Tax-effect accounting

(1) Deferred tax assets and deferred tax liabilities

[Millions of yen]

	March 31 2009	March 31 2010
Deferred tax assets		
Net operating tax loss carried forward	31,953	36,116
Accrued retirement benefits over deductible limit	29,824	29,147
Elimination of unrealized intercompany profit	9,064	4,761
Write-down of assets, other	5,122	4,345
Accrued bonuses	4,431	4,214
Depreciation and amortization	5,661	3,901
Provision for loss on discontinued operations	6,025	2,407
Allowance for doubtful accounts	1,039	1,470
Tax effects related to investments	1,717	1,337
Accrued enterprise taxes	242	461
Other	10,295	10,733
Deferred tax assets subtotal	105,378	98,898
Valuation allowance	(33,335)	(34,254)
Total deferred tax assets	72,043	64,644
Deferred tax liabilities		
Retained earnings of overseas subsidiaries	(2,272)	(3,417)
Gain on establishment of employee pension trust	(2,973)	(2,920)
Revaluation difference of marketable securities	(440)	(1,171)
Reserve for advanced depreciation, other	(558)	(61)
Other	(1,703)	(4,127)
Total deferred tax liabilities	(7,948)	(11,699)
Net deferred tax assets	64,094	52,945
Deferred tax liabilities related to revaluation		
Deferred tax liabilities related to revaluation of land	(3,889)	(3,733)
Net deferred tax assets are included in the following items in the consolidated balance sheets.		
Current assets – deferred tax assets	25,326	19,085
Fixed assets – deferred tax assets	39,608	35,304
Current liabilities – other	(734)	(720)
Long-term liabilities – other	(105)	(724)

(2) Breakdown of major items that have caused a significant difference between the statutory effective tax rate and the burden ratio of corporate taxes, etc.

[%]

	March 31 2009	March 31 2010
Statutory income tax rate	40.7	40.7
(Adjustments)		
Valuation allowance	6.4	1.8
Tax credits (R&D expenses, other)	(5.0)	(0.7)
Non-taxable income	(0.5)	(1.0)
Difference in statutory tax rates of foreign subsidiaries	(0.6)	(8.5)
Expenses not deductible for tax purpose	4.5	2.7
Amortization of goodwill	10.9	10.1
Impact of change in the recording standard of tax effects of retained earnings in accordance with revision of Corporate Tax Laws	(10.4)	-
Retained earnings at overseas subsidiaries	-	3.2
Ineffective portion of unrealized (gain) loss	5.5	5.9
Other	2.7	(1.2)
Effective income tax rate per consolidated statements of income	54.3	53.0

Financial instruments

Fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)

1. Matters relating to the status of financial instruments

   The Konica Group raises short-term working capital mainly with bank borrowings and invests temporary surplus funds in financial instruments with extremely low risk. The Group has decided to engage in derivatives transactions within the scope of actual demand in accordance with its internal regulations.

   In principle, the risk of currency fluctuations relating to receivables and payables denominated in foreign currencies are hedged using the forward exchange contract. With respect to the interest volatility risk relating to some long-term loans payable, we try to fix interest expenses using the interest-rate swap.

   Investment securities consist mainly of stocks, and the market values of listed stocks are determined on a quarterly basis.

   We try to reduce the credit risk of customers relating to notes and accounts receivable-trade through regular monitoring and the comprehensive management of deadlines and balances.

2. Matters relating to fair values, etc. of financial instruments

   The consolidated balance sheet amount, the fair value and the difference between the two on March 31, 2010 (the closing date of the consolidated fiscal year under review) are as follows.

[Millions of yen]

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	85,533	85,533	-
(2) Notes and accounts receivable-trade	177,720	177,720	-
(3) Securities and investment securities			
(i) Held-to-maturity securities	10	10	-
(ii) Other securities	95,848	95848	-
(4) Notes and accounts payable-trade	(83,118)	(83,118)	-
(5) Short-term loans payable	(58,231)	(58,231)	-
(6) Long-term loans payable	(71,625)	(71,715)	(90)
(7) Derivatives	(1,375)	(1,375)	-

1) Items that are posted in liabilities are enclosed in parentheses.
2) Net receivables and payables generated from derivatives trading are shown. Items generating net receivables are enclosed in parentheses.

(Note 1)

Methods of calculating the fair value of financial instruments and matters relating to derivatives transactions

(1) Cash and deposits and
(2) Notes and accounts receivable-trade

   As they are settled in a short period and their market values are nearly identical to their book values, the book values are used.

(3) Securities and investment securities

   For the fair values of securities and investment securities, the prices on the relevant exchanges are used.

   (i) As held-to-maturity securities are entirely school bonds and the creditworthiness of the issuers has not changed materially from the time of acquisition, their book values are used.

(ii) For other securities, please refer to "Securities" in Notes.

(4) Notes and accounts payable-trade and,
(5) Short-term loans payable
As they are settled in a short period and their market values are nearly identical to their book values, the book values are used.

(6) Long-term loans payable
For the fair values of long-term loans payable at fixed interest rates, the total amount of the principal and interest is discounted using a rate that is assumed to be applied when a similar loan is newly borrowed.
For the fair values of long-term loans payable at variable interest rates, as the credit risk of the Company has not changed materially and the market values are nearly identical to their book values, the book values are used. For those that are subject to the special treatment of interest rate swaps (see (7) (ii) below), the total amount of the principal and interest that were accounted for as a single item with the relevant interest rate swap is discounted with a rate that is assumed to be applied when a new, similar loan is taken out.

(7) Derivatives transactions
(i) Those which the hedge accounting does not apply to
The contract amount or the amount equivalent to the principal set forth in the contract for each type of hedged item in derivatives transactions on the consolidated closing date, the market value and valuation gains or losses, and the method of calculating fair value are as follows:

(a) Currency-related derivatives (the fair values of forward exchange contracts are calculated using forward exchange rates, and the fair values of currency swaps are calculated using prices offered by relationship banks.)

[Millions of yen]

Category	Type	Contract amount, etc.		Fair value	Valuation gains or losses
			More than one year		
Transactions other than market transactions	Forward exchange contract	29,415	-	(324)	(324)
	Currency swap	18,897	-	(1,001)	(1,001)

(b) Interest rate-related derivatives (the fair values are calculated using prices offered by relationship financial institutions.)

[Millions of yen]

Category	Type	Contract amount, etc.		Fair value	Valuation gains or losses
			More than one year		
Transactions other than market transactions	Interest rate swap	3,747	-	(106)	(106)

(ii) Those which the hedge accounting applies to
The contract amount or the amount equivalent to the principal set forth in the contract, etc. for each method of hedge accounting on the consolidated closing date are as follows:

[Millions of yen]

Method of hedge accounting	Type of derivatives transactions	Major hedged items	Contract amount, etc.		Fair value	Calculation method of the fair value
				More than one year		
Special treatment of interest rate swap	Interest rate swap	Long-term loans payable	50,500	23,000	(*)	
Planned transactions such as forward exchange contract	Forward exchange contract	Accounts receivable and accounts payable-trade	11,842	-	56	Forward exchange rate

(*) As interest rate swaps subject to the special treatment of interest rate swap are accounted for as a single item with underlying long-term loans payable, which are hedged items, their market values are included in those of long-term loans payable.

(Note 2)
As unlisted stocks (consolidated balance sheet amount of 2,354 million yen) do not have market values, it is considered extremely difficult to calculate their fair values. Therefore, they are not included in “(3) (ii) Other securities.”

(Note 3)
The amount of monetary claims and securities with maturity to be redeemed after the consolidated closing date

[Millions of yen]

	Within one year	More than one year, within five years
Cash and deposits	85,533	-
Notes and accounts receivable-trade	177,720	-
Securities and investment securities		
Held-to-maturity securities	-	10
Other securities with maturity	79,000	-
Total	342,254	10

(Note 4)
The amount of long-term loans payable to be repaid after the consolidated closing date

[Millions of yen]

	More than one year, within five years	More than five years, within ten years
Long-term loans	63,622	8,002

Additional information

The “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and the “Guidance on Disclosures about the Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008) are applied from the consolidated fiscal year under review.

Securities

Fiscal year ended March 31, 2009

(1) Other securities with quoted market values (As of March 31, 2009)

[Millions of yen]

Type		Acquisition cost	Total amount on consolidated balance	Difference
Total amount on consolidated balance sheets exceeds the acquisition cost	(1) Stocks	7,287	8,823	1,536
	(2) Bonds	-	-	-
	(3) Other	8	8	0
	Sub total	7,295	8,832	1,536
Total amount on consolidated balance sheets does not exceed the acquisition cost	(1) Stocks	8,426	6,031	(2,395)
	(2) Bonds	--	-	-
	(3) Other	8	6	(1)
	Sub total	8,435	6,037	(2,397)
Total		15,730	14,869	(861)

(Note)
Historical cost represents carrying value after processing the impairment losses. During the fiscal year under review the Company processed impairment losses for other available-for-sale securities with available fair market values and recorded an impairment loss on investment securities of ¥3,735 million.

(2) Other securities sold in fiscal year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

[Millions of yen]

	Sales amount	Total profit	Total loss
Other securities	15	6	0

(3) Composition and amounts on the consolidated balance sheets of other securities without market values

[Millions of yen]

	Total amount on consolidated balance sheets
Negotiable deposit	48,000
Unlisted stocks	648

Fiscal year ended March 31, 2010

(1) Other securities with quoted market values (As of March 31, 2010)

[Millions of yen]

Type		Total amount on consolidated balance	Acquisition cost	Difference
Total amount on consolidated balance sheets exceeds the acquisition cost	(1) Stocks	11,044	7,862	3,182
	(2) Bonds	-	-	-
	(3) Other			
	(I) Negotiable deposits	-	-	-
	(ii) Other	13	11	1
	Sub total	11,058	7,874	3,183
Total amount on consolidated balance sheets does not exceed the acquisition cost	(1) Stocks	5,786	7,745	(1,959)
	(2) Bonds	-	-	-
	(3) Other			
	(i) Negotiable deposits	79,000	79,000	-
	(ii) Other	3	4	(1)
	Sub total	84,789	86,750	(1,960)
Total		95,848	94,624	1,223

(Note)
As unlisted stocks (the total amount on consolidated balance sheets of ¥2,354 million) do not have market

values, it is considered extremely difficult to determine their fair values. Therefore, they are not included in “Other securities” in the table above.

(2) Other securities sold in fiscal year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

[Millions of yen]

	Sales amount	Total profit	Total loss
Other securities	1,197	699	351

(3) Securities for which impairment losses are recorded

During the fiscal year under review, the Company processed impairment losses of ¥499 million for securities.

For securities with quoted market values, if the market value has declined by more than 50% compared with the acquisition cost at term end, or if the market value has declined by more than 30% but not more than 50% compared with the acquisition cost at the term end for two years in succession and has declined more than in the preceding year, the Company processes the impairment loss, taking into account recoverability and other factors, assuming that the market value has “markedly declined.”

For securities without quoted market values, if the effective value has fallen by more than 50% compared with the acquisition cost, the Company processes the impairment loss, assuming that the market value has “markedly declined.”

Retirement Benefit Plan

(1) Outline of the retirement benefit system

The Company and some of domestic consolidated subsidiaries have defined benefit retirement plans (defined benefit-type corporate pension plans, tax-qualified retirement pension plans and lump-sum severance payments), and have defined contribution retirement plans (defined contribution-type corporate pension plans). Certain overseas consolidated subsidiaries have defined benefit retirement plans and defined contribution retirement plans. In some cases, retiring employees are paid an additional severance allowance. Additionally, the Company and certain domestic consolidated subsidiaries have a retirement benefit trust.

(2) Items related to retirement benefit liabilities

[Millions of yen]

	As of March 31, 2009	As of March 31, 2010
a. Retirement benefit obligation	(140,843)	(146,078)
b. Plan assets	74,124	85,965
c. Unfunded retirement benefit obligation (a+b)	(66,718)	(60,112)
d. Unrecognized actuarial differences	18,621	13,545
e. Unrecognized prior service cost (reduction in liabilities)	(7,033)	(5,322)
f. Net amount on consolidated balance sheets (c+d+e)	(55,130)	(51,889)
g. Prepaid pension costs	2,831	2,356
h. Accrued for retirement benefits (f-g)	(57,962)	(54,245)

As of March 31, 2009	As of March 31, 2010
1. Certain subsidiaries use a simplified method for the calculation of benefit obligation	1. Certain subsidiaries use a simplified method for the calculation of benefit obligation

(3) Items related to retirement benefit costs

[Millions of yen]

	April 1, 2007 – March 31, 2009	April 1, 2008 – March 31, 2010
a. Service costs	(*) 5,181	(*) 4,098
b. Interest costs	4,074	4,002
c. Expected return on plan assets	(2,280)	(1,596)
d. Amortization of actuarial differences	1,860	3,372
e. Amortization of prior service costs	643	(1,402)
f. Retirement benefit costs (a+b+c+d+e)	9,479	8,473
g. Contribution defined contribution pension plans	3,168	2,449
Total (f+g)	12,647	10,922

(*):

April 1, 2008 – March 31, 2009	April 1, 2009 – March 31, 2010
1. Retirement benefit costs for consolidated subsidiaries using a simplified method are included in “a. Service costs”.	Retirement benefit costs for consolidated subsidiaries using a simplified method are included in “a. Service costs”.

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

[Millions of yen]

	April 1, 2008 – March 31, 2009	April 1, 2009– March 31, 2010
a. Method of attributing the retirement benefits to periods of service	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 rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
d. Period for amortization of unrecognized 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 unrecognized actuarial differences	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.)

Per Share Information

[yen]

April 1, 2008 – March 31, 2009		April 1, 2009 – March 31, 2010	
Net assets per share	779.53	Net assets per share	791.28
Net income per share	28.62	Net income per share	31.93
Diluted net income per share	26.91	Diluted net income per share	30.32

Notes: Bases of calculations

1. Net assets per share

	As of March 31, 2009	As of March 31, 2010
Total net assets in consolidated balance sheets [millions of yen]	414,284	420,775
Total net assets attributable to common stock [millions of yen]	413,380	419,535
Principal factors underlying difference [millions of yen]		
Warrants	460	617
Minority interests	444	622
Common stock outstanding [thousands of shares]	531,664	531,664
Treasury stock [thousands of shares]	1,370	1,464
Common stock figure used for calculating shareholder's equity per share [thousands of shares]	530,293	530,199

2. Net income per share and diluted net income per share

	April 1, 2008 – March 31, 2009	April 1, 2009 – March 31, 2010
Total net income in consolidated statements of income [millions of yen]	15,179	16,931
Value not attributable to common stock [millions of yen]	-	-
Total net income attributable to common stock [millions of yen]	15,179	16,931
Average number of shares outstanding during the year [thousands of shares]	530,437	530,260
Main net income adjustment items used to calculate diluted net income figure [millions of yen]		
Interest receivable (after deducting tax)	(70)	(46)
Adjustment of net income [millions of yen]	(70)	(46)
Main common stock change items used to calculate diluted net income figure [thousands of shares]		
Convertible bonds with warrants	30,578	26,043
Warrants	446	604
Change in shares outstanding [thousands of shares]	31,025	26,648
Summary of potential shares not included in calculation of diluted EPS because they are anti-dilutive	-	-

Important Subsequent Events

No relevant transactions occurred during fiscal year ended March 31, 2010.

Omission of Disclosure

The disclosure of notes to leases, related party information, derivatives, stock options, business combinations, asset retirement obligation, and investment and rental property is omitted as the necessity of their disclosure in financial results is deemed insignificant.