4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

Fiscal year ended March 31, 2013 and 2014

[Millions of yen]

	March 31, 2013	March 31, 2014
Assets		
Current assets		
Cash and deposits	93,413	95,490
Notes and accounts receivable-trade	194,038	220,120
Lease receivables and investment assets	16,007	21,211
Securities	120,501	92,999
Inventories	112,479	115,275
Deferred tax assets	20,259	18,806
Accounts receivable-other	12,602	14,636
Other	14,860	16,435
Allowance for doubtful accounts	(4,568)	(5,643)
Total current assets	579,593	589,331
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	68,601	61,441
Machinery, equipment and vehicles, net	33,900	23,542
Tools, furniture and fixtures, net	24,584	27,058
Land	34,013	34,310
Lease assets, net	480	521
Construction in progress	6,969	13,819
Assets for rent, net	11,354	12,668
Total property, plant and equipment	179,903	173,362
Intangible assets		
Goodwill	69,465	65,734
Other	41,472	45,627
Total intangible assets	110,937	111,362
Investments and other assets		
Investment securities	23,236	29,256
Long-term loans receivable	126	83
Long-term prepaid expenses	2,387	3,230
Deferred tax assets	33,000	48,040
Other	12,735	12,277
Allowance for doubtful accounts	(1,366)	(883)
Total investments and other assets	70,118	92,003
Total noncurrent assets	360,960	376,729
Total assets	940,553	966,060

[Millions of yen]

	March 31, 2013	March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	85,424	96,240
Short-term loans payable	67,398	37,078
Current portion of long-term loans payable	23,990	27,003
Accounts payable-other	32,462	39,824
Accrued expenses	28,993	34,509
Income taxes payable	7,376	5,652
Provision for bonuses	10,841	13,007
Provision for directors' bonuses	229	244
Provision for product warranties	1,199	1,441
Provision for discontinued operations	–	195
Notes payable-facilities	975	1,185
Asset retirement obligations	33	256
Other	23,745	28,580
Total current liabilities	282,671	285,220
Noncurrent liabilities		
Bonds payable	70,000	70,000
Long-term loans payable	63,507	62,042
Deferred tax liabilities for land revaluation	3,269	3,269
Provision for retirement benefits	43,754	–
Net defined benefit liability	–	53,563
Provision for directors' retirement benefits	282	237
Asset retirement obligations	981	1,012
Other	9,669	10,658
Total noncurrent liabilities	191,465	200,785
Total liabilities	474,136	486,005
Net assets		
Shareholders' equity		
Capital stock	37,519	37,519
Capital surplus	204,140	204,140
Retained earnings	229,713	242,460
Treasury stock	(1,548)	(17,322)
Total shareholders' equity	469,825	466,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,345	5,086
Deferred gains or losses on hedges	2	(38)
Foreign currency translation adjustment	(8,268)	15,055
Remeasurements of defined benefit plans	–	(8,497)
Total accumulated other comprehensive income	(4,920)	11,607
Subscription rights to shares	764	910
Minority interests	747	740
Total net assets	466,416	480,055
Total liabilities and net assets	940,553	966,060

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income
Fiscal year ended March 31, 2013 and 2014

[Millions of yen]

	March 31, 2013	March 31, 2014
Net sales	813,073	943,759
Cost of sales	437,487	492,269
Gross profit	375,585	451,490
Selling, general and administrative expenses	334,926	393,346
Operating income	40,659	58,144
Non-operating income		
Interest income	1,051	1,641
Dividends income	424	480
Equity in earnings of affiliates	61	–
Foreign exchange gains	1,508	–
Other	4,674	3,437
Total non-operating income	7,720	5,559
Non-operating expenses		
Interest expenses	2,499	2,852
Foreign exchange losses	–	126
Share of loss of entities accounted for using equity method	–	1,163
Other	6,978	4,940
Total non-operating expenses	9,478	9,083
Ordinary income	38,901	54,621
Extraordinary income		
Gain on sales of noncurrent assets	211	639
Gain on sales of investment securities	55	75
License related income	–	809
Other extraordinary income of foreign subsidiaries	95	–
Other	25	–
Total extraordinary income	388	1,524
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,873	2,639
Loss on valuation of investment securities	2	49
Impairment loss	2,902	5,524
Loss on business withdrawal	–	16,122
Business structure improvement expenses	379	3,532
Group restructuring expenses	296	118
Special extra retirement payments	–	4,655
Total extraordinary losses	5,454	32,642
Income before income taxes and minority interests	33,836	23,503
Income taxes-current	11,745	11,624
Income taxes-deferred	6,934	(10,060)
Total income taxes	18,680	1,564
Income before minority interests	15,155	21,939
Minority interests in income	30	77
Net income	15,124	21,861

Consolidated Statements of Comprehensive Income
Fiscal year ended March 31, 2013 and 2014

[Millions of yen]

	March 31, 2013	March 31, 2014
Income before minority interests	15,155	21,939
Other comprehensive income		
Valuation difference on available-for-sale securities	2,156	1,738
Deferred gains or losses on hedges	230	(40)
Foreign currency translation adjustment	21,939	23,376
Share of other comprehensive income of associates accounted for using equity method	13	2
Total other comprehensive income	24,340	25,077
Comprehensive income	39,495	47,016
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	39,448	46,887
Comprehensive income attributable to minority interests	47	129

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2013

[Millions of yen]

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	37,519	204,142	222,848	(1,597)	462,913
Changes of items during period					
Dividends of surplus			(7,954)		(7,954)
Net income			15,124		15,124
Change of scope of consolidation					—
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		(1)	(4)	58	52
Amortization of net retirement benefit obligation in foreign subsidiaries			(301)		(301)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1)	6,865	48	6,912
Balance at end of current period	37,519	204,140	229,713	(1,548)	469,825

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,183	(228)	(30,199)	—	(29,243)	682	635	434,987
Changes of items during period								
Dividends of surplus								(7,954)
Net income								15,124
Change of scope of consolidation								—
Purchase of treasury stock								(9)
Disposal of treasury stock								52
Amortization of net retirement benefit obligation in foreign subsidiaries								(301)
Net changes of items other than shareholders' equity	2,162	230	21,930	—	24,323	82	111	24,517
Total changes of items during period	2,162	230	21,930	—	24,323	82	111	31,429
Balance at end of current period	3,345	2	(8,268)	—	(4,920)	764	747	466,416

Fiscal year ended March 31, 2014

[Millions of yen]

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	37,519	204,140	229,713	(1,548)	469,825
Changes of items during period					
Dividends of surplus			(9,280)		(9,280)
Net income			21,861		21,861
Change of scope of consolidation			176		176
Purchase of treasury stock				(15,806)	(15,806)
Disposal of treasury stock			(11)	32	20
Amortization of net retirement benefit obligation in foreign subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	12,746	(15,774)	(3,028)
Balance at end of current period	37,519	204,140	242,460	(17,322)	466,797

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,345	2	(8,268)	—	(4,920)	764	747	466,416
Changes of items during period								
Dividends of surplus								(9,280)
Net income								21,861
Change of scope of consolidation								176
Purchase of treasury stock								(15,806)
Disposal of treasury stock								20
Amortization of net retirement benefit obligation in foreign subsidiaries								-
Net changes of items other than shareholders' equity	1,741	(40)	23,324	(8,497)	16,527	145	(6)	16,666
Total changes of items during period	1,741	(40)	23,324	(8,497)	16,527	145	(6)	13,638
Balance at end of current period	5,086	(38)	15,055	(8,497)	11,607	910	740	480,055

(4) Consolidated Statements of Cash Flow
Fiscal year ended March 31, 2013 and 2014

[Millions of yen]

	March 31, 2013	March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	33,836	23,503
Depreciation and amortization	45,999	47,371
Impairment loss	2,902	17,424
Amortization of goodwill	9,863	9,406
Interest and dividends income	(1,476)	(2,122)
Interest expenses	2,499	2,852
Loss (gain) on sales and retirement of noncurrent assets	1,661	1,999
Loss (gain) on sales and valuation of investment securities	(53)	(26)
Increase (decrease) in provision for bonuses	(178)	1,915
Increase (decrease) in provision for retirement benefits	(1,789)	–
Increase (decrease) in net defined benefit liability	–	9,609
Decrease (increase) in notes and accounts receivable-trade	4,958	(1,503)
Decrease (increase) in inventories	4,963	9,098
Increase (decrease) in notes and accounts payable-trade	(21,095)	(6,742)
Transfer of assets for rent	(6,169)	(5,837)
Decrease (increase) in accounts receivable-other	1,749	(376)
Increase (decrease) in accounts payable-other and accrued expenses	855	5,735
Decrease/increase in consumption taxes receivable/payable	(473)	713
Other, net	2,986	(8,445)
Subtotal	81,040	104,575
Interest and dividends income received	1,530	2,091
Interest expenses paid	(2,597)	(2,927)
Income taxes (paid) refund	(13,506)	(13,793)
Net cash provided by (used in) operating activities	66,467	89,945
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(31,015)	(36,487)
Proceeds from sales of property, plant and equipment	987	2,355
Purchase of intangible assets	(8,092)	(8,654)
Payments for transfer of business	(2,199)	(2,102)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,974)	(1,777)
Purchase of investments in subsidiaries' equity resulting in change in scope of consolidation	(10,336)	(616)
Purchase of additional investments in consolidated subsidiaries'	–	(1,633)
Payments of loans receivable	(301)	(306)
Collection of loans receivable	96	159
Purchase of investment securities	(744)	(4,910)
Proceeds from sales of investment securities	298	397
Purchase of investments in subsidiaries	(607)	(297)
Payments of valuation of other investments	(2,347)	(2,718)
Other, net	795	816
Net cash provided by (used in) investing activities	(63,442)	(55,776)

[Millions of yen]

	March 31, 2013	March 31, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	22,701	(35,013)
Proceeds from long-term loans payable	14,504	25,598
Repayment of long-term loans payable	(12,174)	(24,061)
Redemption of bonds	(40,000)	–
Repayments of lease obligations	(1,661)	(2,658)
Proceeds from sales of treasury stock	1	0
Purchase of treasury stock	(9)	(15,806)
Payments made to trust account for acquisition of treasury stock	–	(727)
Cash dividends paid	(7,957)	(9,284)
Net cash provided by (used in) financing activities	(24,596)	(61,954)
Effect of exchange rate change on cash and cash equivalents	3,552	1,690
Net increase (decrease) in cash and cash equivalents	(18,018)	(26,094)
Cash and cash equivalents at beginning of period	231,933	213,914
Increase in cash and cash equivalents from newly consolidated subsidiary	–	669
Cash and cash equivalents at end of period	213,914	188,489

(5) Important Notes on the Basis of Presenting Consolidated Financial Statements

[Notes Regarding Going Concern Assumptions]

None.

[Basis of Presenting Consolidated Financial Statements]

[1] Scope of Consolidation

1) Number of consolidated subsidiaries: 109

Principal consolidated subsidiaries:

Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Healthcare Co., Ltd.
Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Technoproducts Co., Ltd.
Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Business Solutions Europe GmbH
Konica Minolta Business Solutions Deutschland GmbH
Konica Minolta Business Solutions France S.A.S.
Konica Minolta Business Solutions (UK) Ltd.
Konica Minolta Business Solutions Australia Pty. Ltd.
Konica Minolta Business Solutions (CHINA) Co., Ltd.
Konica Minolta Business Technologies Manufacturing (HK) Ltd.
Konica Minolta Business Technologies (WUXI) Co., Ltd.
Konica Minolta Business Technologies (DONGGUAN) Co., Ltd.
Konica Minolta Opto (DALIAN) Co., Ltd.

Changes in consolidated subsidiaries:

(Increased due to significance)

Konica Minolta With You, Inc.
ECS Buero-und Datentechnik GmbH
Konica Minolta Business Solutions India Private Ltd.

(Increased due to acquisition of shares or equity interest)

CopySource Inc.
KnowledgeCentrix Holdings, LLC

(Increased due to new establishment)

Konica Minolta Medical Products Co., Ltd.

(Decreased due to company liquidation)

RGI Süd GmbH

(Decreased due to merger)

Konica Minolta Business Technologies, Inc.
Konica Minolta Advanced Layers, Inc.
Konica Minolta Optics, Inc.
Konica Minolta Medical & Graphic, Inc.
Konica Minolta IJ Technologies, Inc.
Konica Minolta Technology Center, Inc.
Konica Minolta Business Expert, Inc.
R+M Business Software Neu-U1m GmbH

2) Principal unconsolidated subsidiaries: Konica Minolta Business Solutions (Thailand) Co., Ltd.

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

[2] Scope of the Use of Equity Method

1) Equity method is employed for investments in two important affiliates.

Major associate accounted for using equity method: Toho Chemical Laboratory Co., Ltd.

2) Unconsolidated subsidiaries that are not accounted for by the equity method (including Konica Minolta Business Solutions (Thailand) 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 do Brazil Ltda.
Konica Minolta Business Solutions de Mexico SA de CV.
Konica Minolta Business Solutions Russia LLC
Konica Minolta Medical Systems Russia LLC

Of the consolidated subsidiaries, Konica Minolta Business Solutions (Shenzhen) Co., Ltd. and Konica Minolta Business Solutions Romania s.r.l. had a fiscal year ending on December 31, and consolidated financial statements were previously prepared using the financial statements of the companies as of that fiscal year-end date. Adjustments were made to consolidated accounts to account for important transactions involving these companies that occurred between the end of their fiscal year-end date and the end of the consolidated fiscal year. However, in order to disclose consolidated financial information more appropriately, the fiscal year-end date of these companies has been changed to March 31, the end of the consolidated fiscal year for the fiscal year under review and subsequent fiscal years. As a result, the fiscal year under review of these companies is 15 months from January 1, 2013 to March 31, 2014.

[4] Accounting Standards and Methods

1) Valuation standard and method for important assets

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 recorded using the mark-to-market method based on the market price as of 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 recorded at cost using the moving-average method.

2. Derivatives

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

3. Inventories

Inventories of domestic consolidated subsidiaries are mainly recorded at cost as determined by the periodic-average method (method of reducing book value when the contribution of inventories to profitability declines). Inventories of overseas consolidated subsidiaries are mainly 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. Property, plant and equipment (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 assets (excluding lease 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 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. Allocation for doubtful accounts

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectability. 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. Provision for bonuses

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

3. Provision for director's bonus

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

4. Provision 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 directors' retirement benefits

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

4) Accounting method for retirement benefits

1. Attribution of expected retirement benefit payments

When calculating retirement benefit obligations, straight-line attribution is used to allocate expected retirement benefit payments in the period until the end of the fiscal year.

2. Actuarial gains and losses and prior service cost

Prior service cost is being amortized as incurred by the straight-line method over certain periods (principally 10 years), which are within the average remaining years of service of the employees at the time the service cost is generated.

Actuarial gains and losses are being amortized on a straight-line basis over certain periods (principally 10 years), which are within the average remaining years of service of the employees at the time the amounts are generated in each fiscal year, allocated proportionately starting from the year following the respective fiscal year of occurrence.

5) Principal accounting methods for hedge transactions

1. Hedge accounting methods

The deferred hedge method is mainly used. Designated hedge accounting is applied to currency swaps that fulfill requirements for such accounting method and specified hedge accounting is applied to interest-rate swaps that fulfill requirements for such accounting method.

2. Hedge methods and hedge targets

Hedge methods: Forward exchange contracts, currency option transactions, currency swap transactions and interest rate swap transactions

Hedge targets: Scheduled foreign currency denominated transactions, and borrowings.

3. Hedge policy

The Group enters into forward exchange contracts and currency option transactions as hedging instruments only, not for trading purposes to make profits, within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates. In addition, the Group enters into currency swap transactions and interest rate swap transactions to stabilize interest rates on bonds and borrowings or reduce cost fluctuations for future capital procurement, both as hedging instruments only, not for speculation purposes, within the limit of actual financial or operating transactions.

4. Methods for evaluating the effectiveness of hedges

The Group has realized a high correlation coefficient between market fluctuations and cash flows (assets and liabilities being hedged) and hedge instruments, and thereby highly evaluates the effectiveness of the derivatives transactions.

6) Methods and period for 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 statements of cash flow

Cash (cash and cash equivalents) in the consolidated statements of cash flow comprises cash on hand, deposits that can be withdrawn as needed, and short-term investments that are due for redemption in one year or less from the date of acquisition and that are easily converted into cash with little risk from a change in value.

8) 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.

[Changes in Accounting Policy]

(Application of accounting standards, etc. related to retirement benefits)

From the current fiscal year under review, the Group applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). (Excluding provisions in the text of paragraph 35 of Accounting Standard for Retirement Benefits and paragraph 67 of the Guideline on Accounting Standard for Retirement Benefits). As a result, the Group changed to a method of recognizing the difference between retirement benefit obligation and retirement benefit assets as net defined benefit liability and recorded unrecognized actuarial gains and losses and unrecognized prior service cost in net defined benefit liability.

At the application of the Accounting Standard for Retirement Benefits, the Group recognized the effect of this change in remeasurements of defined benefit plans within accumulated other comprehensive income at the end of the fiscal year in accordance with transitional provisions set forth in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, ¥53,563 million was recognized as net defined benefit liability at the end of this fiscal year. In addition, accumulated other comprehensive income decreased by ¥8,497 million.

The effect on per share information is provided in [Per Share Information].

[Accounting Standards Issued But Not Yet Applied]

(Accounting Standard for Retirement Benefits)

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

The treatment of unrecognized actuarial gains and losses and unrecognized prior service costs, and calculation of retirement benefit obligation and service costs have been amended.

(2) Effective date

The amendment of the calculation method for the present value of retirement benefit obligation and service costs is scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Effect of adoption

The effect of adopting this revised accounting standard on the consolidated financial statements was under assessment as at the time of preparation of these consolidated financial statements.

[Consolidated Balance Sheet Items]

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

1. Accumulated depreciation directly deducted from property, plant and equipment

¥470,778 million

2. Investment securities of unconsolidated subsidiaries and affiliated companies

Investment securities (stocks)	¥2,067 million

3. Breakdown of inventories

Merchandise and finished goods	¥87,807 million
Work in process	¥9,609 million
Raw materials and stores	¥17,858 million

4. Guaranteed obligations

The Group guarantees bank loans and lease obligations etc. of unconsolidated companies, etc. amounting to ¥427 million.

5. Pledged assets

The Group provides accounts receivable-trade and vehicles in the amount of ¥16 million as collateral for short-term loans payable, current portion of long-term loans payable and long-term loans payable in the amount of ¥15 million.

[Consolidated Statements of Income Items]

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

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

Selling	¥14,970 million
Transport and storage	¥22,352 million
Advertising	¥16,136 million
Salaries and wages	¥103,490 million
Provision for reserve for bonuses	¥6,942 million
R&D	¥71,184 million
Depreciation and amortization	¥19,968 million
Retirement benefits	¥6,947 million
Provision for allowance for doubtful accounts	¥1,261 million

2. The cost of sales includes the cut-down of book values by ¥1,552million, reflecting reduced profitability of inventory held for normal sales purposes.

3. Principal impairment loss was ¥3,566 million mainly on buildings at Hino City and Kofu City that have become idle in line with the termination of the Group's film production in the Healthcare Business, with net sales value written down as residual value since it is difficult to calculate sales value. Impairment loss associated with the withdrawal from the glass substrates for HDDs business in the Industrial Business is included in loss on business withdrawal on the consolidated statements of income.

4. Business structure improvement expenses include expenses related to structural reform of sales sites in Europe and the North America for the Business Technologies Business, a review of the production system for lens units used in mobile phones in the Industrial Business and termination of the Group's film production in the Healthcare Business. Business structure improvement expenses in the previous fiscal year included expenses associated with the termination of production and sales of lenses and prisms through glass formation in the Industrial Business.

5. Loss on business withdrawal includes loss associated with the decision to withdraw from the glass substrates for HDDs business in the Industrial Business, impairment loss of ¥11,899 million and loss on disposal of inventories.

Description	Classification	Location	Amount
Manufacturing equipment of glass substrates for HDDs, others	Machinery and equipment, buildings, others	Malaysia, Itami City (Hyogo Prefecture), Iruma City (Saitama Prefecture), others	¥11,899 million

(*) Details of impairment loss: Machinery and equipment and vehicles ¥6,113 million; buildings and structures ¥5,192 million; tools, furniture and fixtures, etc. ¥593 million

(1) Method of grouping assets
Assets are grouped according to product line and geographical area.

(2) Background to recognition of loss on impairment
A decision was made to discontinue production facilities for glass substrates for HDDs, and as a result, the book value of the corresponding asset groups has been written down to the recoverable amount and the corresponding impairment losses have been recognized in loss on business withdrawal.

(3) Measurement of recoverable amount

The recoverable amount of corresponding asset groups is the fair value less costs to sell. The fair value is supported by the real estate appraisal standards for buildings or a reasonable estimate for other assets.

6. Special extra retirement payments refer to extra retirement payments to early retirees in line with the implementation of an early retirement incentive program.

7. Group restructuring expenses refer to expenses associated with the reorganization of the Group's management system conducted on April 1, 2013.

[Consolidated Statements of Comprehensive Income]

Recycling and tax effect relating to other comprehensive income

[millions of yen]

	Fiscal year ended March 31	
	2013	2014
Valuation difference on available-for-sale securities		
Amount arising during fiscal year under review	3,241	2,713
Recycling	(53)	(17)
Before tax effect adjustment	3,188	2,696
Tax effect	(1,031)	(957)
Valuation difference on available-for-sale securities	2,156	1,738
Deferred gains or losses on hedges		
Amount arising during fiscal year under review	(1,297)	(1,503)
Recycling	1,683	1,426
Before tax effect adjustment	385	(77)
Tax effect	(155)	36
Deferred gains or losses on hedges	230	(40)
Foreign currency translation adjustment		
Amount arising during fiscal year under review	21,939	23,376
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during fiscal year under review	13	2
Total other comprehensive income	24,340	25,077

[Business combinations, etc.]

Reorganization in the Group management system

The Company absorbed seven Group companies, including Konica Minolta Business Technologies, Inc., on April 1, 2013.

[1] Purpose of Business Combination

This reorganization of the Group's management system will further speed up various initiatives to increase corporate value and is designed to achieve "strengthened management capabilities in the Business Technologies Business," "strategic and agile utilization of management resources," and "construction of systems to support efficient operation."

[2] Legal Form of the Business Combination

1. Method of Absorption-type Merger

An absorption-type merger was conducted with the Company as the surviving entity and the seven group companies were terminated.

2. Contents of Allocations and Contracts Related to the Absorption-type Merger

Because the seven group companies were the Company's wholly owned subsidiaries, no issuance of new shares, capital increases, or deliveries of money due to the merger accompanied the merger.

[3] Overview of Merging Companies (Fiscal year ended March 31, 2014 (non-consolidated))

i) Trade name	Konica Minolta Business Technologies, Inc.
ii) Description of business	Manufacturing and sale of multi-functional peripherals (MFP), printers, and equipment for production printing systems and graphic arts, and providing related solution services
iii) Capital	¥400 million
iv) Net assets	¥140,744 million
v) Total assets	¥203,548 million

i) Trade name	Konica Minolta Advanced Layers, Inc.
ii) Description of business	Manufacturing and sale of electronic materials (including TAC films), lighting source panels, and functional films (including heat insulating films)
iii) Capital	¥400 million
iv) Net assets	¥37,922 million
v) Total assets	¥62,257 million

i)	Trade name	Konica Minolta Optics, Inc.
ii)	Description of business	Manufacturing and sale of optical products (including pickup lenses) and measuring instruments for industrial and healthcare applications
iii)	Capital	¥400 million
iv)	Net assets	¥11,207 million
v)	Total assets	¥51,430 million

i)	Trade name	Konica Minolta Medical & Graphic, Inc.
ii)	Description of business	Manufacturing and sale of consumables and equipment for healthcare systems
iii)	Capital	¥400 million
iv)	Net assets	¥21,726 million
v)	Total assets	¥47,653 million

i)	Trade name	Konica Minolta IJ Technologies, Inc.
ii)	Description of business	Manufacturing and sale of inkjet printheads, inks and textile printers for industrial use
iii)	Capital	¥10 million
iv)	Net assets	¥5,582 million
v)	Total assets	¥9,329 million

i)	Trade name	Konica Minolta Technology Center, Inc.
ii)	Description of business	R&D, customized product design, and management of intellectual property assets of the Group
iii)	Capital	¥50 million
iv)	Net assets	¥2,895 million
v)	Total assets	¥9,161 million

i)	Trade name	Konica Minolta Business Expert, Inc.
ii)	Description of business	Provision of various shared services for the Group in the fields of engineering, logistics, environment, safety and others
iii)	Capital	¥495 million
iv)	Net assets	¥6,683 million
v)	Total assets	¥9,498 million

[4] Status After the Merger

1. **Trade Name:** Konica Minolta, Inc.

2. **Location of Head Office:** 2-7-2, Marunouchi, Chiyoda-ku, Tokyo

3. **Title and Name of Representative:** Masatoshi Matsuzaki, President and CEO
(Shoei Yamana was appointed President and CEO on April 1, 2014)

4. **Description of Business:**
   - Development, manufacture, and sales of products including MFPs, printers, equipment for production printing systems, equipment for healthcare systems, measuring instruments for industrial and healthcare applications, inkjet printheads and textile printers for industrial use, and providing related consumables and solution services, etc.

   - Development, manufacture, and sales of electronic materials (TAC films, etc.), lighting source panels, functional films (thermal heat insulation films, etc.), and optical products (lens units, etc.)

5. **Capital:** ¥37,519 million

[5] Outline of Accounting Treatment

Accounting treatment was applied as transactions under common control based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

[Segment Information]
(Segment Information)

[1] Summary of Reportable Segments

1) Method of determining segments

The Group's reportable segments are components of the Group about which separate financial information is available that is evaluated regularly by the management in deciding how to allocate resources and in assessing performance.

The Group has sites in Japan and overseas for the different products and services it handles and has drawn up a comprehensive global strategy with business activities being deployed in line with this.

As such, the Group is comprised of multiple business segments for different products and services with the three reportable segments of "Business Technologies Business," "Industrial Business" and "Healthcare Business." Business segments that have generally similar economic characteristics have been consolidated.

2) Type of product and service belonging to each segment

The "Business Technologies Business" manufactures and sells MFPs, printers, and printing equipment for production printing systems and graphic arts, and provides related solution services. The "Industrial Business" manufactures and sells electronic materials (TAC films, etc.), performance materials, optical products (pickup lenses, etc.), and measuring instruments for industrial and medical applications. The "Healthcare Business" manufactures and sells consumables and equipment for healthcare systems.

[2] Methods of Calculating Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Accounting methods for reportable segments are mostly the same as the accounting methods described in "Basis of Presenting Consolidated Financial Statements."

Income by reportable segment is operating income. Intersegment net sales and transfers are based on market values.

[3] Information on Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

[Millions of yen]

	Reportable Segment				Other*	Total
	Business Technologies	Industrial Business	Healthcare	Total		
Net sales						
External	581,639	146,792	72,753	801,184	11,889	813,073
Intersegment	1,936	2,436	2,652	7,026	52,303	59,330
Total	583,576	149,229	75,406	808,211	64,192	872,404
Segment incomes	31,658	23,667	3,348	58,675	4,475	63,151
Segment assets	465,389	150,007	66,081	681,479	51,590	733,069
Segment liabilities	239,068	83,172	41,933	364,174	22,275	386,449
Other items						
Depreciation and amortization	23,650	13,933	2,453	40,037	1,873	41,910
Amortization of goodwill	9,281	582	—	9,863	—	9,863
Investments in equity-method associates	3	—	499	503	—	503
Increases in property, plant and equipment and intangible assets	22,017	9,465	1,570	33,053	2,401	35,454

Note: “Other” consists of business segments such as Industrial Inkjet Business.

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

[Millions of yen]

	Reportable Segment				Other*	Total
	Business Technologies	Industrial Business	Healthcare	Total		
Net sales						
External	729,848	116,126	82,375	928,350	15,409	943,759
Intersegment	1,901	2,988	178	5,069	21,891	26,960
Total	731,749	119,115	82,554	933,419	37,300	970,719
Segment incomes	63,895	15,155	4,500	83,552	3,723	87,275
Segment assets	556,872	119,760	68,991	745,624	37,509	783,134
Segment liabilities	296,195	62,601	48,962	407,759	13,803	421,563
Other items						
Depreciation and amortization	27,786	10,261	2,800	40,848	2,255	43,103
Amortization of goodwill	8,414	991	—	9,406	—	9,406
Investments in equity-method associates	—	—	486	486	—	486
Increases in property, plant and equipment and intangible assets	23,384	13,302	2,708	39,395	1,707	41,103

Note: “Other” consists of business segments such as Industrial Inkjet Business.

[4] Differences between the Total Amounts for Reportable Segments and the Amounts on the Consolidated Financial Statements and the Major Factors of the Differences (Adjustments of Differences)

[Millions of yen]

Net Sales	Fiscal year ended March 31 2013	2014
Total of reportable segments	808,211	933,419
Net sales categorized in “Other”	64,192	37,300
Intersegment - eliminations	(59,330)	(26,960)
Net sales reported on the consolidated financial statements	813,073	943,759

[Millions of yen]

Segment Income	Fiscal year ended March 31 2013	2014
Total operating income of reportable segments	58,675	83,552
Operating income categorized in “Other”	4,475	3,723
Intersegment - eliminations	(6,091)	(5,817)
Corporate expenses*	(16,400)	(23,313)
Operating income reported on the consolidated financial statements	40,659	58,144

Note: Corporate expenses are primarily general administration expenses and R&D expenses that do not belong to any reportable segment.

[Millions of yen]

Segment Assets	Fiscal year ended March 31 2013	2014
Total assets of reportable segments	681,479	745,624
Assets categorized in “Other”	51,590	37,509
Intersegment - eliminations	(63,201)	(90,308)
Corporate assets*	270,685	273,234
Total assets reported on the consolidated financial statements	940,553	966,060

Note: Corporate assets are primarily surplus funds (cash and deposits and securities), long-term investment funds (investment securities), and property, plant and equipment and intangible assets that do not belong to any reportable segment.

[Millions of yen]

Segment Liabilities	Fiscal year ended March 31 2013	2014
Total liabilities of reportable segments	364,174	407,759
Liabilities categorized in “Other”	22,275	13,803
Intersegment - eliminations	(32,960)	(33,048)
Corporate liabilities*	120,648	97,490
Total liabilities reported on the consolidated financial statements	474,136	486,005

Note: Corporate liabilities are primarily interest-bearing debt (including loans payable and bonds payable) that do not belong to any reportable segment.

Other items	Total of reportable segments		Others		Adjustments*		Total amounts reported on the consolidated financial statements	
Fiscal year ended March 31 [Millions of yen]	2013	2014	2013	2014	2013	2014	2013	2014
Depreciation and amortization	40,037	40,848	1,873	2,255	4,088	4,267	45,999	47,371
Amortization of goodwill	9,863	9,406	—	—	—	—	9,863	9,406
Investments in equity-method associates	503	486	—	—	990	—	1,494	486
Increases in property, plant and equipment and intangible assets	33,053	39,395	2,401	1,707	2,989	6,280	38,444	47,383

Note: Adjustment of depreciation and amortization are primarily depreciation of buildings that do not belong to any reportable segment.

Adjustments of investments in equity method affiliates are primarily investments by the holding company in equity method affiliates that do not belong to a reporting segment.

Adjustments of increases in property, plant and equipment and intangible assets are primarily capital investments on buildings that do not belong to any reportable segment.

[Related Information]

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Information by Geographical Area

1) Net Sales

[Millions of yen]

Japan	U.S.A.	Europe	Asia	Other	Total
226,227	165,755	224,817	132,678	63,596	813,073

Note: Net sales are divided into countries and regions based on the locations of the customers.

2) Property, Plant, and Equipment

[Millions of yen]

Japan	China	Malaysia	Other	Total
115,569	19,286	16,708	28,340	179,903

[3] Information by Major Customer

Since net sales to no external customer account for 10% or more of the net sales on the consolidated statements of income, information by major customer is omitted.

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

[1] Information by Product or Service

Since the segments of products and services are the same as the reportable segments, information by product or service is omitted.

[2] Information by Geographical Area

1) Net Sales

[Millions of yen]

Japan	U.S.A.	Europe	Asia	Other	Total
213,337	205,810	302,364	143,957	78,289	943,759

Note: Net sales are divided into countries and regions based on the locations of the customers.

2) Property, Plant, and Equipment

[Millions of yen]

Japan	China	Other	Total
115,863	19,358	38,141	173,362

[3] Information by Major Customer

Since net sales to no external customer account for 10% or more of the net sales on the consolidated statements of income, information by major customer is omitted.

[Information on Impairment Loss for Noncurrent Assets by Reportable Segment]

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

[Millions of yen]

	Reportable segment				Other	Eliminations and Corporate	Total
	Business Technologies	Industrial Business	Healthcare	Total			
Impairment loss	90	1,752	1,058	2,902	—	—	2,902

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

[Millions of yen]

	Reportable segment				Other	Eliminations and Corporate	Total
	Business Technologies	Industrial Business	Healthcare	Total			
Impairment loss	407	12,721	25	13,154	—	4,270	17,424

Note: The amount of eliminations and corporate is the amount of impairment loss on buildings, etc. that do not belong to any reportable segment.

[Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

[Millions of yen]

	Reportable segment				Other	Eliminations and Corporate	Total
	Business Technologies	Industrial Business	Healthcare	Total			
Amortization for the fiscal year under review	9,281	582	—	9,863	—	—	9,863
Balance at the end of the fiscal year under review	59,863	9,601	—	69,465	—	—	69,465

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

[Millions of yen]

	Reportable segment				Other	Eliminations and Corporate	Total
	Business Technologies	Industrial Business	Healthcare	Total			
Amortization for the fiscal year under review	8,414	991	—	9,406	—	—	9,406
Balance at the end of the fiscal year under review	55,577	10,157	—	65,743	—	—	65,734

[Information on Gain on Negative Goodwill by Reportable Segment]

None.

[Per Share Information]

[yen]

	Fiscal year ended March 31	
	2013	2014
Net assets per share	876.65	929.04
Net income per share	28.52	41.38
Fully diluted net income per share	27.86	41.28

Note: Bases of calculations

[1] Net Assets per Share

		As of March 31, 2013	As of March 31, 2014
Total net assets in consolidated balance sheets	[millions of yen]	466,416	480,055
Total net assets attributable to common stock	[millions of yen]	464,904	478,404
Principal factors underlying difference	[millions of yen]		
Subscription rights to shares		764	910
Minority interests		747	740
Common stock outstanding	[thousands of shares]	531,664	531,664
Treasury stock	[thousands of shares]	1,346	16,720
Common stock used to calculate net assets per share	[thousands of shares]	530,318	514,943

[2] Net Income per Share and Fully Diluted Net Income per Share

		Fiscal year ended March 31	
		2013	2014
Total net income in consolidated statements of income	[millions of yen]	15,124	21,861
Value not attributable to common shareholders	[millions of yen]	—	—
Net income applicable to common stock	[millions of yen]	15,124	21,861
Average number of common stock outstanding during the fiscal year	[thousands of shares]	530,292	528,269
Main net income adjustment items used to calculate diluted net income per share figure	[millions of yen]	—	—
Adjustment of net income	[millions of yen]	—	—
Main common stock change items used to calculate diluted net income per share figure	[thousands of shares]		
Convertible bonds with subscription rights to shares		11,546	—
Subscription rights to shares		1,066	1,281
Change in common stock outstanding	[thousands of shares]	12,612	1,281
Summary of potential shares not included in calculation of fully diluted net income per share because they are anti-dilutive		—	—

Note: As stated in [Changes in Accounting Policy], Accounting Standard for Retirement Benefits has been applied and transitional provisions set forth in paragraph 37 of the Accounting Standard for Retirement Benefits have been followed. As a result, net assets per share for the fiscal year decreased by 16.50 yen.

[Notes Regarding Effects of Changes in Corporate Tax Rates]

Adjustment to amount of deferred tax assets and deferred tax liabilities due to change in corporate tax rate

The Law for the Partial Revision of Income Tax Law (Article 10, 2014) was promulgated on March 1, 2014, and as such, special corporate tax for reconstruction will not be imposed for fiscal years beginning on or after April 1, 2014. In addition, the Local Enterprise Tax Law (Article 11, 2014) was promulgated on March 31, 2014, and as such, the corporate residence tax rates are to be lowered for fiscal years beginning on or after October 1, 2014. The portion corresponding to this has been newly created as "local enterprise tax." As a result, the legal effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be reduced from 38.01% to 35.64% for deductible temporary differences in fiscal years beginning on or after April 1, 2014. In addition, the portion of corporate tax and the portion of residence tax related to deductible temporary differences in fiscal years beginning on or after October 1, 2014, will change from 23.71% to 24.75%, and from 4.91% to 3.86%, respectively. As a result of these changes, deferred tax assets-net (net of deferred tax liabilities) at fiscal year-end decreased ¥2,139 million, deferred gains or losses on hedges decreased ¥1 million, and income taxes-deferred recorded for the current fiscal year increased ¥2,137 million.

[Important Subsequent Events]

None.