4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Statements of Income

[Millions of yen]

	April 1, 2006 – March 31, 2007		April 1, 2007 – March 31, 2008		Increase (Decrease)	
	Amount	% of net sales	Amount	% of net sales	Amount	Y/Y [%]
Net sales	1,027,630	100.0	1,071,568	100.0	43,937	4.3
Cost of sales	532,714	51.8	540,225	50.4	7,511	1.4
Gross profit	494,916	48.2	531,343	49.6	36,426	7.4
Selling, general and administrative expenses	390,909	38.1	411,736	38.4	20,826	5.3
Operating income	104,006	10.1	119,606	11.2	15,599	15.0
Non-operating income	[14,653]	1.4	[10,592]	1.0	[(4,061)]	(27.7)
Interest and dividend income	2,316		2,643		326	
Equity method profits of affiliated companies	-		182		182	
Gain on foreign exchange	3,432		-		(3,432)	
Other	8,904		7,766		(1,137)	
Non-operating expenses	[20,559]	2.0	[25,970]	2.5	[5,410]	26.3
Interest expense	5,088		4,465		(622)	
Disposal losses of inventories	7,054		7,065		10	
Equity method loss of affiliated companies	160		-		(160)	
Loss on foreign exchange	-		7,637		7,637	
Other	8,255		6,801		(1,454)	
Recurring profit	98,099	9.5	104,227	9.7	6,128	6.2
Extraordinary profit	[11,848]	1.2	[10,047]	0.9	[(1,801)]	(15.2)
Gain on sales of fixed assets	7,275		1,308		(5,966)	
Gain on sales of investment securities	2,788		20		(2,767)	
Gain on sales of investments in affiliated companies	1,200		47		(1,152)	
Patent-related income	-		8,080		8,080	
Gain on sale of investment	54		-		(54)	
Reversal of allowance for loss on withdrawal from operation	-		590		590	
Reversal of allowance for doubtful receivables	529		-		(529)	
Extraordinary losses	[5,058]	0.5	[15,278]	1.4	[10,220]	202.1
Loss on disposal and sale of fixed assets	2,791		4,533		1,742	
Loss on sale of investment in affiliates	619		-		(619)	
Loss on sale of investment securities	44		0		(43)	
Loss on valuation of investment securities in affiliates	-		54		54	
Write-down on investment securities	26		313		286	
Loss on impairment of fixed assets	640		5,702		5,062	
Payment for dissolution of business	935		-		(935)	
Legal-related expense	-		625		625	
Environmental expense	-		1,856		1,856	
Extra retirement payment	-		460		460	
Other extraordinary loss of overseas subsidiaries	-		1,731		1,731	

Income before income taxes and minority interests	104,890	10.2	98,996	9.2	(5,893)	(5.6)
Income taxes	27,307	2.6	29,496	2.7	2,188	8.0
Deferred income taxes	4,827	0.5	544	0.1	(4,283)	(88.7)
Minority interests in earnings of consolidated subsidiaries	213	0.0	126	0.0	(86)	(40.5)
Net Income	72,542	7.1	68,829	6.4	(3,712)	(5.1)

(2) Consolidated Balance Sheets

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	Y/Y [%]
Current assets	[544,237]	[57.2]	[557,110]	[57.4]	[12,872]	[2.4]
Cash and deposits	85,677		89,218		3,540	
Trade notes and accounts receivable	257,380		234,862		(22,517)	
Marketable securities	909		33,000		32,090	
Inventories	133,550		132,936		(614)	
Deferred tax assets	41,336		37,086		(4,249)	
Other accounts receivable	10,999		14,284		3,285	
Other current assets	19,489		21,330		1,840	
Allowance for doubtful accounts	(5,106)		(5,608)		(502)	
Fixed assets	[406,814]	[42.8]	[413,427]	[42.6]	[6,613]	[1.6]
Tangible fixed assets	[230,094]	24.2	[245,989]	25.3	[15,894]	6.9
Buildings and structures	65,368		71,815		6,447	
Machinery and vehicles	69,264		86,088		16,823	
Tools and equipment	28,643		26,846		(1,796)	
Land	33,065		35,961		2,895	
Construction in progress	12,406		5,201		(7,204)	
Rental business-use assets	21,346		20,076		(1,270)	
Intangible fixed assets	[97,971]	10.3	[93,848]	9.7	[(4,123)]	(4.2)
Goodwill	82,074		75,809		(6,264)	
Other intangible fixed assets	15,897		18,038		2,140	
Investments and others	[78,748]	8.3	[73,589]	7.6	[(5,158)]	(6.6)
Investment securities	33,948		28,651		(5,296)	
Long-term loans	614		430		(184)	
Long-term prepaid expenses	4,393		3,589		(803)	
Deferred tax assets	27,306		28,604		1,298	
Other investments	13,037		12,743		(294)	
Allowance for doubtful accounts	(552)		(430)		122	
Total assets	951,052	100.0	970,538	100.0	19,485	2.0

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	Y/Y [%]
Liabilities						
Current liabilities	[377,069]	39.6	[365,570]	37.7	[(11.498)]	(3.0)
Notes and account payable - trade	121,707		109,413		(12,294)	
Short-term loans	79,927		93,875		13,947	
Long-term loans due within one year	17,075		6,363		(10,712)	
Bonds due within one year	29		5,000		4,970	
Unpaid expenses	44,230		54,286		10,055	
Accrued expenses	36,799		33,355		(3,444)	
Accrued income taxes	14,171		16,449		2,278	
Allowance for bonus	13,485		15,121		1,636	
Allowance for director’s bonus	278		257		(20)	
Allowance for product warranty	4,994		4,342		(651)	
Allowance for loss on withdrawal from operation	28,097		11,727		(16,370)	
Note payable-equipment	5,082		2,070		(3,012)	
Other current liabilities	11,188		13,307		2,118	
Long-term liabilities	[205,358]	21.6	[186,656]	19.2	[(18,701)]	(9.1)
Bonds	75,266		70,166		(5,100)	
Long-term loans	57,065		50,620		(6,444)	
Deferred tax assets on land revaluation	4,028		4,010		(17)	
Reserve for retirement benefits and pension plans	57,947		53,367		(4,580)	
Reserve for directors’ retirement benefits	459		544		84	
Other long-term liabilities	10,590		7,946		(2,943)	
Total liabilities	582,427	[61.2]	552,227	[56.9]	(30,200)	[(5.2)]

[Millions of yen]

	As of March 31, 2007		As of March 31, 2008		Increase (Decrease)	
	Amount	% of total	Amount	% of total	Amount	Y/Y [%]
Net assets						
Capital stock	37,519	3.9	37,519	3.9	-	-
Additional paid-in capital	204,143	21.5	204,140	21.0	(2)	(0.0)
Retained earnings	115,704	12.2	177,684	18.2	60,979	52.7
Treasury stock	(1,097)	(0.1)	(1,340)	(0.1)	(242)	(22.1)
Shareholders' equity	[356,269]	[37.5]	[417,003]	[43.0]	[60,734]	[17.0]
Unrealized gain on securities	7,454	0.8	2,913	0.3	(4,541)	(60.9)
Gain (loss) on deferred hedges	(90)	(0.0)	(319)	0.0	(228)	252.2
Translation adjustment	3,834	0.4	(2,431)	(0.3)	(6,266)	-
Revaluation and translation adjustments	[11,198]	[1.2]	[162]	[0.0]	[(11,036)]	[(98.6)]
Subscription warrant	108	0.0	286	0.0	177	164.5
Minority interests	1,048	0.1	858	0.1	(189)	(18.1)
Total net assets	368,624	[38.8]	418,310	[43.1]	49,686	[13.5]
Total liabilities and shareholder's equity	951,052	100.0	970,538	100.0	19,485	2.0

Notes:	As of March 31, 2007	As of March 31, 2008	Increase (Decrease)
1.Accumulated depreciation on tangible fixed assets (millions of yen)	411,965	413,324	1,358
2. Number of shares of treasury stock	939,214	1,055,317	116,103

(3) Consolidated Statements of Changes in Shareholder's Equity

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

[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

Note: The overseas subsidiaries retirement payment liability disposal value refers to liabilities that arose in connection with accounting treatment of retirement payments by a portion of consolidated subsidiaries in the United Kingdom and the United States.

Fiscal year ended March 31, 2008
(From April 1, 2007 to March 31, 2008)

[Millions of yen]

	Shareholder's' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Sub total shareholder's equity
Balance at March 31, 2007	37,519	204,143	115,704	(1,097)	356,269
Changes during the period					
Cash dividends			(9,287)		(9,287)
Net income			68,829		68,829
Changes in the scope of consolidation			405		405
Purchase of treasury stock				(289)	(289)
Disposal treasury stock		(2)	(28)	46	16
Provision for payment of retirement allowance debt of overseas subsidiaries			1,059		1,059
Changes, net, in items other than shareholder's equity					
Total changes during the period	-	(2)	60,979	(242)	60,734
Balance at March 31,2008	37,519	204,140	176,684	(1,340)	417,003

	Revaluation and Translation Adjustments				Subscription warrant	Minority interests	Total shareholder's equity
	Unrealized gains on securities	Gain (loss) on deferred hedges	Translation adjustments	Total evaluation and transition adjustment			
Balance at March 31, 2007	7,454	(90)	3,834	11,198	108	1,048	368,624
Changes during the period							
Cash dividends							(9,287)
Net income							68,829
Changes in the scope of consolidation							405
Purchase of treasury stock							(289)
Disposal treasury stock							16
Provision for payment of retirement allowance debt of overseas subsidiaries							1,059
Changes, net, in items other than shareholders' equity	(4,541)	(228)	(6,266)	(11,036)	177	(189)	(11,048)
Total changes during the period	(4,541)	(228)	(6,266)	(11,036)	177	(189)	49,686
Balance at March 31, 2008	2,913	(319)	(2,431)	162	286	858	418,310

Note: The overseas subsidiaries retirement payment liability disposal value refers to liabilities that arose in connection with accounting treatment of retirement payments by a portion of consolidated subsidiaries in the United Kingdom and the United States.

(4) Consolidated Statement of Cash Flow

[Millions of yen]

	April 1, 2006 - March 31, 2007	April 1, 2007 - March 31, 2008
I. Cash flows from operating activities		
Net income before income taxes and minority interests	104,89	98,996
Depreciation and amortization	52,692	60,443
Impairment losses	640	5,702
Amortization of goodwill	6,476	7,171
Increase (decrease) in allowance for doubtful accounts	(4,378)	780
Interest and dividend incomes	(2,316)	(2,643)
Interest expense	5,088	4,465
Loss (gain) on sale and disposals of tangible fixed assets	(4,484)	3,224
Loss (gain) on sale and write-down of investment securities	(2,717)	293
Loss (gain) on sale of affiliated companies for retirement benefits	(580)	6
Patent-related income	-	(8,080)
Reversal of allowance for loss on withdrawal from operation	-	(590)
Legal-related expense	-	625
Environmental expense	-	1,856
Additional extra retirement payment	-	460
Other extraordinary loss of overseas subsidiaries	-	1,731
Increase (decrease) in retirement and serverance benefits	(8,383)	(4,462)
Increase (decrease) in allowance for loss withdrawal from operations	(29,980	(16,370
Payment for dissolution of business	935	-
(Increase) decrease in trade notes and accounts receivable	(976)	11,157
(Increase) decrease in inventories	19,262	(6,422)
Increase (decrease) in trade notes and accounts payable	(5,064)	(2,027)
Increase (decrease) in accrued consumption tax payable	(1,969)	904
Reversal of reserve for impairment of lease Assets	(3,129)	(171)
Transfer of rental business-use assets	(10,168	(11,847
Other	(17,700	7,468
Subtotal	98,137	152,67
Interest and dividends received	2,473	2,681
Interest paid	(5,220)	(4,444)
Additional amount of special retirement allowance	(6,484)	(355)
Income taxes paid	(22,193	(27,543
Net cash provided by operating activities	66,712	123,01
II . Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(62,517)	(62,969)
Proceeds from sale of tangible fixed assets	12,064	2,907
Payment for acquisition of intangible fixed assets	(6,703)	(5,864)
Payment for acquisition of additional shares of consolidated subsidiaries	(2,744)	(855)
Proceeds from sales of investment in consolidated subsidiaries	1,744	-
Payment for acquisition of newly consolidated subsidiaries	-	(6,832)
Payment for loans receivable	(891)	(113)
Proceeds from collection of loan receivable	1,142	265
Payment for acquisition of investment securities	(1,411)	(1,718)
Proceeds from sale of investment securities	3,461	35
Payment for other investments	(2,129)	(2,609)
Other	1,585	939
Net cash used in investing activities	(56,401	(76,815

	April 1, 2006 - March 31, 2007	April 1, 2007 - March 31, 2008
III . Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(53,125	16,314
Repayment of long-term loans payable	(8,079)	(17,159
Proceeds from issuance of bonds	70,300	-
Redemption of bonds	(14,002	(30)
Proceeds from disposal of treasury stock	9	16
Payment for purchase of treasury stock	(190)	(289)
Dividend paid	(12)	(9,271)
Dividend payments to minority shareholders	(70)	(126)
Net cash used in financing activities	(5,170)	(10,545
IV. Effect of exchange rate changes on cash and cash equivalents	322	(347)
V. Increase in cash and cash equivalents	5,463	35,305
VI. Cash and cash equivalents at beginning of the year	80,878	86,587
VII. Increase in cash and cash equivalents due to newly consolidated subsidiaries and others	245	294
VIII. Cash and cash equivalents at end of the year	86,587	122,18

BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of Consolidation

Number of consolidated subsidiaries: 108

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 Techonology Center, Inc.
Konica Minolta Business Expert, Inc.
Konica Minolta IJ Technologies, Inc.
Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Health Care 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 no material influence on consolidated financial statement.

2. Scope of the Use of Equity Accounting

Number of unconsolidated subsidiaries accounted for by the equity method: 8

Principal unconsolidated subsidiaries: ECS Buero-und Datensysteme GmbH
Konica Minolta Business Solutions Russia LLC

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 (WUHAN) Co., Ltd.
Konica Minolta Business Solutions (Shenzhen) Co., Ltd.
Konica Minolta Medical & Graphic (SHANHAI) Co., Ltd.
Konica Minolta Business Solutions do Brazil Ltda.
Konica Minolta Business Solutions de Mexico SA de CV.
Konica Minolta Medical Systems Russia

(Change to Accounting Policy)

Among consolidated subsidiaries, Konica Minolta Business Solutions (CHINA) Co., Ltd. and Konica Minolta Business Solutions Finland Oy 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 two companies cover the 15-month period from January 1, 2007, through March 31, 2008.

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 Company and its domestic consolidated subsidiaries have used the straight-line method for their buildings (excluding annexed structures) acquired since April 1, 1998.

Changes in Accounting Policy

Accompanying revisions in Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, March 30, 2007, Law No. 6, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, March 30, 2007, Ordinance No. 83), beginning with the fiscal year under review, the method of depreciation for tangible fixed assets purchased on or after April 1, 2007, has been changed to the method prescribed by the revised Income Tax Law. As a result of this change, compared with the previous method employed for the previous fiscal year, operating income and recurring profit were each ¥2,894 million lower than under the previous method of calculating depreciation, and income before income taxes and minority interests was ¥2,886 million lower than it would have been under the previous method. Please note that the impact of this accounting change by business segment is shown in the respective segment information sections.

Additional Information

Accompanying the change in Japan's Corporate Tax Law, the Company and its consolidated subsidiaries have adopted the following method of depreciation for tangible assets acquired on or before March 31, 2007. For those assets that have been depreciated to 5% of their acquisition value using the previous method of calculating depreciation, the difference between the remaining 5% of the acquisition cost and a memorandum price will be written off in equal amounts over the five-year period beginning with the year following the year when the book value is depreciated to 5% of the acquisition cost. As a result of this change in accounting method, for the fiscal year under review, operating income was ¥1,240 million lower, recurring profit was ¥1,241 million lower, and income before income taxes and minority interests was ¥1,030 million lower than these indicators would have been under the previous method for calculating depreciation. Please note that the impact of this accounting change by business segment is shown in the respective segment information sections.

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 accounts

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. Allowance 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 director's bonus

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. Allowance 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. Allowance for loss on withdrawal from operation

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

6. Reserve for retirement benefits and pension plans

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. *Rescrue 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 that meet certain conditions..

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 cash flows and hedging instruments.

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

1. Consumption tax

The tax-exclusion method is used to account for consumption taxes. In addition, asset-related consumption tax that cannot be excluded is accounted for as deferred consumption taxes, etc., in the long-term prepaid expenses item and amortized over a five-year period by the straight-line method.

2. Consolidated tax payment system

The consolidated tax payment system is 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 consolidated cash flow statements comprises cash on hand and short-term investments that are due for redemption in three months or less and that are easily converted into cash with little risk to a change in value.

CHANGES TO PRESENTATION METHODS

(Consolidated balance sheet items)

Because of the revision of consolidated financial reporting guidelines, negotiable deposits issued by domestic companies, which were included within the "cash and deposits" item in the previous fiscal year, are from the fiscal year under review included in the "marketable securities" item.

Negotiable deposits issued by domestic companies on March 31, 2007	¥15,000 million
Negotiable deposits issued by domestic companies on March 31, 2008	¥33,000 million

IMPORTANT NOTES

(Consolidated statements of income items)

1. Regarding patent-related revenue, figures for patents related to Photo Imaging business are aggregate figures that include both patent royalties and gains on patent transfers.
2. Reversal of allowance for loss on withdrawal from operations represents the net value of the portion of losses accompanying the decision to withdraw from Photo Imaging business that were covered by the drawing down of the allowance for the loss on withdrawal from operations during the previous fiscal year, less the value of such losses in the fiscal year under review. The value of these figures is as follows:

Drawing down of the allowance for loss on withdrawal from operations in the previous fiscal year	¥8,425 million
Loss on withdrawal from operations in the fiscal year under review	¥7,834 million

3. Impairment losses mainly represent the reduction of book values to recoverable values with respect to manufacturing facilities and goodwill in the Medical and Graphic business, and goodwill in the Business Technologies business, etc.
4. Extraordinary losses of overseas subsidiaries include; ¥581 million of additional summing up of allowance for doubtful accounts and correction of deferred income in the British subsidiary; ¥838 million of correction of inventory amounts in the British subsidiary; and ¥312 million of deferred income in the Danish subsidiary.

(Consolidated statements of changes in shareholder's equity)

The figure for provision for payment of retirement allowance debt of overseas subsidiaries 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.