KONICA MINOLTA HOLDINGS, INC.
Annual Report 2012

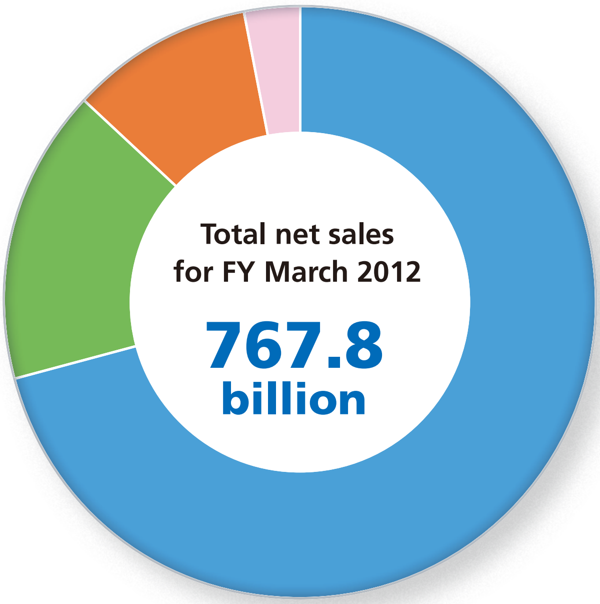
Quality Global Growth

Contents

KONICA MINOLTA HOLDINGS, INC.
Annual Report 2012 Summary PDF

At a Glance

The Konica Minolta Group operates in sectors ranging from business technologies, where our products are typified by MFPs (multi-functional peripherals), and Industrial Business (former Opicts Business), where our products include pickup lenses for optical disks, and TAC film, a key material used in LCD panels, to healthcare, where we make digital X-ray diagnostic imaging systems.



Business Technologies Business	71%
Industrial Business (Optics Business*)	16%
Healthcare Business	10%
Others	3%

*Note: In the former Optics Business, the Sensing Business merged with the new functional materials-related business, which includes the OLED (organic light emitting diode) lighting business. As of FY March 2013, the segment name has changed from the Optics Business to the Industrial Business.

Business Technologies Business

Industrial Business

Healthcare Business

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This business company consists of the mainstay office field and the growth field of production print.

■ Office field

Konica Minolta Business Technologies, Inc. is engaged in the worldwide manufacture and sale of office equipment centered on A3 MFPs (multi-functional peripherals) and A4 MFPs based on laser printers, as well as equipment maintenance services and IT solutions.

■ Net sales for FY March 2012

Office field	Production print field
82%	18%

■ Production print field

In addition to the existing “business convenience store” business field, offering services related to intensive in-house printing, copying and data printouts, the Company is involved in manufacture and sales of equipment for production print systems and graphic arts, and solution services in the field of digital commercial printing. Substantial market growth is projected in commercial printing going forward, driven by small lot printing of multiple items.

■ Market position

Office field **A3 color MFPs: Top-level share in markets outside Japan**

Share by geographical region	North America	Europe	China	Japan
	No.2	No.2	No.1	No.5

Production print field **Global top share**

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This business company consists of businesses in the fields of display materials, memory devices and image input/output components.

■ Display materials field

Konica Minolta Advanced Layers, Inc. develops TAC film for LCD polarizers and VA-TAC film for increasing viewing angle, both of which are widely used in monitors for televisions, PCs and mobile phones.

■ Memory devices field

Konica Minolta Optics, Inc. has businesses in pickup lenses for optical disks, particularly objective lenses used in DVD and Blu-ray Disc™ drives for AV equipment and PCs, in addition to glass substrates for HDDs used mainly in 2.5-inch hard disks for notebook PCs.

■ Image input/output components field

Operations involve the development of lens units for digital cameras, digital video cameras, and mobile phones with inbuilt cameras.

■ Market position (Konica Minolta Estimete)

Display materials field	Display materials field VA-TAC films **Top share**	Plain TAC films for LCD polarizers **Ranked 2nd in industry**
Glass substrates for HDDs	**Ranked 2nd in industry**	
Pickup lenses for optical disks	**Near complete dominance** in Blu-ray Disc / recordable DVD market	

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In the healthcare field, where digitization is gaining momentum, Konica Minolta MEDICAL & GRAPHIC, INC. is promoting manufacture, sales, maintenance and service businesses for diagnostic imaging systems, centered on high-resolution digital X-ray diagnostic image readers that take advantage of cutting-edge image processing technology.

Management Message

Masatoshi Matsuzaki
President and CEO

Our initiatives during the fiscal year showed results, reflected in increased operating income in a challenging business climate.
We will continue to achieve strong growth by steadily carrying out our strategies.

FY March 2012 was the first year of “G PLAN 2013,” our medium-term business plan with “growth” as its keyword. During the year, we aimed to improve our business performance by focusing management resources in growth areas.

Our operating environment remained challenging, with marked appreciation of the yen and the European debt crisis in addition to the impact of natural disasters such as the Great East Japan Earthquake and flooding in Thailand. The initiatives we forcefully promoted to achieve the targets of “G PLAN 2013” showed results, reflected in increased operating income despite a decrease in net sales due to the substantial impact of the strong yen.

In the Business Technologies Business, three new color digital printing systems led results in the production print field, which we have positioned as a growth driver, and sales in this field exceeded ¥100 billion as we captured the top share of the global market. In OPS (Optimized Print Services), which we continued to systematically enhance as a growth sector of the office field, we substantially expanded the number of global major accounts, mainly in Europe and the United States, to which we provide office equipment management services, including Bayerische Motoren Werke AG (BMW) and the National Aeronautics and Space Administration (NASA). These results demonstrated the success of our strengthened sales organization, as our sales subsidiaries in Europe and the U.S achieved record high sales on a local currency basis. Sales also reached record highs in China and other emerging countries, as well as in Japan.

In the Optics Business, both plain TAC films for LCD polarizers and VA-TAC films for increasing viewing angle performed steadily throughout the year as we leveraged the competitive advantage of the thin-film technologies that are one of Konica Minolta’s strengths.

As initiatives for future growth, we signed a global partnership agreement with Komori Corporation, a leading manufacturer of sheet-fed offset printers, to further expand our scale in the commercial printing area of the production print field. In addition, we acquired FedEx Kinko’s Japan Co., Ltd. to strengthen the in-house printing field in Japan. We also acquired ten IT service providers in Europe and the United States as part of our efforts to expand our operations and capabilities in the IT services business.

As these results show, it has been a favorable year, in which we not only achieved organic growth, but also enhanced our foundation for future growth through strategic alliances and M&A. This reaffirms my conviction that the basic policies of our strategy are on the right track.

FY March 2013 is the middle year of “G PLAN 2013.” In addition to our ongoing efforts to make further headway in the production print field, which is a growth driver, we will work for further growth by prioritizing business expansion in emerging economies, which remained somewhat of an issue in FY March 2012, and the expansion of our IT service business operations. We have split the Optics Business into TAC film and optical divisions to concentrate our human and technological resources and will work to expand results over the medium-to-long term by accelerating the promotion of new businesses, including incorporating Organic Light Emitting Diodes (OLED) lighting and other new business themes in the TAC film field.

To be a business group that can achieve sustained global growth, the Konica Minolta Group will continue to focus on a basic policy of “Achieving strong growth, expanding business scale,” realized by steadily and boldly advancing our initiatives for “Changing into a ‘Global Company’” and “Increasing the recognition of the Konica Minolta brand.” I would like to request your ongoing support as our shareholders and investors and your expectations of the Konica Minolta Group as we aim for strong growth.

August 2012
Masatoshi Matsuzaki
President and CEO

M. Matsuzaki

Business Technologies Business | Office

Growth Strategy

Advance our genre-top strategy to expand the scale of business in growth fields

Priority measures

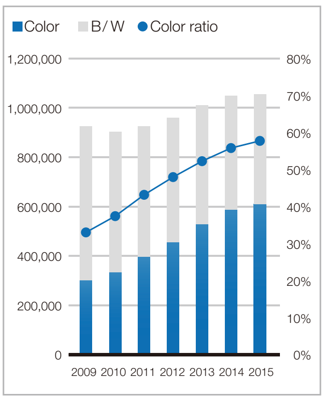
- **Maintain the genre-top position by launching a new series of color MFPs**
- **Further strengthen OPS(Optimize Print Services), increase Global Major Accounts (GMA) sales**
- **Accelerate business development in emerging markets, especially in China and other Asian markets**

Optimized Print Services (OPS): Optimized arrangement of output devices and output management service
Global Major Accounts (GMA): Business focused on major global enterprises

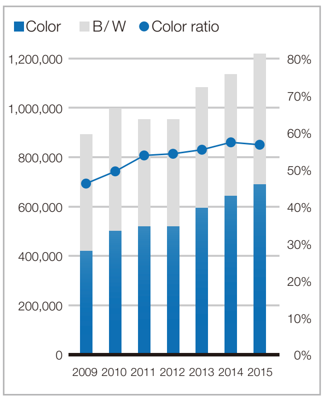
Market trends and position

A3 MFP market, where a shift toward color models is forecast in the U.S., Europe and emerging countries

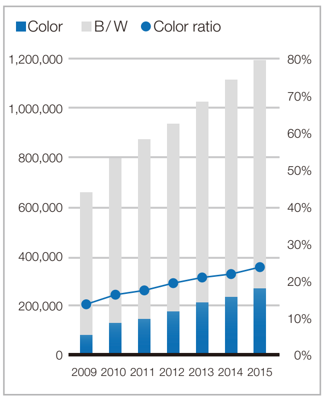
U.S.



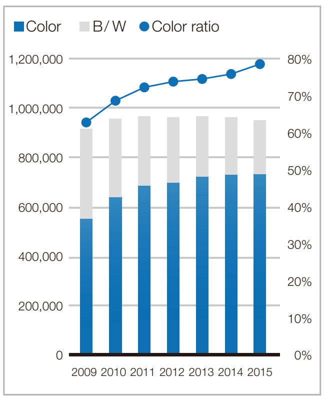
Europe



Emerging markets



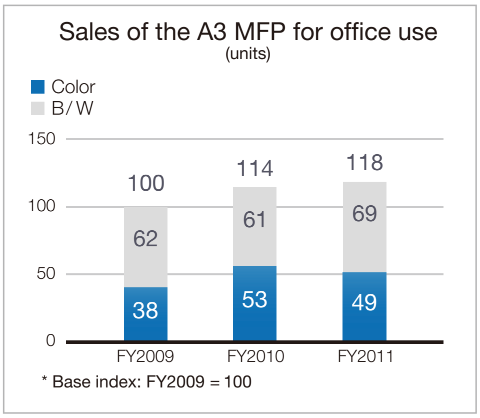
Japan



Review of Operations

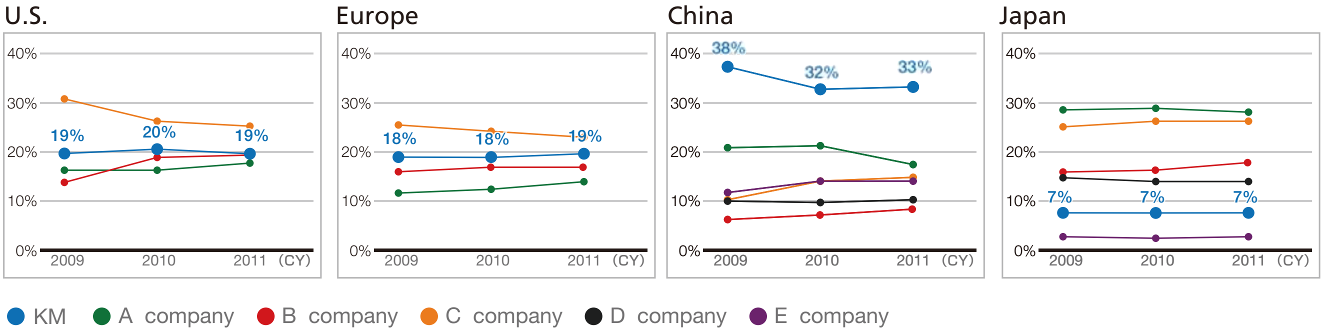
Development of Global Major Accounts (GMA) in the office field progressing smoothly

Although the sales volume of the bizhub series monochrome A3 MFPs was only on par with the previous fiscal year, sales volumes of the bizhub color MFPs increased in all regions—Japan, the U.S., Europe, and Other regions including Asia—, resulting in increased total sales of A3 MFPs year on year. In OPS (Optimized Print Services), which is a growth area for the field, the strengthening of the global sales structure was a success, and we entered into multi-year contracts for the management of office equipment with 15 companies including the major automobile manufacturer BMW and NASA. In addition, we also promoted the expansion of our IT services network in Europe and the U.S. by purchasing a total of 10 IT service providers in the regions, with the aim of expanding operations to the IT services business in which future growth is anticipated. We also launched the bizhub C754/C654 color models as high-end models of the series in January 2012, further reinforcing product competitiveness in the field.



bizhub C754

Solid share of the A3 color MFP market in the U.S., Europe and China, where growth is expected



Business Technologies Business | Production Print

Growth Strategy

Advance our genre-top strategy to expand the scale of business in growth fields

Priority measures

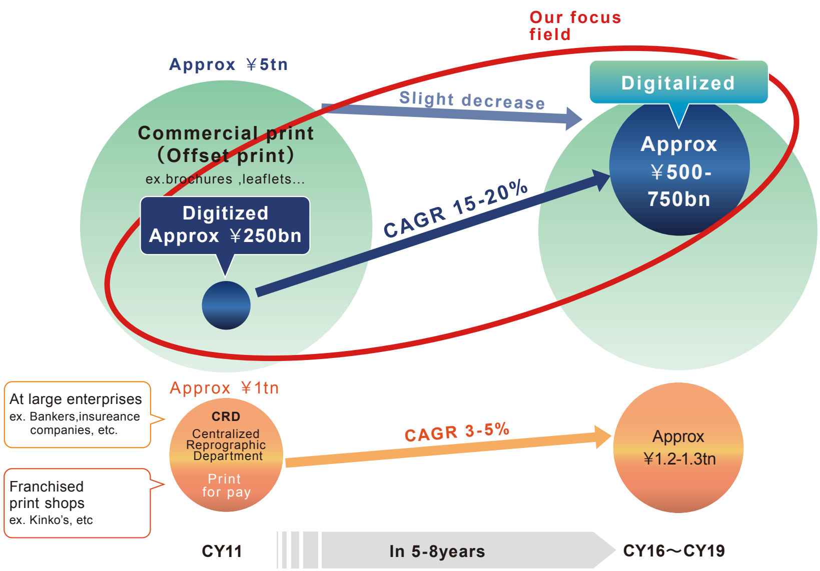
- **Expand the product line-up from lightweight to heavy systems**
- **Strengthen our capabilities to meet customer needs by type of industry**
- **Achieve the top position in the color PV field**

Our competitive advantages

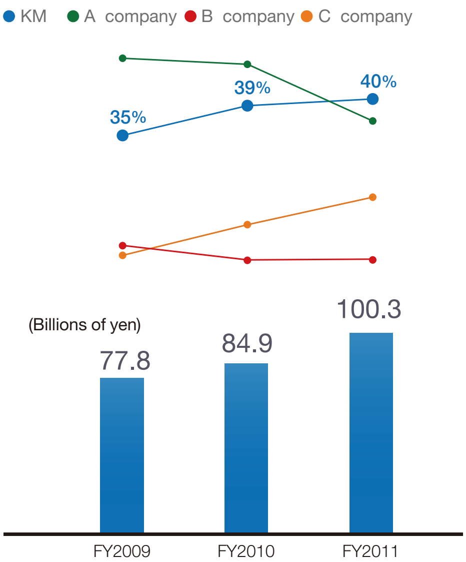
- World-leading in color production print field
- Spectacular image quality, high resolution, high stability, high reliability
- Paper handling that meets professional needs and wide-ranging in-line post processing options

Market trends and position

High growth potential projected for commercial printing



Net sales for Production Print and worldwide share of color equipment units

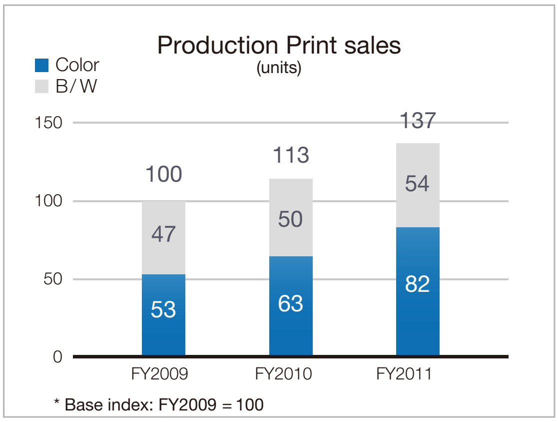


* Net sales for fiscal years, market share for calendar years

Review of Operations

New color equipment drives growth in the Production Print field, sales exceeding ¥100 billion

The three color models of the new bizhub PRESS series, C8000/C7000/C6000, sales of which commenced from the fall of 2010, performed well in the in-house printing and digital commercial printing businesses, and the sales volume of color equipment greatly increased year on year in Japan, the U.S., Europe, and Other regions including Asia. Because monochrome equipment also performed better than the previous fiscal year primarily in overseas markets, sales for the field increased to a scale exceeding ¥100 billion.

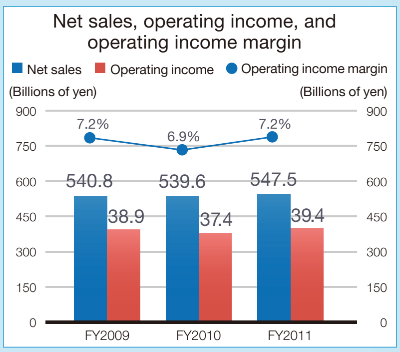


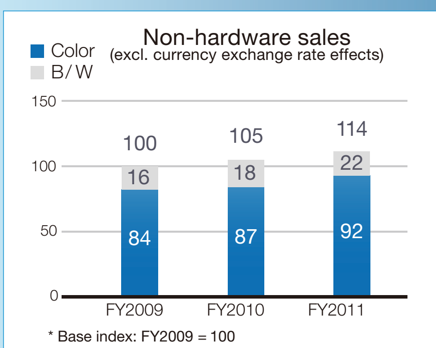
bizhub PRESS C8000

Summary of Business Technologies Business

Sales and income increase, absorbing the impact of the strong yen through increased sales in growth fields

Sales for the fiscal year in the Business Technologies Business totaled ¥547.5 billion (YoY +1.5%). Excluding an adverse effect of exchange rates due to the strong yen equivalent to ¥24.4 billion, the increase was approximately 6.0%. Operating income was ¥39.4 billion (YoY +5.4%) and while we experienced problems in procurement of parts due to the impact of large-scale natural disasters such as the Great East Japan Earthquake and flooding in Thailand, we strove to reduce the impact on sales to a minimum and realized an increase of both sales and income despite the strong yen.





Industrial Business

Growth Strategy

Supplement the TAC film earnings base by establishing second and third earnings drivers

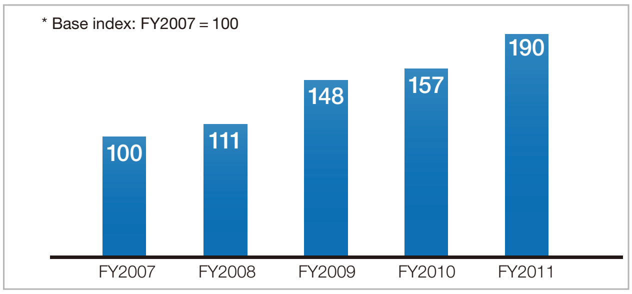
Functional materials/New business development

Priority measures

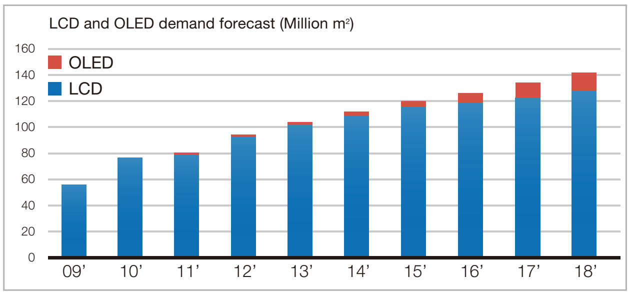
- **TAC film: Secure growth using the advantage of thin plain TAC films**
- **Accelerate commercialization centered on functional materials including OLED-related products, barrier film and functional window film**

Barrier film: Preserves the quality of mobile devices, solar panels and OLED devices, etc.
Functional window film: High-performance window film with a line-up of four types – heat insulation film, heat insulation + dirt-resistant film, dirt-resistant film and shatter-resistant film

Continued strong growth in the TAC film business



LCD panel demand has continued to grow steadily after the launch of OLED



Optical products and Sensing

Priority measures

- **Expand sales in growth areas such as optical units for interchangeable replacement lenses for digital single- lens reflex cameras and smartphones**
- **Expand operations for industrial applications in China and emerging economies**

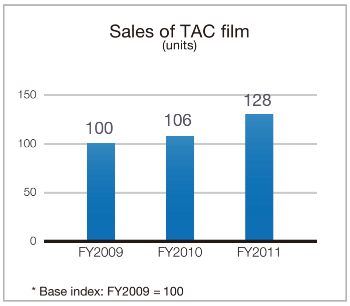
The former Optics Business merged with the Sensing Business and the new functional materials-related business, which includes the Organic Light Emitting Diode (OLED) lighting business. As of FY March 2013, the segment name has changed from the Optics Business to the Industrial Business. This reorganization will combine advantageous technologies and human resources within the Konica Minolta Group to strengthen the competitiveness and profitability of the Optics Business, and accelerate the establishment of new businesses.

Review of Operations (Former Optics Business)

Successful TAC films drive revenues

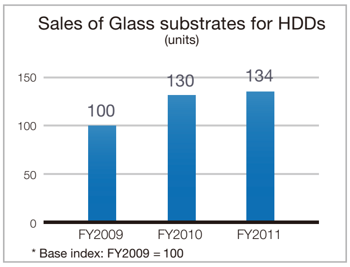
■ Display materials field sees strong sales throughout the fiscal year of thin plain TAC films for LCD polarizers, one of our mainstay products

While signs of adjustment have been strengthening in the liquid crystal display business in general since the summer of 2011, new VA-TAC films for increasing viewing angle were introduced from the start of the year, and sales in Korea and Taiwan performed well. Also, adoption of Konica Minolta's mainstay thin plain TAC films increased, and the sales volume for all TAC films, including the thin plain type, exceeded the previous fiscal year.



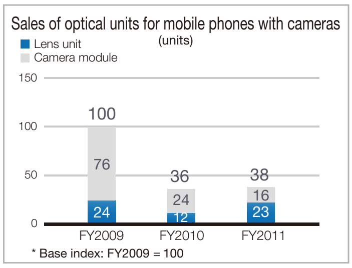
■ Sales decrease in the memory devices field due to poor market conditions and impact of the Thailand floods

The sales volume of glass substrates for HDDs remained on a par with the last fiscal year, having been impacted by production adjustments by PC manufacturers in the first half of the fiscal year and by some HDD assembly manufacturers being damaged in the Thailand floods in the second half. With market conditions not improving for pickup lenses for Blu-ray Discs™ and DVDs, sales volumes of pickup lenses for optical disks were down year on year.



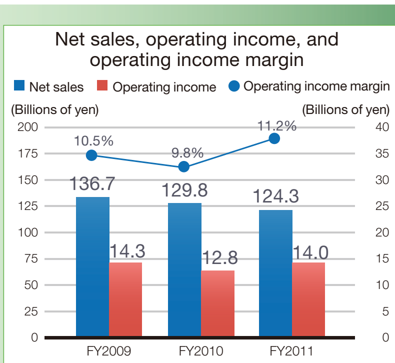
■ Sales rise in the image input/output components field due to recovery in orders from the second half

Orders for lens units for digital cameras and video cameras, which had shown signs of recovery, were suspended by some customers impacted by the Thailand floods, and sales volumes increased only slightly year on year. Meanwhile, despite sluggish performance in the first half, sales volumes of optical units for mobile phones with cameras rose above the previous fiscal year, consequent on an expansion in the models using these products from the second half.



Summary of Industrial Business (Former Optics Business)

Sales for the fiscal year in the Optics Business totaled ¥124.3 billion (YoY -4.3%). The impact of the decrease in profits due to reduced sales and lower prices for some products was offset by increased sales of core products, cost reductions and expenditure cuts, enabling operating income to increase to ¥14.0 billion (YoY +9.6%) even though net sales decreased.



Healthcare Business

Growth Strategy

Change our business structure to achieve revenue sources in digital equipment and IT services

Digital equipment

Priority measures

- **Full-scale commercialization of proprietary Digital Radiography (DR) line-up and expansion of our genre-top position in small Computed Radi ography (CR) systems in the clinical market**

DR: X-ray diagnostic imaging systems featuring high sensitivity and high definition
CR: Widely used X-ray diagnostic imaging systems.

Asian market

Priority measures

- **Expand sales of CR systems in the Asian market, focusing on China and India**

Services

Priority measures

- **Expand new value-added services using the Internet in addition to revenues from services, especially maintenance, leveraging the customer base established in the digital equipment field**

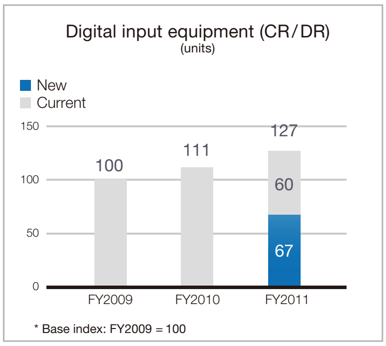
Our competitive advantages	The world's lightest weight, superior screen quality, low radiation emissions, high durability

Review of Operations

Positive balance maintained by expansion of digital input equipment and service solutions business

■ Increased revenue in digital equipment due to new products and expansion of service solution business

In the first half of the fiscal year, in digital medical input equipment, we launched the cassette digital X-ray detector “AeroDR” and the desktop Computed Radiography (CR) “REGIUS Σ.” In the second half, we expanded the line-up with products such as Digital Radiography (DR) for medical rounds, and sequentially increased the sales area for medical institutions in Japan and overseas. We worked to increase sales, primarily of AeroDR in the hospital market and REGIUS Σ in the clinical market, and realized a year-on-year increase in the sales volume of digital equipment. We also robustly expanded the service solution business including maintenance services.

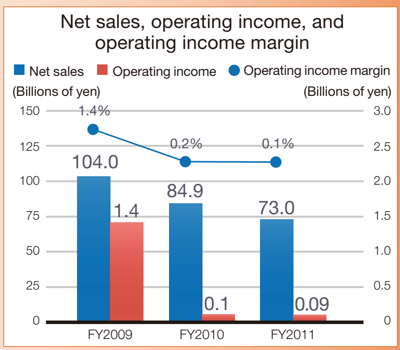


■ Sales of film products decline substantially due to the growing “filmless” trend

We worked to promote sales in China and other emerging markets, but the growing “filmless” trend continued in Japan and developed markets, and the sales volume declined year on year.

Summary of Healthcare Business

The addition of the impact of the strong yen and decreasing sales prices resulted in sales for the Healthcare Business of ¥73.0 billion (YoY -14.1%). Although there was a decrease in profits due to decreased sales and the continued high price of silver, we implemented cost reductions and expenditure cuts, resulting in operating income of ¥90 million (YoY -46.9%).



Reinforcement of Our Global Management Base

Basic policy

Reinforcing our management base to truly global standards, we aim to increase recognition of the Konica Minolta brand as an innovative corporation in the field of imaging and realize powerful growth.

Priority measures

Changing into a "Global Company"

● Introducing a global human resource system to cultivate and leverage global human resources

Considering human resource optimization from a worldwide perspective to be indispensable in providing the highest value to customers around the world, we have constructed a global HR database that we are now actively using. We are also developing initiatives to foster future management personnel from a global perspective, such as periodically implementing management training programs across the group for selected personnel. In addition, we will go on to construct and deploy a common structure for HR evaluations to appoint talented people from different organizations and countries.

● Structural enhancements for global Optimized Print Services (OPS)

As a new growth area for the office field in the Business Technologies Business, we are strengthening our sales structure on a global scale for the OPS concept, with the aim of providing an optimal print environment to customers. We achieved the acquisition of 2,800 new client companies (aggregate number of clients: 4,000 companies) and sales of ¥20.3 billion (YoY +134%) in FY March 2012.

● Expansion of Global Major Accounts (GMA) by providing high-quality services worldwide

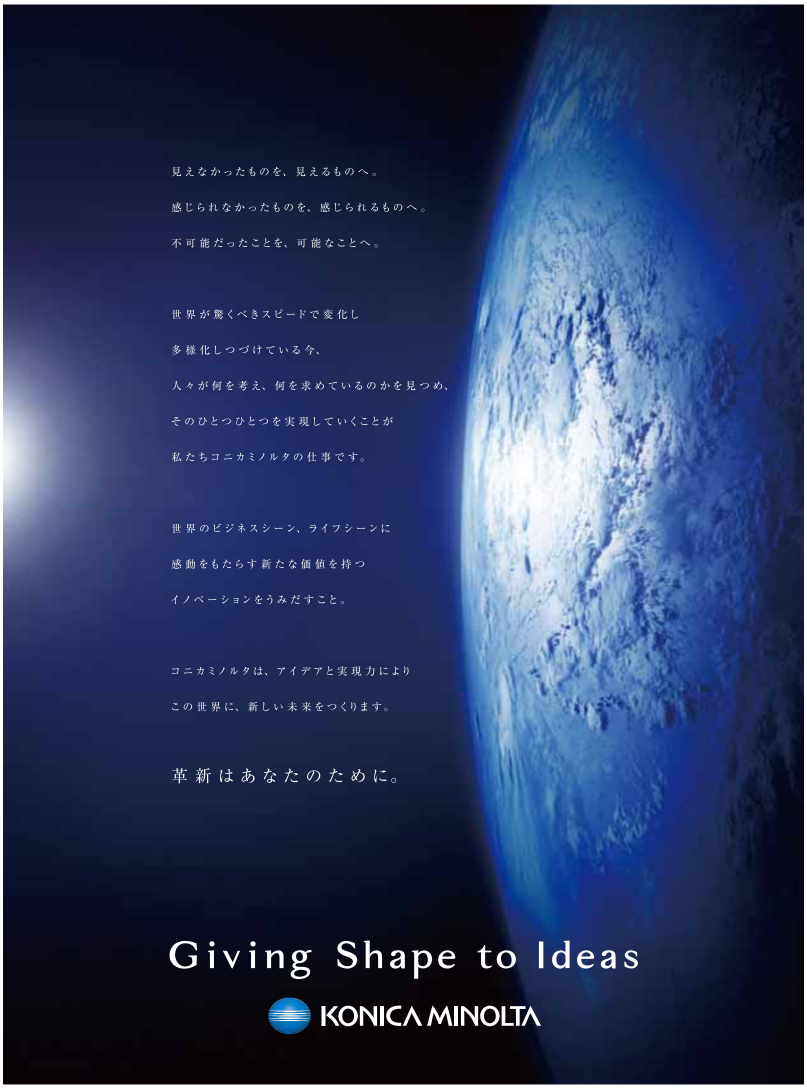
As a result of promoting marketing to GMA operating in Europe, the U.S. and the rest of the world through the window of OPS, steady growth was achieved in FY March 2012, having entered into multi-year contracts for the management of office equipment with 15 companies including the major German automobile manufacturer BMW and NASA.

Priority measures

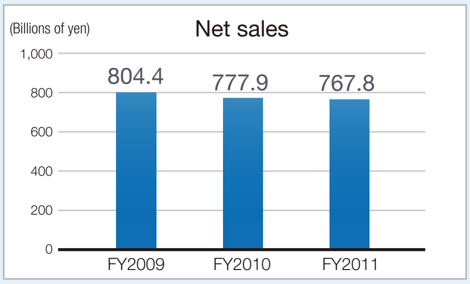
Increasing the recognition of the Konica Minolta brand

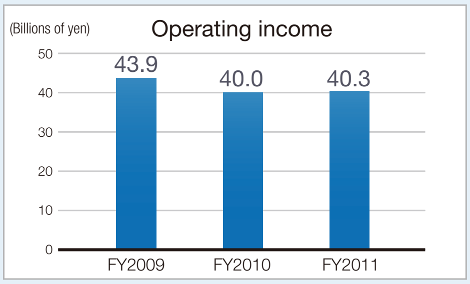
● Promoting the communication message “Giving Shape to Ideas”

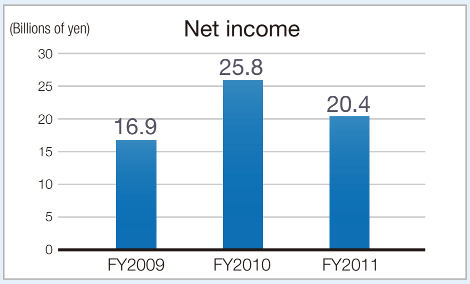
This communication message clearly expresses our strong determination to fulfilling our customers’ needs through creative technological innovation. Under this message, we will endeavor each day to resolve our customers’ problems through the reliable technological strengths and problem-solving abilities we have fostered in all the businesses in which the Group companies engage, and deliver value beyond expectations.



Management's Discussion and Analysis







Operating Environment

The Great East Japan Earthquake that occurred in March 2011, damaging floods in Thailand from July 2011, and other unprecedented disasters directly and indirectly affected the procurement and production operations of the Konica Minolta Group (the Group) by disrupting supply chains in the related industries.

Regarding macroeconomic circumstances in Japan and overseas, increasing economic uncertainty in Europe as a result of the sovereign debt crisis and its potential impact on the global economy were cause for concern. However, the U.S. economy was relatively solid and the economies of emerging countries including China maintained high growth rates overall. Economic conditions remained challenging in Japan, especially for export-oriented manufacturers, because of the rapid appreciation of the yen, the impact of the earthquake in Japan and the flooding in Thailand.

Operating Results

Net Sales

In the fiscal year ended March 31, 2012, net sales decreased ¥10.0 billion, or 1.3%, year on year to ¥767.8 billion. Amid the Great East Japan Earthquake, flooding in Thailand, the recession in Europe and other factors, the Group implemented initiatives such as introducing new products, acquiring large customers, and strengthening sales in emerging countries. However, currency translation reduced net sales by ¥29.7 billion.

Operating Income

Gross profit increased ¥0.7 billion, or 0.2%, year on year to ¥355.3 billion. Although net sales decreased and procurement costs rose while orders stagnated as a result of the Great East Japan Earthquake and the flooding in Thailand, sales of main products increased and the entire Group worked to reduce costs and raise productivity. As a result of these and other factors, the gross profit margin improved 0.7 points year on year to 46.3 percent.

Selling, general and administrative (SG&A) expenses increased ¥0.4 billion year on year as assiduous efforts to reduce SG&A expenses offset increased expenses due to aggressive mergers and acquisitions.

As a result of the above, operating income increased ¥0.3 billion, or 0.8%, year on year to ¥40.3 billion. Excluding a decrease of ¥7.4 billion due to currency translation, operating income would have increased 19.3% year on year.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests increased ¥4.7 billion, or 16.7%, year on year to ¥32.8 billion. Gain on reversal of foreign currency translation adjustment of ¥3.7 billion partially offset foreign exchange loss, net of ¥2.5 billion, write-down of investment securities of ¥2.7 billion, and business structure improvement expenses of ¥1.1 billion.

Net Income

Net income decreased ¥5.4 billion, or 21.1%, year on year to ¥20.4 billion. Among other factors, revision of the corporate tax rate in Japan increased income taxes and reduced net income by ¥3.3 billion.

Operating Results by Segment

Business Technologies Business

In the office field, overall sales volume of the A3 multi function peripherals (MFPs) of the bizhub series for the fiscal year ended March 31, 2012 increased year on year, reflecting stronger unit sales of color MFPs in all regions – Japan, the United States, Europe, and other regions including Asia – and level sales volume of monochrome MFPs. The Company enhanced its global sales system based on the concept of Optimized Print Services (OPS), a growth strategy that aims at providing optimal printing environments to customers. Sales to major global accounts increased steadily as a result. For example, the Company successfully concluded multi-year global contracts with BMW AG, a major

European automobile manufacturer headquartered in Germany, and the National Aeronautics and Space Administration (NASA) for the management and maintenance of office equipment at their offices. The Company also acquired IT service providers to strengthen its IT service capability, which is key to expanding service businesses in the future and achieving sustainable growth. In Europe, the Company acquired Sweden-based Koneo AB in April 2011. In the United States, California-based subsidiary All Covered Inc., which became a member of the Group in December 2010, acquired nine companies including Illinois-based Techcare LLC. The effective date for the acquisition of two of these companies was April 1, 2012. With these initiatives, the Company expanded its IT service network in North America and European markets. In addition, the Company launched two new color MFPs, bizhub C754 and C654, as the highest-end products in the bizhub series in January 2012 to enhance its product competitiveness in this field.

In the production print field, sales volume of color equipment for production printing systems for the fiscal year ended March 31, 2012 increased significantly year on year in all regions – Japan, the United States, Europe, and other regions including Asia. This performance reflected strong sales of three new color digital printing systems, the bizhub PRESS C8000, C7000 and C6000, which were launched in autumn 2010 and are used in in-house printing and digital commercial printing. Sales of monochrome MFPs also increased year on year, especially in overseas markets. Consequently, overall sales in this field remained robust throughout the fiscal year ended March 31, 2012.

As a result, Business Technologies Business segment sales to outside customers increased 1.5% year on year to ¥547.5 billion. Excluding a decrease of ¥24.4 billion in sales due to the effect of the strong yen on currency translation, segment sales would have increased about 6.0% year on year. Segment profit increased 5.4% year on year to ¥39.4 billion. During the fiscal year ended March 31, 2012, large-scale natural disasters such as the Great East Japan Earthquake and flooding in Thailand caused difficulties in procuring certain materials and components. The Company took steps to minimize the effect on sales by strengthening cooperation among its development, procurement, and production divisions. As a result, both segment sales and segment profit increased year on year despite the strong yen.

Optics Business

In the display materials field, the Group introduced new cellulose triacetate films for increasing viewing angle (VA-TAC film) from early 2012. Sales of VA-TAC films remained favorable in Korea and Taiwan during the fiscal year ended March 31, 2012 despite widespread production adjustments in the liquid crystal display (LCD) industry from summer 2011. In addition, adoption of thin plain TAC films, a strong Group product, increased steadily. As a result, overall TAC film sales volume for the fiscal year ended March 31, 2012 increased year on year.

In the memory devices field, sales volume of glass substrates for hard disk drives (HDDs) was level year on year, reflecting production adjustments adopted by personal computer manufacturers in the first half of the fiscal year and the effects of damage certain HDD set manufacturers suffered due to the flooding in Thailand in the second half. Sales volume of pickup lenses for optical disks for the fiscal year ended March 31, 2012 decreased year on year because the markets for both Blu-ray DiscsTM and DVDs failed to recover.

In the image input/output components field, sales of lens units for digital and video cameras had been rebounding but stalled because of stagnant orders from certain customers that were affected by the flooding in Thailand. Sales volume only increased slightly year on year as a result. Meanwhile, sales volume of optical units for cell phones with cameras increased year on year, with increased use of Konica Minolta optical units in the second half compensating for a weak first half.

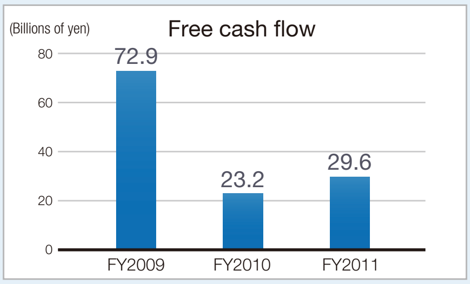
As a result, Optics Business segment sales to outside customers decreased 4.3% year on year to ¥124.3 billion. Segment profit increased 9.6% year on year to ¥14.0 billion because increased sales of main products and initiatives to reduce costs and expenses compensated for the decrease in segment profit from lower sales and prices for certain products.

Healthcare Business

In the Healthcare Business, the Company launched two models of digital medical input equipment, the AeroDR cassette digital X-ray detector and the REGIUS Σ desktop computed radiography (CR) unit, in the first half, and expanded its lineup with a mobile digital radiography (DR) unit for hospital rounds in the second half. The Company also continued to expand the areas in which it sells to medical facilities in Japan and abroad. Digital equipment sales volume increased year on year because the Company concentrated on increasing sales of AeroDR in the hospital market and REGIUS Σ in the clinic market. In film products, the Company concentrated on China to expand sales in emerging economies. However, the use of filmless equipment in Japan and other developed countries increased unabated, causing film product sales volume for the fiscal year ended March 31, 2012 to decreased year on year.

In addition to the above, the impact of the strong yen and lower market prices caused Healthcare Business segment sales to outside customers to decrease 14.1% year on year to ¥73.0 billion. Segment profit decreased 46.9% year on year to ¥90 million, with the impact of lower sales and the surge in the price of silver partly offset by moves to reduce costs and expenses.

Cash Flows



Cash Flows from Operating Activities:

Net cash provided by operating activities was ¥72.3 billion, compared with ¥67.9 billion for the previous fiscal year. Income before income taxes and minority interests provided cash of ¥32.8 billion. Depreciation and amortization totaled ¥49.2 billion, and amortization of goodwill totaled ¥8.8 billion. Uses of cash included an increase in working capital of ¥4.9 billion and income taxes paid of ¥6.1 billion.

Cash Flows from Investing Activities:

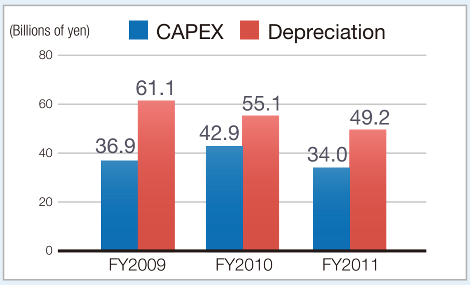
Net cash used in investing activities was ¥42.7 billion, compared with ¥44.7 billion for the previous fiscal year. Payment for acquisition of property, plant, and equipment used cash of ¥29.1 billion. Principal investments included molds for new products in the Business Technologies Business and capital expenditure in the Optics Business. Other uses of cash included ¥5.5 billion for payment for acquisition of newly consolidated subsidiaries and ¥2.3 billion for payment for transfer of business, both of which were associated with the acquisition of companies in Europe and the United States to strengthen IT services and direct sales in the Business Technologies Business.

As a result, free cash flow, calculated as the sum of cash flows from operating and investing activities, was ¥29.6 billion, compared with free cash flow of ¥23.2 billion for the previous fiscal year.

Cash Flows from Financing Activities:

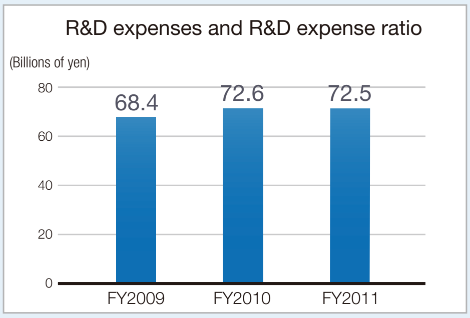
Net cash provided by financing activities was ¥26.3 billion. In the previous fiscal year, financing activities used net cash of ¥12.9 billion. Proceeds from issuance of bonds provided cash of ¥40.0 billion, and net proceeds from long-term loans payable provided cash of ¥12.4 billion. Uses of cash included net decrease in short-term loans payable of ¥16.4 billion and cash dividends paid of ¥7.9 billion.

Capital Expenditure and Depreciation



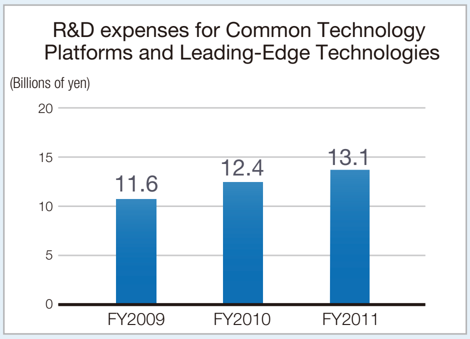
Total capital expenditure for the fiscal year ended March 31, 2012 decreased ¥8.9 billion, or 20.8%, year on year to ¥34.0 billion. By business segment, capital expenditure totaled ¥17.7 billion in the Business Technologies Business, ¥6.6 billion in the Optics Business, ¥2.3 billion in the Healthcare Business, and ¥7.2 billion in other businesses. Principal capital expenditure for the fiscal year ended March 31, 2012 included investment in molds for new products in the Business Technologies Business, and investment to increase production capacity in the Optics Business. Depreciation decreased ¥5.8 billion, or 10.7%, year on year to ¥49.2 billion, largely reflecting progress in depreciation of production facilities.

Research and Development Costs



Research and development (R&D) costs decreased marginally year on year to ¥72.5 billion due to investment in the Business Technologies Business and future growth businesses. By business segment, R&D costs increased 2.4% year on year to ¥44.1

billion in the Business Technologies Business, decreased 1.1% to ¥10.2 billion in the Optics Business, decreased 31.5% to ¥4.9 billion in the Healthcare Business, and increased 10.8% to ¥13.1 billion in other businesses.



R&D expenses for Common Technology Platforms and Leading-Edge Technologies

Financial Position and Liquidity

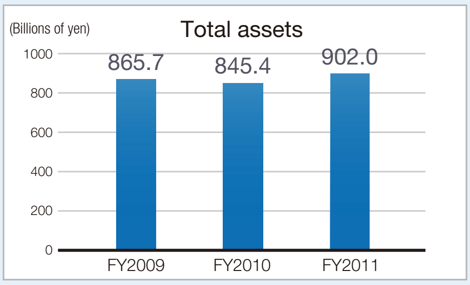
Assets

Current assets at March 31, 2012 increased ¥64.0 billion, or 12.8%, from a year earlier to ¥565.9 billion. Cash on hand and in banks increased ¥2.7 billion, short-term investment securities increased ¥5.4 billion, and notes and accounts receivable-trade increased ¥10.8 billion. Deferred tax assets decreased ¥10.2 billion.

Property, plant and equipment as of March 31, 2012 decreased ¥11.7 billion from a year earlier to ¥178.9 billion due to normal depreciation. Intangible assets decreased ¥1.0 billion from a year earlier to ¥87.3 billion due to amortization despite increased goodwill as a result of business acquisitions in the Business Technologies Business.

Investments and other assets as of March 31, 2012 increased ¥5.2 billion from a year earlier to ¥69.7 billion. Investment securities decreased ¥1.8 billion from a year earlier largely because of reduced book value due to lower stock prices. However, deferred tax assets increased ¥7.8 billion from a year earlier.

As a result of these factors, total assets at March 31, 2012 increased ¥56.5 billion, or 6.7%, from a year earlier to ¥902.0 billion.



Total assets

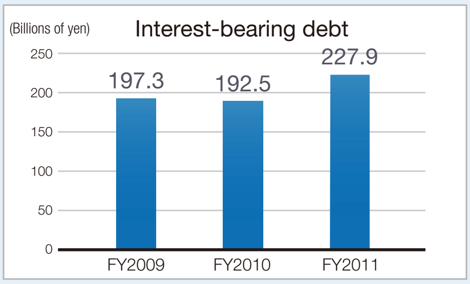
Liabilities

Current liabilities at March 31, 2012, decreased ¥13.5 billion from a year earlier. Notes and accounts payable-trade increased ¥13.4 billion, while the total of short-term debt and the current portion of long-term debt decreased ¥29.6 billion.

Long-term liabilities at March 31, 2012 increased ¥64.1 billion from a year earlier because bonds payable increased ¥40.0 billion due to the issue of bonds and long-term loans payable increased ¥24.9 billion.

As a result of the above, total liabilities as of March 31, 2012 increased ¥50.5 billion, or 12.1%, from a year earlier to ¥467.0 billion.

Interest-bearing debt as of March 31, 2012 increased ¥35.3 billion from a year earlier to ¥227.9 billion.



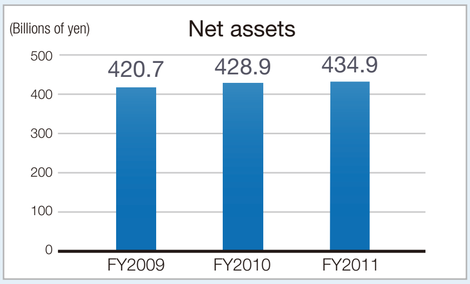
Interest-bearing debt

Net Assets

After net income of ¥20.4 billion and dividend payments of ¥7.9 billion, retained earnings at March 31, 2012 increased ¥11.3 billion from a year earlier to ¥222.8 billion. On the other hand, foreign currency translation adjustments reduced net assets by an additional ¥6.0 billion compared with a year earlier due to the higher yen.

As a result of the above, net assets at March 31, 2012 increased ¥5.9 billion, or 1.4%, from a year earlier to ¥434.9 billion.

At March 31, 2012, the equity ratio decreased 2.5 percentage points from a year earlier to 48.1%.

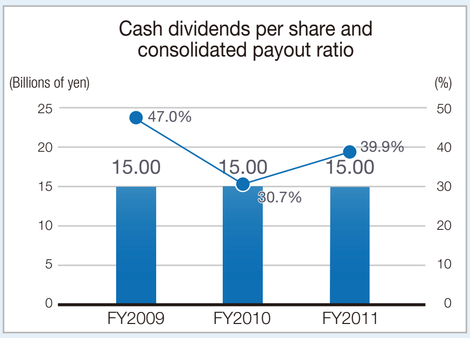


Net assets

Dividend Policy

Basic Dividend Policy

The Company considers distribution of earnings to shareholders a management priority under a basic policy of sustained distribution of earnings to shareholders after comprehensive consideration of factors including consolidated results and strategic investment in growth areas. The Company's specific medium-to-long-term benchmark for dividends is a consolidated payout ratio of 25% or higher. The Company also considers factors such as financial position and share price in making decisions about share repurchases as another means of distributing earnings to shareholders.



Cash dividends per share and consolidated payout ratio

Dividends for the Fiscal Year Ending March 31, 2012 and Planned Dividends for the Fiscal Year Ending March 31, 2013

Increasing market competition and the appreciation of the yen during the fiscal year ended March 31, 2012, along with production adjustments among customers and two major natural disasters that impacted supply chains, created continued challenging conditions for sales. However, increased sales of profitable core products and thorough cost controls enabled the Group to generally achieve its earnings targets from operating income to net income. Based on these circumstances, the Company declared a year-end cash dividend of ¥7.50 per share. In conjunction with the interim cash dividend, cash dividends per share for the year ended March 31, 2012 totaled ¥15.00.

While the operating environment remains uncertain, for the fiscal year ending March 31, 2013, the Company assumes it will achieve its performance targets and therefore plans to pay an interim and a year-end cash dividend per share of ¥7.50 each for total annual dividends of ¥15.00 per share.

Outlook for the Fiscal Year Ending March 31, 2013

Looking at the global economic conditions surrounding the Group, the outlook for the European economy remains uncertain due to its fiscal problems. We expect that the United States will grow moderately overall but will continue to expand and contract. Growth in emerging economies, especially China, India, and other Asian economies, is expected to slow, but we expect these economies to maintain higher economic growth rates than those of developed economies. The Japanese economy is expected to recover, backed by demand associated with post-earthquake reconstruction.

In the Business Technologies Business, we expect that demand for production printing products will continue to expand both in Japan and in overseas markets. We also forecast that growth in emerging markets will drive demand for office MFPs. In developed countries, we expect to boost demand from global major accounts by leveraging the development of OPS. In the Industrial Business*, prolonged adjustments of digital consumer electronics inventory, including LCD TVs, are expected to come to an end, bringing an overall recovery in demand. In the Healthcare Business, we anticipate that demand for cassette DR and compact CR will continue to expand, especially in the hospital and clinic markets.

* The reportable segments in the fiscal year ended March 31, 2012 were the Business Technologies Business, the Optics Business, and the Healthcare Business. However, with the reorganization of the Group in April 2012, the reportable segments will be the Business Technologies Business, Industrial Business, and Healthcare Business from the fiscal year ending March 31, 2013.

Considering the above circumstances, we have made the following forecasts for the fiscal year ending March 31, 2013.

Performance Forecast for the Fiscal Year Ending March 31, 2013 (As of July 27, 2012)	**(Billions of yen)**
Net sales	800.0
Operating income	48.0
Operating income ratio	6.0%
Amortization of goodwill	8.8
Operating income before amortization of goodwill	56.8
Operating income ratio before amortization of goodwill	7.1%
Net income	22.0
Capital expenditure	50.0
Depreciation	55.0
Research and development costs	73.0
Free cash flow	(10.0)
CF from operating activities - CF from investing activities	30.0

We assume exchange rates of JPY 80 to USD 1 and JPY 100 to EUR 1.

Konica Minolta Group Risks

The following risks could have a significant effect on the judgment of investors in the Group. Further, the forward-looking statements in the following section are the Group's judgments as of June 21, 2012.

Economic Risks

(1) Economic Trends in Primary Markets

The Group provides MFPs, production printing equipment, image input/output components, display materials, products and equipment for use in healthcare, and related services to customers worldwide. Economic conditions in national markets significantly affect sales and earnings in these businesses.

Risks of concern in the global economy include the protracted debt problems in Europe, high crude oil prices due to political instability in oil-producing countries, and economic policy revisions in leading countries due to major elections. Japan's economy is expected to recover moderately because of the impact of reconstruction and restoration demand following the Great East Japan Earthquake and the flooding in Thailand, but conditions remain unclear. Recessions in national markets that cause customers to restrain investment, reduce operating expenses or reduce consumption could adversely affect the Group's results or finances in ways such as causing inventories to increase, reducing sales prices by increasing competition, or reducing sales volume.

(2) Changes in Exchange Rates

Overseas sales account for 72.0% of the Group's net sales. The Group operates globally and is significantly affected by exchange rate fluctuations.

The Group ameliorates the impact of exchange rates by conducting hedging transactions centered on futures contracts for major currencies including the U.S. dollar and the euro. In addition, the impact of USD-denominated procurement for the MFPs and printers the Business Technologies Business produces in China is light because it is basically offset by sales and payables in regions where sales are denominated in U.S. dollars. However, fluctuations in euro exchange rates directly impact earnings. Generally, yen appreciation versus the U.S. dollar and euro negatively affects results, while yen depreciation versus these currencies positively affects results.

The Group takes steps to ameliorate the impact of currency exchange rate fluctuations because yen appreciation negatively affects its results. However, continued yen appreciation could negatively affect the Group's results.

Industry and Business Activity Risks

(3) Competition in Technology Innovation

The ability to innovate faster than other companies is the primary source of competitive advantage in the Group's core businesses including MFPs, production printing equipment and other information equipment, TAC polarizing film for LCDs, and pickup lenses for optical disks, and in the Group's key areas for future development including organic electroluminescent (EL) lighting.

The Group continually takes on the challenge of innovative technology development and invests aggressively in R&D and facilities, but these efforts may not be timely enough. Moreover, competitors may develop similar or alternative technologies more quickly. Accurately determining new directions in technology innovation to meet customer needs is crucial, and failure to do so could reduce the Group's competitiveness in its core and new businesses.

(4) Operating Environment in the Equipment and Service Businesses

Solution and service needs are increasing in conjunction with rising demand for high-value-added products that are networked and multifunctional, including information equipment such as MFPs, printers and production printing equipment, and healthcare equipment. In addition, companies are strengthening their sales channels through acquisitions, reorganization and alliances with IT companies, particularly in the information equipment industry. Competition among manufacturers and distributors that respond to this trend is expected to further intensify competition within the industry.

The Group operates under a policy of being the genre leader in its Business Technologies Business, the Group's largest business and growth driver. The Group led the industry in concentrating resources to expand its office-use color MFP and production printing equipment businesses, thus establishing itself as the leading Group in European and North American markets. However, the Group cannot guarantee continued competitive advantage because technological innovation is rapid in this field and the importance of the solutions and services business is further increasing. Slower growth resulting from inability to maintain competitiveness in technology and sales channels in the Business Technologies Business could adversely affect the Group's results. Moreover, restrained corporate investment or cost reductions could cause installation of new MFPs to decrease, which could adversely affect the Group's results in the future.

(5) Operating Environment in the Industrial Business

The Industrial Business supplies components and materials for LCD televisions, DVD and HDD products, and other products in the digital home appliance market. Selling prices continue to trend downward due to intense competition among manufacturers in this market, which affects component and material suppliers such as the Group. At the same time, shorter product lifecycles require component and material manufacturers to sell mass-produced products in a short time. Rapid changes in supply and demand due to production adjustments caused by market competition could adversely affect the Group's results.

In addition, the Industrial Business's major customers are digital home appliance manufacturers. Rapid changes in demand or decreases in prices in addition to failure to respond sufficiently to the industry trends the Group identifies, such as global reorganization of the digital home appliance industry or next-generation products, could result in loss of customers and adversely affect the Group's results.

(6) Quality Problems

The Group has created a rigorous quality assurance system for Group companies and contract manufacturers in Japan and overseas, and provides customers with high-performance, reliable products and services. The Group could be responsible for compensation for damages that result if the Group should happen to provide defective products or services. Moreover, remedying such defects may result in significant expenses. In addition, media reports on such problems could adversely affect the Group's operations and image.

(7) Global Business Activities

The Group conducts a majority of its business outside Japan in North America, Europe, and Asian countries. These global corporate activities entail the following risks:

- Exchange rate movements
- Political and economic uncertainties
- Unanticipated changes to legal, regulatory and tax codes
- Hiring and retaining outstanding employees
- Industrial infrastructure vulnerabilities

Business expansion in overseas markets is a primary objective of the Group. However, inability to respond adequately to the risks that are characteristic of global business activities could adversely affect the Group's results and growth strategies.

The Group is concentrating on expanding production in China to enhance cost competitiveness in its core Business Technologies Business and Industrial Business. The Business Technologies Business has established production bases in Dongguan, Shenzen and Wuxi that produce and ship nearly all of the MFPs and printers it sells globally. In addition, the Industrial Business has established production bases in Dalian and Shanghai that produce image input/output components and other products.

China continues to develop economically and make progress in areas such as improving its legal system and upgrading infrastructure. However, legal changes, labor policy difficulties, increased personnel expenses, appreciation of the Chinese yuan, changes in import and export regulations and the tax code, and other developments that are difficult to anticipate may occur. Inability of the Group to effectively handle the risks inherent in having a large percentage of the manufacturing activities of its core businesses in China could adversely affect the Group's results and growth strategies.

(8) Securing Human Resources

Skilled human resources are the source of growth for the Group. The Group increasingly requires outstanding engineers and highly skilled workers who can further develop core technologies in businesses including optics, materials, precision processing, and imaging in order to maintain the Group's high level of competitiveness in the future. In addition, prevailing over competitors as digitalization and networking advance requires the Group to secure outstanding engineers and systems engineers to quickly strengthen information and communication technologies such as software and control technologies. Beyond technology, the Group has a growing need for personnel in areas such as marketing, sales and service to create new sources of earnings from businesses including solutions and services.

While these personnel requirements are pronounced, competition among companies acquire human resources is intense. Inability to recruit and retain competent human resources could adversely affect execution of the Group's growth strategy.

(9) Alliances with Other Companies

The Group is enhancing competitiveness and efficiency by collaborating with other companies through means including technology and business alliances and joint ventures.

In the Business Technologies Business, the Group moved to enhance its IT services by continuing to make acquisitions in North America and Europe during the fiscal year ended March 31, 2012 that strengthened its business base. In the production print business, the Group responded to diversifying needs in the commercial printing market by concluding a global sales agreement in the commercial printing market in February 2012 with Japan-based Komori Corporation. In May 2012, the Group also acquired FedEx Kinko's Japan Co., Ltd. to provide various solutions in the corporate in-house printing market. The Group will continue to forge alliances and make acquisitions as a strategic growth option.

Mutually supplementing technology and expertise under agreements with other companies strongly helps the Group to provide new products and services that respond to customer needs in a timely manner. Inability to continue collaborative relationships for operating, financial or other reasons or inability to achieve the expected outcomes of such relationships could adversely affect the Group's growth strategy.

(10) Rising Raw Material Prices

Rising prices for metal products including silver, steel and aluminum; petrochemical products made from crude oil; and other raw materials that the Group uses in its production activities could affect the Group's results. The Group works to reduce costs and raise the prices of its products as raw material prices rise, but cannot guarantee that it will be able to completely compensate higher raw material prices. Raising product selling prices may also reduce sales volume.

(11) Raw Material and Resource Procurement

The Group procures specified products, components and materials from external suppliers. Unanticipated contingencies among these suppliers could adversely affect the Group's production and supply capabilities.

In addition, the limited supply of scarce natural resources such as rare earths remains a concern. While the Group is working to reduce the amount used and find alternatives for these scarce resources, supply disruptions could interfere with production continuity and adversely affect the Group's results.

Legal and Litigation Risk

(12) Intellectual Property

The Group accumulates differentiating technologies and expertise in the course of product development to ensure the competitiveness of its businesses, and works to protect these intellectual property rights. However, legal constraints in certain regional areas may preclude full protection of intellectual property and render the Group unable to prevent third parties from manufacturing and selling products that employ the Group's intellectual property.

Furthermore, the Group tries to avoid infringing on the rights of other companies in developing products. However, differences of opinion or other factors may result in the assumption that the Group is infringing on the rights of other companies, which could render the Group unable to use important technologies or make the Group responsibile for paying significant monetary compensation.

Furthermore, in the future the Group may be prohibited from using intellectual property rights it currently licenses from third parties, or such use may be subject to unreasonable conditions.

(13) Healthcare Systems

The Group's Healthcare Business is subject to the ongoing influence of the healthcare systems and approval processes of the countries in which it operates. Factors including healthcare system reform could result in significant and unanticipated changes healthcare administration policy. Inability to respond quickly to changes in the operating environment in the Healthcare Business could adversely affect the Group's results.

(14) Environmental Regulations

The Group is subject to various environmental laws and regulations governing issues including air pollution, water pollution, removal of hazardous substances, waste treatment, product recycling, and soil and groundwater contamination. The Group may incur expenses and financial liabilities for environmental obligations associated with past and present manufacturing activities. In addition, the Group may incur additional compliance obligations and expenses if environmental laws and regulations become more rigorous in the future, which could adversely affect the Group's results.

(15) Information Leaks

The Group obtains personal and confidential information on customers and business partners in the course of operations. The Group has a system for managing this information and implements measures including employee training, but unexpected contingencies could cause this information to leak externally. This could expose the Group to liability for damages to injured parties, and could adversely affect the Group's credibility and image.

In addition, leakage of the Group's confidential information related to matters including technology, contracts and personnel could adversely affect the Group's results.

Disasters and Other Risks

(16) Disasters

The Group centers on a holding company, Konica Minolta Holdings, Inc., and operates globally. It encompasses bases worldwide involved in activities including R&D, procurement, production and sales. Disasters including earthquakes, fires, typhoons or flooding; pandemics similar to the outbreak of H1N1 influenza; or war, acts of terrorism or computer viruses could damage the Group's facilities, temporarily halt operations or delay production and shipments. Such disasters could also disrupt or restrict use of essential utilities such as electricity, gas and water; cause supply shortages of components and raw materials by damaging suppliers; halt distribution; or disrupt markets. Such circumstances could reduce net sales below initial plans, incur significant expenses to restore damaged facilities, or have other outcomes that could adversely affect the Group's results.

The Group essentially resolved the component and raw material procurement problems caused by the Great East Japan Earthquake by the end of the second quarter of the fiscal year ended March 31, 2012. Moreover, the flooding in Thailand did not directly affect Group operations because the Group does not have a production base there. However, the Group has experienced increased procurement costs, suspended orders and other issues resulting from supply chain disruptions caused by the flooding. In the future, the impact of disasters on suppliers or customers or the impact of issues such as electricity shortages could adversely affect the Group's results.

(17) Impairment of Long-Lived Assets

Effective the fiscal year ended March 31, 2006, the Group adopted accounting standards for impairment of long-lived assets including property, plant, equipment and goodwill. The Group periodically evaluates the carrying value of long-lived assets on the consolidated balance sheets to determine if their residual value is recoverable with expected future cash flows from the asset. The Group recognizes impairment when the asset no longer generates sufficient cash flow because its operating profitability has decreased due to competition or other reasons, which could adversely affect the Group's results.

CONSOLIDATED BALANCE SHEETS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2012**	2011	**2012**
Current Assets:			
Cash on hand and in banks (Note 5)	¥ 90,640	¥ 87,886	$ 1,102,811
Notes and accounts receivable–trade (Notes 5 and 12)	174,193	163,363	2,119,394
Lease receivables and investment assets (Note 12)	13,775	14,327	167,599
Short-term investment securities (Notes 5 and 6)	141,293	87,261	1,719,102
Inventories (Note 10)	105,080	100,243	1,278,501
Deferred tax assets (Note 8)	20,100	30,393	244,555
Other accounts receivable	13,467	10,536	163,852
Other current assets	11,759	12,084	143,071
Allowance for doubtful accounts	(4,385)	(4,220)	(53,352)
Total current assets	565,923	501,876	6,885,546
Property, Plant and Equipment (Note 17)**:**			
Buildings and structures	169,648	167,918	2,064,095
Machinery and equipment	244,086	242,223	2,969,777
Tools and furniture	138,773	142,003	1,688,441
Land	33,631	33,795	409,186
Lease assets	818	726	9,953
Construction in progress	7,817	6,589	95,109
Rental business-use assets	37,373	39,425	454,715
Total	632,149	632,682	7,691,313
Accumulated depreciation	(453,150)	(441,980)	(5,513,444)
Net property, plant and equipment	178,999	190,701	2,177,868
Intangible Fixed Assets:			
Goodwill	59,727	63,146	726,694
Other intangible fixed assets	27,613	25,225	335,965
Total intangible fixed assets	87,341	88,371	1,062,672
Investments and Other Assets (Note 17)**:**			
Investment securities (Notes 5 and 6)	19,073	20,893	232,060
Long-term loans	133	154	1,618
Long-term prepaid expenses	2,650	3,030	32,242
Deferred tax assets (Note 8)	38,281	30,404	465,762
Other	10,355	10,752	125,989
Allowance for doubtful accounts	(706)	(732)	(8,590)
Total investments and other assets	69,788	64,504	849,106
Total assets	¥902,052	¥845,453	$10,975,204

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Liabilities and Net Assets	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
Current Liabilities:			
Short-term debt (Notes 5, 7 and 12)	¥ 32,913	¥ 50,018	$ 400,450
Current portion of long-term debt (Note 7)	11,994	24,516	145,930
Notes and accounts payable–trade (Note 5)	88,129	74,640	1,072,259
Accrued expenses	36,335	35,324	442,085
Accrued income taxes (Note 8)	6,908	5,199	84,049
Reserve for discontinued operations	–	26	–
Other current liabilities (Note 7)	52,678	52,755	640,930
Total current liabilities	228,958	242,480	2,785,716
Long-Term Liabilities:			
Long-term debt (Notes 5 and 7)	183,025	118,033	2,226,852
Accrued retirement benefits (Note 22)	44,545	44,734	541,976
Accrued retirement benefits for directors and statutory auditors	341	329	4,149
Deferred tax liabilities on land revaluation (Note 8)	3,269	3,733	39,774
Asset retirement obligations	931	963	11,327
Other long-term liabilities (Note 7)	5,992	6,192	72,904
Total long-term liabilities	238,105	173,985	2,897,007
Total liabilities	467,064	416,465	5,682,735
Contingent Liabilities (Note 11)			
Net Assets (Notes 9 and 27)**:**			
Common stock:			
Authorized—1,200,000,000 shares in 2012 and 2011			
Issued—531,664,337 shares in 2012 and 2011	37,519	37,519	456,491
Capital surplus	204,142	204,140	2,483,781
Retained earnings	222,848	211,467	2,711,376
Less: Treasury stock, at cost; Common stock, 1,381,591 shares in 2012 and 1,436,447 shares in 2011	(1,597)	(1,670)	(19,431)
Unrealized gains on securities, net of taxes	1,183	478	14,393
Unrealized losses on hedging derivatives, net of taxes	(228)	(94)	(2,774)
Foreign currency translation adjustments	(30,199)	(24,193)	(367,429)
Share subscription rights (Notes 7 and 24)	682	658	8,298
Minority interests	635	682	7,726
Total net assets	434,987	428,987	5,292,457
Total liabilities and net assets	¥902,052	¥845,453	$10,975,204

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Net Sales	¥767,879	¥777,953	$9,342,730
Cost of Sales (Note 13)	412,562	423,372	5,019,613
Gross profit	355,317	354,580	4,323,117
Selling, General and Administrative Expenses (Note 14)	314,971	314,558	3,832,230
Operating income	40,346	40,022	490,887
Other Income (Expenses):			
Interest and dividend income	1,563	1,806	19,017
Interest expenses	(2,519)	(3,129)	(30,648)
Foreign exchange loss, net	(2,567)	(3,762)	(31,233)
Loss on sales and disposals of property, plant and equipment, net	(1,693)	(1,527)	(20,599)
Write-down of investment securities	(2,700)	(680)	(32,851)
Gain on sales of investment securities, net	2	3	24
Gain on sales of investments in affiliated companies, net	–	12	–
Gain on sales of investments in capital	604	–	7,349
Loss on impairment of fixed assets (Note 17)	(893)	(1,027)	(10,865)
Gain on discontinued operations	19	2,498	231
Equity in income of unconsolidated subsidiaries and affiliates, net	67	112	815
Gain on reversal of foreign currency translation adjustment (Note 15)	3,730	–	45,383
Other extraordinary gain of overseas subsidiaries (Note 16)	241	505	2,932
Business structure improvement expenses (Note 18)	(1,198)	(3,394)	(14,576)
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	(983)	–
Loss on disaster	(57)	(450)	(694)
Other, net	(2,132)	(1,894)	(25,940)
Total	(7,531)	(11,910)	(91,629)
Income before income taxes and minority interests	32,815	28,111	399,258
Income Taxes (Note 8)**:**			
Current	9,553	9,580	116,231
Deferred	2,776	(7,420)	33,775
Total	12,330	2,160	150,018
Income before minority interests	20,484	25,951	249,227
Minority Interests in Net Income of Consolidated Subsidiaries	60	54	730
Net Income	¥ 20,424	¥ 25,896	$ 248,497

	Yen		U.S. dollars (Note 3)
	2012	2011	2012
Per Share Data (Notes 9 and 27)**:**			
Net income —Basic	¥38.52	¥48.84	$0.47
—Diluted	37.28	47.28	0.45
Cash dividends	15	15	0.18

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Income before minority interests	¥20,484	¥25,951	$249,227
Other comprehensive income			
Unrealized gains (losses) on securities, net of taxes	716	(261)	8,712
Unrealized losses on hedging derivatives, net of taxes	(133)	(128)	(1,618)
Foreign currency translation adjustments	(6,112)	(9,291)	(74,364)
Share of other comprehensive income of associates accounted for using equity method	(12)	(1)	(146)
Total other comprehensive income (Note 19)	(5,541)	(9,683)	(67,417)
Comprehensive income	¥14,943	¥16,267	$181,810
Comprehensive income attributable to			
Owners of the parent	¥14,990	¥16,258	$182,382
Minority interests	(46)	8	(560)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Shares of issued common stock	Millions of yen									
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2010 to March 31, 2011)											
Net Assets at April 1, 2010	531,664,337	¥37,519	¥204,140	¥193,790	¥(1,743)	¥ 741	¥ 33	¥(14,947)	¥617	¥622	¥420,775
Dividends paid from retained earnings				(7,953)							(7,953)
Net income				25,896							25,896
Purchase of treasury stock					(76)						(76)
Re-issuance of treasury stock				(54)	148						94
Pension liabilities adjustment of overseas subsidiaries				(211)							(211)
Net changes during the period						(263)	(128)	(9,245)	41	59	(9,536)
Total changes during the period		—	—	17,676	72	(263)	(128)	(9,245)	41	59	8,212
Balance at March 31, 2011	531,664,337	¥37,519	¥204,140	¥211,467	¥(1,670)	¥ 478	¥ (94)	¥(24,193)	¥658	¥682	¥428,987
(From April 1, 2011 to March 31, 2012)											
Net Assets at April 1, 2011	531,664,337	¥37,519	¥204,140	¥211,467	¥(1,670)	¥ 478	¥ (94)	¥(24,193)	¥658	¥682	¥428,987
Dividends paid from retained earnings				(7,953)							(7,953)
Net income				20,424							20,424
Change in the scope of consolidation				(38)							(38)
Purchase of treasury stock					(11)						(11)
Re-issuance of treasury stock			1		84						86
Pension liabilities adjustment of overseas subsidiaries (Note 20)				(1,050)							(1,050)
Net changes during the period						704	(133)	(6,005)	24	(46)	(5,456)
Total changes during the period		—	1	11,381	73	704	(133)	(6,005)	24	(46)	5,999
Balance at March 31, 2012	531,664,337	¥37,519	¥204,142	¥222,848	¥(1,597)	¥1,183	¥(228)	¥(30,199)	¥682	¥635	¥434,987

	Shares of issued common stock	Thousands of U.S. dollars (Note 3)									
		Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2011 to March 31, 2012)											
Net Assets at April 1, 2011	531,664,337	$456,491	$2,483,757	$2,572,904	$(20,319)	$ 5,816	$(1,144)	$(294,355)	$8,006	$8,298	$5,219,455
Dividends paid from retained earnings				(96,764)							(96,764)
Net income				248,497							248,497
Change in the scope of consolidation				(462)							(462)
Purchase of treasury stock					(134)						(134)
Re-issuance of treasury stock			12		1,022						1,046
Pension liabilities adjustment of overseas subsidiaries (Note 20)				(12,775)							(12,775)
Net changes during the period						8,566	(1,618)	(73,062)	292	(560)	(66,383)
Total changes during the period		—	12	138,472	888	8,566	(1,618)	(73,062)	292	(560)	72,989
Balance at March 31, 2012	531,664,337	$456,491	$2,483,781	$2,711,376	$(19,431)	$14,393	$(2,774)	$(367,429)	$8,298	$7,726	$5,292,457

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 32,815	¥ 28,111	$ 399,258
Depreciation and amortization	49,239	55,129	599,087
Loss on impairment of fixed assets	893	1,027	10,865
Amortization of goodwill	8,804	8,401	107,118
Interest and dividend income	(1,563)	(1,807)	(19,017)
Interest expense	2,519	3,129	30,648
Loss on sales and disposals of property, plant and equipment	1,693	1,526	20,599
Loss on sales and write-down of investment securities	2,698	678	32,826
Gain on sales of investments in capital	(604)	—	(7,349)
Gain on reversal of foreign currency translation adjustment	(3,730)	—	(45,383)
Decrease in provision for bonuses	(85)	(203)	(1,034)
Increase (Decrease) in accrued retirement benefits	359	(8,358)	4,368
Decrease in reserve for discontinued operations	(26)	(4,688)	(316)
Decrease (Increase) in trade notes and accounts receivable	(13,442)	3,411	(163,548)
Increase in inventories	(6,268)	(7,800)	(76,262)
Increase in trade notes and accounts payable	14,715	433	179,036
Transfer of rental business-use assets	(4,700)	(5,324)	(57,185)
Increase in accounts receivable–other	(4,449)	(543)	(54,131)
Increase in accounts payable–other and accrued expenses	866	2,402	10,537
Decrease/increase in consumption taxes receivable/payable	1,249	(479)	15,196
Other	(1,543)	3,603	(18,774)
Subtotal	79,439	78,650	966,529
Interest and dividend income received	1,534	1,808	18,664
Interest paid	(2,414)	(3,098)	(29,371)
Income taxes paid	(6,192)	(9,402)	(75,338)
Net cash provided by operating activities	72,367	67,957	880,484
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	(29,104)	(37,026)	(354,106)
Proceeds from sales of property, plant and equipment	504	1,155	6,132
Payment for acquisition of intangible fixed assets	(5,862)	(5,808)	(71,323)
Proceeds from transfer of business	—	577	—
Payment for transfer of business	(2,393)	—	(29,115)
Payment for acquisition of newly consolidated subsidiaries	(5,506)	(2,508)	(66,991)
Payment for loans receivable	(248)	(475)	(3,017)
Proceeds from collection of loans receivable	138	240	1,679
Payment for acquisition of investment securities	(6)	(96)	(73)
Proceeds from sales of investment securities	2	29	24
Proceeds from sales of investments in capital	1,315	—	16,000
Payment for acquisition of other investments	(1,773)	(1,271)	(21,572)
Other	177	445	2,154
Net cash used in investing activities	(42,757)	(44,738)	(520,221)
Cash Flows from Financing Activities:			
Decrease in short-term loans payable	(16,439)	(6,551)	(200,012)
Proceeds from long-term loans payable	38,304	989	466,042
Repayment of long-term loans payable	(25,805)	(27,565)	(313,968)
Proceeds from issuance of bonds	40,000	30,000	486,677
Repayments of lease obligations	(1,715)	(1,838)	(20,866)
Proceeds from disposal of treasury stock	3	4	37
Payment for purchase of treasury stock	(11)	(76)	(134)
Dividend payments	(7,945)	(7,942)	(96,666)
Dividend proceeds from minority shareholders in consolidated subsidiaries	—	51	—
Net cash provided by (used in) financing activities	26,390	(12,928)	321,085
Effect of Exchange Rate Changes on Cash and Cash Equivalents	785	711	9,551
Increase in Cash and Cash Equivalents	56,785	11,002	690,899
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	175,148	164,146	2,131,014
Cash and Cash Equivalents at the End of the Year (Note 4)	¥231,933	¥175,148	$2,821,913

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Konica Minolta Holdings, Inc., (the "Company") and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects regarding application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Accounting principles generally accepted in Japan allow consolidation of foreign subsidiaries based on their financial statements in conformity with International Financial Reporting Standards and accounting principles generally accepted in the United States.

The accompanying consolidated financial statements incorporate certain reclassifications in order to present them in a format that is more appropriate to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but is provided herein as additional information.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its 92 subsidiaries (89 subsidiaries for 2011) for which it retains control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 3 unconsolidated subsidiaries (3 unconsolidated subsidiaries for 2011) and 2 significant affiliates (2 significant affiliates for 2011) are accounted for using the equity method of accounting. Investments in the other unconsolidated subsidiaries and affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

(b) Translation of Foreign Currencies

Translation of Foreign Currency Transactions and Balances

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gains and losses are charged or credited to income.

Translation of Foreign Currency Financial Statements

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen is done by applying the exchange rates prevailing at the balance sheet dates for balance sheet items, except common stock, additional paid-in capital and retained earnings accounts, which are translated at the historical rates, and the statements of income and retained earnings which are translated at average exchange rates.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated cash flow statements comprise cash on hand and short-term investments that are due for redemption in one year or less and are easily converted into cash with little risk to changes in value.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses from uncollectible receivables based on specific doubtful accounts identified and historical loss experience.

(e) Inventories

Inventories held by domestic consolidated subsidiaries are mainly stated using the cost price method (carrying amount in the balance sheet is calculated with consideration of write-down due to decreased profitability) determined using the total average method. Inventories held by overseas consolidated subsidiaries are mainly stated at the lower of cost or market value or net realizable value, where cost is determined using the first-in, first-out method.

(f) Property, Plant and Equipment

Depreciation of property, plant and equipment (excluding lease assets) for the Company and domestic consolidated subsidiaries is calculated using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, which are depreciated using the straight-line method over their estimated useful lives. Depreciation of property, plant and equipment (excluding lease assets) for overseas consolidated subsidiaries is calculated using the straight-line method.

For finance leases where ownership is not transferred, depreciation is calculated using the straight-line method over the lease period utilizing a residual value of zero. For finance leases held by the Company and its domestic consolidated subsidiaries that do not transfer ownership and for which the starting date for the lease transaction is prior to March 31, 2008, lease payments are recognized as an expense.

(g) Intangible Assets

Intangible assets (excluding lease assets) are depreciated using the straight-line method. In addition, software is depreciated using the straight-line method over its estimated useful life (5 years).

(h) Goodwill

Goodwill is amortized on a straight-line basis over a period not exceeding 20 years.

(i) Income Taxes

Deferred income taxes are recognized based on temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(j) Research and Development Costs

Research and development costs are expensed as incurred.

(k) Financial Instruments

Derivatives

All derivatives are stated at fair market value, with changes in fair market value included in net income for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities

Investments in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method of accounting; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost due to the effect of the application of the equity method of accounting being immaterial.

Held-to-maturity securities are recognized using the amortized cost method (straight-line method).

Other securities for which market quotes are available are stated at fair market value. Net unrealized gains or losses on these securities are reported, net of tax, as a separate component of net assets.

Other securities for which market quotes are unavailable are stated at cost, except in cases where the fair market value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such decrease in value is deemed other than temporary. In these instances, securities are written down to the fair market value and the resulting losses are charged to income during the period.

Hedge Accounting

Gains or losses arising from changes in fair market value of derivatives designated as "hedging instruments" are deferred as an asset or a liability and charged or credited to income in the same period that the gains and losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments are primarily interest rate swaps, currency options and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable, trade accounts payable and long-term bank loans.

The Companies' policy is to utilize the above hedging instruments in order to reduce exposure to the risks of interest rate and exchange rate fluctuations. As such, the Companies' purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items on the date of commencement of the hedges.

(l) Retirement Benefit Plans

Retirement Benefits for Employees

The Company, domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have obligations to make defined benefit retirement payments to their employees and, therefore, provide for accrued retirement benefits based on the estimated amount of projected benefit obligations and the fair value of plan assets.

For the Company and its domestic consolidated subsidiaries, unrecognized prior service cost is amortized using the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Unrecognized net actuarial gains or losses are primarily amortized in the following year using the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Accrued Retirement Benefits for Directors and Statutory Auditors

Domestic consolidated subsidiaries recognize a reserve for retirement benefits for directors and statutory auditors based on the amount payable at the end of the period in accordance with their internal regulations.

(m) Per Share Data

Net income per share of common stock is calculated based on the weighted-average number of shares outstanding during the year.

Cash dividends per share for each year as disclosed in the accompanying consolidated financial statements are dividends declared for the respective year.

(n) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the year ended March 31, 2009, the Company applied the "*Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006).

The Company has made necessary adjustments upon consolidation to unify accounting standards for foreign subsidiaries to be consistent with the Company.

(o) Accounting Changes and Error Corrections

Application of Accounting Standards

The Company adopted *"Accounting Standard for Accounting Changes and Error Corrections"* (ASBJ Statement No. 24, issued on December 4, 2009) and *"Guidance on Accounting Standard for Accounting Changes and Error Corrections"* (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. U.S. DOLLAR AMOUNTS

The translation effect of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2012, of ¥82.19 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash on hand and in banks	¥ 90,640	¥ 87,886	$1,102,811
Short-term investments	141,293	87,261	1,719,102
Cash and cash equivalents	¥231,933	¥175,148	$2,821,913

5. FINANCIAL INSTRUMENTS

Conditions of Financial Instruments

The Companies raise short-term working capital mainly by bank borrowings and invest temporary surplus funds in financial instruments deemed to have lower risk. The Companies enter into derivative transactions based on the need for these transactions in accordance with their internal regulations.

In principle, the risk of currency fluctuations relating to receivables and payables denominated in foreign currencies are hedged using forward exchange contracts and currency options. With respect to the interest volatility risk arising on certain long-term loans payable, the Companies lock in interest expenses using interest-rate swaps.

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

The Companies try to reduce the credit risk of customers arising on notes and accounts receivable–trade through regular monitoring and the comprehensive management of aging balances.

Fair Values of Financial Instruments

The book value on consolidated balance sheets, fair value, and difference as of March 31, 2012 and 2011 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Cash on hand and in banks	¥ 90,640	¥ 90,640	¥ —	¥ 87,886	¥ 87,886	¥ —	$1,102,811	$1,102,811	$ —
(2) Notes and accounts receivable–trade	174,193	174,193	—	163,363	163,363	—	2,119,394	2,119,394	—
(3) Short-term investment securities and investment securities									
(i) Held-to-maturity securities	10	10	—	10	10	—	122	122	—
(ii) Other securities	156,977	156,977	—	103,111	103,111	—	1,909,928	1,909,928	—
Total	¥421,820	¥421,820	¥ —	¥354,371	¥354,371	¥ —	$5,132,255	$5,132,255	$ —
Liabilities									
(1) Notes and accounts payable–trade	88,129	88,129	—	74,640	74,640	—	1,072,259	1,072,259	—
(2) Short-term loans (*1)	—	—	—	50,018	50,018	—			—
(3) Bonds	110,000	110,278	278	70,000	69,469	(531)	1,338,362	1,341,745	3,382
(4) Long-term loans	73,025	73,366	341	48,033	48,374	341	888,490	892,639	4,149
Total	¥271,154	¥271,773	¥619	¥242,692	¥242,502	¥(189)	$3,299,112	$3,306,643	$7,531
Derivatives (*2)	¥ (2,032)	¥ (2,032)	¥ —	¥ (1,318)	¥ (1,318)	¥ —	$ (24,723)	$ (24,723)	$ —

Notes: *1. Since the book value of short-term loans as of March 31, 2012 is not material, relevant information is not presented in the table above.
*2. Derivative assets and liabilities are presented on a net basis, and the net liability position is enclosed in parentheses.

(i) Methods of calculating the fair value of financial instruments and securities and derivatives transactions

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable–trade

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Short-term investment securities and investment securities

(i) Held-to-maturity securities

The fair value approximates the book value as the securities are entirely school bonds and credit risk of the issuers has not changed significantly since the date of acquisition.

(ii) Other securities

The fair value of equity securities is determined based on the prevailing market price. The fair value of bonds is based on the prevailing market price or the price provided by third-party financial institutions. These other securities are described further in ‘Note 6. INVESTMENT SECURITIES’.

Liabilities

(1) Notes and accounts payable–trade and (2) Short-term loans

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Bonds

The fair value of bonds payable is based on the value provided by third-party financial institutions.

(4) Long-term loans

Fair value of long-term loans with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Fair value of long-term loans with variable interest rates approximates book value as the Company's credit risk has not significantly changed since the date of commencement of the borrowing.

For loans subject to the special treatment of interest rate swaps (Please see 'Derivatives' 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 issued.

Derivatives

Derivatives are described further in 'Note 23. DERIVATIVES'.

(ii) Financial instruments for which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Book value	Book value	Book value
Unlisted equity securities	¥ 560	¥2,225	$ 6,813
Investments in unconsolidated subsidiaries and affiliated companies	2,819	2,808	34,299

Above are not included in '(3)(ii) Other securities' because there is no market value and it is difficult to measure the fair value.

(iii) Redemption schedule for money claim and securities with maturity date subsequent to the consolidated balance sheets date

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Within one year	More than one year, within five years	Within one year	More than one year, within five years	Within one year	More than one year, within five years
Cash on hand and in banks	¥ 90,640	¥ —	¥ 87,886	¥ —	$1,102,811	$ —
Notes and accounts receivable–trade	174,193	—	163,363	—	2,119,394	—
Short-term investment securities and investment securities						
Held-to-maturity securities	—	10	—	10	—	122
Other securities						
(1) Bonds	7,593	—	9,261	—	92,384	—
(2) Other	133,700	—	78,000	—	1,626,719	—
Total	¥406,126	¥10	¥338,511	¥10	$4,941,307	$122

(iv) Redemption schedule for bonds and long-term loans subsequent to the consolidated balance sheets date

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	More than one year, within five years	More than five years, within ten years	More than one year, within five years	More than five years, within ten years	More than one year, within five years	More than five years, within ten years
Bonds	¥80,000	¥30,000	¥20,000	¥50,000	$973,354	$365,008
Long-term loans	59,023	14,001	45,031	3,002	718,129	170,349

6. INVESTMENT SECURITIES

(1) Other Securities with Quoted Market Values

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)	Market value at the consolidated balance sheet date	Original purchase value	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value									
(1) Shares	¥ 9,348	¥ 6,357	¥ 2,990	¥ 6,497	¥ 3,283	¥ 3,214	$ 113,736	$ 77,345	$ 36,379
(2) Bonds	—	—	—	—	—	—	—	—	—
(3) Other									
(i) Short-term investment securities (Negotiable deposits)	—	—	—	—	—	—	—	—	—
(ii) Other	11	10	0	12	10	1	134	122	0
Subtotal	¥ 9,359	¥ 6,368	¥ 2,991	¥ 6,509	¥ 3,293	¥ 3,215	$ 113,870	$ 77,479	$ 36,391
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value									
(1) Shares	¥ 6,319	¥ 7,708	¥(1,389)	¥ 9,335	¥ 11,641	¥(2,305)	$ 76,883	$ 93,783	$(16,900)
(2) Bonds	7,593	7,616	(23)	9,261	9,279	(18)	92,384	92,663	(280)
(3) Other									
(i) Short-term investment securities (Negotiable deposits)	133,700	133,700	—	78,000	78,000	—	1,626,719	1,626,719	—
(ii) Other	4	5	(0)	4	5	(1)	49	61	(0)
Subtotal	¥147,617	¥149,030	¥(1,413)	¥ 96,601	¥ 98,927	¥(2,325)	$1,796,046	$1,813,238	$(17,192)
Total	¥156,977	¥155,399	¥ 1,578	¥103,111	¥102,220	¥ 890	$1,909,928	$1,890,729	$ 19,199

(2) Other Securities Sold during the Years Ended March 31, 2012 and 2011

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss	Sale value	Total profit	Total loss
Shares	¥2	¥2	¥—	¥29	¥5	¥2	$24	$24	$ —

(3) Securities for Which Loss on Impairment is Recognized

The Companies have recognized loss on impairment for securities of ¥2,700 million ($32,851 thousand) and ¥680 million for the years ended March 31, 2012 and 2011, respectively.

For securities with quoted market values, if the market value has declined by more than 50% from the acquisition cost at the end of the period, or if the market value has declined by more than 30% but not more than 50% from the acquisition cost at the end of the period for two years in succession and has declined more than in the preceding year, the Companies record an impairment loss, taking into consideration recoverability and other factors, assuming that the market value has "significantly declined."

For securities without quoted market values, if the net assets per share have fallen by more than 50% from the acquisition cost, the Companies recognize an impairment loss, assuming that the market value has "significantly declined."

7. SHORT-TERM DEBT, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term debt is primarily unsecured and generally represents bank overdrafts. The amounts as of March 31, 2012 and 2011 were ¥32,913 million ($400,450 thousand) and ¥50,018 million, respectively, with the weighted-average interest rates approximately 1.2% and 1.5%, respectively.

Long-term debt as of March 31, 2012 and 2011, including the current portion is as follows:

Bonds

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Zero coupon convertible unsecured bonds due in 2016	¥ 40,000	¥40,000	$ 486,677
1st Unsecured Bonds	20,000	20,000	243,339
2nd Unsecured Bonds	10,000	10,000	121,669
3rd Unsecured Bonds	20,000	—	243,339
4th Unsecured Bonds	20,000	—	243,339
	¥110,000	¥70,000	$1,338,362
Less—Current portion included in current liabilities	—	—	—
Bonds, less current portion	¥110,000	¥70,000	$1,338,362

The zero coupon convertible unsecured bonds due in 2016 are bonds with share subscription rights which were issued on December 7, 2006. Details of the share subscription rights are as follows:

	2016 bonds
Class of stock	Common stock
Issue price of shares (Yen)	Zero
Initial conversion prices (Yen/per share)	¥2,383
Total issue price (Millions of yen)	¥40,000
Ratio of granted rights (%)	100%
Period share subscription rights can be exercised	From December 21, 2006 to November 22, 2016

Long-term loans

	Millions of yen		Interest rate	Thousands of U.S. dollars
	2012	2011	2012	2012
Loans principally from banks, due through 2022	¥ 85,019	¥72,549		$1,034,420
Less—Current portion included in current liabilities	(11,994)	(24,516)	1.1%	(145,930)
Long-term loans, less current portion	¥ 73,025	¥48,033	1.1%	$888,490

The aggregate annual maturities of long-term loans at March 31, 2012 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2013	¥23,021	$280,095
2014	27,001	328,519
2015	5,000	60,835
2016	4,000	48,668
2017 and after	14,001	170,349

Lease obligations

Lease obligations are included in other liabilities.

	Millions of yen		Interest rate*	Thousands of U.S. dollars
	2012	2011	2012	2012
Lease obligations, due through 2026	¥ 4,756	¥ 5,019	—	$ 57,866
Less—Current portion included in current liabilities	(1,417)	(1,506)	—	(17,241)
Lease obligations, less current portion	¥ 3,338	¥ 3,512	—	$ 40,613

* Since the book value of lease obligations includes the equivalent of interest payable, interest rates of lease obligations are not represented in the table above.

The aggregate annual maturities of long-term lease obligations at March 31, 2012 are as follows:

	Amount	
Fiscal year	Millions of yen	Thousands of U.S. dollars
2013	¥1,214	$14,771
2014	919	11,181
2015	829	10,086
2016	158	1,922
2017 and after	216	2,628

8. INCOME TAXES

The income taxes of the Company and its domestic consolidated subsidiaries comprise corporate income taxes, local inhabitants' taxes and enterprise taxes.

The reconciliation of the Japanese statutory income tax rate to the effective income tax rate for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Statutory income tax rate	40.7%	40.7%
Increase in valuation allowance	*(23.1)	17.8
Non-taxable income	(0.3)	(1.1)
Difference in statutory tax rates of foreign subsidiaries	(7.9)	(9.5)
Expenses not deductible for tax purposes	2.1	2.1
Amortization of goodwill	10.8	11.7
Retained earnings of overseas subsidiaries	(7.1)	4.7
Ineffective portion of unrealized gain/loss	0.4	5.4
Effect of liquidation of consolidated subsidiaries	*14.6	(70.8)
Expiration of net loss carried forward	0.6	8.4
Effects of changes in corporate tax rates	10.1	—
Other, net	(3.3)	(1.6)
Effective income tax rate per consolidated statements of income	37.6%	7.7%

* Increase in valuation allowance and Effect of liquidation of consolidated subsidiaries for the year ended March 31, 2012 include the effect of expiration of net loss carried forward by liquidation of a consolidated domestic subsidiary. Excluding this effect, Increase in valuation allowance and Effect of liquidation of consolidated subsidiaries for the year ended March 31, 2012 is 15.4% and (23.9%), respectively.

At March 31, 2012 and 2011, the significant components of deferred tax assets and liabilities in the consolidated financial statements are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Net operating tax loss carried forward	¥ 49,046	¥ 37,411	$ 596,739
Accrued retirement benefits	22,348	24,473	271,907
Depreciation and amortization	3,928	4,346	47,792
Accrued bonuses	3,614	4,018	43,971
Write-down of assets	3,177	3,876	38,654
Elimination of unrealized intercompany profits	3,018	3,538	36,720
Tax effects related to investments	1,905	21,182	23,178
Allowance for doubtful accounts	992	1,134	12,070
Accrued enterprise taxes	778	777	9,466
Reserve for discontinued operations	—	26	—
Other	8,483	9,540	103,212
Gross deferred tax assets	97,292	110,325	1,183,745
Valuation allowance	(31,036)	(38,416)	(377,613)
Total deferred tax assets	¥ 66,255	¥ 71,909	$ 806,120
Deferred tax liabilities:			
Retained earnings of overseas subsidiaries	¥ (2,316)	¥ (4,748)	$ (28,179)
Gains on securities contributed to employees' retirement benefit trust	(2,134)	(2,490)	(25,964)
Unrealized gains on securities	(381)	(710)	(4,636)
Special tax-purpose reserve for condensed booking of fixed assets	(27)	(43)	(329)
Other	(3,741)	(3,886)	(45,516)
Total deferred tax liabilities	¥ (8,601)	¥(11,878)	$ (104,648)
Net deferred tax assets	¥ 57,654	¥ 60,030	$ 701,472
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (3,269)	¥ (3,733)	$ (39,774)

Net deferred tax assets are included in the following items in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets–deferred tax assets	¥20,100	¥30,393	$244,555
Fixed assets–deferred tax assets	38,281	30,404	465,762
Current liabilities–other current liabilities	(606)	(659)	(7,373)
Long-term liabilities–other long-term liabilities	(120)	(108)	(1,460)
Net deferred tax assets	¥57,654	¥60,030	$701,472

Adjustment of Deferred Tax Assets and Liabilities due to Changes in Corporate Tax Rates

Following the enactment on December 2, 2011 of the "*Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures*" (Act No. 114 of 2011) and "*Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake*" (Act No. 117 of 2011), the corporate tax rate will be reduced and a special recovery tax will be imposed effective from fiscal years beginning on or after April 1, 2012. In accordance with these changes, the effective statutory tax rates will be reduced to 38.01% from 40.69% for the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014, and to 35.64% for fiscal years beginning on or after April 1, 2015.

As a result of these changes, net deferred tax assets and unrealized losses on hedging derivatives, net of taxes as of March 31, 2012 decreased ¥3,276 million ($39,859 thousand) and ¥9 million ($110 thousand), respectively. Deferred income taxes for the years ended March 31, 2012 and unrealized gains on securities, net of taxes as of March 31, 2012 increased ¥3,320 million ($40,394 thousand) and ¥54 million ($657 thousand), respectively.

9. NET ASSETS

The Japanese Corporate Law became effective on May 1, 2006, replacing the Commercial Code. Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Japanese Corporate Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. No further appropriations are required when the total amount of the additional paid-in capital and the legal earnings reserve equals 25% of their respective stated capital. The Japanese Corporate Law also provides that additional paid-in capital and legal earnings reserve are available for appropriations by the resolution of the Board of Directors.

Cash dividends and appropriations to the additional paid-in capital or the legal earnings reserve charged to retained earnings for the years ended March 31, 2012 and 2011 represent dividends paid out during those years and the related appropriations to the additional paid-in capital or the legal earnings reserve.

Retained earnings at March 31, 2012 do not reflect current year-end dividends in the amount of ¥3,977 million ($48,388 thousand) approved by the Board of Directors, which will be payable in May 2012.

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the Company's nonconsolidated books of account in accordance with accounting principles generally accepted in Japan.

On October 28, 2011, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2011, totaling ¥3,976 million ($48,376 thousand), at a rate of ¥7.5 per share. On May 10, 2012, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2012, totaling ¥3,977 million ($48,388 thousand), at a rate of ¥7.5 per share.

10. INVENTORIES

Inventories as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Merchandise and finished goods	¥ 71,211	¥ 69,804	$ 866,419
Work in process	13,482	13,796	164,035
Raw materials and supplies	20,386	16,641	248,035
Total	¥105,080	¥100,243	$1,278,501

11. CONTINGENT LIABILITIES

The Companies were contingently liable at March 31, 2012 for loan and lease guarantees of ¥652 million ($7,933 thousand) and at March 31, 2011 for loan and lease guarantees of ¥770 million.

12. COLLATERAL ASSETS

Assets pledged as collateral at March 31, 2012 for short-term debt of ¥54 million ($657 thousand) are accounts receivable–trade and lease investment assets of ¥54 million ($657 thousand). Assets pledged as collateral at March 31, 2011 for short-term debt of ¥82 million, are notes receivable of ¥47 million.

13. COST OF SALES

The Companies have recognized valuation losses associated with the writing down of inventories of ¥1,511 million ($18,384 thousand) and ¥1,888 million for the years ended March 31, 2012 and 2011, respectively, due to decline in profitability. These losses are included within the cost of sales.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are ¥72,530 million ($882,467 thousand) and ¥72,617 million, respectively.

15. GAIN ON REVERSAL OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT

The gain on reversal of foreign currency translation adjustment resulted from the liquidation of a U.S. subsidiary.

16. OTHER EXTRAORDINARY GAIN OF OVERSEAS SUBSIDIARIES

Other extraordinary gain of overseas subsidiaries represents the reduction in refund obligation, etc. in accordance with U.S. state laws for the U.S. subsidiary.

17. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Companies have recognized loss on impairment of ¥893 million ($10,865 thousand) and ¥1,027 million for the following groups of assets for the years ended March 31, 2012 and 2011, respectively:

		Amount		
		Millions of yen		Thousands of U.S. dollars
Description	Classification	2012	2011	2012
Manufacturing equipment of micro-camera units for mobile phones	Machinery and equipment, Tools and furniture, Others	¥ —	¥ 514	$ —
Rental assets	Rental business-use assets	88	24	1,071
Idle assets	Buildings and structures, Machinery and equipment, Others	614	488	7,470
Others	Investments and other assets, Others	190	—	2,312
Total		¥893	¥1,027	$10,865

(1) Cash-generating units have been identified based on product lines and geographical areas as a group of assets. For rental assets, cash-generating units are identified based on rental contracts and each geographical area. Each idle asset is also identified as a cash-generating unit.

(2) Fixed assets have been written down to the recoverable amount and corresponding impairment losses have been recognized due to the poor performance and profitability of rental and idle assets. In addition, the revaluation of the other assets category has contributed to the write down amount.

(3) Details of impairment of fixed assets

	Amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings and structures	¥254	¥ —	$3,090
Machinery and equipment	346	897	4,210
Rental business-use assets	88	—	1,071
Others	203	130	2,470

(4) Measurement of recoverable amount

The recoverable amount of a cash-generating unit is the fair value less costs to sell. The fair value is supported by an appraisal report for land and buildings and structures, or a management estimate for rental business-use assets.

18. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Business structure improvement expenses comprise expenses incurred on retirement allowances, etc. associated with staff allocation/optimization in the Business Technologies business.

19. OTHER COMPREHENSIVE INCOME

Recycling and Tax Effect Relating to Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized gains (losses) on securities		
Increase (decrease) during the year	¥ (247)	$ (3,005)
Reclassification adjustments	1,104	13,432
Sub-total, before tax	856	10,415
Tax (expense) or benefit	(140)	(1,703)
Sub-total, net of tax	716	8,712
Unrealized losses on hedging derivatives		
Increase (decrease) during the year	161	1,959
Reclassification adjustments	(369)	(4,490)
Sub-total, before tax	(207)	(2,519)
Tax (expense) or benefit	74	900
Sub-total, net of tax	(133)	(1,618)
Foreign currency translation adjustments		
Increase (decrease) during the year	(2,381)	(28,969)
Reclassification adjustments	(3,730)	(45,383)
Sub-total	(6,112)	(74,364)
Share of other comprehensive income of associates accounted for using equity method		
Increase (decrease) during the year	(12)	(146)
Total other comprehensive income	¥(5,541)	$(67,417)

20. PENSION LIABILITIES ADJUSTMENT OF OVERSEAS SUBSIDIARIES

The pension liabilities adjustment of overseas subsidiaries results from the accounting treatment of retirement benefits that affect a certain consolidated subsidiary in the United States.

21. LEASE TRANSACTIONS

Proforma information on the Company and its domestic consolidated subsidiaries' finance lease transactions (except for those which are deemed to transfer the ownership of the leased assets to the lessee) and operating lease transactions is as follows:

As Lessee

(1) Finance Leases (not involving transfer of ownership commencing on or before March 31, 2008)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Purchase cost:			
Buildings and structures	**¥ 6,485**	¥ 6,544	**$ 78,903**
Machinery and equipment	**112**	161	**1,363**
Tools and furniture	**560**	1,647	**6,813**
Rental business-use assets	**—**	121	**—**
	7,157	8,475	**87,079**
Less: Accumulated depreciation	**(6,304)**	(7,158)	**(76,700)**
Loss on impairment of leased assets	**(0)**	(0)	**(0)**
Net book value	**¥ 852**	¥ 1,316	**$ 10,366**

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Due within one year	**¥243**	¥ 473	**$ 2,957**
Due over one year	**610**	843	**7,422**
Total	**¥853**	¥1,316	**$10,378**

Lease rental expenses and depreciation equivalents under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease rental expenses for the period	**¥438**	¥750	**$5,329**
Depreciation equivalents	**438**	739	**5,329**

Depreciation equivalents are calculated based on the straight-line method over the lease terms of the leased assets.

Accumulated loss on impairment of leased assets as of March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Reserve for loss	**¥0**	¥0	**$0**

Reversals of loss on impairment of leased assets for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Reversals of loss	**¥ —**	¥11	**$ —**

2) Operating Leases

The scheduled maturities of future rental payments of operating noncancelable leases as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Due within one year	**¥ 4,439**	¥ 4,862	**$ 54,009**
Due over one year	**11,314**	10,678	**137,657**
Total	**¥15,753**	¥15,541	**$191,666**

As Lessor

Operating Leases

The scheduled maturities of future rental incomes of operating noncancelable leases as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Due within one year	**¥1,616**	¥1,787	**$19,662**
Due over one year	**2,322**	2,597	**28,252**
Total	**¥3,938**	¥4,385	**$47,913**

22. RETIREMENT BENEFIT PLANS

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans, tax-qualified pension plans and lump-sum payment plans. In addition, the Companies have defined contributory pension plans. Certain overseas consolidated subsidiaries have defined benefit retirement plans and defined contribution retirement plans. The Companies may pay additional retirement benefits to employees at their discretion.

Additionally, the Company and certain domestic consolidated subsidiaries contribute to a retirement benefit trust.

The reserve for retirement benefits as of March 31, 2012 and 2011 is calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
a. Retirement benefit obligations	**¥(151,396)**	¥(146,942)	**$(1,842,025)**
b. Plan assets	**97,614**	94,980	**1,187,663**
c. Unfunded retirement benefit obligations (a+b)	**(53,781)**	(51,962)	**(654,350)**
d. Unrecognized actuarial differences	**12,681**	12,273	**154,289**
e. Unrecognized prior service costs	**(2,203)**	(3,421)	**(26,804)**
f. Net amount on consolidated balance sheets (c+d+e)	**(43,303)**	(43,110)	**(526,865)**
g. Prepaid pension costs	**1,242**	1,623	**15,111**
h. Accrued retirement benefits (f-g)	**¥ (44,545)**	¥ (44,734)	**$ (541,976)**

Note: Certain subsidiaries use a simplified method for the calculation of benefit obligation.

Net retirement benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
a. Service costs	¥ 4,973	¥ 4,468	$ 60,506
b. Interest costs	3,981	4,005	48,437
c. Expected return on plan assets	(2,084)	(2,105)	(25,356)
d. Amortization of actuarial differences	2,089	3,086	25,417
e. Amortization of prior service costs	(1,222)	(1,626)	(14,868)
f. Retirement benefit costs (a+b+c+d+e)	7,738	7,828	94,148
g. Gain/loss on changing to the defined contribution pension plan	—	0	—
h. Contributions to defined contribution pension plans	3,278	3,082	39,883
Total (f+g+h)	¥11,017	¥10,911	$134,043

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in "a. Service costs."

Assumptions used in the calculation of the above information for the main schemes of the Company and its domestic consolidated subsidiaries are as follows:

	2012	2011
Method of attributing retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Amortization of unrecognized prior service cost	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years

23. DERIVATIVES

The Companies utilize derivative instruments including foreign currency exchange forward contracts, interest rate swaps, currency options and currency swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rate and interest rate risk. Additionally, the Companies have a policy of limiting the activity of such transactions to only hedge identified exposures and not to hold transactions for speculative or trading purposes.

Risks associated with derivative transactions

Although the Companies are exposed to credit-related risks and risks associated with the changes in interest rates and foreign exchange rates, such derivative instruments are limited to hedging purposes only and the risks associated with these transactions are limited. All derivative contracts entered into by the Companies are with selected major financial institutions based upon their credit ratings and other factors. Such credit-related risks are not anticipated to have a significant impact on the Companies' results.

Risk control system for derivative transactions

In order to manage market and credit risks, the Finance Division of the Company is responsible for setting or managing the position limits and credit limits under the Company's internal policies for derivative instruments. Resources are assigned to each function, including transaction execution, administration, and risk management, independently, in order to clarify the responsibility and the role of each function.

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, a Committee which consists of management from the Company and its major subsidiaries meets regularly to discuss the principal policies on foreign currency exchange instruments and to reaffirm and reassess other derivative instruments and market risks. All derivative instruments are reported monthly to the respective responsible officer. Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules. Derivative instruments are approved by the respective president or equivalent of each subsidiary.

Interest rate swap contracts and currency swap contracts are approved by the Finance Manager of the Company and the President or equivalent of other subsidiaries, respectively.

A summary of derivative instruments at March 31, 2012 and 2011 is as follows:

Derivative transactions to which hedge accounting is not applied

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	¥ 7,817	¥ (273)	¥ (273)	¥10,364	¥ (87)	¥ (87)	$ 95,109	$ (3,322)	$ (3,322)
EURO	18,989	(1,247)	(1,247)	17,887	(773)	(773)	231,038	(15,172)	(15,172)
Other	3,310	(128)	(128)	2,376	(56)	(56)	40,273	(1,557)	(1,557)
To buy foreign currencies:									
US$	¥ —	¥ —	¥ —	¥ 3,918	¥ (38)	¥ (38)	$ —	$ —	$ —
EURO	1,302	(26)	(26)	292	2	2	15,841	(316)	(316)
Other	707	11	11	1,218	(25)	(25)	8,602	134	134
Total	¥32,127	¥(1,664)	¥(1,664)	¥36,057	¥(980)	¥(980)	$390,887	$(20,246)	$(20,246)
Currency swaps:									
Pay JPY, receive US$	¥ —	¥ —	¥ —	¥11,135	¥(123)	¥(123)	$ —	$ —	$ —
Other	—	—	—	2,490	(54)	(54)	—	—	—
Total	¥ —	¥ —	¥ —	¥13,625	¥(177)	¥(177)	$ —	$ —	$ —

Note: Fair value of foreign currency forward exchange contracts is calculated based on the foreign currency forward exchange rates prevailing as of March 31, 2012 and 2011, respectively.
Fair value of currency swaps is provided by the financial institutions with whom the derivative contracts were entered into and agreed.

Derivative transactions to which hedge accounting is applied

(1) Currency-Related Derivatives

Method of hedge accounting: Forecast transactions such as forward exchange contracts

		Millions of yen				Thousands of U.S. dollars	
		2012		2011		2012	
Type of derivatives transactions	Major hedged items	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value
Forward foreign currency exchange contracts:							
To sell foreign currencies:							
US$	Accounts receivable–trade	¥ —	¥ —	¥1,062	¥ (17)	$ —	$ —
EURO	Accounts receivable–trade	20,565	(378)	6,052	(162)	250,213	(4,599)
To buy foreign currencies:							
US$	Accounts payable–trade	—	—	1,226	20	—	—
Total		¥20,565	¥(378)	¥8,341	¥(160)	$250,213	$(4,599)
Currency option transactions:							
To sell foreign currencies (call):							
EURO	Accounts receivable–trade	¥ 2,200	¥ 2	¥ —	¥ —	$ 26,767	$ 24
To buy foreign currencies (put):							
EURO	Accounts receivable–trade	2,200	8	—	—	26,767	97
Total		¥ 4,400	¥ 10	—	—	$ 53,534	$ 122

Notes: 1. Fair value is calculated based on the currency forward exchange rates prevailing as of March 31, 2012.
Fair value of currency option transactions is provided by the financial institutions with whom the derivative contracts were entered into and agreed.
2. Option premium in currency option transactions is not paid/received because of zero cost option.

(2) Interest Rate-Related Derivatives

Method of hedge accounting: Special treatment of interest rate swap

		Millions of yen				Thousands of U.S. dollars	
		2012		2011		2012	
Type of derivatives transactions	Major hedged items	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value	Contract value (notional principal amount)	Fair value
Interest rate swaps:							
Pay fixed, receive floating	Long-term loans	¥23,000	(*)	¥23,000	(*)	$279,839	(*)

(*) As interest rate swaps used to hedge long-term loans are subject to special accounting treatment under accounting principles generally accepted in Japan, their fair values are included as a single line item with the hedged underlying liability, long-term loans, and are not included in the above information. (Please see 'Note 5. FINANCIAL INSTRUMENTS'.)

24. STOCK OPTION PLANS

The following tables summarize details of stock option plans as of March 31, 2012.

Position and number of grantees	Directors and Executive Officers: 26
Class and number of stock	Common Stock: 194,500
Date of issue	August 23, 2005
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 23, 2005 to June 30, 2006
Period stock options can be exercised	From August 23, 2005 to June 30, 2025

Position and number of grantees	Directors and Executive Officers: 23
Class and number of stock	Common Stock: 105,500
Date of issue	September 1, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From September 1, 2006 to June 30, 2007
Period stock options can be exercised	From September 2, 2006 to June 30, 2026

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 113,000
Date of issue	August 22, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 22, 2007 to June 30, 2008
Period stock options can be exercised	From August 23, 2007 to June 30, 2027

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 128,000
Date of issue	August 18, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 18, 2008 to June 30, 2009
Period stock options can be exercised	From August 19, 2008 to June 30, 2028

Position and number of grantees	Directors and Executive Officers: 25
Class and number of stock	Common Stock: 199,500
Date of issue	August 19, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 19, 2009 to June 30, 2010
Period stock options can be exercised	From August 20, 2009 to June 30, 2029

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 188,000
Date of issue	August 27, 2010
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 27, 2010 to June 30, 2011
Period stock options can be exercised	From August 28, 2010 to June 30, 2030

Position and number of grantees	Directors and Executive Officers: 24
Class and number of stock	Common Stock: 239,500
Date of issue	August 23, 2011
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	From August 23, 2011 to June 30, 2012
Period stock options can be exercised	From August 24, 2011 to June 30, 2031

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2012 and 2011.

	Number of Shares
Stock options outstanding at March 31, 2010	681,500
Granted	188,000
Exercised	120,500
Forfeited	2,500
Stock options outstanding at March 31, 2011	746,500
Granted	239,500
Exercised	68,000
Forfeited	2,000
Stock options outstanding at March 31, 2012	916,000

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2012.

Per unit information	Exercised	Outstanding at March 31, 2012
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	594	—
Fair value per unit (as of grant date)	1,358	851

25. INVESTMENT AND RENTAL PROPERTY

(1) Conditions and Fair Values of Investment and Rental Property

The Companies have office buildings for rent and idle assets, etc., in Japan and overseas.

The book value on the consolidated balance sheet, the changes and the fair value as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Book value			
Balance at the beginning	¥3,560	¥3,855	$43,314
Increase (Decrease)–net	926	(295)	11,267
Balance at the end	¥4,486	¥3,560	$54,581
Fair value at the end	¥5,042	¥4,194	$61,346

Notes: 1. Book value is calculated by subtracting accumulated depreciation and accumulated impairment losses from acquisition cost.
2. Fair value is recorded as follows:
(1) Fair value of major domestic properties has been calculated by the Companies based on the method similar to the Real-estate Appraisal Standards.
Latest appraisal reports are utilized, or in the case where there are no significant changes in fair value, prior period reports may be used.
Fair value of other domestic properties has been calculated based on a certain appraisal or criteria, which appears to best reflect the fair value of the property.
(2) Fair value of overseas properties has been primarily calculated by local real-estate appraisers.

(2) Income and Expenses on Investment and Rental Property

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Income	¥ 184	¥196	$ 2,239
Expenses	92	185	1,119
Difference	92	10	1,119
Other income (expenses)			
Gains (losses) on sales, etc	(164)	243	(1,995)

26. SEGMENT INFORMATION

Information and Measurement of Segments

(1) Overview of reportable segments

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

The Company has business companies for different products and services within Japan. Each business company creates a comprehensive domestic and overseas strategy for their products and services, and conducts their business activities accordingly.

As such, the Company is comprised of three segments for different products and services with a business company at the center of each. The three reportable segments are: Business Technologies, Optics and Healthcare.

The Business Technologies Business manufactures and sells MFPs, printers, production printing equipment and related solution services. The Optics Business manufactures and sells optical products (ex. pickup lenses) and electronic materials (ex. TAC films). The Healthcare Business manufactures and sells consumables and equipment for healthcare systems.

From the third quarter ended March 31, 2011, the Group restructured its operations to further strengthen the competitiveness and operations of the production print field by integrating the businesses associated with commercial printing and digital printing into the Business Technologies Business. As a result, it has changed the method by which it categorizes its reportable segments, and has integrated the Graphic Imaging Business, within the Medical & Graphic Imaging Business, into the Business Technologies Business.

As a result, the main products and the types of services of the Medical & Graphic Imaging Business, described in the above restructuring, have been changed from the production and sale of medical, printing, and other related products to the production and sale of consumables and equipment for healthcare systems.

Accordingly, the title of the reportable segment has changed from the Medical & Graphic Imaging Business to the Healthcare Business.

(2) Methods of calculating net sales, profit or loss, assets, liabilities and other items by reportable segments

Accounting methods for reportable segments are the same as the accounting methods described in 'Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.'

Profit by reportable segment is operating income. Intersegment net sales are based on market values.

(3) Information on net sales, profit or loss, assets, liabilities and other items by reportable segments

Segment information of the Companies for the years ended March 31, 2012 and 2011 is presented as follows:

	Millions of yen							
2012	Business Technologies	Optics	Healthcare	Subtotal	Other (Note 1)	Total	Adjustments (Note 2)	Total amounts in consolidated financial statements
Net sales								
External	¥547,576	¥124,313	¥73,046	¥744,936	¥22,943	¥767,879	¥ —	¥767,879
Intersegment	1,853	755	1,930	4,539	48,206	52,745	(52,745)	—
Total	549,430	125,068	74,976	749,475	71,149	820,625	(52,745)	767,879
Segment profit	39,479	14,038	91	53,608	5,554	59,163	(18,817)	40,346
Segment assets	399,754	118,864	65,000	583,620	56,593	640,213	261,839	902,052
Segment liabilities	195,304	66,401	41,020	302,727	25,728	328,455	138,609	467,064
Other items								
Depreciation and amortization	¥ 21,377	¥ 16,657	¥ 3,105	¥ 41,140	¥ 3,846	¥ 44,987	¥ 4,252	¥ 49,239
Amortization of goodwill	8,312	347	—	8,659	145	8,804	—	8,804
Investments in affiliated companies	3	—	734	737	—	737	985	1,722
Increases in property, plant and equipment and intangible fixed assets	17,781	6,606	2,351	26,739	5,946	32,685	1,347	34,033

Notes: 1. 'Other' consists of business segments not included in reporting segments such as Sensing Business and Industrial Inkjet Business.

2. Adjustments are as follows:

(1) Adjustments of segment profit represent the elimination of intersegment transactions and expenses relating to the corporate division of the Company, which totaled ¥(5,311) million and ¥(13,505) million, respectively. Corporate expenses are primarily general administration expenses and R&D expenses which can not be allocated to any reportable segment.

(2) Adjustments of segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥(48,363) million and ¥310,202 million, respectively. Corporate assets are primarily surplus funds of the holding company (cash on hand and in banks and short-term investment securities), long-term investment funds (investment securities), and assets owned by the holding company which can not be allocated to any reportable segment.

(3) Adjustments of segment liabilities represents the elimination of intersegment liabilities and liabilities relating to the corporate division of the Company, which totaled ¥(27,425) million and ¥166,034 million, respectively. Corporate liabilities are primarily interest-bearing debts (loans payable and bonds payable), and liabilities owned by the holding company which can not be allocated to any reportable segment.

(4) Adjustments of depreciation and amortization primarily represent depreciation of buildings of the holding company.

(5) Adjustments of investments in affiliated companies primarily represent investments by the holding company in equity method affiliates.

(6) Adjustments of increases in property, plant and equipment and intangible fixed assets primarily represent capital expenditure on buildings in relation to the holding company.

2011	Business Technologies	Optics	Healthcare (Note 2)	Subtotal	Other (Note 1)	Total	Adjustments	Total amounts in consolidated financial statements
	Millions of yen							
Net sales								
External	¥539,639	¥129,836	¥84,990	¥754,465	¥23,487	¥777,953	¥ —	¥777,953
Intersegment	3,067	799	1,598	5,466	50,451	55,917	(55,917)	—
Total	542,706	130,636	86,589	759,932	73,939	833,871	(55,917)	777,953
Segment profit	37,457	12,813	171	50,442	5,455	55,898	(15,876)	40,022
Segment assets	390,299	130,592	61,032	581,924	54,869	636,794	208,659	845,453
Segment liabilities	196,669	81,952	39,054	317,676	74,413	392,089	24,375	416,465
Other items								
Depreciation and amortization	¥ 24,337	¥ 21,093	¥ 3,185	¥ 48,615	¥ 2,222	¥ 50,837	¥ 4,291	¥ 55,129
Amortization of goodwill	7,854	402	—	8,256	145	8,401	—	8,401
Investments in affiliated companies	3	—	732	735	—	735	928	1,664
Increases in property, plant and equipment and intangible fixed assets	12,960	19,624	3,002	35,587	1,695	37,283	5,699	42,982

Notes: 1. 'Other' consists of business segments not included in reporting segments such as Sensing Business and Industrial Inkjet Business.
2. In the year ended March 31, 2011, the segment title of the Medical & Graphic Imaging Business, which was utilized until the first half of the fiscal year, was changed to the Healthcare Business from to the third quarter. The results of the Healthcare Business for the fiscal year include those of the Medical & Graphic Imaging Business for the first half.
3. Information calculated based on segment information for the year ended March 31, 2012.
Obtaining the necessary comparative information to prepare segment information for the previous fiscal year or for the year ended March 31, 2012 in accordance with the effective segment guidance/standard for the year ended March 31, 2012 has proved to be difficult. Doing so will impose an excessive burden on the Company. Furthermore, no such segment information has been reported to management. Considering those reasons and the utilization of such segment information, we have not disclosed such information except for in regards to external net sales.
If segment information was prepared for the previous fiscal year based on segment information for the year ended March 31, 2012, net sales in the Business Technologies Business and the Healthcare Business are ¥544,506 million and ¥80,122 million, respectively. Net sales in the Business Technologies Business include ¥4,867 million of the former Graphic Imaging Business.

2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Total	Adjustments	Total amounts in consolidated financial statements
	Thousands of U.S. dollars							
Net sales								
External	$6,662,319	$1,512,508	$888,746	$9,063,584	$279,146	$9,342,730	$ —	$ 9,342,730
Intersegment	22,545	9,186	23,482	55,226	586,519	641,745	(641,745)	—
Total	6,684,877	1,521,694	912,228	9,118,810	865,665	9,984,487	(641,745)	9,342,730
Segment profit	480,338	170,799	1,107	652,245	67,575	719,832	(228,945)	490,887
Segment assets	4,863,779	1,446,210	790,850	7,100,864	688,563	7,789,427	3,185,777	10,975,204
Segment liabilities	2,376,250	807,896	499,087	3,683,258	313,031	3,996,289	1,686,446	5,682,735
Other items								
Depreciation and amortization	$ 260,092	$ 202,665	$ 37,778	$ 500,548	$ 46,794	$ 547,354	$ 51,734	$ 599,087
Amortization of goodwill	101,132	4,222	—	105,353	1,764	107,118	—	107,118
Investments in affiliated companies	37	—	8,931	8,967	—	8,967	11,984	20,951
Increases in property, plant and equipment and intangible fixed assets	216,340	80,375	28,604	325,332	72,345	397,676	16,389	414,077

Related Information

(1) Information by product and service

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

(2) Information by geographical area

Information by geographical area for the year ended March 31, 2012 and 2011 is presented as follows:

i) ***Net sales***

	Millions of yen					
2012	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	**¥214,776**	**¥149,540**	**¥211,272**	**¥129,531**	**¥62,757**	**¥767,879**

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

	Millions of yen					
2011	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	¥216,492	¥150,791	¥217,167	¥132,504	¥60,997	¥777,953

	Thousands of U.S. dollars					
2012	Japan	U.S.A.	Europe	Asia	Other	Total
Net sales	**$2,613,165**	**$1,819,443**	**$2,570,532**	**$1,575,995**	**$763,560**	**$9,342,730**

ii) ***Property, plant and equipment***

	Millions of yen				
2012	Japan	China	Malaysia	Other	Total
Property, plant and equipment	**¥121,757**	**¥18,013**	**¥17,767**	**¥21,460**	**¥178,999**

Note: In the year ended March 31, 2012, China is separated as an independent geographical area, since the importance of the amount of its property, plant, and equipment increased. China is stated separately also for the previous fiscal year.

	Millions of yen				
2011	Japan	China	Malaysia	Other	Total
Property, plant and equipment	¥135,434	¥14,997	¥20,078	¥20,190	¥190,701

	Thousands of U.S. dollars				
2012	Japan	China	Malaysia	Other	Total
Property, plant and equipment	**$1,481,409**	**$219,163**	**$216,170**	**$261,102**	**$2,177,868**

(3) Information by major customer

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

Information on Impairment Losses of Fixed Assets by Reportable Segments

Information on impairment losses of fixed assets for the year ended March 31, 2012 and 2011 is presented as follows:

	Millions of yen						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Impairment losses of fixed assets	**¥227**	**¥603**	**¥—**	**¥830**	**¥—**	**¥62**	**¥893**

Note: Eliminations and Corporate of impairment losses of fixed assets is impairment losses of fixed assets owned by the holding company.

	Millions of yen						
2011	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Impairment losses of fixed assets	¥60	¥967	¥—	¥1,027	¥—	¥—	¥1,027

	Thousands of U.S. dollars						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Impairment losses of fixed assets	**$2,762**	**$7,337**	**$—**	**$10,099**	**$—**	**$754**	**$10,865**

Information on Amortization of Goodwill and Balance of Goodwill by Reportable Segments

Information on amortization of goodwill and balance of goodwill for the years ended March 31, 2012 and 2011 is presented as follows:

	Millions of yen						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	¥ 8,312	¥ 347	¥—	¥ 8,659	¥ 145	¥—	¥ 8,804
Balance of goodwill	54,694	3,355	—	58,050	1,677	—	59,727

Note: 'Other' consists of business segments not included in reporting segments such as Sensing Business.

	Millions of yen						
2011	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	¥ 7,854	¥ 402	¥—	¥ 8,256	¥ 145	¥—	¥ 8,401
Balance of goodwill	57,621	3,702	—	61,323	1,822	—	63,146

	Thousands of U.S. dollars						
2012	Business Technologies	Optics	Healthcare	Subtotal	Other	Eliminations and Corporate	Total
Amortization of goodwill	$101,132	$ 4,222	$—	$105,353	$ 1,764	$—	$107,118
Balance of goodwill	665,458	40,820	—	706,290	20,404	—	726,694

Information on Gain on Negative Goodwill by Reportable Segments

None.

27. NET INCOME PER SHARE

Calculations of net income per share for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income:			
Income attributable to common shares	¥20,424	¥25,896	$248,497
Income available to common stockholders	20,424	25,896	248,497

	Thousands of shares	
	2012	2011
Weighted average number of common shares outstanding:		
Basic	530,254	530,222
Diluted	547,896	547,723

	Yen		U.S. dollars
	2012	2011	2012
Net income per common share:			
Basic	¥38.52	¥48.84	$0.47
Diluted	37.28	47.28	0.45

28. SIGNIFICANT SUBSEQUENT EVENTS

Change in reportable segments

In the consolidated fiscal year ended March 31, 2012, the Company's reportable segments within the segmental information disclosure are the Business Technologies Business, Optics Business, and Healthcare Business. However, following the reorganization of the Companies in April 2012, reportable segments will be revised to the Business Technologies Business, Industrial Business, and Healthcare Business.

The revision in the business segments disclosure of the Companies will not affect total consolidated net sales, income, assets and liabilities, or other financial data.

KPMG

Independent Auditor's Report

To the Shareholders and Board of Directors of
Konica Minolta Holdings, Inc.:

We have audited the accompanying consolidated financial statements of Konica Minolta Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience of the reader. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2012
Tokyo, Japan

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