5. Note on the Premise of Going Concern

No relevant items occurred during fiscal year ended March 31, 2009

6. Basis of Presenting Consolidated Financial Statements

[1] Scope of Consolidation

Number of consolidated subsidiaries: 105

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: 6

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

(Change to Accounting Policy)

Among consolidated subsidiaries, Veenman Deutschland GmbH has fiscal year ending on December 31, and consolidated financial statements were previously prepared using the financial statements of that company as of that fiscal year-end date. Adjustments were previously made to consolidated accounts to account for important transactions involving that company that occur between the end of that company's 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 that company. From the fiscal year under review, that company prepares 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 this company cover the 15-month period from January 1, 2008, through March 31, 2009.
Also, Konica Minolta Business Solutions Greece S.A., which had a fiscal year ending on December 31, changed its fiscal year-end date to March 31 on being made into a consolidated subsidiary. Because of this change, the results of Konica Minolta Business Solutions Greece S.A. are the results for the 15-month period from January 1, 2008, through March 31, 2009.

[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 (method of reducing book value when the contribution of inventories to profitability declines). Overseas consolidated subsidiaries' inventories are, in the main, recorded at the lower of cost or market value, with cost determined by the first-in, first-out method.

[Change to Accounting Policy]

Beginning with the fiscal year under review, "Accounting Standards for Measurement of Inventories" (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) has been applied to domestic consolidated subsidiaries, and the main method of measurement of inventories was changed from the cost method determined by the periodic-average method to the cost method (method of reducing book value when the contribution of inventories to profitability declines), where cost is determined by the periodic-average method. As a result, compared with the previous method, the introduction of the new method had the effect of decreasing both gross profit and operating income for the fiscal year under review by ¥3,644 million and of decreasing both recurring profit and income before income taxes and minority interests by ¥865 million.

Please note that the impact of this accounting change by business segment is shown in the respective segment information sections.

(2) Amortization Method for Important Depreciable Assets

1. Tangible Fixed Assets (excluding lease assets)

The depreciable assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. Overseas consolidated subsidiaries adopt the straight-line method. 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.

[Additional Information]

Accompanying revisions in Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, April 30, 2008, Law No. 23), the Company and its domestic consolidated subsidiaries reviewed the useful life and classification of depreciable assets, and, with respect to mechanical device, have shifted to the use of the post-revision method of amortizing assets over the applicable useful life and classification of those assets beginning with the fiscal year under review.

As a result, compared with the method used in the previous fiscal year, the introduction of the new method had the effect of decreasing operating income, recurring profit, and net income before income taxes and minority interests by ¥6,587 million each during the fiscal year under review.

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. Lease Assets

Lease assets arising from finance lease transactions that do not transfer of ownership

Depreciation is computed using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero. Finance lease transactions not involving transfer of ownership commencing on or before March 31, 2008 are accounted for based on methods applicable to ordinary rental transactions.

(3) Standards for Key Allowances

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 Company records an amount based on projected benefit obligations and pension assets at the end of the consolidated fiscal year under review. Prior service cost is being amortized as incurred by the straight-line method over certain periods (principally 10 years) which are shorter than the average remaining years of service of the employees at the time when the service cost is generated. Actuarial gains and losses are being amortized in the fiscal year following the fiscal year in which the gains or losses are recognized, by the straight line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees at the time when they are generated.

7. Reserve 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) 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.

(5) 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.

7. Significant Changes in the Basis of Presenting Consolidated Financial Statements

Accounting policy changes

[Current application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”]

Beginning with the fiscal year under review, the Group has applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No. 18, issued by The Accounting Standards Board of Japan (ASBJ) on May 17, 2008), and the necessary revisions have been made in the consolidated statements.

As a result, the effect of the change from conventional method on profit and loss for the fiscal year under review was not material. The main impact of the change on the Company’s consolidated balance sheets for the fiscal year under review is to increase lease receivables and lease investment assets by ¥13,598 million.

[Application of Accounting Standards for Lease Transactions]

When the Company is the Lessee:

Beginning with the fiscal year under review, the Company and its domestic consolidated subsidiaries have undertaken the application of the “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, issued by the First Subcommittee of the Business Accounting Council on June 17, 1993, and revised on March 30, 2007) and “Implementation Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16, issued by the Accounting Practice Committee of the Japan Institute of Certified Public Accountants on January 18, 1994, and revised on March 30, 2007). Under these standards, the accounting treatment for finance leases for which ownership is not transferred to the lessee has been changed from methods applicable to ordinary rental transactions to methods applicable to ordinary buying and selling transactions.

This change had not effect profit and loss for the fiscal year under review.

Regarding the Consolidated Statement of Cash Flows items for the fiscal year under review, of lease payments previously accounted for in the “Cash flows from operating activities” section, the portion corresponding to repayments of lease liabilities is now accounted for in the “Cash flows from financing activities section.” This change did not have a material effect on Consolidated Statement of Cash Flows items for the fiscal year under review.

[Shift of Service Expenses from SG&A Expenses to Cost of Sales]

Previously, a portion of the consolidated subsidiaries accounted for service expenses (related to digital multifunction devices and other products) within SG&A expenses but, as a result of Group accounting policy adjustments undertaken in response to the introduction of internal control reporting systems from the fiscal year under review, the Group has uniformly accounted for such service expenses within cost of sales beginning with the fiscal year under review. This change had the effect of decreasing gross profit by ¥28,126 million in the fiscal year under review.

[Recording of Loss on Disposal of Inventories]

With the application of the “Accounting Standards for Measurement of Inventories” (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) to domestic consolidated subsidiaries beginning with the fiscal year under review, the Group reviewed its accounting principles, and, unified that loss on disposal of inventories is to be recorded under cost of sales.

Consequently, certain overseas consolidated subsidiaries which recorded these expenses under non-operating expenses changed to the method of recording these expenses under cost of sales.

As a result, compared with the previous method, the introduction of the new method had the effect of decreasing both gross profit and operating income for the fiscal year under review by ¥2,606 million. The impact on segment information is described in the applicable section.

8. Important Notes

Consolidated balance sheets items, consolidated statements of income items, and consolidated statements of changes in shareholder's equity
(From April 1, 2008 to March 31, 2009)

[Consolidated balance sheets items]

1. Assets used for collateral for short-term loans of ¥198 million and long-term loans of ¥146 million are notes receivable of ¥753 million.

2. Accumulated depreciation directly deducted from tangible fixed assets: ¥426,193 million

3. Breakdown of inventories

	[Millions]
Merchandise and Finished Goods	¥87,796
Work in Process	¥19,003
Raw Materials and Stores	¥22,360

4. Guaranteed obligations

The Company guarantees bank loans and lease obligations etc. of unconsolidated companies, etc. amounting to ¥2,012 million. In addition, the Company has made commitments of guarantee for bank loans of suppliers/customers totaling ¥63 million.

[Consolidated statements of income items]

1. Main expense items and amounts of selling, general and administrative expenses are as follows.

	[Millions]
Selling	¥14,506
Transport and storage	¥20,266
Advertising	¥18,053
Salaries and wages	¥79,996
Provision for reserve for bonuses	¥3,978
Research and development	¥81,778
Depreciation	¥16,218
Retirement benefits	¥5,105
Provision for allowance for doubtful accounts	¥1,339

2. The cost of sales includes the cut-down of book values by ¥6,302 million, reflecting reduced profitability of inventory held for normal sales purposes.

3. Gain on the sale of shares of affiliated companies and gain on transfer of business resulted from the transfer of a domestic subsidiary belonging to the Medical & Graphic Imaging Business and related business assets to a company outside the Group.

4. Regarding patent-related revenue, patent royalties related to Photo Imaging Business are recorded in a lump sum.

5. 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 and 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:
¥1,412 million
Loss on withdrawal from operations in the fiscal year under review:
¥480 million

6. Other extraordinary profit represents the reduction in refund obligation, etc. in accordance with US State laws at a U.S. sales subsidiary.

7. Impairment losses mainly represent the reduction of book values to recoverable values with respect to the manufacturing facilities in the Optics Business, and land and manufacturing facilities in the Medical & Graphic Imaging Businesses.

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

9. Loss on change of employees' retirement plan is the lump sum of the past service obligation resulting from a change of employees' retirement plan at a domestic subsidiary.

[Consolidated statements of changes in shareholder's equity items]

1. Change due to revision of accounting treatment for overseas subsidiaries reflects the application of "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18, issued by The Accounting Standards Board of Japan (ASBJ) on May 17, 2006) from the fiscal year under review.

2. The figure for provision 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 States.