at large as well as increasing the rigor of its internal control systems.

Implementation of the Medium-Term Business Plan

As reported on the first page of this flash report, during the fiscal year ended March 31, 2007, which is the first year of the medium-term plan, the Konica Minolta Group’s sales and profitability were higher than originally projected. Operating income surpassed the ¥100 billion mark for the first time, and the operating income ratio reached the 10% level targeted for the fiscal year ending March 2009. Having emphasized efforts to strengthen its operations in Business Technologies Business and the Optics Business, the Group displayed positive results in these fields. For example, it has become the top manufacturer in its segments of the color MFP markets of Europe and the United States, and it has launched next-generation DVD pickup lenses in advance of competing companies.

On the other hand, to further accelerate its growth, Konica Minolta has comprehensively brushed up its “FORWARD 08” medium-term business plan, tightening the focus of emphasized items in each business field and creating concrete action plans that specify the measures to be taken with respect to those items. To ensure growth during the period from April 2007 through March 2009, it will be important to further strengthen and advance operations in current core businesses. In the Business Technologies Business, the Group will further reinforce its “genre top” position with respect to color MFPs. In the Optics Business, the Group will employ high-function films to expand operations in the LCD television market. The Group is proceeding with the implementation of measures in line with these and other strategy outlines.

In addition, as the next corporate growth step, Konica Minolta believes it must leverage its core business field business bases and technological resources to expand the scope of its operations into peripheral fields adjacent to its core businesses. In the Business Technologies Business, the Group will advance from solutions business centered on equipment sales and move into service businesses. In the medical field, the Group will undertake image-based diagnosis support business employing computer analysis technologies. We have already begun preparations for these and other initiatives of this type.

As another means of preparing the basis for the Group’s sustained growth over the medium-to-long term, Konica Minolta is working to nurture new businesses with the potential to become important pillars of its operations in the future. One example of such initiatives that has already been announced is our agreement with General Electric Company to employ Konica Minolta’s unique organic EL (electroluminescence technologies in collaborative efforts to commercialize OLED (Organic Light Emitting Diode) products by 2010. In addition to combining and integrating the materials and coating technologies and other core technologies Konica Minolta cultivated in photographic business the Group is moving ahead with preparations to enter new business fields by strategically employing outside resources that enable the shortening of business development periods.

To effectively attain these objectives, it will be important to further strengthen the Group’s corporate structure. Specifically, we are seeking to strengthen the Group through measures aimed at three primary goals: (1) strengthening our base of development and manufacturing capabilities, (2) rebuilding our corporate culture in a manner designed to promote corporate growth, and (3) establishing a strong and solid financial structure.

4. Consolidated Financial Statements

(1) Consolidated Statements of Income

[Millions of yen]

	April 1, 2005 – March 31, 2006		April 1, 2006 – March 31, 2007		Change	
	Amount	% of net sales	Amount	% of net sales	Amount	YOY[%]
Net sales	1,068,390	100.0	1,027,630	100.0	(40,759)	(3.8)
Cost of sales	575,163	53.8	532,714	51.8	(42,448)	(7.4)
Gross profit	493,227	46.2	494,916	48.2	1,689	0.3
Selling, general and administrative expenses	409,811	38.4	390,909	38.1	(18,901)	(4.6)
Operating income	83,415	7.8	104,006	10.1	20,590	24.7
Non-operating income	[14,879]	1.4	[14,653]	1.4	[(226)]	(1.5)
Interest and dividend income	1,756		2,316		559	
Exchange gain	5,413		3,432		(1,981)	
Other	7,709		8,904		1,195	
Non-operating expenses	[21,457]	2.0	[20,559]	2.0	[(897)]	(4.2)
Interest expense	5,427		5,088		(338)	
Disposal losses of inventories	7,540		7,054		(485)	
Equity method loss	2,507		160		(2,347)	
Other	5,982		8,255		2,273	
Recurring profit	76,838	7.2	98,099	9.5	21,261	27.7
Extraordinary profit	[3,353]	0.3	[11,848]	1.2	(8,495)	253.3
Gain on sales of fixed assets	1,255		7,275		6,019	
Gain on sales of investment securities	1,528		2,788		1,259	
Gain on sales of investments in affiliated companies	569		1,200		630	
Gain on sale of investment	-		54		54	
Reversal of allowance for doubtful receivables	-		529		529	
Extraordinary losses	[116,126]	10.9	[5,058]	0.5	[(111,068)]	(95.6)
Loss on disposal and sale of fixed assets	3,689		2,791		(898)	
Loss on sale of investment in affiliates	19		619		599	
Loss on sale of investment securities	420		44		(376)	
Write-down on investment securities	8		26		18	
Loss on impairment of fixed assets	4,143		640		(3,502)	
Payment for dissolution of business	96,625		935		(95,689)	
Provisioning of special outplacement program	6,484		-		(6,484)	
Amortization of consolidation goodwill	2,361		-		(2,361)	
Other extraordinary loss	2,372		-		(2,372)	
Income (loss) before income taxes and minority interests	(35,934)	(3.4)	104,890	10.2	140,824	-
Income taxes	24,650	2.3	27,307	2.6	2,656	10.8
Deferred income taxes	(7,116)	(0.7)	4,827	0.5	11,944	-
Minority interests in earnings of consolidated subsidiaries	837	0.1	213	0.0	(623)	(74.5)
Net Income (loss)	(54,305)	(5.1)	72,542	7.1	126,847	-

(2) Consolidated Balance Sheets

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Current assets	[540,152]	[57.2]	[544,237]	[57.2]	[4,085]	[0.8]
Cash and deposits	80,878		85,677		4,799	
Trade notes and accounts receivable	246,264		257,380		11,115	
Marketable securities	-		909		909	
Inventories	149,428		133,550		(15,877)	
Deferred tax assets	43,242		41,336		(1,906)	
Other accounts receivable	10,048		10,999		950	
Other current assets	19,681		19,489		(192)	
Allowance for doubtful accounts	(9,393)		(5,106)		4,287	
Fixed assets	[403,902]	[42.8]	[406,814]	[42.8]	[2,912]	0.7
Tangible fixed assets	[216,127]	22.9	[230,094]	24.2	[13,967]	6.5
Buildings and structures	63,426		65,368		1,941	
Machinery and vehicles	55,607		69,264		13,657	
Tools and equipment	25,227		28,643		3,415	
Land	35,871		33,065		(2,805)	
Construction in progress	13,128		12,406		(722)	
Rental business-use assets	22,866		21,346		(1,519)	
Intangible fixed assets	[103,483]	11.0	[97,971]	10.3	[(5,511)]	(5.3)
Goodwill	-		82,074		82,074	
Consolidated goodwill	80,789		-		(80,789)	
Other intangible fixed assets	22,694		15,897		(6,796)	
Investments and others	[84,291]	8.9	[78,748]	8.3	[(5,543)]	(6.6)
Investment securities	37,459		33,948		(3,511)	
Long-term loans	1,051		614		(437)	
Long-term prepaid expenses	4,462		4,393		(68)	
Deferred tax assets	29,135		27,306		(1,828)	
Other investments	13,328		13,037		(290)	
Allowance for doubtful accounts	(1,146)		(552)		593	
Total assets	944,054	100.0	951,052	100.0	6,997	0.7

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Liabilities						
Current liabilities	[476,559]	50.5	[377,069]	39.6	[(99,489)]	(20.9)
Notes and account payable - trade	117,974		121,707		3,732	
Short-term loans	135,362		79,927		(55,435)	
Long-term loans due within one year	8,086		17,075		8,989	
Bonds due within one year	14,037		29		(14,007)	
Unpaid expenses	27,948		44,230		16,281	
Accrued expenses	77,044		36,799		(40,244)	
Accrued income taxes	8,778		14,171		5,393	
Allowance for bonus	-		13,485		13,485	
Allowance for director’s bonus	-		278		278	
Allowance for product warranty	5,084		4,994		(90)	
Provision for loss on discontinued operations	58,078		28,097		(29,980)	
Note payable equipment	6,035		5,082		(952)	
Other current liabilities	18,128		11,188		(6,939)	
Long-term liabilities	[170,924]	18.1	[205,358]	21.6	[34,434]	20.1
Bonds	5,030		75,266		70,236	
Long-term loans	74,045		57,065		(16,980)	
Deferred tax assets on land revaluation	4,042		4,028		(14)	
Reserve for retirement benefits and pension plans	64,869		57,947		(6,921)	
Reserve for directors’ retirement benefits	442		459		17	
Other long-term liabilities	22,493		10,590		(11,903)	
Total liabilities	647,483	[68.6]	582,427	[61.2]	(65,055)	[(10.0)]

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Minority Interests	2,753	0.3	-	-	-	-
Capital stock	37,519	4.0	-	-	-	-
Additional paid-in capital	226,069	23.9	-	-	-	-
Regained earnings	20,088	2.1	-	-	-	-
Unrealized gain on securities	10,180	1.1	-	-	-	-
Translation adjustment	875	0.1	-	-	-	-
Treasury stock	(915)	(0.1)	-	-	-	-
Total shareholders' equity	293,817	[31.1]	-	-	-	-
Total liabilities, minority interests, and shareholders' equity	944,054	100.0	-	-	-	-
Shareholders' equity	-	-	[356,269]	[37.5]	-	-
Capital stock	-	-	37,519	3.9	-	-
Additional paid-in capital	-	-	204,143	21.5	-	-
Retained earnings	-	-	115,704	12.2	-	-
Treasury stock	-	-	(1,097)	(0.1)	-	-
Revaluation and translation adjustments	-	-	[11,198]	[1.2]	-	-
Unrealized gain on securities	-	-	7,454	0.8	-	-
Gain (loss) on deferred hedges	-	-	(90)	(0.0)	-	-
Translation adjustment	-	-	3,834	0.4	-	-
Subscription warrant	-	-	108	0.0	-	-
Minority interests	-	-	1,048	0.1	-	-
Total shareholder's equity	-	-	368,624	[38.8]	-	-
Total liabilities and shareholder's equity	-	-	951,052	100.0	-	-

Notes:	As of March 31, 2006	As of March 31, 2007	Increase (Decrease)
1.Accumulated depreciation on tangible fixed assets (millions of yen)	460,877	411,965	(48,912)
2. Number of shares of treasury stock	825,124	939,214	114,090

(3) Consolidated Statements of Retained Earnings

[Millions of yen]

	April 1, 2005 - March 31, 2006 Amount
(Additional paid-in capital)	
Additional paid-in capital at beginning of period	[226,069]
Decrease in additional paid-in capital	[0]
Reversal of profit on disposition of treasury stock	0
Additional paid-in capital at period end	226,069
(Retained earnings)	
Retained earnings at beginning of period	[79,491]
Increase in retained earnings	[200]
Increase resulting from newly consolidated subsidiaries	200
Decrease in retained earnings	[59,603]
Net loss	54,305
Dividends	2,654
Bonuses to directors and corporate auditors	32
Provision for payment of retirement allowance of subsidiaries in U.K	2,611
Retained earnings at period end	20,088

(4) Consolidated Statements of Changes in Shareholder’s Equity

[Millions of yen]

	Shareholder’s’ Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Sub total shareholder’s equity
Balance at March 31, 2006	37,519	226,069	20,088	(915)	282,761
Changes during the period					
Net income			72,542		72,542
Changes in the scope of consolidation			527		527
Deficit coverage transfer from capital surplus to retained earnings		(21,928)	21,928		-
Purchase of treasury stock				(190)	(190)
Disposal treasury stock		2		7	9
Provision for payment of retirement allowance debt of overseas subsidiaries			618		618
Changes, net, in items other than shareholder’s equity					
Total changes during the period	-	(21,926)	95,616	(182)	73,508
Balance at March 31,2007	37,519	204,143	115,704	(1,097)	356,269

	Revaluation and Translation Adjustments						
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total evaluation and transition adjustment	Subscription warrant	Minority interests	Total shareholder’s equity
Balance at March 31, 2006	10,180	-	875	11,055	-	2,753	296,571
Changes during the period							
Net income for the period							72,542
Changes in the scope of consolidation							527
Deficit coverage transfer from capital surplus to retained earnings							-
Purchase of treasury stock							(190)
Disposal treasury stock							9
Provision for payment of retirement allowance debt of overseas subsidiaries							618
Changes, net, in items other than shareholders’ equity	(2,725)	(90)	2,958	142	108	(1,705)	(1,455)
Total changes during the period	(2,725)	(90)	2,958	142	108	(1,705)	72,053
Balance at March 31, 2007	7,454	(90)	3,834	11,198	108	1,048	368,624

(5) Consolidated Statement of Cash Flow

[Millions of yen]

	April 1, 2005 - March 31, 2006	April 1, 2006 - March 31, 2007
I. Cash flows from operating activities		
Net income (loss) before income taxes and minority interests	(35,934)	104,890
Depreciation and amortization	51,198	52,692
Impairment losses	4,143	640
Amortization of consolidated goodwill	5,595	-
Amortization of goodwill	-	6,476
Increase (decrease) in allowance for doubtful accounts	465	(4,378)
Interest and dividend income	(1,756)	(2,316)
Interest expense	5,427	5,088
Loss (gain) on sale and disposals of tangible fixed assets	2,434	(4,484)
Loss (gain) on sale and disposals of investment securities	(1,099)	(2,717)
Loss (gain) on sale of affiliated companies for retirement benefits	-	(580)
Increase (decrease) in employees' retirement benefits	-	(8,383)
Increase (decrease) in loss reserve of discontinued operations	-	(29,980)
Lump-sum amortization of consolidated goodwill	2,361	-
Other extraordinary losses	2,372	-
Payment for dissolution of business	96,625	-
Special additional severance benefits	6,484	-
(Increase) decrease in trade notes and accounts receivable	7,257	(976)
(Increase) decrease in inventories	22,032	19,262
Increase (decrease) in trade notes and accounts payable	(31,855)	(5,064)
Increase (decrease) in accrued consumption tax payable	400	(1,969)
Reversal of reserve for impairment of lease Assets	-	(3,129)
Increase (decrease) on transfer of lease assets used in sales activities	(11,278)	(10,168)
Other	(11,821)	(16,764)
Subtotal	113,051	98,137
Interest and dividends received	1,524	2,473
Interest paid	(5,488)	(5,220)
Additional amount of special retirement allowance	-	(6,484)
Income taxes paid	(30,162)	(22,193)
Net cash provided by operating activities	78,924	66,712
II . Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(51,904)	(62,517)
Proceeds from sale of tangible fixed assets	5,551	12,064
Payment for acquisition of intangible fixed assets	(8,809)	(6,703)
Proceeds from sale of business	8,599	-
Payment for additional acquisition of securities of consolidated subsidiaries	-	(2,744)
Payment (proceeds) for sales of investments in consolidated subsidiaries on a change	-	1,744
Payment for acquisition of new consolidated subsidiary on a change	(1,729)	-
Payment for loans receivable	(541)	(891)
Proceeds from return of loan receivable	1,556	1,142
Payment for acquisition of investment securities	(42)	(1,411)
Proceeds from sale of investment securities	5,057	3,461
Payment for other investments	(3,236)	(2,129)
Other	2,352	1,585
Net cash used in investing activities	(43,146)	(56,401)

	April 1, 2005 - March 31, 2006	April 1, 2006 - March 31, 2007
III . Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(25,819)	(53,125)
Proceeds from long-term loans payable	27,502	-
Repayment of long-term loans payable	(7,396)	(8,079)
Proceeds from issuing of bonds	9,184	70,300
Redemption of bonds	(17,536)	(14,002)
Proceeds from sale of treasury stock	10	9
Payment to execute buyback of treasury stock	(135)	(190)
Dividend payments	(2,661)	(12)
Dividend payments to minority shareholders	-	(70)
Net cash used in financing activities	(16,850)	(5,170)
IV. Effect of exchange rate changes on cash and cash equivalents	2,463	322
V. Increase (decrease) in cash and cash equivalents	21,391	5,463
VI. Cash and cash equivalents at beginning of the period	59,485	80,878
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	1	245
VIII. Cash and cash equivalents at end of the period	80,878	86,587

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 120

Principal consolidated subsidiaries:

Konica Minolta Business Technologies, Inc.
Konica Minolta Opto, Inc.
Konica Minolta Medical & Graphic , Inc.
Konica Minolta Sensing, Inc.
Konica Minolta Photo Imaging, Inc.
Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Medical Co., Ltd.
Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Business Solutions Europe GmbH
Konica Minolta Business Technologies Manufacturing (HK) Ltd.

Unconsolidated subsidiaries have not been included in consolidation because they are relatively small and their assets, sales, net income, and retained earnings (in proportion to scale of equity ownership) do not have a material influence on consolidated results.

2. Scope of the Use of Equity Accounting

Number of unconsolidated subsidiaries accounted for by the equity method: 10

Principal unconsolidated subsidiaries: ECS Buero-und Datensysteme GmbH

Number of affiliates accounted for by the equity method: 3

The total net income and retained earnings of equity-method non-consolidated subsidiaries and affiliates were of small scale and had negligible effect on consolidated financial statements. Therefore they have been excluded from the scope of the equity method

3. Changes Regarding Consolidated Subsidiaries during the Fiscal Year under Review

Some consolidated subsidiaries have fiscal years ending on December 31, and consolidated financial statements are prepared using the financial statements of those companies as of that fiscal year-end date. Adjustments are made to consolidated accounts to account for important transactions involving those companies that occur between the end of those companies' fiscal year-end date and the end of the consolidated fiscal year.

(Consolidated Subsidiaries with Fiscal Years Ending on December 31)

Konica Minolta Business Solutions (CHINA) Co., Ltd.
Konica Minolta Business Solutions (WUHAN) Co., Ltd.
Konica Minolta Business Solutions (Shenzhen) Co., Ltd.
Konica Minolta International Trading (SHANGHAI) Co., Ltd.
Konica Minolta Medical & Graphic (SHANGHAI) Co., Ltd.
Konica Minolta Business Solutions do Brazil Ltda.
Konica Minolta Business Solutions de Mexico SA de CV.
Konica Minolta Business Solutions Finland Oy
Konica Minolta Medical Systems Russia

(Change to Accounting Policy)

Among consolidated subsidiaries, three companies:
Konica Minolta (CHINA) Investment Ltd.
Konica Minolta Business Technologies (WUXI) Co., Ltd.
Konica Minolta Optical Products (SHANGHAI) Co., Ltd.
have fiscal years ending on December 31, and consolidated financial statements were previously prepared using the financial statements of those companies as of that fiscal year-end date. Adjustments were previously made to consolidated accounts to account for important transactions involving those companies that occur between the end of those companies' fiscal year-end date and the end of the consolidated fiscal

year.
To increase the appropriateness of consolidated accounting information, however, the Company has from the fiscal year under review shifted to a new consolidated accounting method for these companies. From the fiscal year under review, these companies prepare provisional financial statements for hypothetical fiscal years ending March 31, and these provisional financial statements are used to prepare consolidated financial statements. Because of this change, during the fiscal year under review, which is the transitional fiscal year, the hypothetical fiscal years of these three companies cover the 15-month period from January 1, 2006, through March 31, 2007.

4. Accounting Standards and Methods

(1) Asset valuation

1. Securities

Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the balance sheet date. (Total net unrealized gains or losses after tax effect adjustments are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market values are primarily stated at cost using the moving value average.

2. Derivatives

Derivatives are stated using the mark-to-market method.

3. Inventories

Domestic consolidated subsidiaries' inventories are, in the main, recorded at cost as determined by the periodic-average method. Overseas consolidated subsidiaries' inventories are recorded at the lower of cost or market value, with cost determined by the first-in, first-out method.

(2) Depreciation and amortization of major depreciable assets

1. Tangible fixed assets

The depreciable assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. Overseas consolidates subsidiaries adopt the straight-line method for depreciation. However, the parent and its domestic consolidated subsidiaries have used the straight-line method for their buildings (excluding annexed structures) acquired since April 1, 1998.

2. Intangible fixed assets

We have adopted the straight-line method based on an estimated in-house working life of five years for the software we use.

(3) Reserves

1. Allowance for doubtful receivables

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.

2. Reserves for Bonuses

To prepare for the payment of employee bonuses, an amount corresponding to the current portion of estimated bonus payments to employees is recorded.

3. Allowance for directors' bonuses

To prepare for the payment of directors' bonuses, an amount corresponding to the projected value of bonus payments to directors for the fiscal year under review is recorded.

4. Reserves for product warranty

The provisioning of free after-sales service for products is recorded based on past after-sales service expenses as a percentage of net sales.

5. Provision for loss on discontinued operations

To provide for losses when the Company exits a business, provisions to this reserve are made in the amount of the estimated losses.

6. Reserves for retirement benefits

In order to provide employee retirement benefits, the amount recorded by the Company is based on projected benefit obligations and pension assets at the end of the fiscal year.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized, primarily by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

7*. Allowance for Directors' Retirement Benefits*

Consolidated subsidiaries, to provide for the payment of directors' retirement benefits, record reserve for benefits for retired directors and auditors in an actual amount equal to the need at the end of the year period under review based on the Company's regulations.

(4) Lease transactions

Finance leases are principally accounted for as operating leases that do not transfer ownership rights of the leased property to the lessee.

(5) Principal accounting methods for hedge transactions

1. Hedge accounting methods

The deferred hedge method is used. Special accounting methods are used for interest rate swaps.

2. Hedge methods and hedge targets

The hedge methods are forward exchange contracts, and interest rate swaps.

The hedge targets are scheduled foreign currency denominated transactions, corporate bonds, and borrowings.

3. Hedge policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts as hedging instruments only, not for trading purpose to make profits, within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates.

In addition, the Company and consolidated subsidiaries enter into interest rate swaps to make interest rates on bonds and borrowings stable or reduce costs fluctuations for future capital procurement, both as hedging instruments only, not for speculation purpose, within the limit of actual financial or operating transactions.

4*. Methods for evaluating the effectiveness of hedges*

Verification is made to ascertain a high correlation between value fluctuations of hedged items and hedging instruments.

(6) Other important items regarding the preparation of consolidated financial statements

1. Consumption tax

National and local consumption taxes are accounted for by the tax excluded method.

2. Consolidated tax payment system

From the fiscal year under review, the consolidated tax payment system was applied.

5. Valuation of consolidated subsidiary's assets and liabilities

The market value method is used to value the assets and liabilities of consolidated subsidiaries.

6 Amortization of consolidation goodwill

Amortization of goodwill is carried out separately for each goodwill item over a rational time period of 20 years or less.

7. Range of cash within consolidated cash flow statements

Cash (cash and cash equivalents) in the interim consolidated cash flow statements comprises cash on hand and short-term investments easily converted into cash with little risk to a change in value.

DISCREPANCIES BETWEEN METHODS RECOGNIZED IN THE MOST RECENT CONSOLIDATED FISCAL ACCOUNTING YEAR AND ACCOUNTING PROCEDURES FOR THE FISCAL YEAR UNDER REVIEW

(Accounting standard for presentation of shareholder's equity in the balance sheet)

As of the period under review, the Company adopted the "Accounting Standard for Presentation of New Assets in the Balance Sheet" (Corporate Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the "Guidelines for Application of the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Corporate Accounting Standard Guidelines No.8, issued by the Accounting Standards Board of Japan on December 9, 2005). Total shareholder's equity as presented previously would amount to approximately ¥367,576 million. In addition, as of the period under review, shareholder's equity in consolidated financial statements have been presented according to the revised rules pertaining to consolidated financial statements.

(Accounting standard for stock options)

As of the period under review, the Company adopted the "Accounting Standard for Stock Options" (Corporate Accounting Standard No.8, issued by the Accounting Standards Board of Japan on December 27, 2005) and the "Guidelines for Application of the Accounting Standard for Stock Options" (Corporate Accounting Standard Guidelines No.11, issued by the Accounting Standards Board of Japan on May 31, 2006). As a result, operating income, recurring income, and income before income taxes for the period under review declined ¥108 million.

(Accounting standard for directors' bonuses)

From the fiscal year under review, the Company has applied "Accounting Standards concerning Corporate Officers' Bonuses" (ASBJ Statement No. 4, November 29, 2005). As a result of this change, operating income, recurring income, and income before income taxes were each reduced by ¥278 million.

(Accounting standard for retirement benefits in the United States)

Previously, consolidated subsidiary Konica Minolta Business Solutions U.S.A., Inc., accounted for retirement benefits based on the FAS87 U.S. retirement benefits accounting standard. From the fiscal year under review, however, that company has applied the new FAS158 U.S. retirement benefits accounting standard. As a result of this change, surplus reserves of ¥137 million were directly added to retained earnings.

CHANGES TO PRESENTATION METHODS

(Balance Sheet Items)

1. Reserves for Bonuses

In the previous fiscal year, “estimated bonus payments to employees” was included within “accrued expenses.” To more appropriately present this figure, from the fiscal year under review, it is included within “reserves for bonuses.” The value of “estimated bonus payments to employees” included within “payables” in the previous fiscal year was ¥13,018 million.

2. Receivables and Payables

In the previous fiscal year, “confirmed expense obligation payables” was included within “accrued expenses.” To more appropriately present this figure, from the fiscal year under review, it is included within “payables.” The value of “confirmed expense obligation payables” included within “accrued expenses” in the previous fiscal year was ¥38,017 million.

3. Goodwill

In the previous fiscal year, “consolidated goodwill” was included within “consolidation adjustments” and “intangible fixed assets,” but, from the fiscal year under review, this figure is shown as “goodwill.” The value of “goodwill” included within “intangible fixed assets” in the previous fiscal year was ¥6,726 million.

IMPORTANT NOTES

(Consolidated Statements of Income)

1. Regarding loss on discontinued operations, losses accompanying the decision to exit Photo Imaging Business are the net balance between the drawing down of the “provision for discontinued operations” recorded in the previous fiscal year and in the “payment for dissolution of business” for the current fiscal year

Drawing down of the “provision for discontinued operations”	¥17,567 million
Payment for dissolution of business	¥18,502 million

2. The “gain on sales of fixed assets” primarily reflects gains on sales of land and structures undertaken in accordance with the decision to exit Photo Imaging Business.

(Items pertaining to consolidated statements of Income for the period under review)

The figure for overseas subsidiaries' disposal of retirement benefit-related liabilities stems from provisions for the accounting treatment of retirement benefit payments that affected a portion of consolidated subsidiaries in the United Kingdom and the United States.

5. SEGMENT INFORMATION

(1) Information by Business Segment

Fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

[Millions of yen]

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

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 ¥ 19,391 million.

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. From the fiscal year under review, the Company is applying “Accounting Standards concerning the Impairment of Fixed Assets.” As a result, depreciation and amortization expense, etc., decreased, operating income for Photo Imaging Business increased ¥2,997 million, and operating income for other operations increased ¥20 million.

(2) Information by Geographical Area

Fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, Others	Total	Elimination & corporation	Consolidation
Sales							
Outside customers	460,196	246,786	263,702	56,945	1,027,630	-	1,027,630
Intersegment sales/transfers	292,774	2,247	969	183,885	479,877	[479,877]	-
Total	752,970	249,033	264,672	240,830	1,507,507	[479,877]	1,027,630
Operating expenses	639,740	244,932	254,632	239,016	1,378,321	[454,697]	923,624
Operating income	113,230	4,100	10,040	1,814	129,186	[25,179]	104,006
Total assets	865,962	179,007	155,426	92,420	1,292,817	[341,765]	951,052

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 ¥ 19,391 million.

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, 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. From the fiscal year under review, the Company is applying “Accounting Standards concerning the Impairment of Fixed Assets.” As a result, depreciation and amortization expense, etc., decreased, operating income for Japan operations increased ¥1,840 million, operating income for North America operations increased ¥1,077 million, operating income for Europe operations increased ¥64 million, and operating income for Asia, excluding Japan, Others operations increased ¥35 million.

(3) Overseas Sales

Fiscal year ended March 31, 2007 (from April 1, 2006 to March 31, 2007)

[Millions of yen]

	North America	Europe	Asia excluding Japan and Other Countries	Total
Overseas sales	257,160	279,324	204,623	741,109
Consolidated sales	-	-	-	1,027,630
Overseas sales as a percentage of consolidated sales	25.0%	27.2%	19.9%	72.1%

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%

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, 2007.

8. TAX-EFFECT ACCOUNTING

(1) Deferred tax assets and deferred tax liabilities

[Millions of yen]

	As of March 31, 2006	As of March 31, 2007
Deferred tax assets		
Excess of reserve for retirement benefits over deductible limit	32,417	28,949
Net loss carried forward	23,529	25,244
Elimination of unrealized profit by internal trading	14,807	18,121
Excess of allowance for loss on discontinued operations	14,405	12,901
Tax effects related to investments	6,054	8,720
Write-down on assets, other	11,457	7,658
Excess of accrued bonuses over deductible limit	5,621	5,181
Excess of depreciation and amortization over deductible limit	7,446	4,298
Accrued enterprise taxes	1,728	2,148
Excess of allowance for doubtful accounts over deductible limit	3,157	986
Special additional retirement benefits	2,638	-
Other	13,999	16,194
Deferred tax assets subtotal	137,265	130,405
Valuation allowance	(52,392)	(49,902)
Total deferred tax assets	84,872	80,502
Deferred tax liabilities		
Revaluation difference of marketable securities	(7,689)	(6,374)
Retained profit of overseas subsidiaries	(2,185)	(3,194)
Gain on establishment of employee pension trust	(3,161)	(3,124)
Reserve for advanced depreciation, other	(1,448)	(1,086)
Other	(111)	(291)
Total deferred tax liabilities	(14,596)	(14,072)
Net deferred tax assets	70,276	66,430

Deferred tax liabilities related to revaluation	[Millions of yen]	[Millions of yen]
Deferred tax liabilities related to revaluation of land	(4,042)	(4,028)

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

[Millions of yen]

	As of March 31, 2006	As of March 31, 2007
Current assets – deferred tax assets	43,242	41,336
Fixed assets – deferred tax assets	29,135	27,306
Current liabilities – other current liabilities	(3)	(21)
Long-term liabilities – other long-term liabilities	(2,097)	(2,191)

(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, 2006	As of March 31, 2007
Statutory income tax rate	40.7	40.7
(Adjustments)		
Valuation allowance	(95.0)	(9.3)
Tax credits (R&D expenses, other)	6.5	(2.6)
Dividends received, etc., items that will never be included in income	-	(0.7)
Tax rate difference with overseas subsidiaries	-	(0.3)
Entertainment expense, etc., items that will never be included in loss	-	1.7
Amortization of consolidation goodwill	(9.0)	-
Amortization of goodwill	-	1.9
Other	8.0	(0.8)
Effective income tax rate after the adoption of tax effect accounting	(48.8)	30.6

9. MARKETABLE SECURITIES

Fiscal year ended March 31, 2007

(1) Other marketable securities with market values (As of March 31, 2007)

[Millions of yen]

Type		Acquisition cost	Total amount on consolidated balance	Difference
Total amount on consolidated balance sheets exceeds the acquisition cost	(1) Stocks	11,638	24,836	13,198
	(2) Bonds	24	24	-
	(3) Other	214	214	-
	Sub total	11,877	25,075	13,198
Total amount on consolidated balance sheets does not exceed the acquisition cost	(1) Stocks	5,697	5,057	(640)
	(2) Bonds	-	-	-
	(3) Other	-	-	-
	Sub total	5,697	5,057	(640)
Total		17,575	30,132	12,557

(2) Other marketable securities sold in fiscal year ended March 31, 2007 (April 1, 2006 - March 31, 2007)

[Millions of yen]

	Sales amount	Total gain	Total loss
Other marketable securities	5,629	2,788	44

(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	378

Fiscal year ended March 31, 2006

(1) Other marketable securities with market values (As of March 31, 2006)

[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	-	-	-
	(3) Other	120	129	8
	Sub 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	-	-	-
	(3) Other	16	12	(3)
	Sub total	2,897	2,706	(191)
Total		16,706	33,252	16,546

(2) Other marketable securities sold in fiscal year ended March 31, 2007 (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

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, 13 Group companies have adopted tax-qualified benefit plans and 5 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 3 companies have enrolled in the mutual aid system for specific retirement allowances.

(2) Items related to retirement benefit liabilities

[Millions of yen]

	As of March 31, 2006	As of March 31, 2007
a. Retirement benefit liabilities	(154,221)	(149,936)
b. Pension assets	108,320	108,766
c. Unfunded retirement benefit liabilities (a+b)	(45,901)	(41,170)
d. Unrecognized difference under actuarial calculations	(5,572)	(4.528)
e. Unrecognized liabilities for employees' prior service (reduction in liabilities)	(11,768)	(9.557)
f. Net amount on consolidated balance sheets (c+d+e)	(63,241)	(55,256)
g. Prepaid pension costs	1,627	2,690
h. Allowance for retirement benefits (f-g)	(64,869)	(57,947)

Note:

As of March 31, 2006	As of March 31, 2007
1. Certain subsidiaries use a simplified method of calculated pension liabilities.	1. Certain subsidiaries use a simplified method of calculated pension liabilities.

(3) Items related to retirement benefit costs

[Millions of yen]

	April 1, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007
a. Employment costs	5,024	6,383
b. Interest costs	4,107	4,244
c. Expected income from management of funds	(2,046)	(2,887)
d. Amount amortized of difference under actuarial calculations	3,220	338
e. Amount amortized of liabilities for employees' prior service	(1,536)	(1,529)
f. Retirement benefit costs (a+b+c+d+e)	8,769	6,549
g. Account on defined contribution pension plan	2,895	2,745
Total (g+h+i)	11,665	9,295

Notes:

April 1, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007
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

[Millions of yen]

	April 1, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007
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, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007	YoY(%)
Business Technologies	336,627	340,914	1.3%
Optics	109,223	134,303	23.0%
Photo Imaging	104,285	21,665	(79.2%)
Medical and Graphic	96,365	99,292	3.0%.
Sensing	7,741	7,746	0.1%
Other	1,969	2,605	32.3%
Total	656,212	606,527	(7.6%)

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.

13. PER SHARE INFORMATION

[yen]

April 1, 2005 – March 31, 2006		April 1, 2006 – March 31, 2007	
Shareholder's equity per share	553.50	Shareholder's equity per share	692.39
Net loss per share	102.29	Net income per share	136.67
Net income per share after adjustment for potential dilution	—	Net income per share after adjustment for potential dilution	134.00

Because a net loss was recorded in the previous fiscal year, net income per share after adjustment for potential dilution is not shown for that year.

Notes: Bases of calculations

1. Shareholder's equity per share

	April 1, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007
Total shareholder's equity in consolidated balance sheets [millions of yen]	—	368,624
Total shareholder's equity attributable to common stock [millions of yen]	—	367,467
Principal factors underlying difference [millions of yen]		
Warrants	—	108
Minority interests	—	1,048
Common stock outstanding [thousands of shares]	—	531,664
Treasury stock [thousands of shares]	—	939
Common stock figure used for calculating shareholder's equity per share [thousands of shares]	—	530,725

2. Net income per share and net income per share after adjustment for potential dilution

	April 1, 2005 – March 31, 2006	April 1, 2006 – March 31, 2007
Total net income (loss) in consolidated statements of income [millions of yen]	(54,305)	72,542
Value not attributable to common stock [millions of yen]	—	—
Total net income (loss) attributable to common stock [millions of yen]	(54,305)	72,542
Average number of shares outstanding during the year [thousands of shares]	530,898	530,778
Main net income adjustment items used to calculate net income per share after adjustment for potential dilution figure [millions of yen]		
Interest receivable (after deducting tax)	—	(24)
Adjustment of net income per share [millions of yen]	—	(24)
Main common stock change items used to calculate net income per share after adjustment for potential dilution figure [thousands of shares]		
Convertible bonds with warrants	—	10,137
Warrants	—	253
Change in shares outstanding [thousands of shares]	—	10,390

14. NONCONSOLIDATED FINANCIAL STATEMENTS

(1) Statements of income and retained earnings

[Millions of yen]

	April 1, 2005 - March 31, 2006		April 1, 2006 - March 31, 2007		Change	
	Amount	% of operating revenue	Amount	% of operating revenue	Amount	YoY (%)
Operating revenue	55,854	100.0	58,201	100.0	2,346	4.2
Operating expenses	28,445	50.9	28,507	49.0	62	0.2
Operating income	27,409	49.1	29,693	51.0	2,284	8.3
Non-operating income	[2,875]	5.1	[3,630]	6.3	[754]	26.2
Interest income	2,284		2,990		706	
Dividends earned	369		247		(122)	
Other	221		392		171	
Non-operating expenses	[2,001]	3.6	[2,325]	4.0	[323]	16.2
Interest expense	1,082		1,378		296	
Interest paid on corporate bonds	388		233		(154)	
Other	531		713		182	
Recurring profit	28,283	50.6	30,999	53.3	2,715	9.6
Extraordinary profit	[1,545]	2.8	[8,908]	15.3	[7,362]	476.4
Gain on sales of fixed assets	98		4,096		3,997	
Gain on sales of investment securities	1,447		965		(482)	
Gain on reversal of reserve for doubtful receivables	-		2,477		2,477	
Gain on reversal of provision for discontinued operations	-		1,370		1,370	
Extraordinary losses	[68,846]	123.3	[1,257]	2.2	[(67,589)]	(98.2)
Loss on disposal and sale of fixed assets	1,047		997		(49)	
Loss due to impairment	5,240		9		(5,230)	
Provision for doubtful accounts	61,071		-		(61,071)	
Provision for loss on discontinued operations	1,370		-		(1,370)	
Special additional severance benefits	117		-		(117)	
Loss on abandonment of bonds of affiliates	-		250		250	
Income (loss) before income taxes for the period under review	(39,017)	(69.9)	38,650	66.4	77,667	-
Income taxes	(6,568)		(3,317)		3,251	
Deferred income taxes	1,792		983		(809)	
Net income (loss)	(34,240)	(61.3)	40,984	70.4	75,225	-
Retained earnings (loss) at beginning of the period	3,886		-		(3,886)	
Amount lost through land reappraisal differential	666		-		(666)	
Unappropriated earnings (loss) at the fiscal year-end	(29,688)		-		29,688	

Note: Depreciation and amortization execution figures (Millions of yen)

	Previous Fiscal Year	Fiscal Year under Review	Change
Tangible fixed assets	4,006	3,660	-345
Intangible fixed assets	1,651	1,381	-269

(2) Balance Sheets

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current assets	[136,391]	[35.4]	[215,768]	[48.1]	[79,376]	[58.2]
Cash and deposits	27,902		32,186		4,283	
Accrued revenue	1,448		1,457		9	
Prepaid expenses	934		353		(581)	
Deferred tax assets	354		290		(63)	
Short-term loans	143,521		212,756		69,234	
Other receivables	21,784		26,943		5,158	
Other current assets	1,667		538		(1,128)	
Allowance for doubtful accounts	(61,221)		(58,757)		2,464	
Fixed assets	[248,792]	[64.6]	[232,603]	[51.9]	[(16,188)]	[(6.5)]
Tangible fixed assets	[73,095]	19.0	[71,136]	15.9	[(1,959)]	(2.7)
Buildings	37,475		36,923		(551)	
Structures	3,086		2,770		(315)	
Machinery and Equipments	1,228		1,180		(48)	
Vehicles	0		0		0	
Equipment	579		487		(91)	
Land	30,669		28,926		(1,743)	
Construction in progress	56		847		791	
Intangible fixed assets	[3,623]	0.9	[2,404]	0.5	[(1,218)]	(33.6)
Software	3,214		2,229		(984)	
Other intangible fixed assets	409		175		(234)	
Investments and others	[172,073]	44.7	[159,063]	35.5	[(13,010)]	(7.6)
Investment securities	24,978		26,187		1,209	
Shares in affiliates	126,632		126,632		-	
Company concerned investment	3,794		3,794		-	
Company concerned long-term loans	14,100		-		(14,100)	
Long-term prepaid expenses	732		785		52	
Other investments	1,932		1,750		(182)	
Allowance for doubtful accounts	(96)		(86)		9	
Total assets	385,184	100.00	448,372	100.0	63,188	16.4

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current liabilities	[101,402]	26.3	[71,896]	16.0	[(29,505)]	(29.1)
Trade notes payable	54		61		7	
Short-term loans	71,585		33,772		(37,812)	
Long-term loans due within one year	8,085		16,763		8,677	
Bonds due within one year	5,000		-		(5,000)	
Account payable - other	9,660		18,476		8,815	
Accrued expenses	5,135		967		(4,168)	
Accrued income taxes	450		1,468		1,017	
Advances received	17		2		(14)	
Allowance for bonuses	-		194		194	
Allowance for corporate officers’ bonuses	-		144		144	
Allowance for loss on discontinued operations	1,370		-		(1,370)	
Other current liabilities	42		44		2	
Long-term liabilities	[94,052]	24.4	[147,103]	32.8	[53,050]	56.4
Bonds	5,000		75,266		70,266	
Long-term loans	73,752		56,981		(16,770)	
Deferred tax liabilities	1,660		1,732		72	
Deferred tax liabilities related to revaluation	5,591		5,567		(24)	
Reserve for retirement benefits and pension plans	7,033		7,118		84	
Other long-term liabilities	1,014		436		(578)	
Total liabilities	195,454	[50.7]	218,999	[48.8]	23,545	[12.0]
Capital stock	37,519	9.7	-	-	-	-
Additional paid-in capital	[157,521]	40.9	[-]	-	[-]	-
Capital reserve	157,501		-		-	
Other additional paid-in capital	[19]		[-]		[-]	
Gain on disposal of treasury stock	19		-		-	
Retained earnings	[(21,928)]	(5.7)	[-]	-	[-]	-
Legal reserves	7,760		-		-	
Unappropriated earnings (loss) - including net income	(29,688)		-		-	
[Of which, net income (loss)]	[(34,240)]		[-]		[-]	
Gain on revaluation of land	7,896	2.1	-	-	-	-
Revaluation difference of other marketable securities	9,636	2.5	-	-	-	-
Treasury stock	(915)	(0.2)	-	-	-	-
Total shareholders' equity	189,729	[49.3]	-	[-]	-	[-]
Total liabilities and shareholders' equity	385,184	100.0	-	-	-	-

[Millions of yen]

	As of March 31, 2006		As of March 31, 2007		Change	
	Amount	% of total	Amount	% of total	Amount	YOY[%]
Shareholders' equity	[-]	-	[213,036]	[47.5]	[-]	-
Capital stock	-	-	37,519	8.3	-	-
Additional paid-in capital	[-]	-	[135,594]	30.2	[-]	-
Capital surplus	-		135,592		-	
Other capital surplus	-		2		-	
Retained earnings	[-]	-	[41,019]	9.2	[-]	-
Other retained earnings	[-]		[41,019]		[-]	
Advanced depreciation reserve	-		33		-	
Increase in retained earnings	-		40,985		-	
Treasury stock	-	-	(1,097)	(0.2)	-	-
Revaluation and translation adjustments	[-]	-	[16,228]	[3.7]	[-]	-
Unrealized gain on securities	-	-	8,366	1.9	-	-
Change in land value	-	-	7,861	1.8	-	-
Subscription warrant	-	-	108	0.0	-	-
Total shareholder's equity	-	[-]	229,372	[51.2]	-	[-]
Total liabilities and shareholder's equity	-	-	448,372	100.0	-	-

Note: [Millions of yen]

	As of March 31, 2006	As of March 31, 2007	Increase (Decrease)
1.Accumulated depreciation on tangible fixed assets (millions of yen)	74,425	69,362	(5,063)
2. Balance of guaranteed obligations	23,844	10,660	(13,184)
<Of which, contingent liabilities, etc.>	< 9,000 >	< - >	< (9,000) >

These figures include joint guarantees of the Company and its subsidiaries amounting to ¥566 million in the fiscal year under review and ¥6,575 million in the previous fiscal year, and, if the Company were to cover those liabilities, it would have the right to demand full payment from the relevant subsidiaries.

(3) Statements of Changes in Shareholder's Equity

[Millions of yen]

	Shareholder's equity			
	Capital stock	Additional paid-in capital		
		Capital surplus	Other capital surplus	Total additional paid-in capital
Balance at March 31, 2006	37,519	157,501	19	157,521
Changes during the period				
Reversal of other capital surplus (deficit coverage)			(19)	(19)
Reversal of earned reserve (deficit coverage)				
Reversal of legal capital surplus (deficit coverage)		(21,908)		(21,908)
Provision for reserve for advanced depreciation (period under review)				
Reversal of reserve for advanced depreciation (period under review)				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			2	2
Reversal of change in land value				
Changes, net, in items other than shareholders' equity				
Total changes during the period	—	(21,908)	(17)	(21,926)
Balance at March 31, 2007	37,519	135,592	2	135,594

	Shareholder's equity					
	Retained earnings				Treasury stock	Total shareholder's equity
	Legal earned reserve	Other retained earnings		Total retained earnings		
		Advanced depreciation reserve	Increase in retained earnings			
Balance at March 31, 2006	7,760	—	(29,688)	(21,928)	(915)	172,196
Changes during the period						
Reversal of other capital surplus (deficit coverage)			19	19		—
Reversal of earned reserve (deficit coverage)	(7,760)		7,760	—		—
Reversal of legal capital surplus (deficit coverage)			21,908	21,908		—
Provision for reserve for advanced depreciation (period under review)		38	(38)	—		—
Reversal of reserve for advanced depreciation (period under review)		(4)	4	—		—
Net income			40,984	40,984		40,984
Purchase of treasury stock					(190)	(190)
Disposal of treasury stock					7	9
Reversal of change in land value			35	35		35
Changes, net, in items other than shareholders' equity						
Total changes during the period	(7,760)	33	70,674	62,948	(182)	40,839
Balance at March 31, 2007	—	33	40,985	41,019	(1,097)	213,036

	Revaluation and translation adjustments			Subscription warrant	Total shareholder’s equity
	Unrealized gains on securities	Change in land value	Total evaluation and transition adjustment		
Balance at March 31, 2006	9,636	7,896	17,532	—	189,729
Changes during the period					
Reversal of other capital surplus (deficit coverage)					—
Reversal of earned reserve (deficit coverage)					—
Reversal of legal capital surplus (deficit coverage)					—
Provision for reserve for advanced depreciation (period under review)					—
Reversal of reserve for advanced depreciation (period under review)					—
Net income					40,984
Purchase of treasury stock					(190)
Disposal of treasury stock					9
Reversal of change in land value		(35)	(35)		—
Changes, net, in items other than shareholders’ equity	(1,269)		(1,269)	108	(1,161)
Total changes during the period	(1,269)	(35)	(1,304)	108	39,642
Balance at March 31, 2007	8,366	7,861	16,228	108	229,372

BASIS OF PRESENTING FINANCIAL STATEMENTS

1. Asset Valuation

(1) Shares of subsidiaries and affiliates

Shares of subsidiaries and affiliates are stated at cost using the moving-average method.

(2) Other securities

Securities with fair market value are stated using the mark-to-market method based on the market price at the year-end settlement date. (Total net unrealized gains or losses after tax effect adjustment are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market value are primarily stated at cost using the moving-average method.

2. Criteria and methods for evaluating derivatives

Valuation at market price

3. Depreciation and amortization of major depreciable assets

(1)Tangible fixed assets

The declining-balance method is used. However, the straight-line method is used for buildings (excluding annexed structures) acquired since April 1, 1998.

(2)Intangible fixed assets

The straight-line method is used. For software for internal use, the straight-line method is adopted based on a licensing period of five years.

4. Reserves

(1) Allowance for doubtful receivables

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.

(2) Reserves for bonuses

To prepare for the payment of employee bonuses, an amount corresponding to the current portion of estimated bonus payments to employees is recorded.

(3) Allowance for directors' bonuses

To prepare for the payment of directors' bonuses, an amount corresponding to the projected value of bonus payments to directors for the fiscal year under review is recorded.

(4) Reserve for retirement benefits

To prepare for employee retirement benefits, the Company has calculated the amount recognized to have been incurred at the end of the consolidated accounting period based on projected benefit obligations and pension assets at the end of the current fiscal year.

For treatment of expenses related to prior service obligations, we apply the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

Regarding actuarial loss/gain, expenses are treated from the following fiscal year of business, based on the straight-line method based on a fixed number of years (10) within the average remaining service period of the employee at the time of occurrence.

5. Lease Transactions

Finance leases that do not transfer ownership rights of the leased property to the lessee are principally accounted for based on the usual methods for operating leases.

6. Principal Accounting Methods for Hedge Transactions

(1) Hedge accounting methods

The deferred hedge method is used. Special accounting methods are used for interest rate swaps that meet certain conditions.

(2)Hedging instruments and hedging targets

Interest rate swaps are used as the hedge method.
The hedge targets are scheduled corporate bonds and borrowings

(3) Hedge policy

The Company enters into interest rate swaps to make interest rates on bonds and borrowings stable or reduce the risk of costs fluctuations for future capital procurement, not for speculation purpose, within the limit of actual financial or operating transactions.

(4) Methods for evaluating the effectiveness of hedges

Verification is made to ascertain a high correlation among value fluctuations of hedged items, cash flows and hedge instruments.

7. Land revaluation

Land for industrial purposes that had been revaluated based on the Law Concerning Land Revaluation (Law No. 34 implemented on March 31, 1998) was received from Minolta on October 1, 2003, at the time of the merger. The amount corresponding to taxes on the amount of the land revaluation is included under the item deferred tax liabilities related to land revaluation. An amount equivalent to the amount of the revaluation less the deferred tax liability has been entered in shareholders' equity as the differential on revaluation of land.

(1) Method of revaluation

The value of the land has been evaluated according to the value appraisal method for land fronting major roads, as provided for in Article 2-4 of the Enforcement Orders for the Law Concerning Land Revaluation (Enforcement Orders No. 119, implemented on March 31, 1998) and the method for valuation of fixed assets provided for in Article 2-3 of the Enforcement Orders.

(2) Date of revaluation

March 31, 2002

(3) The difference between the market value of the revalued land at the end of the fiscal year under review and the book value following revaluation

￥(7,198) million

8. Other important items regarding the preparation of financial statements

(1) Consumption tax

National and local consumption taxes are accounted for by the tax excluded method.
In addition, of consumption tax excluding the asset-related exempt portion, the deferred consumption tax value etc., stipulated by the tax law is accounted for as a long-term prepaid expense and amortized over five years based on the straight-line method.

(2) Consolidated tax payment system

Consolidated tax payment system is adopted.

DISCREPANCIES BETWEEN METHODS RECOGNIZED IN THE MOST RECENT FISCAL ACCOUNTING YEAR AND ACCOUNTING PROCEDURES FOR THE FISCAL YEAR UNDER REVIEW

(Accounting standard for presentation of shareholder’s equity in the balance sheet)
As of the period under review, the Company adopted the “Accounting Standard for Presentation of New Assets in the Balance Sheet” (Corporate Accounting Standard No. 5, issued by the Accounting Standards Board of Japan on December 9, 2005) and the “Guidelines for Application of the Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standard Guidelines No.8, issued by the Accounting Standards Board of Japan on December 9, 2005). Total shareholder’s equity as presented previously would amount to approximately ¥299,264 million.

(Accounting standard for stock options)
As of the period under review, the Company adopted the “Accounting Standard for Stock Options” (Corporate Accounting Standard No.8, issued by the Accounting Standards Board of Japan on December 27, 2005) and the “Guidelines for Application of the Accounting Standard for Stock Options” (Corporate Accounting Standard Guidelines No.11, issued by the Accounting Standards Board of Japan on May 31, 2006). As a result, operating income, recurring income, and income before income taxes for the period under review declined ¥108 million.

(Accounting standard for directors’ bonuses)
From the fiscal year under review, the Company has applied “Accounting Standards concerning Corporate Officers’ Bonuses” (ASBJ Statement No. 4, November 29, 2005). As a result of this change, operating income, recurring income, and income before income taxes were each reduced by ¥144 million.

CHANGES TO PRESENTATION METHODS

(Balance Sheet Items)

1. Reserves for bonuses
In the previous fiscal year, “estimated bonus payments to employees” was included within “accrued expenses.” To more appropriately present this figure, from the fiscal year under review it is included within “reserves for bonuses.” The value of “estimated bonus payments to employees” included within “payables” in the previous fiscal year was ¥177 million.

2. Receivables and Payables
In the previous fiscal year, “confirmed obligation expense payables” was included within “accrued expenses.” To more appropriately present this figure, from the fiscal year under review, it is included within “payables.” The value of “confirmed obligation expense payables” included within “accrued expenses” in the previous fiscal year was ¥3,816 million.

15. LEASE TRANSACTIONS

Notation has been omitted due to disclosure through EDINET.

16. NEGOTIABLE SECURITIES

At both the end of the previous fiscal year and the end of the fiscal year under review, none of the Company’s subsidiary or affiliates had listed shares.

17. TAX-EFFECT ACCOUNTING

1. Breakdown by cause of deferred tax assets and liabilities

[Millions of yen]

	As of March 31, 2006	As of March 31, 2007
Deferred tax assets		
Excess of reserve for doubtful accounts over deductible limit	24,952	23,943
Losses on stock of affiliated companies	13,757	13,757
Excess of reserve for retirement benefits and pension over deductible limit	5,949	5,760
Net loss carried forward	2,729	4,026
Excess of depreciation and amortization over deductible limit	2,028	826
Excess of provisions for reserve for bonuses over deductible limit	-	79
Excess of accrued bonuses over deductible limit	72	-
Provision for loss on discontinued operations	557	-
Other	984	1,802
Deferred tax assets subtotal	51,030	50,197
Valuation allowance	(44,714)	(44,864)
Total deferred tax assets	6,316	5,332
Deferred tax liabilities		
Revaluation difference of marketable securities	(6,611)	(5,740)
Gain on establishment of employee pension trust	(1,011)	(1,010)
Reserve for advanced depreciation	-	(23)
Total deferred tax liabilities	(7,622)	(6,774)
Net deferred tax assets	(1,306)	(1,442)

Deferred tax liabilities related to revaluation	[Millions of yen]	[Millions of yen]
Deferred tax liabilities related to revaluation of land	(5,591)	(5,567)

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, 2006	As of March 31, 2007
Statutory income tax rate	40.7	40.7
(Adjustments)		
Temporary differences for which no write off can be scheduled	(70.4)	0.4
Exclusion from gross revenue of dividends received	40.1	(43.9)
R&D tax credit	0.5	(0.7)
Refunds for past fiscal year income taxes, etc.	-	(0.4)
Other	1.3	(2.1)
Effective income tax rate after the adoption of tax effect accounting	12.2	(6.0)