## 5. Note on the premise of going concern

No relevant items occurred during fiscal year ended March 31, 2010

## 6. Basis of presenting consolidated financial statements

### [1] Scope of consolidation

(1) Number of consolidated subsidiaries: 96

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 Europe GmbH
Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Business Technologies Manufacturing (HK) Ltd.

The following companies have been excluded from consolidated subsidiaries: Konica Singapore Pte. Ltd., Konica Minolta Photo Imaging Asia H.Q. Pte. Ltd. and Konica Minolta Photo Imaging U.S.A., Inc. due to the completion of liquidation; Veenman Deutschland GmbH due to a merger into Konica Minolta Business Solutions Deutschland GmbH, a consolidated subsidiary; Konica Minolta Danka Imaging Company due to a merger into Konica Minolta Business Solutions U.S.A., Inc. , a consolidated subsidiary; and Konica Minolta Business Solutions Nederland B.V. and its subsidiaries Develop Nederland B.V., Holding Kantoor Communicatiesystemen B.V. and Flexi Technologies B.V. due to a merger into Konica Minolta Printing Solutions Benelux B.V., a consolidated subsidiary (Konica Minolta Printing Solutions Benelux B.V. has been renamed Konica Minolta Business Solutions Nederland B.V.).

(2) Principal unconsolidated subsidiaries: ECS Buero-und Datensysteme GmbH

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

(1) Equity accounting is employed for investments in 5 unconsolidated subsidiaries and 3 important affiliates.
Major subsidiaries and affiliates accounted for by the equity method:
Unconsolidated subsidiary: ECS Buero-und Datensysteme GmbH
Affiliate: Toho Chemical Laboratory Co., Ltd.
Konica Minolta Photo Imaging (SHANGHAI) Co., Ltd., a non-consolidated subsidiary accounted for by the equity method, has been excluded from the scope of application of the equity method with the completion of liquidation.

(2) Unconsolidated subsidiaries that are not accounted for by the equity method (including Konica Minolta Software Laboratory Co., Ltd.) and affiliates that are not accounted for by the equity method (including Konica Minolta Business Support Aichi Co., Ltd.) are excluded from the scope of application of the equity method, because they have little impact on net income (loss) or retained earnings, and their significance as a whole is minor.

## [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 (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
Konica Minolta Business Solutions Romania s.r.l.
Konica Minolta Business Solutions Russia LLC

## [4] Accounting standards and methods

### (1) Asset valuation

#### 1. Securities

Bonds held to maturity:

Bonds held to maturity are recorded by the amortized cost method (straight-line method).

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.

### (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.

#### 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.

(Change in accounting policy)
Starting the fiscal year under review, Konica Minolta is applying Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008). The application does not have any influence on the earnings and retirement benefit obligations for the fiscal year under review.

### 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 and negative 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. Important notes in the basis of presenting consolidated financial statements

### [Consolidated balance sheets items]

1. Assets used for collateral for long-term loans of ¥46 million are notes receivable of ¥696 million.

2. Accumulated depreciation directly deducted from tangible fixed assets: ¥434,396 million

3. Investments in securities of non-consolidated subsidiaries and affiliated companies are as follows.

| | |
|---|---|
| Investment securities (stocks) | 2,816 million yen |

4. Breakdown of inventories

| | |
|---|---|
| Merchandise and finished goods | ¥67,349 million |
| Work in process | ¥15,541 million |
| Raw materials and stores | ¥15,373 million |

5. Guaranteed obligations
   The Company guarantees bank loans and lease obligations etc. of unconsolidated companies, etc. amounting to ¥1,926 million. In addition, the Company has made commitments of guarantee for bank loans of suppliers/customers totaling ¥85million.

### [Consolidated statements of income items]

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

| | [Millions] |
|---|---:|
| Selling | ¥10,945 |
| Transport and storage | ¥18,595 |
| Advertising | ¥11,444 |
| Salaries and wages | ¥71,129 |
| Provision for reserve for bonuses | ¥4,108 |
| Research and development | ¥68,475 |
| Depreciation | ¥15,700 |
| Retirement benefits | ¥5,173 |
| Provision for allowance for doubtful accounts | ¥1,524 |

2. The cost of sales includes the cut-down of book values by ¥2,081 million, reflecting reduced profitability of inventory held for normal sales purposes.

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

4. 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:
   ¥1,327 million
   Loss on withdrawal from operations in the fiscal year under review:
   ¥301 million

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

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

7. 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 Imaging Business, and expenses on the reorganization of manufacturing facilities in the Optics Business.

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

The figures for provision of retirement allowance debt of overseas subsidiaries stems from provisions for the accounting treatment of retirement benefit payments that affect a portion of consolidated subsidiaries in the United States.