KONICA MINOLTA

Innovation *for* Strong Growth

Konica Minolta Holdings, Inc.
Annual Report **2009**

The essentials of imaging

Konica Minolta's Competitive Advantages

Konica Minolta has built its superior competitiveness around three prime advantages. The first is management capability in effectively utilizing management resources based on the selection and concentration policy. The second is its ability to forecast trends in cutting-edge technologies, cultivating them and innovating. The third is its skill in focusing on market needs to develop and commercialize its products.

Technological **Strength**

Management **Capability**

Marketing **Power**

Management Capability Konica Minolta focuses relentlessly on selection and concentration to profitably allocate management resources rationally and swiftly. Group management and the respective operating companies form a compact and nimble management team that allows for faster decision making. Under its aggressive genre-top strategy, it has built top-class market shares in many products, including color multi-functional peripherals (MFPs) in Europe and the United States, retardation film (VA-TAC film) for large-size LCD televisions, and optical pickup lenses.

Management Capability

2003 | 2006 | 2007 | 2008

Synergies

Konica and Minolta decided to combine their strengths and create synergies to take advantage of advances in digital networking and diversifying customer requirements. Management has built new value through the merger by bringing together and refining core competencies while bolstering competitiveness and profitability to maximize corporate value.

Selection and Concentration

Konica Minolta practices management selection and concentration as it seeks to respond with alacrity to changes in the market environment. For example, we made the decision to discontinue our camera and photography business, and concluded all business activities at the end of September 2007. We decided to withdraw from this business, as the silver-halide photography market was rapidly losing ground in the face of ongoing digitization. Similarly, we discontinued production involving graphic arts film products as of the end of March 2009, as digitization was causing profitability in this area to fall.

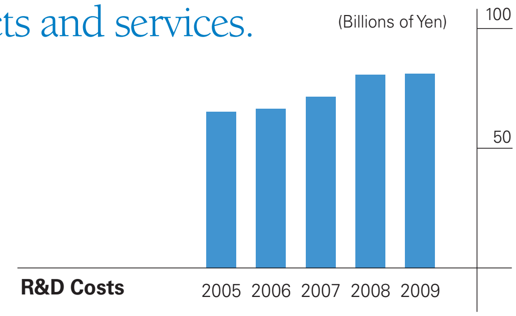
By focusing our management resources on growth fields, we will become more competitive and further enhance our corporate value.

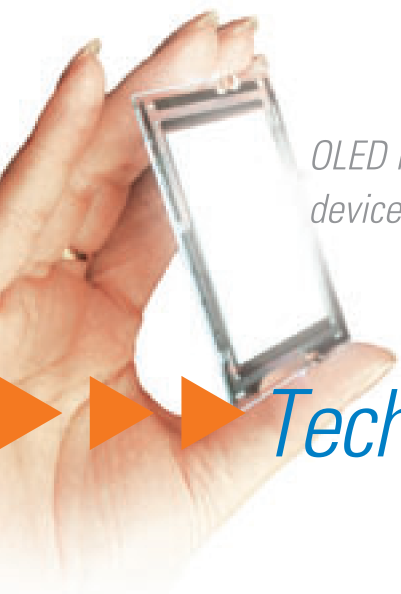
Alliance and M&A

Aiming for growth with a sense of speed and driven by our genre-top strategy, we aim to strengthen our business with an effective business alliance and M&A strategy. Konica Minolta formed a business alliance with Océ N.V. (Océ), which has unique and innovative technologies in the production printing field. We also acquired leading dealers in the North American region like Danka Office Imaging Company (DOIC), which offers an extensive region-wide MFP sales and support network. Further, in March 2007, we formed a strategic alliance with General Electric Company (GE) of the United States in organic electroluminescence diode (OLED) lighting, which has great promise in the environment and energy field.

Corporate Value

Technological Strength Core technologies support the Group's growth by enabling it to create highly competitive and attractive products. We constantly monitor trends in advanced technologies, identifying core areas, cultivating our capabilities, and innovating. We maintain 12 core technologies covering the materials, optical, nano-fabrication, and imaging fields. Our strength and advantage is our ability to utilize these broadly based technologies — both individually and as integrated systems — to develop competitive products and services.





OLED lighting device

Technological Strength

Materials Technologies

We have applied our materials synthesis and design, fine grain-forming, and film-making and coating technologies to create polymerized toner that underpins the competitiveness of our color production printing MFPs, organic electroluminescent materials, and functional display films. These technologies have helped us improve image quality, durability, sensitivity, and productivity.

Optical Technologies

Our optical design and measuring technologies find applications in optical units for MFPs, printers, and other input-output equipment, in optical zoom lenses for cameras, and in three-dimensional measuring instruments and spectrophotometers. These technologies enable us to design compact, highly precise optical and measuring units.

Nano-Fabrication Technologies

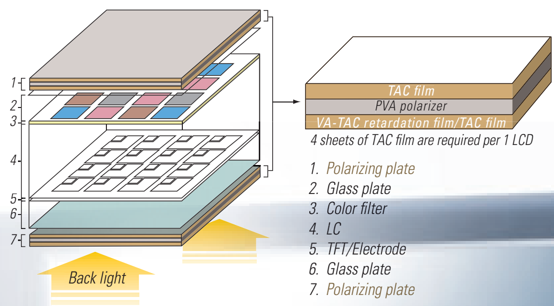
We use our molding and surface processing technologies to make plastic and glass lenses, treat the surfaces of hard disk glass substrates, make optical lenses that are compatible with CD, DVD, and Blu-ray formats, and produce ultra-smooth glass substrates for high-precision hard disks.

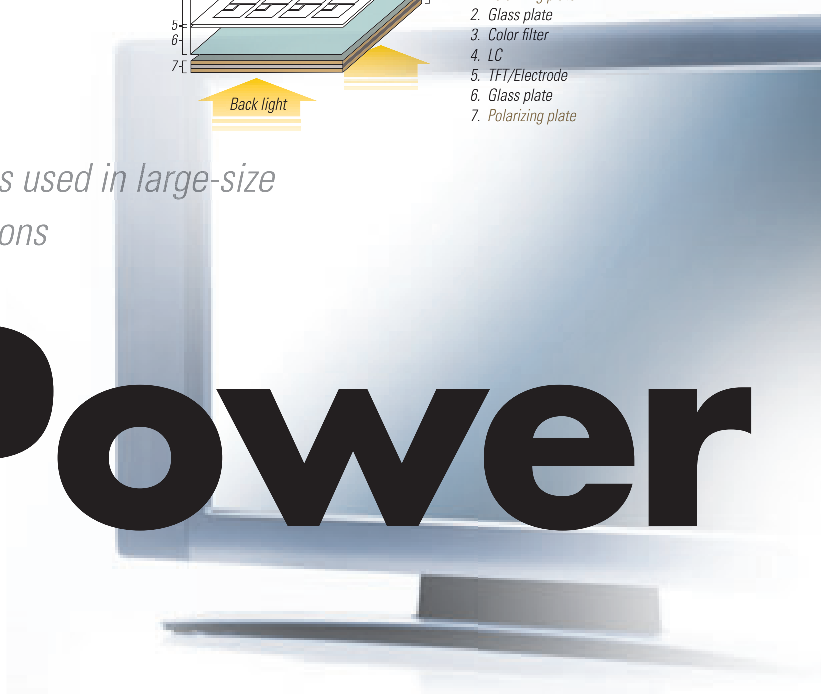
Imaging Technologies

We draw on our image processing, mechanical processing, feeding, and precise-driving technologies to improve the image quality and usability and to accelerate processing of equipment and systems in the information, medical, industrial, and sensing fields. Our imaging technologies in MFPs have enabled us to slash power consumption in fixing processes.

Optical pickup lenses

Marketing Power Our genre-top strategy calls for establishing a position as the top brand in selected markets and business domains. Our success has stemmed from analyzing market growth potential, customer requirements, and our competitive position. Focusing on market needs has enabled us to deliver genre-leading products and strengthen our industry position.





VA-TAC films used in large-size LCD televisions

Marketing Power

Genre-Top Strategy

We pursue a genre-top strategy, in which we carefully and rationally determine areas of growth through a process of selection and concentration and then focus our management resources on fields in which we can predominate.

We have achieved a genre-top status in the area of color MFPs by concentrating management resources on the European and U.S. markets, which are leading the drive toward color. Also in production printing, which is heralded as a growth market, we adopted the market-in approach of commercializing products in response to customers' needs. Through this method and by taking advantage of our strength in industry-leading polymerized toner, we have earned a top position in the light production market.

In the optics business, our strengths lie in the advanced technical and manufacturing expertise that enables us to produce leading-edge products to customer specifications. By operating at the cutting edge of a market that is expected to grow, we have garnered an overwhelming lead in optical pickup lenses for Blu-ray format. In addition, numerous manufacturers use our VA-TAC films in the production of large-size LCD televisions.

Production printing MFP

Profile

Konica Minolta Holdings, Inc. was established in August 2003 through the management integration between Konica Corporation and Minolta Co., Ltd., creating an essential imaging company. The Konica Minolta Group is pursuing environmental management-focused growth by utilizing collective Group resources to introduce customer-oriented products and services through leveraging of unique cutting-edge technologies. The Group has annual sales of nearly ¥950 billion, conducts business operations in approximately 40 nations worldwide and has about 37,000 employees. Based on an underlying management principle of "New Value Creation" and driven by the corporate message of "the essentials of imaging", the Konica Minolta Group aims to provide inspired creativity in the field of imaging by becoming an innovative, technologically sophisticated, reliable and market-leading global company that is able to enhance corporate value and respond to the expectations of its stakeholders through corporate creativity.

Consolidated Financial Highlights

Fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
For the Year:			
Net sales	**¥947,843**	¥1,071,568	**$9,649,221**
Operating income	**56,260**	119,606	**572,737**
Net income	**15,179**	68,829	**154,525**
Capital expenditure	**61,164**	75,295	**622,661**
R&D costs	**81,904**	81,370	**833,798**
At Year-End:			
Total assets	**¥918,058**	¥970,538	**$9,346,004**
Total net assets	**414,284**	418,310	**4,217,490**
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Net income—basic	**¥ 28.62**	¥129.71	**$0.29**
Net assets	**779.53**	786.20	**7.94**
Cash dividends	**20**	15	**0.20**
	Percent		
Financial Ratios (Note 2):			
Equity ratio	**45.0%**	43.0%	
Return on assets	**6.2**	12.7	
Return on equity	**3.7**	17.5	

Notes: 1. U.S. dollar amounts above and elsewhere in this report for the Company are translated from yen, for convenience only, at the rate of ¥98.23=US$1, the approximate exchange rate prevailing at March 31, 2009.

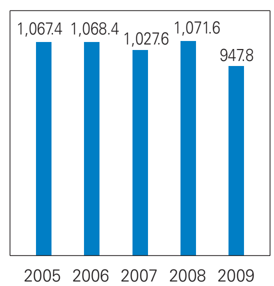
2. Equity ratio = (Total net assets – minority interests – share subscription rights) ÷ total assets × 100 (%)

Return on assets = (Operating income + interest and dividend income) ÷ average total assets × 100 (%)

Return on equity = Net income ÷ average (total net assets – minority interests – share subscription rights) × 100 (%)

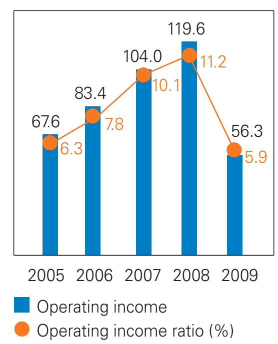
Net Sales

(Billions of Yen)



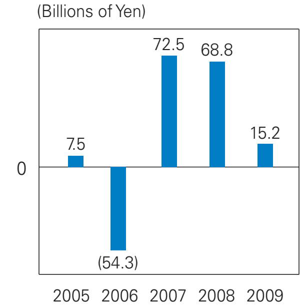
Operating Income and Operating Income Ratio

(Billions of Yen)



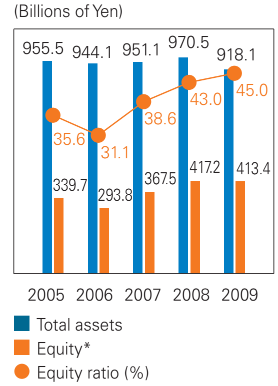
Net Income (Loss)

(Billions of Yen)



Total Assets, Equity and Equity Ratio

(Billions of Yen)



** Equity = Total net assets – minority interests – share subscription rights*

Disclaimer regarding Forward-Looking Statements

The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly due to such factors as social and economic conditions.

Contents

The Greater the Change, the Greater the Opportunity

The fiscal year ended March 31, 2009 (FY March 2009) saw Konica Minolta complete its *FORWARD 08* medium-term management plan. We performed well in the first half of the fiscal year in keeping with the growth strategies of this initiative, particularly in our Business Technologies and Optics businesses. But a global economic deterioration in the second half hit our operations and results hard. We responded by stepping up efforts to slash costs and otherwise safeguard revenues and earnings. Despite these efforts, consolidated net sales decreased 11.5%, to ¥947.8 billion. Operating income declined 53.0%, to ¥56.3 billion, and net income dropped 77.9%, to ¥15.2 billion. So, while initially on track to reaching our *FORWARD 08* objectives a year early, we were unable to attain our targets.

I became President and CEO of Konica Minolta Holdings, Inc. in April 2009, a particularly demanding time for the Konica Minolta Group. In FY March 2010, the outlook for the business climate will remain as tough as it was in the fiscal year under review. The dramatic changes we face are not a passing phenomenon; we bear witness to a global paradigm shift in social frameworks. Given that Konica Minolta is challenging powerful rivals in these tumultuous times, we must advance and strengthen our market position. But to realize our potential, we must ourselves evolve and equip ourselves to build new momentum.

In launching our new management structure, I shared a new vision with all Group employees of making Konica Minolta sufficiently robust to achieve strong, ongoing growth while becoming essential for world society.

We formulated *MANAGEMENT POLICY <09-10>*, covering April 2009 through March 2011, as the first phase in transforming this vision into reality. I will outline the main points here. Please refer to pages 12 to 14 of this report for details.

Becoming a Robust Company

We will overcome the global recession and remain competitive amid drastic changes in the business environment by enhancing our corporate capabilities. Even when there are few prospects for sales growth, we aim to become an organization that can consistently generate free cash flow. So we will, for example, cut fixed costs and trim our balance sheet while stepping up selection and concentration with existing operations.

At the same time, we will ensure that our customers are the foundation of all our operations, aiming to become a strong corporate group that thinks and operates innovatively. We will innovate in all business processes, including development, manufacturing, and services. We will also pursue business model innovation.

As society's environmental demands are increasing, we will naturally comply with regulatory requirements while providing our customers with businesses, products, and services that offer world-class environmental performance and quality.

Achieving Strong, Sustainable Growth

We have driven forward with our genre-top strategy, through which we have concentrated resources to build positions in the top group in promising business areas and markets. These endeavors have borne considerable fruit. In Business Technologies, for example, we lead in office MFP and production printing fields in Europe and the United States. In our Optics business, we dominate the markets for VA-TAC films for large-size LCD televisions and in optical pickup lenses for Blu-ray format.

But we will never consistently deliver strong growth if we rest on our laurels. We need to bolster our genre-top strategy to establish an unchallenged market position. We must also understand that the markets for our successful businesses will ultimately encounter slower growth and mature. It will be impossible to keep expanding if we just stick with existing businesses. We have to harness core technologies to innovate and provide

Leadership

new customer value, and broaden the scope of our business. That is our scenario for expanding in the near to medium terms.

Over the medium to long terms, we seek to continue strong growth by developing new businesses that draw on our outstanding technological potential. This potential is particularly robust in environment and energy and in health, security, and safety, areas that are poised for paradigm shifts. An excellent example is OLED lighting, in which we are striving to commercialize opportunities by employing the technological assets that we have accumulated in photo film.

Becoming Essential to Society

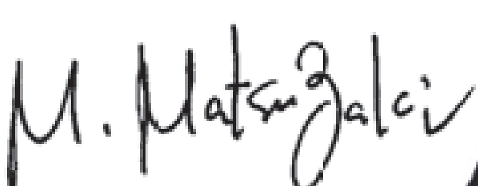
We must fulfill our social obligations and contribute to communities if we are to earn society's acceptance and prosper.

Our primary mission as a manufacturer is to take action to prevent global warming. Recognizing that minimizing CO_2 emissions as well as conserving resources are important issues, we launched our *Eco Vision 2050* to pursue specific reductions in Group CO_2 emissions. But cutting is not enough, and we aim to employ core technologies to innovate, as we are doing in OLED lighting, helping to resolve environmental problems.

My mission as Konica Minolta's leader is to resolutely execute *MANAGEMENT POLICY <09-10>* and produce results. As I mentioned earlier, that means making us sufficiently robust to achieve strong and ongoing growth while becoming essential for world society, thereby creating an entirely new Konica Minolta.

I dedicate myself entirely to grasping the essence of the issues facing us, strategically and boldly addressing them to decisively increase Konica Minolta's value. Stay with us as we tackle the challenges of change in the year ahead.

June 23, 2009



Masatoshi Matsuzaki
President and CEO

Interview *with the President*
Masatoshi Matsuzaki

Innovation

Q

How did Konica Minolta perform in FY March 2009?

A We faced completely different situations in the first and second halves.

In the first half, we did well under our genre-top strategy, particularly in color MFP and production printing fields in our Business Technologies business. The strong performers in the Optics business were VA-TAC films for large-size LCD televisions, optical pickup lenses for Blu-ray format, and glass hard disk substrates. Optics business generated record earnings on the half-year basis.

But the operating climate changed for the worse in the second half, as the bankruptcy of a leading U.S. financial institution in September 2008 triggered financial instability worldwide, which hit the real economy hard. Corporate customers for our MFPs responded by slashing costs and significantly reducing capital investments, while financial market turmoil prompted leasing firms to tighten credit standards. New installations of our MFPs thus slackened.

For Optics business, digital appliance makers, our key customers, responded to a chill in consumer demand by suddenly slashing production. Order volumes thus plunged. To make matters worse, the yen surged from the second half, so our businesses and results suffered significantly.

We acted urgently to reduce costs to safeguard profitability for the fiscal year under review and set about bolstering our operations to tackle the business climate in FY March 2010 and beyond. These initiatives remain a top priority in the current fiscal year.

Q

As the business environment in the coming year is expected to be challenging, what initiatives are you pursuing in FY March 2010?

A Our most important task is to not only survive but also thrive in the currently severe operating environment. To ensure this, we must continue strengthening our corporate constitution.

There are few prospects for increasing revenues and earnings in FY March 2010. Management will thus focus on improving the breakeven point and generating sufficient free cash flow. We plan to lower our breakeven point by executing a ¥30 billion or more reduction in fixed expenses, thereby trimming our balance sheet to boost free cash flow by the same amount. We will continue to pursue selection and concentration in unprofitable businesses and use resources even more efficiently. We will defend ourselves fiercely in this adverse climate.

Still, you cannot get far just by going on the defensive. You certainly cannot build a future if downsizing is all there is to management. That is why we are proactively reviewing all business processes and overhauling our business model from the customer perspective.

Our commitment to defending while attacking will be pivotal to strengthen our corporate capabilities and achieving strong growth. If we do these things properly, we should position ourselves for revenue and earnings gains in FY March 2011. We have acted swiftly before to restructure, and we will move even more quickly to strengthen our corporate constitution. FY March 2010 is the first year of *MANAGEMENT POLICY <09-10>*, a time that will test our mettle as a prospectively powerful player.

FORWARD 08 Medium-Term Plan Business Achievements

(from April 2006 through March 2009)

- We consistently implemented our genre-top strategy focus on growth areas.
- We accelerated this strategy with proactive M&A and strategic alliances.
- We thoroughly executed selection and concentration in deploying management resources into growth businesses.

Q

Exactly how do you intend to consistently deliver strong growth?

A For a start, we will build on our genre-top strategy to reinforce existing businesses and establish an unassailable market position. In office MFPs, we will bolster our product capabilities by introducing more color models and will strengthen marketing and cost-competitiveness. We should thus maintain our top group positioning in the European and U.S. markets. In production printing, we will introduce new upmarket offerings, not only expanding light production segment

“Our most important task is to not only survive but also thrive in the currently severe operating environment. To ensure this, we must continue strengthening our corporate constitution.”

but also getting ready to enter the medium- and heavy-duty segments. To achieve this, we will draw on our strategic business alliance with Océ. In Optics, we will maintain our dominant positions by bringing out next-generation VA-TAC films and strengthening cost-competitiveness while becoming even more cost-competitive in optical pickup lenses.

Secondly, we plan to grow existing businesses and create new customer value. We will focus on production printing and optics devices. In production printing, we will draw on our world-leading polymerized toner technologies and the product planning capabilities we have accumulated in light production areas to build new core businesses, concentrating on expansion in the medium-to-heavy and commercial printing segments. To do this, it is important for us to utilize the expertise we gain in workflow and color management from our own printing operations to provide easy-to-use, unique solutions to our customers.

In optical devices, we will integrate core optics, image processing, and sensing technologies, expand their applications, and enter markets other than information appliances.

Thirdly, looking further ahead, we will cultivate opportunities in areas where there are increasing social needs, notably the environment and energy and health, security, and safety. We will further improve and integrate core materials, optics, nano-fabrication, and imaging technologies to create new businesses, thereby contributing significantly to society. In the environment and energy, for example, we are pushing ahead in a strategic alliance with GE to commercialize next-generation OLED lighting. Such initiatives should help us to generate strong growth once the economy recovers.

To achieve the solid expansion we seek, it is critical for us to build a corporate culture that triggers paradigm shifts. We will build a bright new future once we ensure the complete dedication of each Group employee to the cause and transform the internal culture and attitudes.

Q

Given that OLED lighting is a key to growth, what are Konica Minolta's strengths in this area?

A

We developed a phosphorescence-type OLED device using the evaporation method. It is the fruit of proprietary technologies from our photo film and copier photoconductors, notably for organic materials, synthetics, and multilayer design and optical design.

Several companies have previously commercialized fluorescent OLED devices using the evaporation method. But these offerings were inferior to current fluorescent lights in terms of luminous efficiency and durability. Tests have shown that our phosphorescence-type OLED device performs much better on both those scores. The power savings over fluorescent and incandescent lights are roughly 30% and 85%, respectively. Moreover, OLED lightings are far more easily recyclable, as they do not contain mercury and other hazardous substances. Considering all the merits, phosphorescence-type OLED lightings are expected to be the next-generation standard for lighting.

OLED lightings are attracting attention because of their environmental benefits, but price will be the key to them becoming mainstream. The challenge will be to lower the pricing to the level of conventional lighting. We aim to overcome the price barrier by developing phosphorescence-type OLED devices by adopting the coating method that is suitable for mass

“Such initiatives should help us to generate strong growth once the economy recovers.”

production. While price is an admittedly high hurdle, we believe it is nevertheless achievable through the application of our powerful coating, organic materials, and multilayer design technologies we amassed in our photo film business.

Under the partnership with GE, we aim to commercialize our new lights by March 2011. It will probably take five to ten years for that business to contribute significantly to our consolidated results. But it will become a pillar of operations for us down the track.

Q

What are the main features of your corporate governance setup?

A Strengthening corporate governance will make management more transparent and accelerate decision-making, thereby enhancing corporate value. We maintain a company-with-committees system that separates management supervision and execution. The Board of Directors comprises internal and outside personnel. The majority are non-executive directors, including the Board's chair. Independence is a key attribute in candidate directors, and we require that none of these people have significant business ties with our organization. We have a holding company structure, and by formulating a setup that can respond flexibly to dramatic changes in the business climate we have been able to accelerate decision-making and bolster our competitiveness.

Q

What's your stance on CSR management?

A Working on corporate social responsibility tasks is what management is about. We aim to win the trust of diverse stakeholders and meet their expectations by fulfilling our environmental preservation responsibilities. Safeguarding the global environment is a top priority. We have undertaken groupwide efforts to cut our CO_2 emissions and conserve resources. At the same time, we have harnessed proprietary OLED lighting and other technologies so that we can contribute to society through the environment and energy field. This CSR approach is what we believe is required of us as a manufacturer in this day and age.

Q

Briefly explain your policy on dividends.

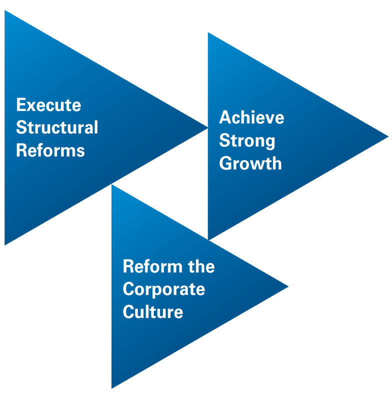
A We comprehensively consider such factors as our consolidated results and strategic investments in growth areas in deciding on dividends, and our basic policy is to ensure ongoing profit returns to shareholders. Regarding specific dividend indicators, our medium-to-long-term goal is to maintain a dividend payout ratio of over 25%. In FY March 2009, we declared a cash dividend of ¥20 per share.

MANAGEMENT POLICY <09-10>

April 2009 ▶ March 2011

Konica Minolta formulated *MANAGEMENT POLICY <09-10>* as part of efforts to drive strong ongoing growth and become essential for world society. This new plan runs from April 2009 through March 2011.

As an organization with CSR-oriented management, we will transform our corporate constitution while pursuing business innovation and evolving our business model. Our aim is to become an organization that can sustain strong growth and expand corporate value by strengthening existing businesses over the next two years, then shifting our focus to broadening and deepening these businesses within around three years, and then cultivating new businesses over a five- to ten-year period.



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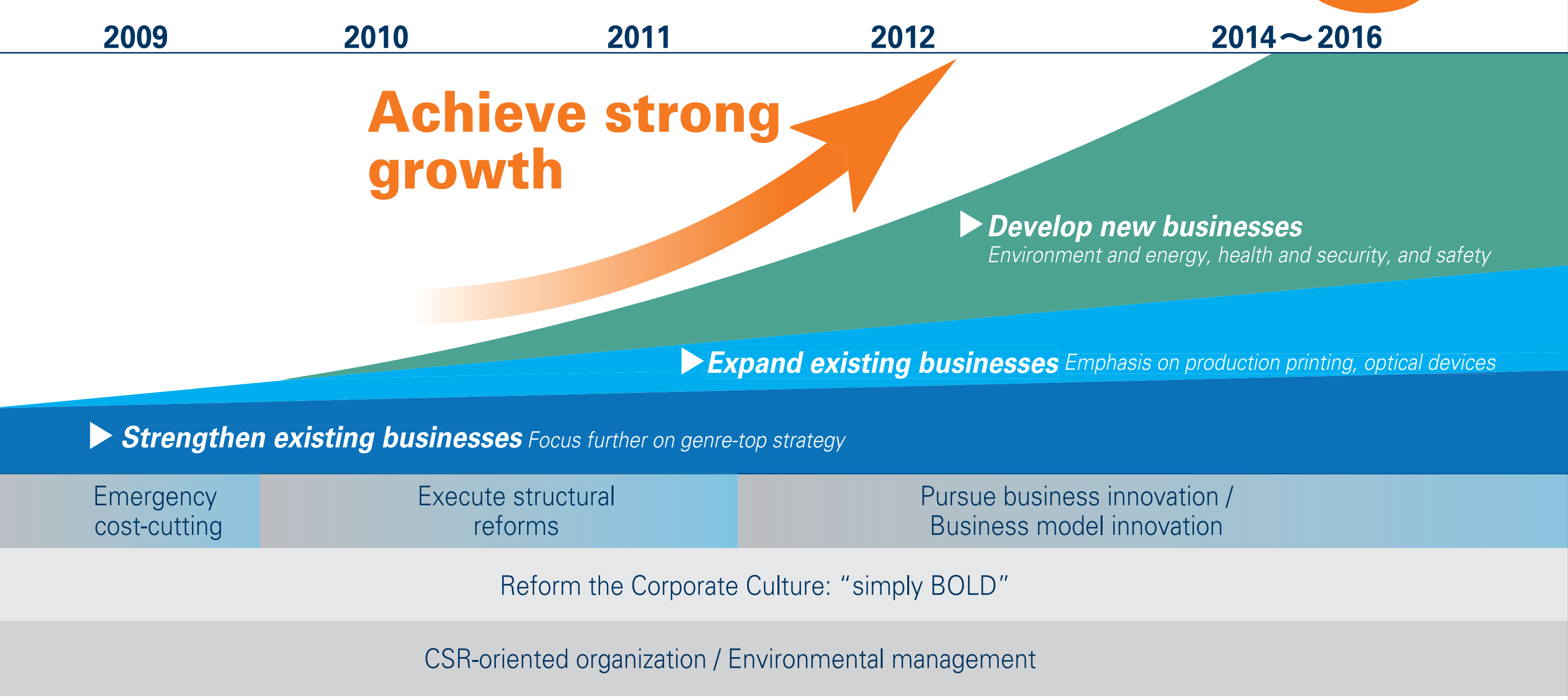


Execute Structural Reforms: Survival and Innovation

We intend to build a strong corporate structure that consistently produces earnings regardless of sales growth while at the same time carrying out business model innovation to enhance competitiveness and pursuing growth-oriented policies that highlight our strengths in the environmental field.

Survival

Select and concentrate while streamlining

Reduce fixed costs

Cut at least ¥30 billion from FY March 2009 levels

- Reduce fixed production and selling costs while prioritizing R&D expenditures

Produce free cash flow

Generate at least ¥30 billion in FY March 2010

- Reduce inventories and improve terms of accounts receivable and payable and lower capital spending

Assess existing businesses

Review unprofitable businesses and shift resources to key businesses

- In printer business, focus on MFP-based A4 color models
- In lens unit business, concentrate on standard modules
- In graphic art film business, cease film production and sales

Growth

Innovation

Innovative concepts and action

Revitalize business processes

Enhance business process productivity

- Strengthen strategically linked management systems
- Thoroughly review business processes and increase quality
- Efficiently use sophisticated information technology

Carry out business model innovation

Strengthen customer-oriented marketing and create new business models

- Provide products and services from the consumer perspective
- Build new earnings models for services
- Develop modules that define industry standards

Strengthen environmental management

Make the environment a driver of competitiveness and growth

- In MFPs and printers, offer industry-leading energy savings
- Cultivate new businesses in environment and energy fields
- Become the industry's environmental leader in all operations

Achieve Strong Growth

We will attain strong, sustainable growth by implementing strategies in three phases.

In the first phase, we will focus further on our genre-top strategy to solidify our market dominance. In the second phase, we will draw on our strong core technologies to broaden and deepen these businesses to create innovative customer value. In the third phase, we will extend into growth markets that serve social needs, cultivating new businesses that support sustainable expansion.

Strengthen existing businesses | *Phase 1: Focus further on genre-top strategy*

Business Technologies

Maintain top group positions in European and U.S. markets
- In office MFPs, solidify genre-top position in color models
- In production printing, enter medium- and heavy-duty areas and commercial printing field

Optics

Solidify an overwhelming position in the market and strengthen cost-competitiveness
- In TAC films, maintain positions in existing areas and create next-generation offerings
- In optical pickup lenses, reinforce cost-competitiveness and maintain market dominance

Expand existing businesses | *Phase 2: Create innovative customer value*

Production printing

Expand into medium- and heavy-duty segments and commercial printing field
- Draw on the advantage of industry-leading polymerized toner and our unique product planning know-how to establish genre-top positions in digital color printing

Optical devices

Expand into new areas other than information appliances
- Integrate core optics, image processing, sensing, and other technologies and broaden applications other than information appliance areas

Develop new businesses | *Phase 3: Cultivate new businesses that can become growth drivers and contribute to society*

Environment and energy

Target top position in next-generation lighting with OLED lighting
- Push ahead in alliance with GE to commercialize new offerings in FY March 2011

Health, security, and safety

Provide new value in diagnostics and industrial processes
- Create systems and module businesses that apply our proprietary optical sensing technologies

Important considerations when evaluating new businesses

Growth potential	Overlaps with Konica Minolta's strengths	Contributes to society
We ask ourselves whether the business is in an industry that has growth potential. To become a pillar that supports the growth of Konica Minolta's business, the market itself must be expanding.	We determine whether the business overlaps with Konica Minolta's strengths. Businesses in which we can take advantage of our strengths correspond to areas where we can be highly competitive.	We consider whether the business contributes to society and the advancement of the human race. We believe that this point is essential to being a company that society needs.

Reform the Corporate Culture

We aim to build a corporate culture in which we trigger a paradigm shift, a culture that enables us to overcome dramatic swings in the business climate and drive strong ongoing growth.

We will cultivate self-motivated people worldwide who embrace new challenges, overhauling our human resources systems and organizations and revamping management.

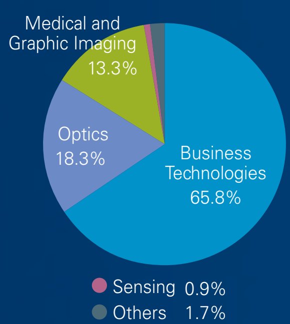
"simply BOLD" | *Pursue courageous and daring ideas*

We will share this slogan among all Group employees, who will put it into action to create a new corporate culture that can drive paradigm shifts.

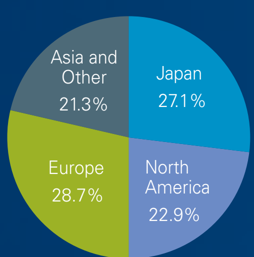
simply BOLD

At a Glance

Sales Composition
(FY March 2009)



Net Sales by Geographical Region
(FY March 2009)

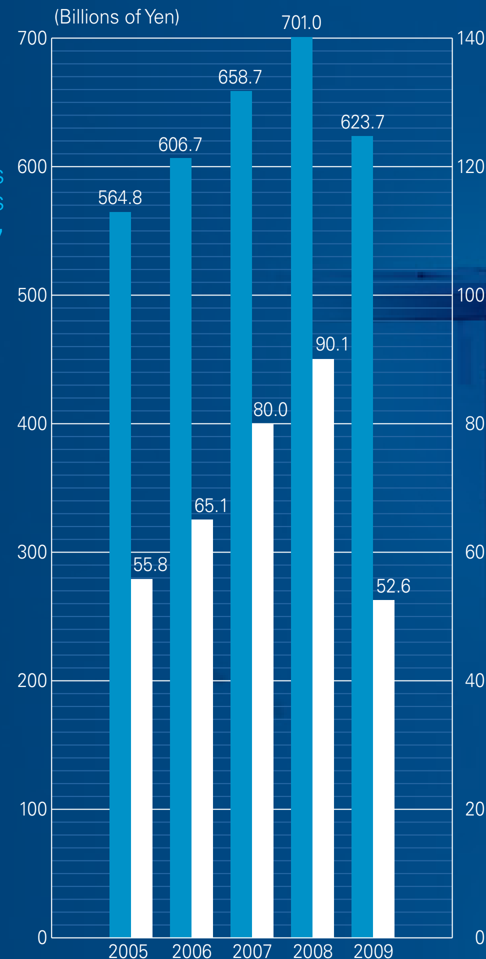


Sales by Segment

Operating Income by Segment

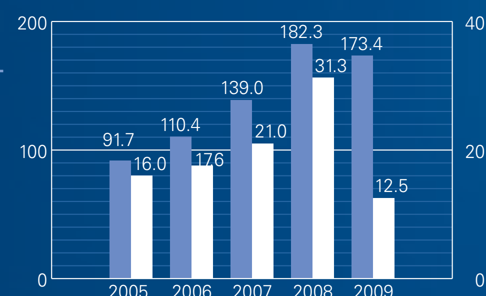
Business Technologies
623.7

Business Technologies
52.6



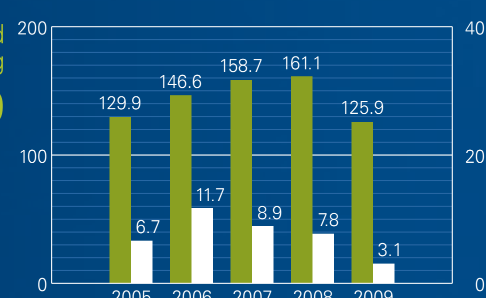
Optics
173.4

Optics
12.5



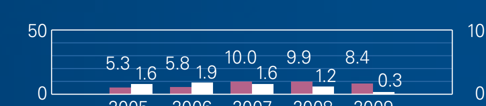
Medical and Graphic Imaging
125.9

Medical and Graphic Imaging
3.1

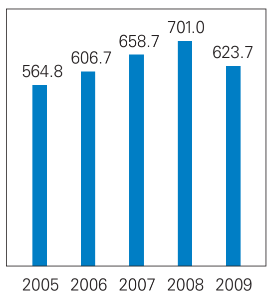


Sensing
8.4

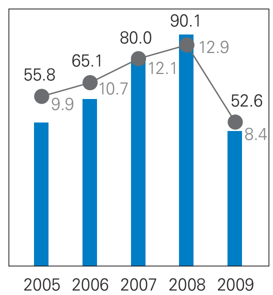
Sensing
0.3



Net Sales
(Billions of Yen)



Operating Income and Operating Income Ratio
(Billions of Yen)



All in one printer magicolor 4690MF

Business Technologies

Color MFP for general office bizhub C200

New model of production printing bizhub PRO C65hc that employs High Chroma Toner

Overview

In keeping with the basic policies of our genre-top strategy, we have focused on raising sales of our core range of color MFPs and production printing models with particularly strong demand potential. In April 2008, in production printing, we concluded an alliance with Océ of the Netherlands that centers on the joint supply of existing products as well as the development of future products, in order to accelerate our genre-top strategy. We also acquired DOIC to boost marketing of office MFPs in the United States.

In FY March 2009, we enhanced the competitiveness of our general office color MFPs in the middle-to-low speed range by launching the *bizhub C200*, a strategic model that outputs 20 color pages per minute. We increased unit sales of color MFPs. This achievement owed to concerted efforts in Europe, where our sales operations are particularly strong, and contributions from Asian and other emerging markets, where demand potential is high.

We strove to raise sales of production printing models by launching new color models while reinforcing our monochrome lineup. New high-speed color machines included the *bizhub PRO C5501* and the *bizhub PRO C6501*, which dramatically improve image quality and durability. Another was the *bizhub PRO C65hc*, the first in the industry to employ our proprietary High Chroma Toner. We augmented our lineup of the high-speed monochrome models with three models resulting from our alliance with Océ. These systems can output 160 to 250 double-sided pages per minute.

In the laser printer segment, we focused on raising sales for general offices, where we anticipate growth in output volume. We introduced several high-value-added color MFPs that proved very popular and increased overall unit sales of color laser printers.

MFP sales slowed from the third quarter, as companies constrained investments and experienced credit crunches amid a global recession that began in the second half of the year. Sales also suffered from the yen's surge.

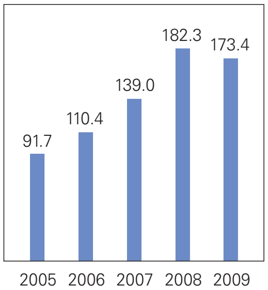
Business Technologies sales thus declined 11.0% in FY March 2009, to ¥623.7 billion. Operating income fell 41.7%, to ¥52.6 billion, reflecting a unit sales downturn from the third quarter and lower margins because of the stronger yen.

Outlook

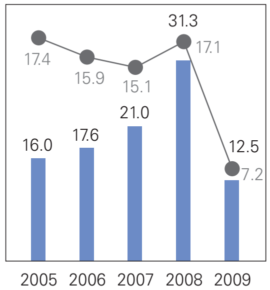
In color MFPs for general offices, we will pursue stable growth and profitability by augmenting our lineup to enhance competitiveness, strengthening marketing, and slashing costs.

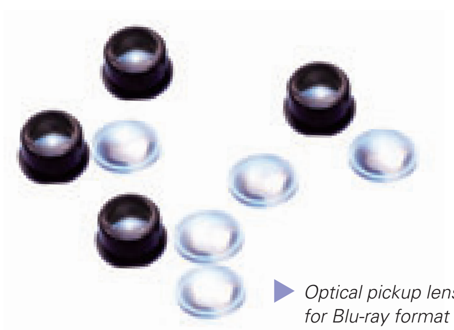
In the growth field of production printing, we are expanding from low- into medium- and high-volume printing. We also plan to extend our offerings into the areas of printing in the corporations' central reprographic departments as well as commercial printing. We will step up our genre-top strategy in all aspects of our Business Technologies business.

Net Sales
(Billions of Yen)

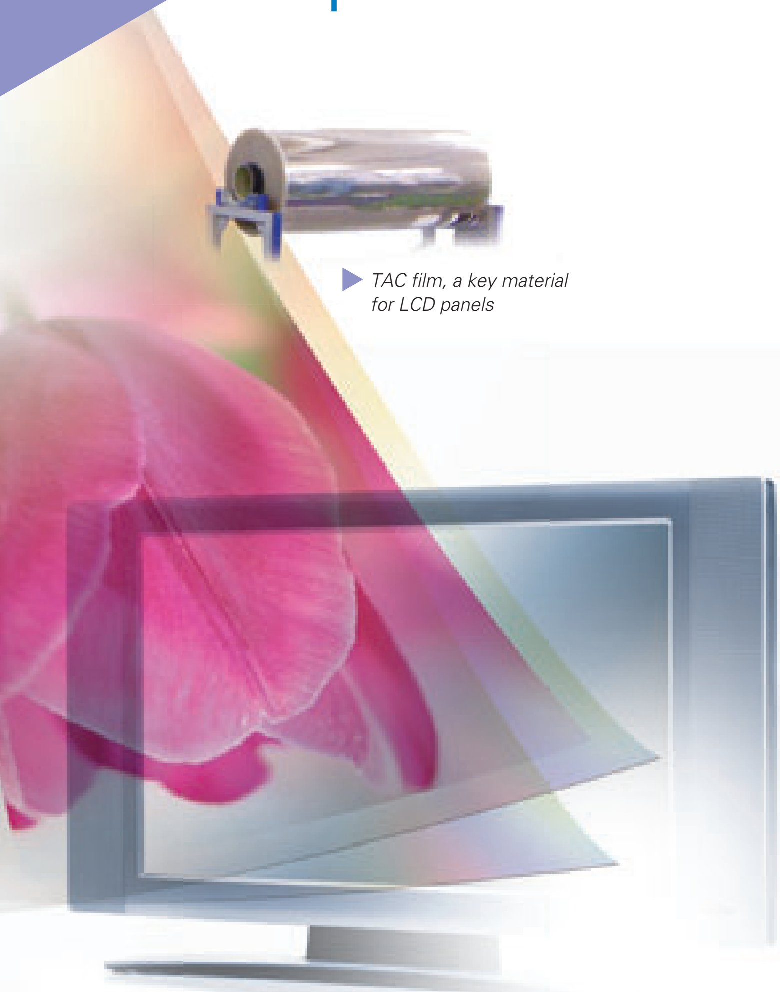


Operating Income and Operating Income Ratio
(Billions of Yen)




Optical pickup lenses for Blu-ray format

Optics


TAC film, a key material for LCD panels

Overview

We posted solid gains in all segments of the Optics business in the first half of the fiscal year, but performances deteriorated from the second half owing to the global recession.

During the first half, we did well in display materials, an area of particular focus, by increasing market share with new VA-TAC films for large-size LCD televisions. Greater production capacity also contributed to annual unit sales gains. On the downside, the operating climate deteriorated from the third quarter because LCD manufacturers slashed production. We responded to this situation by provisionally freezing production capacity increases, decreasing inventories, and lowering our breakeven point.

Sales of mainline optical pickup lenses were solid in the first half of the fiscal year. This reflected the full-fledged diffusion of Blu-ray format optical pickup lenses. The successful development of this product ahead of our rivals has given us a dominating market position. Demand for Blu-ray players plunged from the third quarter, however, so unit sales of optical pickup lenses for Blu-ray format were around the same as a year earlier. Further, CD and DVD player optical pickup lens unit sales also dropped significantly. Similarly, inventory adjustments by PC manufacturers from the fourth quarter resulted in hard disk substrate unit sales volume remaining flat from the previous year.

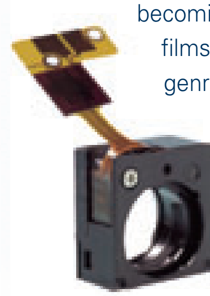
Sales of microcamera modules for camera-equipped mobile phones and digital camera lens units were generally sluggish. This was because manufacturers cut production in the third quarter.

Optics sales therefore declined 4.9% year on year, to ¥173.4 billion, and operating income fell 59.9%, to ¥12.5 billion, reflecting lower unit sales and higher depreciation expenses owing to Japanese tax law reforms.

Outlook

While we believe that demand for TAC films bottomed out in the April–June term of FY March 2010, further inventory adjustments are likely. It will take some time for demand to recover completely for optical pickup lenses and glass hard disk substrates. Our priorities for the year ahead will be to secure sufficient earnings while the operating climate remains adverse. We plan to do this by optimizing production sites, materials purchasing, and inventory management, while focusing on becoming more competitive in mainstay TAC films and optical pickup lenses to maintain our genre-top market positions.

An important challenge in pursuing consistently solid growth over the medium term will be to keep increasing the digital appliance-related business while expanding into other new areas.


Lens unit for camera-equipped mobile phones


Glass hard disk substrates

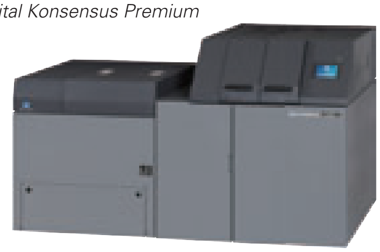
All-in-one console/viewer/filing system REGIUS Unitea (Outside Japan: ImagePilot)

X-ray image reader REGIUS MODEL 110

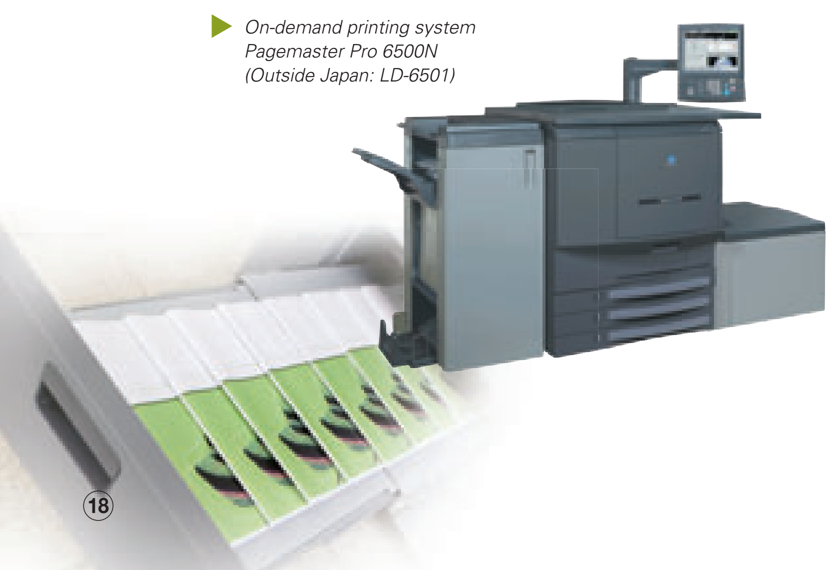
Digital radiography PLAUDR C30

Medical and Graphic Imaging

High-quality halftone digital proofing system Digital Konsensus Premium

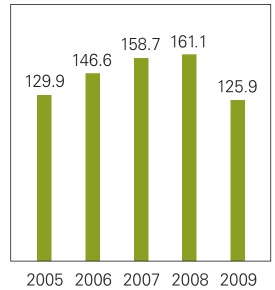


On-demand printing system Pagemaster Pro 6500N (Outside Japan: LD-6501)



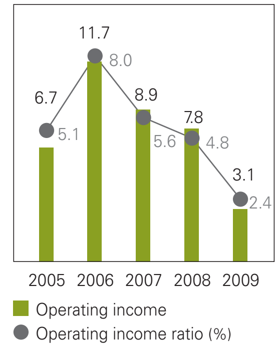
Net Sales

(Billions of Yen)



Operating Income and Operating Income Ratio

(Billions of Yen)



Overview

In the medical/healthcare field, we endeavored to expand sales of digital diagnostic imaging systems to small medical institutions.

We draw on a solid track record in radiographic image processing technologies to develop high-definition digital X-ray image reading equipment as the core of computed radiography systems we supply to hospitals and clinics. During the fiscal year, we focused on expanding sales of the compact *REGIUS Model 110* and peripheral systems, which serve the information technology needs of clinics and other small medical sites, winning acceptance worldwide. Unit sales of computed radiography systems thus increased.

In the graphic arts field, we concentrated on boosting sales of digital printing systems, including the *Pagemaster Pro 6500N* on-demand printing system. Revenues suffered, however, as many customers froze or postponed equipment purchases because of the recession.

Global demand for film in the medical/healthcare and graphic arts fields dropped even further in the fiscal year under review owing to digitization, causing unit sales of film to plunge. The yen's appreciation from the third quarter exacerbated the situation.

Segment sales therefore decreased 21.9%, to ¥125.9 billion. Operating income was down 60.3%, to ¥3.1 billion, as lower film sales overshadowed extensive cost-cutting efforts.

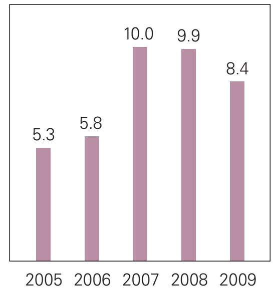
Outlook

In the year ahead, we will expand the installation base of diagnostic imaging systems to boost service business and thereby increase medical/healthcare business revenues. We will focus strategically on the *PLAUDR* series of digital radiography systems, introduced in October 2008, which can display high-definition diagnostic images just five seconds after capturing them.

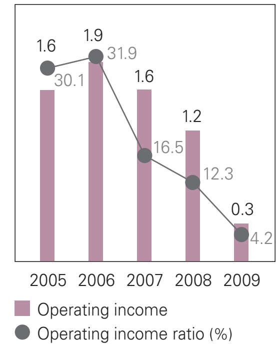
In March 2009, we stopped manufacturing graphic arts film products in light of further advances in digital convergence, which has caused demand for these products to continue shrinking. We will gradually cease sales of these products.

Sensing

Net Sales
(Billions of Yen)



Operating Income and Operating Income Ratio
(Billions of Yen)



World's top-level capability to detect extremely low luminance: Spectroradiometer CS-2000

Overview

During the year, we focused on expanding sales of light color, object color, and 3D measurement systems. In Europe and the United States, at the same time, we reviewed our sales structures and bolstered profitability.

We strove to expand sales in each mainstay fields, launching the *Spectroradiometer CS-2000*, the *Spectrophotometer CM-700d/600d*, and the *KONICA MINOLTA RANGE7* 3D digitizer. Sales were lackluster in each of these areas, however, as a rapid downturn in the global economy forced automotive and electrical equipment manufacturers to constrain capital spending.

Segment sales therefore decreased 15.3%, to ¥8.4 billion. Operating income was down 71.4%, to ¥0.3 billion.

Outlook

We expect companies to keep curtailing capital investments for the foreseeable future. We will thus focus on driving sales on the strength of medical and food sector offerings that are less vulnerable to economic swings while cultivating fields with solid growth potential, notably LED lighting and solar cell evaluation.

At the same time, we will strive to expand by combining our sensing technology strengths with the Group's core technological capabilities.

Non-contact 3D digitizer KONICA MINOLTA RANGE7

Compact and portable color measuring instrument: Spectrophotometer CM-700d/600d

Corporate Governance

Konica Minolta recognizes that strengthened corporate governance is a key management issue, and has clarified the functional separation of management supervision and execution, while at the same time strengthening the functioning of each to achieve fair and highly transparent management.

We separated oversight and implementation by adopting a company-with-committees system. This includes the Nominating, Compensation, and Audit committees, which are integral to the Board of Directors. Under the Japanese Commercial Code, companies can choose either governance systems of corporate auditors or systems with committees. While each system has its advantages, Konica Minolta has selected a company-with-committees system to separate the management supervision and execution functions. This choice enables us to operate more transparently and accelerate decision-making.

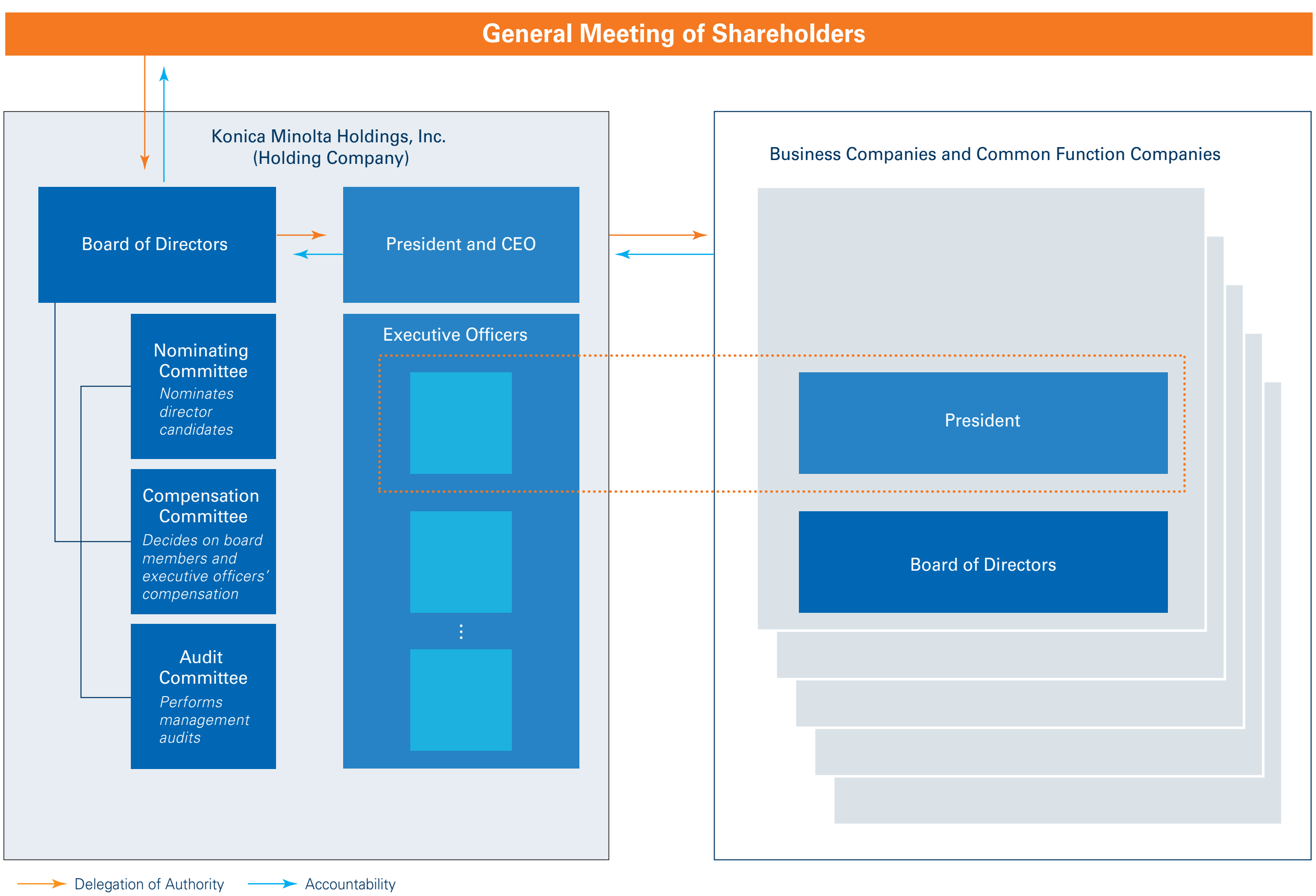
The 12-person Board comprises eight internal and four outside directors. The majority of members have non-executive positions; among them are three internal directors, including the chairman. The outside directors help clarify the Board's independence and supervisory role.

All committee chairs are non-executive outside directors, rounding out a very advanced and transparent governance structure.

Attendance among the four outside directors at the 13 Board meetings and gatherings of the three committees in FY March 2009 averaged more than 90%. To ensure vigorous discussion, the secretariat or the relevant executive director explains the agenda for important management decisions before meetings.

The Nominating Committee nominates outside candidates for the Board, assessing their independence and experience in corporate management. The committee ensures that candidates have no significant business relations with the Group and have no personal relationships within it. As the Board monitors executives and makes important management decisions, candidates should ideally have track records in corporate management.

Corporate Governance System



In order to avoid potential compromises to their independence, the Nominating Committee's rules limit the terms of outside directors to, in principle, four years.

The Compensation Committee maintains a system for directors and executive officers to attract and retain talented people and better motivate them to consistently improve results over the medium and long terms, thus satisfying shareholders and optimizing Group value. Inside director compensation comprises base salary and stock options for stock-linked compensation to encourage long-term performance. The compensation of outside directors is base salary only. The target compensation of executive officer packages is 60% in base salary, 20% in short-term performance-based cash bonus, and 20% in stock options for stock-linked compensation. The committee maintains a scheme in which directors and executive officers cannot exercise stock options while serving but can do so between one and six years after stepping down. This system encourages a medium- to long-term management perspective, which fosters a management orientation toward increases in corporate value and shareholder value.

The Audit Committee evaluates whether executive management decisions are legitimate and proper, and reviews internal control systems. This committee comprises five non-executive directors, of whom three are outside Board members. Employees independent of executive management run the Audit Committee Office, which assists this committee.

The Corporate Audit Division, Risk Management Committee, and Compliance Committee are integral to the internal control system. Each body reports regularly to the Audit Committee. Each must swiftly inform the committee of pressing issues and responses and otherwise act at the committee's behest. The Audit Committee can send representatives to executive meetings or other key gatherings as well as request executive officers overseeing the Corporate Audit Division, Risk Management Committee, and Compliance Committee to conduct research or prepare reports.

The Audit Committee, Corporate Audit Division, and auditors of business companies and common function companies* collaborate to improve their quality and efficiency without compromising their independence.

After completing internal auditing, the Corporate Audit Division sends its audit report to the CEO and the Audit Committee. That committee, the Corporate Audit Division, and company auditors convene a quarterly Konica Minolta Group Audit Liaison Conference to share information, knowledge, and experiences to enhance auditing accuracy.

The Audit Committee can require the Corporate Audit Division to audit a specific subject.

We instituted the Konica Minolta Group Compliance Guidelines to ensure adherence to laws, regulations, corporate ethics, and internal regulations in all business activities, thereby boosting corporate value and securing stakeholder trust. We also have a compliance officer and supporting department, maintain a Compliance Committee, and set up a Group compliance hotline.

The Japanese Financial Instruments and Exchange Law was passed in June 2006 and new rules concerning internal controls were implemented in April 2008 in order to prevent improper corporate accounting and ensure the reliability of financial reporting.

The Konica Minolta Group prepared the necessary documentation and valuation, and implemented remedial actions in preparation for full-scale implementation of the Japanese Financial Instruments and Exchange Law from FY March 2009. It has already prepared a formal report on internal controls, and has undergone an internal control audit by external auditors.

Such efforts will equip Konica Minolta to maintain a highly transparent corporate governance structure and thereby enhance corporate value and shareholder value.

All of the Group's business companies, common function companies, and their subsidiaries have adopted the corporate auditor system.

Corporate Social Responsibility *(CSR)*

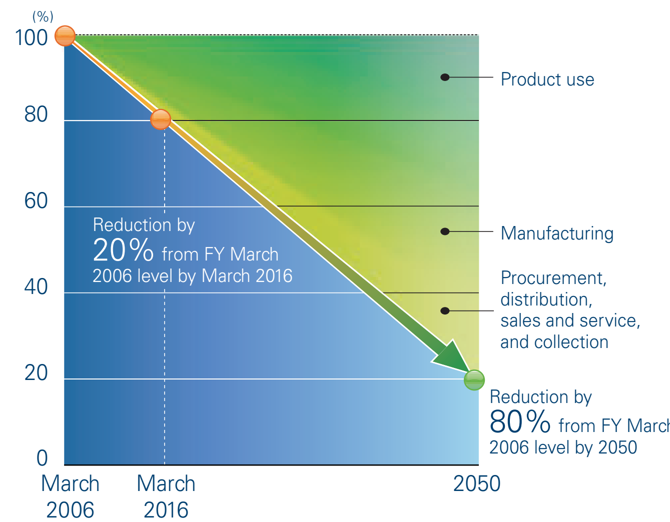
Konica Minolta aims to contribute to a bright future for the earth through its ceaseless commitment to technological innovation.

While we have done much to reduce our environmental footprint, we nevertheless recognize that it is crucial to establish more strategic targets and to pursue these targets in a multifaceted manner. These considerations prompted us to formulate our *Eco Vision 2050* in January 2009. The highest priority of this plan is to fulfill our mission as a manufacturing firm in contributing to the prevention of global warming. The primary target of this plan is to reduce CO_2 emissions generated through the life cycle of our products (from the procurement, manufacturing, distribution, sales and service, product use, and collection stages) by 80% compared to the FY March 2006 level by 2050. As an interim milestone toward achieving this target, we have created the Medium-Term Environmental Plan 2015, whose target is to achieve a 20% reduction in CO_2 emissions by March 2016.

The driving force that will empower us to contribute to the prevention of global warming is innovation. Through such technologies as OLED lighting, which is seen as the future of lighting, we are striving to reduce our carbon footprint and contribute to the prevention of global warming through the creation of technologies that not only slash power consumption, but even create energy itself.

Please visit the following websites for details of our environmental and CSR activities:
Environment: http://www.konicaminolta.com/about/environment/index.html
CSR: http://www.konicaminolta.com/about/csr/index.html

Reduction in CO_2 Emissions



Intellectual Property

We have accumulated a number of outstanding core technologies over the years in the materials, optical, nano-fabrication, and imaging fields. We employ these capabilities to supply innovative imaging products and services.

We combine our business and intellectual property strategies in an active patent filing program. In FY March 2009, we made 3,645 applications, including those based on Japanese regulations and the Patent Cooperation Treaty.

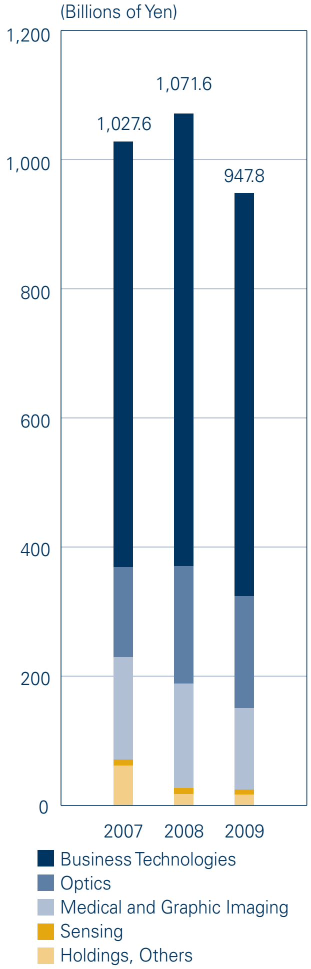
The proportion of published patents in basic and advanced technologies accounted for 18% of our total for the year under review. We are continuing to apply for patents to support our white-light-emitting OLED and other businesses.

We strategically submit patent applications in technologies that are central to our genre-top strategy. We have been quick to secure patent rights in Japan and abroad, contributing to our business progress. As a result of this approach, the Business Technologies and Optics segments, which are central to our genre-top strategy, together accounted for 71% of our patent applications in FY March 2009.

Financial Section

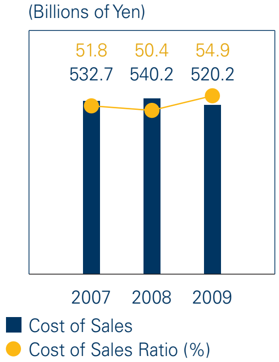
Net Sales

(Billions of Yen)



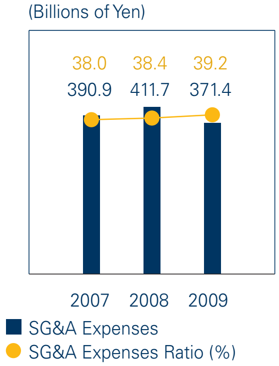
Cost of Sales and Cost of Sales Ratio

(Billions of Yen)



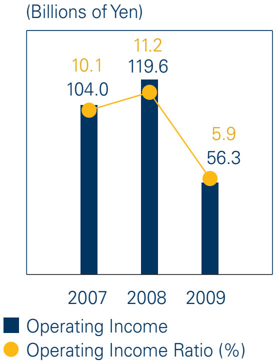
SG&A Expenses and SG&A Expenses Ratio

(Billions of Yen)



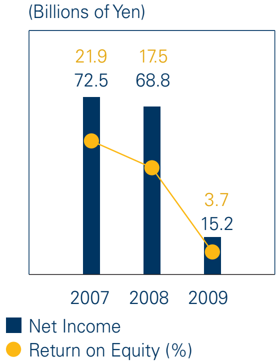
Operating Income and Operating Income Ratio

(Billions of Yen)



Net Income and Return on Equity

(Billions of Yen)



Significant Changes in Accounting Policies

Konica Minolta applied three changes in accounting policy that materially affected its Consolidated Statements of Income:

1) We recategorized the service expenses of some Business Technologies sales companies as cost of sales instead of selling, general and administrative (SG&A) expenses. The cost of sales thus increased ¥28.1 billion, while SG&A expenses decreased by the same amount. For details of this change, see Note 2 (o) of the Notes to the Consolidated Financial Statements.
2) In keeping with new inventory accounting standards, we recategorized the loss on disposal of inventories as cost of sales instead of non-operating expenses. The cost of sales thus increased ¥6.3 billion, while net other expenses decreased by the same amount. For details of this change, see Notes 2 (e) and (p) of the Notes to the Consolidated Financial Statements.
3) Pursuant to amendment to the Japanese Corporate Tax Law, we changed the useful lives of machinery and equipment, which increased cost of sales by ¥6.6 billion. For details of this change, see Note 2 (f) of the Notes to the Consolidated Financial Statements.

Performance

Net Sales

In the fiscal year ended March 31, 2009, net sales decreased 11.5%, or ¥123.7 billion, to ¥947.8 billion. Although sales were strong in the first half, a plunge in global demand saw sales decline from the third quarter for such strategic products as color MFPs, VA-TAC films, and optical pickup lenses for Blu-ray format. A surging yen cut around ¥81.3 billion from revenues.

Business Technologies sales were down 11.0%, or ¥77.3 billion, to ¥623.7 billion. This was because MFP sales slowed from the third quarter, as companies constrained investments and experienced credit crunches amid a global recession.

Performance also suffered from the soaring yen. Optics sales dropped 4.9%, or ¥8.8 billion, to ¥173.4 billion. This was due to digital appliance manufacturers slashing production from the third quarter, causing orders for such offerings as VA-TAC films and optical pickup lenses for Blu-ray format to plummet. Medical and Graphic Imaging sales dropped 21.9%, or ¥35.2 billion, to ¥125.9 billion. The prime factor was a further decrease in worldwide demand for film products, causing unit sales of film to plunge. Sensing sales fell 15.3%, or ¥1.5 billion, to ¥8.4 billion, largely because a rapid downturn in the global economy forced automotive and electrical equipment manufacturers to constrain capital spending.

Cost of Sales and SG&A Expenses

The cost of sales decreased 3.7%, or ¥20.0 billion, to ¥520.2 billion. This reflected significant changes in accounting policies, as described above, as well as lower sales and the impact of a higher yen. The cost of sales ratio increased 4.5 percentage points, to 54.9%, as an accounting policy change raised the cost of sales by about ¥40.5 billion. After stripping this factor out, the ratio would have been 50.6%, up 0.2 percentage point.

SG&A expenses dropped 9.8%, or ¥40.4 billion, to ¥371.4 billion. This reflected the new inclusion of service expenditure in the cost of sales and more robust expense reduction efforts from the third quarter, particularly for advertising and for transportation and storage. At the same time, we boosted research and development costs ¥0.5 billion, to ¥81.9 billion, as we recognize that it is crucial to keep investing solidly in this area to cultivate new businesses and thereby generate strong growth.

Operating Income

Operating income fell 53.0%, or ¥63.3 billion, to ¥56.3 billion. The operating income ratio was 5.9%, down 5.3 percentage points.

These numbers stemmed mainly from downturns in the Business Technologies and Optics businesses. Operating income from Business Technologies was down 41.7%, or ¥37.5 billion, to ¥52.6 billion, owing to lower unit sales and a reduced gross profit as a result of the high yen. In Optics, operating income dropped 59.9%, or ¥18.7 billion, to ¥12.5 billion. This was because unit sales plunged, while depreciation expenses increased in line with Japanese tax system reforms.

Other Income and Expenses

Net other expenses increased 11.8%, or ¥2.4 billion, to ¥23.0 billion. The positive factors included recategorizing the loss on disposal of inventories as part of the cost of sales, as mentioned earlier, gain on the Medical and Graphic Imaging business's sales of investments in affiliated companies and transfer of business, and a significantly lower loss on impairment of fixed assets. On the negative side, patent-related income declined, the write-down of investment securities increased owing to the stock market downturn, and we incurred higher business structure improvement expenses, largely to optimize personnel levels and reorganize businesses and plants.

Net Income

Net income was down 77.9%, or ¥53.7 billion, to ¥15.2 billion. This was because while income before income taxes and minority interests fell ¥65.8 billion owing to a plunge in operating income, total income taxes decreased ¥12.0 billion.

Return on equity was therefore 3.7%, down by 13.8 percentage points from 17.5% a year earlier.

Segment Information

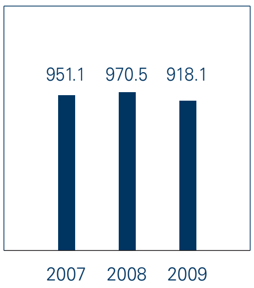
Business Technologies

Sales declined 11.0%, or ¥77.3 billion, to ¥623.7 billion, reflecting a unit sales downturn from the third quarter and lower margins because of the stronger yen. In keeping with our genre-top strategy, we focused on expanding sales of color MFPs for general offices and high-speed production printing models, particularly in the European and American markets. MFP sales slowed from the third quarter, however, as companies constrained investments and experienced credit crunches after a financial crisis triggered a global recession, with the yen's surge exacerbating the situation.

Operating income fell 41.7%, or ¥37.5 billion, to ¥52.6 billion. This reflected a unit sales downturn from the third quarter and lower margins because of the stronger yen, offsetting intensified efforts to slash costs in response to dramatic changes in the business climate.

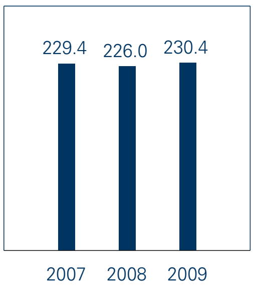
Total Assets

(Billions of Yen)



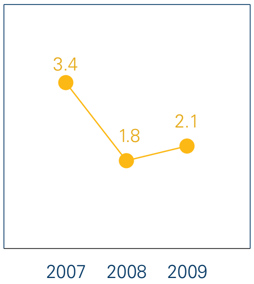
Interest-Bearing Debt

(Billions of Yen)



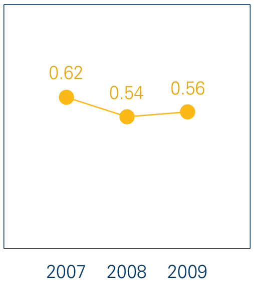
Debt Payback Period

(Years)



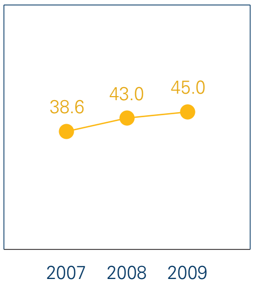
Debt /Equity Ratio

(Times)



Equity Ratio

(%)



Optics

Sales dropped 4.9%, or ¥8.8 billion, to ¥173.4 billion. We performed well in the first half of the fiscal year by concentrating on expanding revenues for such strategic products as VA-TAC films, in which we dominate rivals, and optical pickup lenses for Blu-ray format. Orders for these offerings plunged from the third quarter, however, as many digital appliance manufacturers slashed production.

Operating income fell 59.9%, or ¥18.7 billion, to ¥12.5 billion. This stemmed from the sales decline and increased depreciation expenses owing to Japanese tax law reforms. These factors outweighed more intense efforts to restructure and optimize our domestic plants and reduce fixed costs.

Medical and Graphic Imaging

Sales decreased 21.9%, or ¥35.2 billion, to ¥125.9 billion. This was primarily because film sales plunged amid a significant reduction in worldwide demand.

Operating income was down 60.3%, or ¥4.7 billion, to ¥3.1 billion, as a fall in gross profit from lower unit sales of film overshadowed extensive cost-cutting efforts.

Sensing

Sales dropped 15.3%, or ¥1.5 billion, to ¥8.4 billion. Operating income was down 71.4%, or ¥0.9 billion, to ¥0.3 billion. These results stemmed from a rapid downturn in the global economy, which forced manufacturers of automotive and electrical equipment, and other equipment, to constrain capital spending.

Financial Position and Liquidity

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

Our financial position remained fundamentally firm in the fiscal year under review from the medium- and long-term perspectives.

Despite ongoing reduction efforts over the medium and long terms, interest-bearing debt stood at ¥230.4 billion at the close of the year, up ¥4.4 billion. This was because we beefed up our cash position to overcome financial market instability. Our debt-to-equity ratio was 0.56 times, up 0.02 point. Shareholders' equity was down ¥3.8 billion, at ¥413.4 billion, although the equity ratio improved 2.0 percentage points, to 45.0%, as total assets dropped significantly.

Despite sluggish operating results, our debt repayment indices weakened only slightly. The interest coverage ratio was 23.4 times, down 4.3 points. The debt payback period (operating cash flows to interest-bearing debt) was 2.1 years, up from 1.8 years.

Our long-term debt ratings were unchanged.

As of March 31, 2009

	Rating & Investment Information, Inc.	Japan Credit Rating Agency, Ltd.
Rating	A–	A
Outlook	Positive	Stable

Assets, Liabilities, and Net Assets

At year-end, total assets were ¥918.1 billion, down ¥52.5 billion. This was despite a ¥15.0 billion increase in short-term investment securities, and reflected a ¥63.0 billion decline in trade notes and accounts receivable because of lower sales, an ¥18.1 billion drop in net property, plant and equipment owing to capital spending constraints, and a ¥10.6 billion fall in investment securities, reflecting an equity market downturn. Inventories were down ¥3.8 billion, to ¥129.2 billion, as we scaled back production in response to lower sales.

Total liabilities decreased ¥48.5 billion, to ¥503.8 billion. This was due largely to a decrease in trade notes and accounts payable because of production adjustments in line with lower sales. Long-term loans payable soared, as we increased cash to cover bond redemptions and loan repayments.

Net assets were ¥414.3 billion at year-end, down ¥4.0 billion. This was because of a decrease in foreign currency translation adjustments and a decline in the valuation difference on available-for-sale securities owing to a stock market slump, which offset an increase in retained earnings from the contribution of ¥15.2 billion in net income.

Cash Flows

Net cash provided by operating activities was ¥107.6 billion, down ¥15.5 billion from a year earlier. The principal cash flow contributors were ¥33.2 billion in income before income taxes and minority interests, ¥70.2 billion in depreciation and amortization, and a ¥36.7 billion increase in working capital from trade notes and accounts receivable, inventories, and trade notes and accounts payable, offset partly by ¥34.7 billion in income taxes paid. The decline in net cash provided by operating activities reflected a ¥65.8 billion drop in income before income taxes and minority interests, which overshadowed a ¥34.0 billion improvement because of enhanced working capital efficiency.

Net cash used in investing activities was ¥90.2 billion, up ¥13.4 billion. One factor was ¥28.0 billion spent in acquiring shares in DOIC and other subsidiaries to boost sales of Business Technologies operations in the United States. Also important was ¥61.6 billion in expenditure to buy tangible fixed assets, mainly to increase the Optics business's production capacity in glass hard disk substrates and TAC films. The rise in net cash used in investing activities was principally because we boosted acquisitions of shares in DOIC and other subsidiaries by ¥21.2 billion, against which we generated ¥7.8 billion in proceeds from the Medical and Graphic Imaging business's sales of investments in consolidated subsidiary and transfer of business.

Free cash flow was thus ¥17.4 billion, down ¥28.8 billion.

Net cash provided by financing activities was ¥5.0 billion, reflecting a ¥16.9 billion rise in interest-bearing debt and the use of ¥9.3 billion to pay cash dividends. In the previous fiscal year, we used net cash of ¥10.5 billion in financing activities.

At the end of the term, cash and cash equivalents were ¥133.7 billion, up ¥11.5 billion.

Regarding the anticipated business environment for the fiscal year ending March 31, 2010, domestic and overseas economic prospects for the year ahead are admittedly unclear, but management expects that the operating climate will remain very adverse. Despite recovery signs in some businesses, companies will likely continue to constrain investments and cut costs for the foreseeable future. It should therefore take considerable time for demand to fully recover, as we focus heavily on office MFPs and other business-to-business offerings. We will need to closely monitor the possible impacts of trends in the U.S. dollar, the euro, and other currencies on our operations and performance.

Consolidated Balance Sheets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
Assets	**2009**	2008	**2009**
Current Assets:			
Cash on hand and in banks	**¥ 85,753**	¥ 89,218	**$ 872,982**
Notes and accounts receivable-trade (Note 11)	**171,835**	234,862	**1,749,313**
Lease receivables and investment assets	**13,598**	–	**138,430**
Short-term investment securities (Note 5)	**48,000**	33,000	**488,649**
Inventories (Note 9)	**129,160**	132,936	**1,314,873**
Deferred tax assets (Note 7)	**25,326**	37,086	**257,823**
Other accounts receivable	**16,531**	14,284	**168,289**
Other current assets	**19,463**	21,330	**198,137**
Allowance for doubtful accounts	**(4,749)**	(5,608)	**(48,346)**
Total current assets	**504,919**	557,110	**5,140,171**
Property, Plant and Equipment (Note 13)**:**			
Buildings and structures	**164,357**	162,931	**1,673,185**
Machinery and equipment	**243,614**	238,891	**2,480,037**
Tools and furniture	**151,943**	147,581	**1,546,809**
Land	**35,033**	35,961	**356,643**
Lease assets	**219**	–	**2,229**
Construction in progress	**11,522**	5,201	**117,296**
Rental business-use assets	**47,362**	68,746	**482,154**
Total	**654,054**	659,313	**6,658,394**
Accumulated depreciation	**(426,193)**	(413,324)	**(4,338,725)**
Net property, plant and equipment	**227,860**	245,989	**2,319,658**
Intangible Fixed Assets:			
Goodwill (Note 13)	**81,374**	75,809	**828,403**
Other intangible fixed assets	**30,248**	18,038	**307,930**
Total intangible fixed assets	**111,623**	93,848	**1,136,343**
Investments and Other Assets:			
Investment securities (Note 5)	**18,068**	28,651	**183,936**
Long-term loans	**461**	430	**4,693**
Long-term prepaid expenses	**3,438**	3,589	**34,999**
Deferred tax assets (Note 7)	**39,608**	28,604	**403,217**
Other	**12,596**	12,743	**128,230**
Allowance for doubtful accounts	**(519)**	(430)	**(5,284)**
Total investments and other assets	**73,654**	73,589	**749,812**
Total assets	**¥ 918,058**	¥ 970,538	**$ 9,346,004**

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

Liabilities and Net Assets	Millions of yen March 31 2009	2008	Thousands of U.S. dollars (Note 3) March 31 2009
Current Liabilities:			
Short-term debt (Notes 6 and 11)	**¥ 64,980**	¥ 93,875	**$ 661,509**
Current portion of long-term debt (Note 6)	**42,169**	11,363	**429,288**
Notes and accounts payable-trade	**87,105**	109,413	**886,745**
Accrued expenses	**39,593**	48,734	**403,064**
Accrued income taxes (Note 7)	**2,534**	16,449	**25,797**
Reserve for discontinued operations	**7,268**	11,727	**73,990**
Other current liabilities (Note 6)	**67,238**	74,007	**684,496**
Total current liabilities	**310,889**	365,570	**3,164,909**
Long-Term Liabilities:			
Long-term debt (Notes 6 and 11)	**123,259**	120,786	**1,254,800**
Accrued retirement benefits (Note 23)	**57,962**	53,367	**590,064**
Accrued retirement benefits for directors and statutory auditors	**534**	544	**5,436**
Deferred tax liabilities on land revaluation (Note 7)	**3,889**	4,010	**39,591**
Other long-term liabilities (Note 6)	**7,238**	7,946	**73,684**
Total long-term liabilities	**192,884**	186,656	**1,963,596**
Total liabilities	**503,773**	552,227	**5,128,505**
Contingent Liabilities (Note 10)			
Net Assets (Notes 8 and 27)**:**			
Common stock:			
Authorized—1,200,000,000 shares in 2009 and 2008			
Issued—531,664,337 shares in 2009 and 2008	**37,519**	37,519	**381,951**
Capital surplus	**204,140**	204,140	**2,078,184**
Retained earnings	**185,453**	176,684	**1,887,947**
Less: Treasury stock, at cost; Common stock, 1,370,709 shares in 2009 and 1,055,317 shares in 2008	**(1,662)**	(1,340)	**(16,919)**
Unrealized gains on securities, net of taxes	**(513)**	2,913	**(5,222)**
Unrealized losses on hedging derivatives, net of taxes	**198**	(319)	**2,016**
Foreign currency translation adjustments	**(11,755)**	(2,431)	**(119,668)**
Share subscription rights (Notes 6 and 25)	**460**	286	**4,683**
Minority interests	**444**	858	**4,520**
Total net assets	**414,284**	418,310	**4,217,490**
Total liabilities and net assets	**¥918,058**	¥970,538	**$9,346,004**

Consolidated Statements of Income

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Net Sales	**¥947,843**	¥1,071,568	**$9,649,221**
Cost of Sales (Notes 12 and 16)	**520,206**	540,225	**5,295,796**
Gross profit	**427,637**	531,343	**4,353,426**
Selling, General and Administrative Expenses (Note 12)	**371,376**	411,736	**3,780,678**
Operating income	**56,260**	119,606	**572,737**
Other Income (Expenses):			
Interest and dividend income	**2,176**	2,643	**22,152**
Interest expenses	**(4,866)**	(4,465)	**(49,537)**
Foreign exchange gain (loss), net	**(7,272)**	(7,637)	**(74,030)**
Loss on sales and disposals of property, plant and equipment, net	**(2,866)**	(3,224)	**(29,176)**
Write-down of investment securities	**(3,826)**	(313)	**(38,949)**
Write-down of investment in affiliated companies	**–**	(54)	**–**
Loss on disposal of inventories	**–**	(7,065)	**–**
Gain on sales of investment securities, net	**5**	19	**51**
Gain on sales of investments in affiliated companies, net (Note 17)	**2,803**	47	**28,535**
Loss on impairment of fixed assets (Note 13)	**(1,168)**	(5,702)	**(11,890)**
Gain on discontinued operations (Note 14)	**932**	590	**9,488**
Equity in net income (losses) of unconsolidated subsidiaries and affiliates	**(99)**	182	**(1,008)**
Patent-related income (Note 15)	**560**	8,080	**5,701**
Gain on transfer of business (Note 17)	**3,063**	–	**31,182**
Environmental expenses	**–**	(1,856)	**–**
Other extraordinary losses of overseas subsidiaries	**–**	(1,731)	**–**
Business structure improvement expenses (Note 18)	**(10,094)**	–	**(102,759)**
Loss on revision of retirement benefit plan (Note 19)	**(2,046)**	–	**(20,829)**
Other, net	**(336)**	(120)	**(3,421)**
Total	**(23,035)**	(20,609)	**(234,501)**
Income before income taxes and minority interests	**33,224**	98,996	**338,227**
Income Taxes (Note 7)**:**			
Current	**13,183**	29,496	**134,205**
Deferred	**4,857**	544	**49,445**
Total	**18,040**	30,040	**183,651**
Minority Interests in Net Income of Consolidated Subsidiaries	**5**	126	**51**
Net Income	**¥ 15,179**	¥ 68,829	**$ 154,525**

	Yen		U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Per Share Data (Notes 8 and 27)**:**			
Net income—Basic	**¥28.62**	¥129.71	**$0.29**
—Diluted	**26.91**	122.44	**0.27**
Cash dividends	**20**	15	**0.20**

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

Consolidated Statements of Changes in Net Assets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 and 2008

		Millions of yen									
	Shares of issued common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2007 to March 31, 2008)											
Net Assets at April 1, 2007	531,664,337	¥37,519	¥204,143	¥115,704	¥(1,097)	¥ 7,454	¥ (90)	¥ 3,834	¥108	¥ 1,048	¥368,624
Dividends paid from retained earnings				(9,287)							(9,287)
Net income				68,829							68,829
Change in the scope of consolidation				405							405
Purchase of treasury stock					(289)						(289)
Re-issuance of treasury stock			(2)	(28)	46						16
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans				1,059							1,059
Net changes during the period						(4,541)	(228)	(6,266)	177	(189)	(11,048)
Total changes during the period		—	(2)	60,979	(242)	(4,541)	(228)	(6,266)	177	(189)	49,686
Balance at March 31, 2008	531,664,337	¥37,519	¥204,140	¥176,684	¥(1,340)	¥ 2,913	¥(319)	¥(2,431)	¥286	¥ 858	¥418,310
(From April 1, 2008 to March 31, 2009)											
Net Assets at April 1, 2008	531,664,337	¥37,519	¥204,140	¥176,684	¥(1,340)	¥ 2,913	¥(319)	¥ (2,431)	¥286	¥ 858	¥418,310
Changes in accounting policies applied to overseas subsidiaries (Note 20)				**5,210**							**5,210**
Dividends paid from retained earnings				**(9,283)**							**(9,283)**
Net income				**15,179**							**15,179**
Change in the scope of consolidation				**96**							**96**
Purchase of treasury stock					**(665)**						**(665)**
Re-issuance of treasury stock				**(117)**	**343**						**226**
Pension liabilities adjustment of overseas subsidiaries (Note 21)				**(2,316)**							**(2,316)**
Net changes during the period						**(3,426)**	**517**	**(9,323)**	**174**	**(414)**	**(12,473)**
Total changes during the period		**–**	**–**	**3,558**	**(321)**	**(3,426)**	**517**	**(9,323)**	**174**	**(414)**	**(9,236)**
Balance at March 31, 2009	**531,664,337**	**¥37,519**	**¥204,140**	**¥185,453**	**¥(1,662)**	**¥ (513)**	**¥ 198**	**¥(11,755)**	**¥460**	**¥ 444**	**¥414,284**

		Thousands of U.S. dollars (Note 3)									
	Shares of issued common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
(From April 1, 2008 to March 31, 2009)											
Net Assets at April 1, 2008	531,664,337	$381,951	$2,078,184	$1,798,677	$(13,641)	$ 29,655	$(3,247)	$ (24,748)	$2,912	$ 8,735	$4,258,475
Changes in accounting policies applied to overseas subsidiaries (Note 20)				**53,039**							**53,039**
Dividends paid from retained earnings				**(94,503)**							**(94,503)**
Net income				**154,525**							**154,525**
Change in the scope of consolidation				**977**							**977**
Purchase of treasury stock					**(6,770)**						**(6,770)**
Re-issuance of treasury stock				**(1,191)**	**3,492**						**2,301**
Pension liabilities adjustment of overseas subsidiaries (Note 21)				**(23,577)**							**(23,577)**
Net changes during the period						**(34,877)**	**5,263**	**(94,910)**	**1,771**	**(4,215)**	**(126,978)**
Total changes during the period		**–**	**–**	**36,221**	**(3,268)**	**(34,877)**	**5,263**	**(94,910)**	**1,771**	**(4,215)**	**(94,024)**
Balance at March 31, 2009	**531,664,337**	**$381,951**	**$2,078,184**	**$1,887,947**	**$(16,919)**	**$ (5,222)**	**$ 2,016**	**$(119,668)**	**$4,683**	**$ 4,520**	**$4,217,490**

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, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2009	2008	**2009**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥ 33,224**	¥ 98,996	**$ 338,227**
Depreciation and amortization	**70,179**	60,443	**714,436**
Loss on impairment of fixed assets	**1,168**	5,702	**11,890**
Amortization of goodwill	**8,909**	7,171	**90,695**
Increase in allowance for doubtful accounts	**–**	780	**–**
Interest and dividend incomes	**(2,176)**	(2,643)	**(22,152)**
Interest expense	**4,866**	4,465	**49,537**
Loss (gain) on sales and disposals of property, plant and equipment	**2,866**	3,224	**29,176**
Loss (gain) on sale and write-down of investment securities	**3,820**	293	**38,888**
Loss (gain) on sale and write-down of investments in affiliated companies	**(2,803)**	6	**(28,535)**
Patent-related income	**–**	(8,080)	**–**
Reversal of reserve for discontinued operations	**–**	(590)	**–**
Legal-related expenses	**–**	625	**–**
Environmental expenses	**–**	1,856	**–**
Additional retirement expenses	**–**	460	**–**
Other extraordinary losses of overseas subsidiaries	**–**	1,731	**–**
Gain on transfer of businesses	**(3,063)**	–	**(31,182)**
Decrease in provision for bonuses	**(3,290)**	–	**(33,493)**
Increase (decrease) in accrued retirement benefits	**5,708**	(4,462)	**58,109**
Decrease in reserve for discontinued operations	**(4,459)**	(16,370)	**(45,393)**
Decrease in trade notes and accounts receivable	**50,596**	11,157	**515,077**
Increase in inventories	**(3,550)**	(6,422)	**(36,140)**
Decrease in trade notes and accounts payable	**(10,372)**	(2,027)	**(105,589)**
Transfer of rental business-use assets	**(7,419)**	(11,847)	**(75,527)**
Decrease in accounts receivable-other	**4,545**	–	**46,269**
Decrease in accounts payable-other and accrued expenses	**(12,821)**	–	**(130,520)**
Increase in accrued consumption tax payable	**–**	904	**–**
Reversal of reserve for loss on impairment of lease assets	**–**	(171)	**–**
Other	**9,010**	7,468	**91,724**
Subtotal	**144,939**	152,674	**1,475,506**
Interest and dividend income received	**2,000**	2,681	**20,360**
Interest paid	**(4,594)**	(4,444)	**(46,768)**
Additional payments of retirement allowance	**(105)**	(355)	**(1,069)**
Income taxes paid	**(34,676)**	(27,543)	**(353,008)**
Net cash provided by operating activities	**107,563**	123,014	**1,095,012**
Cash Flows from Investing Activities:			
Payment for acquisition of property, plant and equipment	**(61,645)**	(62,969)	**(627,558)**
Proceeds from sales of property, plant and equipment	**1,767**	2,907	**17,988**
Payment for acquisition of intangible fixed assets	**(7,774)**	(5,864)	**(79,141)**
Proceeds from transfer of business	**4,585**	–	**46,676**
Payment for acquisition of additional shares of consolidated subsidiaries	**–**	(855)	**–**
Proceeds from sales of investments in consolidated subsidiary	**3,177**	–	**32,342**
Payment for acquisition of newly consolidated subsidiaries	**(27,987)**	(6,832)	**(284,913)**
Payment for loans receivable	**(286)**	(113)	**(2,912)**
Proceeds from collection of loans receivable	**216**	265	**2,199**
Payment for acquisition of investment securities	**(990)**	(1,718)	**(10,078)**
Proceeds from sales of investment securities	**18**	35	**183**
Payment for acquisition of other investments	**(1,440)**	(2,609)	**(14,659)**
Other	**191**	939	**1,944**
Net cash used in investing activities	**(90,169)**	(76,815)	**(917,937)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**(16,504)**	16,314	**(168,014)**
Proceeds from long-term loans payable	**44,817**	–	**456,246**
Repayment of long-term loans payable	**(6,364)**	(17,159)	**(64,787)**
Payment for redemption of bonds	**(5,000)**	(30)	**(50,901)**
Repayments of lease obligations	**(1,993)**	–	**(20,289)**
Proceeds from disposal of treasury stock	**218**	16	**2,219**
Payment for purchase of treasury stock	**(665)**	(289)	**(6,770)**
Dividend payments	**(9,279)**	(9,271)	**(94,462)**
Dividend payments to minority shareholders in consolidated subsidiaries	**(268)**	(126)	**(2,728)**
Net cash provided by (used in) financing activities	**4,959**	(10,545)	**50,484**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(11,311)**	(347)	**(115,148)**
Increase in Cash and Cash Equivalents	**11,041**	35,305	**112,399**
Cash and Cash Equivalents at the Beginning of the Year (Note 4)	**122,187**	86,587	**1,243,887**
Increase in Cash and Cash Equivalents Due to Newly Consolidated Subsidiaries	**498**	294	**5,070**
Cash and Cash Equivalents at the End of the Year (Note 4)	**¥133,727**	¥122,187	**$1,361,366**

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

Notes to the Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 and 2008

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 as to 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 or accounting principles generally accepted in the United States.

The accompanying consolidated financial statements incorporate certain reclassifications in order to present them in a form that is more familiar 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 which is provided herein as additional information.

Certain comparative amounts have been reclassified to conform to the current year classifications.

As permitted under the Securities and Exchange Law of Japan, amounts of less than one million 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 105 subsidiaries (108 subsidiaries for 2008) in which it has control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 6 unconsolidated subsidiaries (8 unconsolidated subsidiaries for 2008) and 3 significant affiliates (3 significant affiliates for 2008) are accounted for using the equity method. Investments in 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 and revenues and costs are translated using the average exchange rates for the period.

Translation of Foreign Currency Financial Statements

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen is made 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 comprises cash on hand and short-term investments that are due for redemption in three months or less and that are easily converted into cash with little risk to a change in value.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses from uncollectible receivables based on specific doubtful accounts and considering historic experience.

(e) Inventories

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

Changes in Accounting Standards

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted Accounting Standards Board of Japan (ASBJ) Statement No. 9, *"Accounting Standards for Measurement of Inventories"*, issued by the ASBJ on July 5, 2006. Under ASBJ Statement No. 9, domestic consolidated subsidiaries' inventories, which were stated at cost previously, are stated by a cost price method (carrying amount in the balance sheet is calculated with consideration of write-down due to decreased profitability).

As a result of this adoption, for the year ended March 31, 2009, gross profit and operating income decreased ¥3,644 million ($37,097 thousand) when compared to the previous method. Further, income before income taxes and minority interests decreased ¥865 million ($8,806 thousand) when compared to the previous method.

(f) Property, Plant and Equipment

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

For finance leases where ownership is not transferred, depreciation is calculated by the straight-line method over the lease period utilizing a residual value of zero. Regarding finance leases of 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.

Additional Information

Pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment.

As a result of this change, operating income and income before income taxes and minority interests decreased ¥6,587 million ($67,057 thousand) from the prior year when compared with the previous method.

(g) Goodwill or Negative Goodwill

Goodwill recognized by the Companies including foreign subsidiaries is amortized on a straight-line basis over a period not exceeding 20 years.

(h) 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.

(i) Research and Development Costs

Research and development costs are expensed as incurred.

(j) 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 by the Companies in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for using the equity method; however, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations 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 quotations 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 impairment of 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 by the Companies are principally interest rate swaps, and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans and debt securities issued by the Companies.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk 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 from the commencement of the hedges.

(k) Leases (as a lessee)

Changes in Accounting Standards

Previously, lease payments under finance leases that do not transfer ownership of the leased property to the lessee were recognized as an expense. Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 13, *"Accounting Standard for Lease Transaction"*, and ASBJ Guideline No. 16, *"Guidance on Accounting Standard for Lease Transaction"*, originally issued by the Business Accounting Deliberation Council on June 17, 1993 and the Japanese Institute of Certified Public Accountants on January 18, 1994, respectively, and both revised by the ASBJ on March 30, 2007. Consequently, lease assets are recognized as a normal sales transaction. This adoption had no impact on the consolidated statements of income.

Upon adoption, lease payments under finance leases, previously accounted for in the "Cash flows from operating activities" section of the consolidated statement of cash flows, are now accounted for in the "Cash flows from financing activities" section. The effect of this change was not material to the consolidated statement of cash flows.

(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 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 by 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 gain or loss is primarily amortized from the following year by 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 record a reserve for retirement benefits for directors and statutory auditors based on the amount payable accumulated at the end of the period based on the internal regulations.

(m) Per Share Data

Net income per share of common stock has been computed based on the weighted-average number of shares outstanding during the year.

Cash dividends per share shown for each year in the accompanying consolidated statements are dividends declared as applicable to the respective year.

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

Changes in Accounting Standards

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"* (ASBJ Practical Issues Task Force (PITF) No. 18, issued by the ASBJ on May 17, 2006). Accordingly, the Company uses financial statements of the foreign subsidiaries prepared in accordance with International Financial Reporting Standards or accounting principles generally accepted in the United States for preparation of the consolidated financial statements, except for certain adjustments required to be made in consolidation to comply with accounting principles generally accepted in Japan and amended the consolidated financial statements as required.

As a result, the effect of this change was not material to the consolidated statement of income. For the year ended March 31, 2009, lease receivables and investment assets increased ¥13,598 million ($138,430 thousand) in consolidated balance sheet.

(o) Service Expenses from SG&A Expenses to Cost of Sales

Changes in Accounting Policy

Previously, some consolidated subsidiaries recognized service expenses (related to digital multifunction devices and other products) as SG&A expense. Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize service expense as cost of sales, following a change in accounting policy.

As a result of this change, gross profit decreased ¥28,126 million ($286,328 thousand) when compared to the previous method.

(p) Loss on Disposal of Inventories

Changes in Accounting Policy

Previously, some consolidated subsidiaries recognized loss on disposal of inventories as non-operating expenses.

Effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventories as cost of sales, following the accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, *"Accounting Standards for Measurement of Inventories"*, issued by the ASBJ on July 5, 2006.

As a result of this change, gross profit and operating income decreased ¥2,606 million ($26,530 thousand) when compared to the previous method.

(q) Cash Flows from Operating Activities

"Decrease in provision for bonuses", "Decrease in accounts receivable-other" and "Decrease in accounts payable-other and accrued expenses", which were included within "Other" in the "Cash flows from operating activities" section of the consolidated statements of cash flows in the previous fiscal year, are now segmentalized in each account from the year ended March 31, 2009.

"Increase in allowance for doubtful accounts", "Increase in accrued consumption tax payable" and "Reversal of reserve for loss on impairment of lease assets", which were segmentalized in the "Cash flows from operating activities" section of the consolidated statements of cash flows in the previous fiscal year, are now included within "Other" from the year ended March 31, 2009.

3. U.S. Dollar Amounts

The translation 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, 2009, which was ¥98.23 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, 2009 and 2008, consist of:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Cash on hand and in banks	**¥ 85,753**	¥ 89,218	**$ 872,982**
Time deposits (over 3 months)	**(26)**	(31)	**(265)**
Short-term investments	**48,000**	33,000	**488,649**
Cash and cash equivalents	**¥133,727**	¥122,187	**$1,361,366**

5. Investment Securities

As of March 31, 2009

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value			
(1) Shares	¥ 7,287	¥ 8,823	**¥ 1,536**
(2) Bonds	–	–	**–**
(3) Other	8	8	**0**
Subtotal	¥ 7,295	¥ 8,832	**¥ 1,536**
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 8,426	¥ 6,031	**¥(2,395)**
(2) Bonds	–	–	**–**
(3) Other	8	6	**(1)**
Subtotal	¥ 8,435	¥ 6,037	**¥(2,397)**
Total	¥15,730	¥14,869	**¥ (861)**
	Thousands of U.S. dollars		
Total	$160,134	$151,369	**$(8,765)**

(2) Other Securities Sold during the Year Ended March 31, 2009

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥15	¥6	¥0
	Thousands of U.S. dollars		
Other securities	$153	$61	$0

(3) Composition and Amounts on the Consolidated Balance Sheet of Other Securities without Market Values

	Millions of yen	Thousands of U.S. dollars
Negotiable deposits	¥48,000	$488,649
Unlisted stocks	648	6,597

As of March 31, 2008

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheet exceed the original purchase value			
(1) Shares	¥ 9,064	¥16,515	¥ 7,450
(2) Bonds	3	5	1
(3) Other	1	1	–
Subtotal	¥ 9,069	¥16,522	¥ 7,452
Securities for which the amounts in the consolidated balance sheet do not exceed the original purchase value			
(1) Shares	¥ 9,388	¥ 6,862	¥(2,526)
(2) Bonds	21	14	(6)
(3) Other	–	–	–
Subtotal	¥ 9,410	¥ 6,876	¥(2,533)
Total	¥18,479	¥23,399	¥ 4,919

(2) Other Securities Sold during the Year Ended March 31, 2008

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥23	¥20	¥0

(3) Composition and Amounts on the Consolidated Balance Sheet of Other Securities without Market Values

	Millions of yen
Negotiable deposits	¥33,000
Unlisted stocks	863

6. Short-Term Debt, Long-Term Debt and Lease Obligations

Short-term debt was principally unsecured and generally represents bank overdrafts. The amounts as of March 31, 2009 and 2008 were ¥64,980 million ($661,509 thousand) and ¥93,875 million, respectively, and the weighted-average interest rates were approximately 1.8% and 3.4%, respectively.

Long-term debt as of March 31, 2009 and 2008, including current portion, consisted of the following:

Bonds

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
2.825% unsecured bonds due in 2008	**¥ –**	¥ 5,000	**$ –**
Zero coupon convertible unsecured bonds due in 2009	**30,066**	30,166	**306,078**
Zero coupon convertible unsecured bonds due in 2016	**40,000**	40,000	**407,208**
	¥ 70,066	¥75,166	**$ 713,285**
Less—Current portion included in current liabilities	**(30,066)**	(5,000)	**(306,078)**
Bonds, less current portion	**¥ 40,000**	¥70,166	**$ 407,208**

Zero coupon convertible unsecured bonds due in 2009 and 2016 above are bonds with share subscription rights issued on December 7, 2006. Details of the share subscription rights are as follows:

	2009 bonds	**2016 bonds**
Class of stock	Common Stock	Common Stock
Issue price of shares (Yen)	Zero	Zero
Initial conversion prices (Yen/per share)	¥2,175	¥2,383
Total issue price (Millions of yen)	¥30,000	¥40,000
Ratio of granted rights (%)	100	100
Period share subscription rights can be exercised	From December 21, 2006 to December 1, 2009	From December 21, 2006 to November 22, 2016

Long-term loans

	Millions of yen		Interest rate	Thousands of U.S. dollars
	March 31			March 31
	2009	2008	**2009**	**2009**
Loans principally from banks, due through 2018	**¥ 95,362**	¥56,983		**$ 970,803**
Less—Current portion included in current liabilities	**(12,102)**	(6,363)	**1.5%**	**(123,201)**
Long-term loans, less current portion	**¥ 83,259**	¥50,620	**1.5%**	**$ 847,592**

The aggregate annual maturities of long-term loans at March 31, 2009 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2010	¥12,102	$123,201
2011	27,624	281,218
2012	24,575	250,178
2013	18	183
2014	23,010	234,246

Lease obligations

Lease obligations is included in other liabilities.

	Millions of yen		Interest rate	Thousands of U.S. dollars
	March 31			March 31
	2009	2008	**2009**	**2009**
Lease obligations, due through 2018	**¥ 5,511**	¥ –		**$ 56,103**
Less—Current portion included in current liabilities	**(1,545)**	–	**5.7%**	**(15,728)**
Lease obligations, less current portion	**¥ 3,965**	¥ –	**5.2%**	**$ 40,364**

The aggregate annual maturities of long-term lease obligations at March 31, 2009 are as follows:

	Amount	
	Millions of yen	Thousands of U.S. dollars
2010	¥1,545	$15,728
2011	1,118	11,381
2012	778	7,920
2013	515	5,243
2014	345	3,512

7. Income Taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of 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, 2009 and 2008 is as follows:

	2009	2008
Statutory income tax rate	**40.7%**	40.7%
Increase (Decrease) in valuation allowance	**6.4**	(4.9)
Tax credits	**(5.0)**	(4.3)
Non-taxable income	**(0.5)**	(4.7)
Difference in statutory tax rates of foreign subsidiaries	**(0.6)**	(0.0)
Expenses not deductible for tax purposes	**4.5**	2.6
Amortization of goodwill	**10.9**	2.7
Impact of change in the recording standard of tax effects of retained earnings in accordance with revision of Corporate Tax Laws	**(10.4)**	–
Ineffective portion of unrealized (gain) loss	**5.5**	–
Other, net	**2.7**	(1.8)
Effective income tax rate per consolidated statements of income	**54.3%**	30.3%

At March 31, 2009 and 2008, significant components of deferred tax assets and liabilities in the consolidated financial statements are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	2009
Deferred tax assets:			
Net operating tax loss carried forward	**¥ 31,953**	¥ 27,061	**$ 325,288**
Accrued retirement benefits	**29,824**	26,973	**303,614**
Elimination of unrealized intercompany profits	**9,064**	20,131	**92,273**
Reserve for discontinued operations	**6,025**	9,565	**61,336**
Depreciation and amortization	**5,661**	5,710	**57,630**
Write-down of assets	**5,122**	4,151	**52,143**
Accrued bonuses	**4,431**	5,768	**45,108**
Tax effects related to investments	**1,717**	1,721	**17,479**
Allowance for doubtful accounts	**1,039**	1,169	**10,577**
Accrued enterprise taxes	**242**	2,059	**2,464**
Other	**10,295**	8,657	**104,805**
Gross deferred tax assets	**105,378**	112,970	**1,072,768**
Valuation allowance	**(33,335)**	(34,639)	**(339,357)**
Total deferred tax assets	**72,043**	78,331	**733,411**
Deferred tax liabilities:			
Gains on securities contributed to employees' retirement benefit trust	**(2,973)**	(3,042)	**(30,266)**
Retained earnings of overseas subsidiaries	**(2,272)**	(5,455)	**(23,129)**
Special tax-purpose reserve for condensed booking of fixed assets	**(558)**	(800)	**(5,681)**
Unrealized gains on securities	**(440)**	(3,265)	**(4,479)**
Other	**(1,703)**	(377)	**(17,337)**
Total deferred tax liabilities	**(7,948)**	(12,941)	**(80,912)**
Net deferred tax assets	**¥ 64,094**	¥ 65,389	**$ 652,489**
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	**¥ (3,889)**	¥ (4,010)	**$ (39,591)**

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	2009
Current assets – deferred tax assets	**¥25,326**	¥37,086	**$257,823**
Fixed assets – deferred tax assets	**39,608**	28,604	**403,217**
Current liabilities – other current liabilities	**(734)**	(248)	**(7,472)**
Long-term liabilities – other long-term liabilities	**(105)**	(53)	**(1,069)**
Net deferred tax assets	**¥64,094**	¥65,389	**$652,489**

8. 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, 2009 and 2008 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, 2009 do not reflect current year-end dividends in the amount of ¥5,302 million ($53,975 thousand) approved by the Board of Directors, which will be payable in June 2009.

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 30, 2008, the Board of Directors approved cash dividends to be paid to shareholders of record as of September 30, 2008, totaling ¥5,303 million ($53,986 thousand), at a rate of ¥10.0 per share. On May 14, 2009, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2009, totaling ¥5,302 million ($53,975 thousand), at a rate of ¥10.0 per share.

9. Inventories

Inventories as of March 31, 2009 are as follows:

	Millions of yen	Thousands of U.S. dollars
	March 31	March 31
Merchandise and finished goods	**¥ 87,796**	**$ 893,780**
Work in process	**19,003**	**193,454**
Raw materials and supplies	**22,360**	**227,629**
Total	**¥129,160**	**$1,314,873**

10. Contingent Liabilities

The Companies were contingently liable at March 31, 2009 for loan and lease guarantees of ¥2,076 million ($21,134 thousand) and at March 31, 2008 for loan and lease guarantees of ¥3,266 million.

11. Collateral Assets

Assets pledged as collateral for short-term debt of ¥198 million ($2,016 thousand) and long-term debt of ¥146 million ($1,486 thousand) are notes receivable of ¥753 million ($7,666 thousand).

12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are ¥81,904 million ($833,798 thousand) and ¥81,370 million, respectively.

13. Loss on Impairment of Fixed Assets

The Companies have recognized loss on impairment of ¥1,168 million ($11,890 thousand) and ¥5,702 million for the following groups of assets for the years ended March 31, 2009 and 2008, respectively:

Description	Classification	Amount		
		Millions of yen		Thousands of U.S. dollars
		March 31		March 31
		2009	2008	**2009**
Manufacturing facilities of microlens for mobile phone	Machinery and equipment, Tools and furniture, Lease assets*	**¥ 778**	¥ –	**$ 7,920**
Manufacturing facilities of medical and graphic film etc.	Machinery and equipment, Tools and furniture, Others	**103**	2,361	**1,049**
Rental assets	Rental business-use assets	**149**	91	**1,517**
Idle assets	Land, Buildings and structures, Machinery and equipment, Others	**137**	328	**1,395**
Others	Goodwill	**–**	2,921	**–**
Total		**¥1,168**	¥5,702	**$11,890**

(1) Identifying the cash-generating unit to which an asset belongs:
Each cash-generating unit is 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) The Companies have written the assets down to the recoverable value and recognized an impairment loss due to restructuring of microlens manufacturing facilities in the Optics business, worsening of the market environment in the Medical and Graphic business, etc., and the decline in real estate value, poor performance and profitability of rental and idle assets.

(3) Details of impairment of fixed assets

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Machinery and equipment	**¥648**	¥2,451	**$6,597**
Rental business-use assets	**149**	–	**1,517**
Lease assets*	**198**	–	**2,016**
Goodwill	**–**	2,921	**–**
Others	**172**	330	**1,751**

(4) Measuring 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.

** Lease assets*
These lease assets are finance leased assets that do not transfer ownership, for which the starting date for the lease transaction is prior to March 31, 2008, and lease payments are recognized as expenses.

14. Discontinued Operations

The amounts included in the statements of income for discontinued operations for the years ended March 31, 2009 and 2008 represent:

	Amount		
	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Reversal of excess reserve made for discontinued operations in the previous fiscal year	**¥1,412**	¥ 8,425	**$14,374**
Loss on discontinued operations in the fiscal year under review	**(480)**	(7,834)	**(4,886)**
Gain on discontinued operation	**¥ 932**	¥ 590	**$ 9,488**

15. Patent-Related Income

Regarding patent-related income, amounts for patent royalities related to the Photo Imaging business are recorded.

16. Cost of Sales

The cost of sales includes the cut-down of book values by ¥6,302 million ($64,156 thousand), by a low price method caused by a decline of profitability and the lower of cost or market value.

17. Gain on Sales of Investments in Affiliated Companies and Gain on Transfer of Business

The gain on sales of investments in affiliated companies and gain on transfer of business resulted from the transfer of a domestic subsidiary and related business assets belonging to the Medical and Graphic Imaging business to a company outside the Group.

18. Business Structure Improvement Expenses

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

19. Loss on Revision of Retirement Benefit Plan

The loss on revision of retirement benefit plan is the lump sum of the past service obligation resulting from a change of employees' retirement plan at a domestic subsidiary.

20. Changes in Accounting Policies Applied to Overseas Subsidiaries

The Changes in accounting policies applied to overseas subsidiaries reflects the application of the *"Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (ASBJ PITF No. 18 issued by the ASBJ on May 17, 2006) from the year ended March 31, 2009, as noted earlier in "Summary of Significant Accounting Policies 2 (n)".

21. Pension Liabilities Adjustment of Overseas Subsidiaries

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

22. 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
	March 31		March 31
	2009	2008	**2009**
Purchase cost:			
Buildings and structures	**¥ 7,459**	¥ 8,426	**$ 75,934**
Machinery and equipment	**2,268**	2,466	**23,089**
Tools and furniture	**4,622**	6,074	**47,053**
Rental business-use assets	**1,227**	2,750	**12,491**
Intangible fixed assets	**63**	153	**641**
	15,641	19,871	**159,228**
Less: Accumulated depreciation	**(11,853)**	(12,369)	**(120,666)**
Loss on impairment of leased assets	**(200)**	(21)	**(2,036)**
Net book value	**¥ 3,587**	¥ 7,480	**$ 36,516**

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥1,650**	¥3,037	**$16,797**
Due over one year	**2,136**	4,464	**21,745**
Total	**¥3,787**	¥7,502	**$38,552**

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, 2009 and 2008 are as follows:

Lease rental expenses for the period	**¥2,393**	¥3,395	**$24,361**
Depreciation equivalents	**¥2,373**	¥3,378	**$24,158**

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, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Reserve for loss	**¥200**	¥21	**$2,036**

Loss on impairment and reversals of loss on impairment of leased assets for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Loss on impairment	**¥198**	¥23	**$2,016**
Reversals of loss	**¥ 19**	¥16	**$ 193**

2) Operating Leases

The scheduled maturities of future rental payments of noncancelable lease in operating leases as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ 5,978**	¥ 5,468	**$ 60,857**
Due over one year	**17,175**	14,016	**174,845**
Total	**¥23,153**	¥19,485	**$235,702**

As Lessor

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Leased rental business-use assets:			
Purchase cost	**¥ –**	¥ 22,648	**$ –**
Less: Accumulated depreciation	**–**	(13,523)	**–**
Net book value	**¥ –**	¥ 9,125	**$ –**

The scheduled maturities of future finance lease rental income as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ –**	¥4,179	**$ –**
Due over one year	**–**	4,945	**–**
Total	**¥ –**	¥9,125	**$ –**

Lease rental income and depreciation under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2009 and 2008 are as follows:

Lease rental income for the period	**¥ –**	¥4,267	**$ –**
Depreciation	**¥ –**	¥3,936	**$ –**

2) Operating Leases

The scheduled maturities of future rental incomes of noncancelable lease in operating leases as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
Due within one year	**¥ 920**	¥2,238	**$ 9,366**
Due over one year	**1,189**	3,420	**12,104**
Total	**¥2,109**	¥5,658	**$21,470**

23. 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 and the Companies have also defined contibutory pension plans. The Companies may pay additional retirement benefits to employees at their discretion.

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

The reserve for retirement benefits as of March 31, 2009 and 2008 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
a. Retirement benefit obligations	**¥(140,843)**	¥(144,011)	**$(1,433,808)**
b. Plan assets	**74,124**	91,360	**754,596**
c. Unfunded retirement benefit obligations (a+b)	**(66,718)**	(52,651)	**(679,202)**
d. Unrecognized actuarial differences	**18,621**	10,276	**189,565**
e. Unrecognized prior service costs	**(7,033)**	(8,131)	**(71,597)**
f. Net amount on consolidated balance sheets (c+d+e)	**(55,130)**	(50,506)	**(561,234)**
g. Prepaid pension costs	**2,831**	2,861	**28,820**
h. Accrued retirement benefits (f-g)	**¥ (57,962)**	¥ (53,367)	**$ (590,064)**

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

Net retirement benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2009	2008	**2009**
a. Service costs	**¥ 5,181**	¥ 5,662	**$ 52,744**
b. Interest costs	**4,074**	4,410	**41,474**
c. Expected return on plan assets	**(2,280)**	(3,095)	**(23,211)**
d. Amortization of actuarial differences	**1,860**	1,248	**18,935**
e. Amortization of prior service costs	**643**	(1,426)	**6,546**
f. Retirement benefit costs (a+b+c+d+e)	**9,479**	6,799	**96,498**
g. Contributions to defined contribution pension plans	**3,168**	3,199	**32,251**
Total (f+g)	**¥12,647**	¥ 9,998	**$128,749**

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:

	2009	2008
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

24. Derivatives

The Companies utilize derivative instruments including forward foreign currency exchange contracts, interest rate swaps and currency swaps, to hedge against the adverse effects of fluctuations in foreign currency exchange rates and interest rates. The Companies utilize these derivatives as hedges to effectively reduce the risks inherent in their assets and liabilities. Additionally, the Companies have a policy of limiting the purpose of such transactions to hedging identified exposures only and they are not held for speculative or trading purposes.

Risks associated with derivative instruments

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 instruments

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, at which time the principal policies on foreign currency exchange instruments and other derivative instruments are reaffirmed and the market risks are assessed. All derivative instruments are reported monthly to the respective responsible officers. Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules and the 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, 2009 and 2008 is as follows:

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2009			2008			**2009**		
	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	**¥21,978**	**¥23,296**	**¥(1,318)**	¥34,670	¥32,782	¥ 1,887	**$223,740**	**$237,158**	**$(13,417)**
EURO	**22,253**	**23,709**	**(1,455)**	30,954	30,983	(28)	**226,540**	**241,362**	**(14,812)**
To buy foreign currencies:									
US$	**¥ 9,249**	**¥10,025**	**¥ 775**	¥15,103	¥13,912	¥(1,191)	**$ 94,157**	**$102,056**	**$ 7,890**
Total	**¥53,481**	**¥57,031**	**¥(1,998)**	¥80,729	¥77,678	¥ 667	**$544,447**	**$580,586**	**$(20,340)**
Currency Swaps:									
Pay JPY, receive US$	**¥40,736**	**¥37,460**	**¥ 3,275**	–	–	–	**$414,700**	**$381,350**	**$ 33,340**
Total	**¥40,736**	**¥37,460**	**¥ 3,275**	–	–	–	**$414,700**	**$381,350**	**$ 33,340**

Notes: 1. Fair market value of forward foreign currency exchange contracts is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2009 and 2008, respectively. Fair market value of currency swaps is provided by the financial institutions with whom the derivative contracts were concluded.
2. Derivative instruments for which hedge accounting is applied are excluded from the above table.

(2) Interest Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2009			2008			**2009**		
	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair market value	Unrealized gain (loss)
Interest rate swaps:									
Pay fixed, receive floating	**¥10,387**	**¥(371)**	**¥(371)**	¥12,655	¥(62)	¥(62)	**$105,742**	**$(3,777)**	**$(3,777)**

Notes: 1. Fair market value is provided by the financial institutions with whom the derivative contracts were concluded.
2. Contract value (notional principal amount) does not indicate the level of risk associated with interest rate swaps.
3. Derivative transactions for which hedge accounting or certain hedging criteria are met are excluded from the above table.

25. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2009.

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

The following table summarizes the movement of outstanding stock options for the years ended March 31, 2009 and 2008.

	Number of Shares
Stock options outstanding at March 31, 2007	297,000
Granted	113,000
Exercised	29,500
Forfeited	1,500
Stock options outstanding at March 31, 2008	379,000
Granted	128,000
Exercised	16,500
Forfeited	500
Stock options outstanding at March 31, 2009	490,000

The following table summarizes price information of stock options exercised during the period and outstanding stock options as of March 31, 2009.

Per unit information	Exercised	Outstanding at March 31, 2009
Exercise price of stock options	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,202	–
Fair value per unit (as of grant date)	–	1,418

26. Segment Information

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2009 and 2008 is presented as follows:

Business segment	Related business segment products
Business Technologies:	MFPs, printers and others
Optics:	Optical devices, electronics materials and others
Medical and Graphic Imaging:	Medical products, graphic imaging products and others
Sensing:	Industrial-use and medical-use measuring instruments and others
Other:	Others products not categorized in the above segments

	Millions of yen							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales								
External	**¥623,682**	**¥173,416**	**¥125,890**	**¥8,393**	**¥16,459**	**¥ 947,843**	**¥ –**	**¥947,843**
Intersegment	**4,128**	**1,052**	**2,419**	**595**	**58,860**	**67,055**	**(67,055)**	**–**
Total	**627,810**	**174,469**	**128,309**	**8,989**	**75,319**	**1,014,899**	**(67,055)**	**947,843**
Operating expenses	**575,259**	**161,930**	**125,226**	**8,641**	**72,043**	**943,100**	**(51,517)**	**891,583**
Operating income	**¥ 52,551**	**¥ 12,538**	**¥ 3,083**	**¥ 348**	**¥ 3,276**	**¥ 71,798**	**¥ (15,538)**	**¥ 56,260**
Assets	**¥440,552**	**¥156,283**	**¥ 89,736**	**¥8,125**	**¥56,493**	**¥ 751,190**	**¥166,867**	**¥918,058**
Depreciation	**30,074**	**28,141**	**4,335**	**326**	**2,341**	**65,219**	**4,959**	**70,179**
Impairment losses	**150**	**785**	**232**	**–**	**–**	**1,168**	**–**	**1,168**
Capital expenditure	**23,918**	**27,591**	**3,151**	**306**	**2,257**	**57,224**	**3,939**	**61,164**

Notes:

1. *Operating expenses not able to be properly allocated that are included in Eliminations and Corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥31,297 million for the year ended March 31, 2009.*
2. *Included within the Eliminations and Corporate figure for assets are ¥202,373 million of corporate assets, which primarily include the holding company's surplus operating funds (cash and short-term investment securities) and long-term investment funds (investment securities) as well as other assets held by the holding company.*
3. *Accounting Changes*

   (1) Accounting standards for measurement of inventories

   As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this adoption, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥1,191 million, ¥1,680 million, ¥668 million, ¥39 million and ¥64 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

   (2) Loss on disposal of inventories

   As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventory as cost of sales, following accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this change, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥2,092 million, ¥294 million, ¥185 million, ¥17 million and ¥16 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

4. Change in Method for Calculation of Depreciation of Tangible Fixed Assets

As noted earlier in "Summary of Significant Accounting Policies", pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment. As a result of this change, the Business Technologies figures, the Optics figures, the Medical and Graphic Imaging figures, the Sensing figures and the Other figures for operating expenses increased ¥379 million, ¥6,145 million, ¥54 million, ¥1 million and ¥5 million, respectively, when compared to the previous method. And also these business segment figures for operating income decreased by the same amount.

	Millions of yen							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales								
External	¥700,969	¥182,262	¥161,105	¥ 9,910	¥17,320	¥1,071,568	¥ –	¥1,071,568
Intersegment	5,175	1,083	3,566	768	62,798	73,392	(73,392)	–
Total	706,145	183,345	164,671	10,678	80,119	1,144,961	(73,392)	1,071,568
Operating expenses	616,051	152,089	156,896	9,460	76,626	1,011,124	(59,162)	951,962
Operating income	¥ 90,093	¥ 31,255	¥ 7,775	¥ 1,218	¥ 3,493	¥ 133,836	¥ (14,229)	¥ 119,606
Assets	¥445,939	¥181,938	¥113,141	¥ 9,505	¥73,869	¥ 824,394	¥146,143	¥ 970,538
Depreciation	31,286	15,968	6,048	293	1,996	55,593	4,850	60,443
Impairment losses	1,024	21	4,460	–	–	5,506	195	5,702
Capital expenditure	16,588	42,012	4,595	370	2,468	66,035	9,259	75,295

	Thousands of U.S. dollars							
	Business Technologies	Optics	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales								
External	**$6,349,201**	**$1,765,408**	**$1,281,584**	**$85,442**	**$167,556**	**$ 9,649,221**	**$ –**	**$9,649,221**
Intersegment	**42,024**	**10,710**	**24,626**	**6,057**	**599,206**	**682,633**	**(682,633)**	**–**
Total	**6,391,225**	**1,776,127**	**1,306,210**	**91,510**	**766,762**	**10,331,864**	**(682,633)**	**9,649,221**
Operating expenses	**5,856,246**	**1,648,478**	**1,274,824**	**87,967**	**733,411**	**9,600,937**	**(524,453)**	**9,076,484**
Operating income	**$ 534,979**	**$ 127,639**	**$ 31,386**	**$ 3,543**	**$ 33,350**	**$ 730,917**	**$ (158,180)**	**$ 572,737**
Assets	**$4,484,903**	**$1,590,991**	**$ 913,529**	**$82,714**	**$575,109**	**$ 7,647,256**	**$1,698,738**	**$9,346,004**
Depreciation	**306,159**	**286,481**	**44,131**	**3,319**	**23,832**	**663,942**	**50,484**	**714,436**
Impairment losses	**1,527**	**7,991**	**2,362**	**–**	**–**	**11,890**	**–**	**11,890**
Capital expenditure	**243,490**	**280,882**	**32,078**	**3,115**	**22,977**	**582,551**	**40,100**	**622,661**

(2) Geographic Segment Information

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales							
External	**¥437,312**	**¥210,565**	**¥247,130**	**¥ 52,835**	**¥ 947,843**	**¥ –**	**¥947,843**
Intersegment	**280,586**	**2,632**	**1,952**	**191,656**	**476,827**	**(476,827)**	**–**
Total	**717,898**	**213,197**	**249,082**	**244,492**	**1,424,670**	**(476,827)**	**947,843**
Operating expenses	**662,001**	**221,571**	**247,096**	**238,702**	**1,369,371**	**(477,788)**	**891,583**
Operating income (loss)	**¥ 55,897**	**¥ (8,373)**	**¥ 1,985**	**¥ 5,789**	**¥ 55,299**	**¥ 961**	**¥ 56,260**
Assets	**¥618,121**	**¥123,255**	**¥133,427**	**¥ 86,430**	**¥ 961,235**	**¥ (43,176)**	**¥918,058**

Notes:

1. Major countries or areas other than Japan are as follows:

North America .... U.S.A. and Canada
Europe........................... Germany, France and U.K.
Asia and Other .... Australia, China and Singapore

2. Operating expenses not able to be properly allocated that are included in Eliminations and Corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. Such expenses amounted to ¥31,297 million for the year ended March 31, 2009.

3. Included within the Eliminations and Corporate figure for assets are ¥202,373 million of corporate assets, which primarily include the holding company's surplus operating funds (cash and short-term investment securities) and long-term investment funds (investment securities) as well as other assets held by the holding company.

4. Accounting Changes

(1) Accounting standards for measurement of inventories

As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this adoption, the Japan figures for operating expenses increased ¥3,644 million when compared to the previous method. And also the Japan figures for operating income decreased by the same amount.

(2) Loss on disposal of inventories

As noted earlier in "Summary of Significant Accounting Policies", effective from the year ended March 31, 2009, the Company and its consolidated subsidiaries recognize the loss on disposal of inventory as cost of sales, following accounting policy review caused by the introduction of adoption of ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories", issued by the ASBJ on July 5, 2006. As a result of this change, the North America figures, the Europe figures and the Asia and Other figures for operating expenses increased ¥995 million, ¥1,140 million and ¥470 million, respectively, when compared to the previous method. And also these geographical segments figures for operating income decreased by the same amount.

5. Change in Method for Calculation of Depreciation of Tangible Fixed Assets

As noted earlier in "Summary of Significant Accounting Policies", pursuant to an amendment to the Japanese Corporate Tax Law (Ordinance No. 32 of the Ministry of Finance Japan (April 30, 2008)), effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the useful lives of machinery and equipment. As a result of this change, the Japan figures for operating expenses increased ¥6,587 million when compared to the previous method. And also the Japan figures for operating income decreased by the same amount.

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2008: Net sales							
External	¥469,989	¥233,834	¥305,687	¥ 62,056	¥1,071,568	¥ –	¥1,071,568
Intersegment	353,597	2,848	868	204,822	562,136	(562,136)	–
Total	823,586	236,683	306,555	266,879	1,633,704	(562,136)	1,071,568
Operating expenses	702,701	235,561	296,079	261,940	1,496,282	(544,320)	951,962
Operating income	¥120,885	¥ 1,122	¥ 10,476	¥ 4,938	¥ 137,422	¥ (17,815)	¥ 119,606
Assets	¥722,432	¥108,208	¥162,036	¥ 91,278	¥1,083,956	¥(113,418)	¥ 970,538

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2009: Net sales							
External	**$4,451,919**	**$2,143,592**	**$2,515,830**	**$ 537,870**	**$ 9,649,221**	**$ –**	**$9,649,221**
Intersegment	**2,856,419**	**26,794**	**19,872**	**1,951,094**	**4,854,189**	**(4,854,189)**	**–**
Total	**7,308,338**	**2,170,386**	**2,535,702**	**2,488,975**	**14,503,410**	**(4,854,189)**	**9,649,221**
Operating expenses	**6,739,296**	**2,255,635**	**2,515,484**	**2,430,032**	**13,940,456**	**(4,863,972)**	**9,076,484**
Operating income (loss)	**$ 569,042**	**$ (85,239)**	**$ 20,208**	**$ 58,933**	**$ 562,954**	**$ 9,783**	**$ 572,737**
Assets	**$6,292,589**	**$1,254,759**	**$1,358,312**	**$ 879,874**	**$ 9,785,554**	**$ (439,540)**	**$9,346,004**

(3) Overseas Sales

	Millions of yen		Thousands of U.S. dollars	Percentage of net sales
	2009	2008	**2009**	**2009**
North America	**¥217,024**	¥245,486	**$2,209,345**	**22.9%**
Europe	**271,797**	312,115	**2,766,945**	**28.7%**
Asia and Other	**202,074**	225,182	**2,057,152**	**21.3%**

Notes: 1. Major countries or areas are as follows:
North America.................U.S.A. and Canada
Europe ....Germany, France and U.K.
Asia and Other.................Australia, China and Singapore
2. "Overseas sales" is the Company and consolidated subsidiary sales in countries or regions outside of Japan.

27. Net Income per Share

Calculations of net income per share for the years ended March 31, 2009 and 2008, are as follows:

	Millions of yen March 31		Thousands of U.S. dollars March 31
	2009	2008	**2009**
Net income			
Income attributable to common shares	**¥15,179**	¥68,829	**$154,525**
Income available to common stockholders	**15,109**	68,757	**153,812**
	Thousands of shares		
Weighted average number of common shares outstanding:			
Basic	**530,437**	530,660	
Diluted	**561,462**	561,580	
	Yen		U.S. dollars
Net income per common share:			
Basic	**¥28.62**	¥129.71	**$0.29**
Diluted	**26.91**	122.44	**0.27**

KPMG

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

We have audited the accompanying consolidated balance sheets of Konica Minolta Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience of the reader. Our audit also included the translation of 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 & Co.

Tokyo, Japan
June 23, 2009

The Konica Minolta Group

As of June 30, 2009

Business Technologies

	Country
Business Company	
Konica Minolta Business Technologies, Inc.	Japan
Production Companies	
Konica Minolta Electronics Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing Kansai Co., Ltd.	Japan
Toyohashi Precision Products Co., Ltd.	Japan
Konica Minolta Supplies Manufacturing U.S.A., Inc.	U.S.A.
Konica Minolta Supplies Manufacturing France S.A.S.	France
Konica Minolta Business Technologies (DONGGUAN) Ltd.	China
Konica Minolta Business Technologies (WUXI) Co., Ltd.	China
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	China (Hong Kong)
Sales Companies	
Konica Minolta Bizcom Co., Ltd.	Japan
Konica Minolta Business Solutions Japan Co., Ltd.	Japan
Konica Minolta Printing Solutions Japan Co., Ltd.	Japan
Konica Minolta Software Laboratory Co., Ltd.	Japan
Konica Minolta Business Solutions do Brasil Ltda.	Brazil
Konica Minolta Business Solutions (Canada) Ltd.	Canada
Konica Minolta Business Solutions (MONTREAL) Inc.	Canada
Konica Minolta Business Solutions de Mexico SA de CV.	Mexico
Albin Industries, Inc.	U.S.A.
Frontier Business Systems, Inc.	U.S.A.
Hughes-Calihan Corporation	U.S.A.
Konica Minolta Business Solutions U.S.A., Inc.	U.S.A.
Konica Minolta Systems Laboratory, Inc.	U.S.A.
Konica Minolta Business Solutions Austria GmbH	Austria
Konica Minolta Business Solutions (BELGIUM) N.V.	Belgium
Konica Minolta BH-Poslovna Rjesenja d.o.o.	Bosnia and Herzegovina
Konica Minolta Croatia-Business Solutions d.o.o.	Croatia
Konica Minolta Business Solutions Czech spol. sr.o.	Czech Republic
Konica Minolta Business Solutions Denmark a/s	Denmark
Konica Minolta Business Solutions Finland Oy	Finland
Konica Minolta Business Solutions France S.A.S.	France
Repro Conseil S.A.S.	France
Develop GmbH	Germany
dots Gesellschaft für Softwareentwicklung mbh	Germany
ECS Buero-und Datensysteme GmbH	Germany
Konica Minolta Business Solutions Deutschland GmbH	Germany
Konica Minolta Business Solutions Europe GmbH	Germany
Office-boerse. de Internet GmbH	Germany
Konica Minolta Business Solutions Greece S.A.	Greece
Konica Minolta Hungary Business Solutions Ltd.	Hungary
Konica Minolta Business Solutions Italia S.p.A.	Italy
Konica Minolta Baltia UAB	Lithuania
Konica Minolta Business Solutions Netherlands B.V.	Netherlands
Konica Minolta Business Solutions Norway AS	Norway
Konica Minolta Business Solutions Polska s.p. z.o.o.	Poland
Konica Minolta Business Solutions Portugal, Unipessoal Lda.	Portugal
NEA Rent-Aluguer e Comercio de Equipamentos S.A.	Portugal
Konica Minolta Business Solutions Romania s.r.l.	Romania
Konica Minolta Business Solutions Russia LLC	Russia
Konica Minolta Business Solutions SE, Ltd.	Serbia
Konica Minolta Slovakia spol. s.r.o.	Slovakia
Konica Minolta Business Solutions Slovenia d.o.o.	Slovenia
Konica Minolta Business Solutions Spain S.A.	Spain
Konica Minolta Business Solutions Sweden AB	Sweden
Konica Minolta Business Solutions East Ltd.	U.K.
Konica Minolta Business Solutions (Ideal) Ltd.	U.K.
Konica Minolta Business Solutions (UK) Ltd.	U.K.
Konica Minolta Ukraine	Ukraine
Konica Minolta Business Solutions Australia Pty. Ltd.	Australia
Konica Minolta Printing Solutions Asia Pty. Ltd.	Australia
Konica Minolta Business Solutions (CHINA) Co., Ltd.	China
Konica Minolta Business Solutions (Shenzhen) Co., Ltd.	China
Konica Minolta Consulting (SHENZHEN) Co., Ltd.	China
Konica Minolta Software Development (Dalian) Co., Ltd.	China
Konica Minolta Business Solutions (HK) Ltd.	China (Hong Kong)
Konica Minolta Business Solutions (M) Sdn. Bhd.	Malaysia
Konica Minolta Business Solutions (S) Pte. Ltd.	Singapore

Optics

	Country
Business Company	
Konica Minolta Opto, Inc.	Japan
Production Companies	
Konica Minolta Components Co., Ltd.	Japan
Konica Minolta Glass Tech. Co., Ltd.	Japan
Konica Minolta Opto Devices Co., Ltd.	Japan
Konica Minolta Opto Products Co., Ltd.	Japan
Konica Minolta Optical Products (SHANGHAI) Co., Ltd.	China
Konica Minolta Opto (DALIAN) Co., Ltd.	China
Konica Minolta Glass Tech (M) Sdn. Bhd.	Malaysia
Sales Company	
Konica Minolta Opto (SHANGHAI) Co., Ltd.	China

Medical and Graphic Imaging

	Country
Business Company	
Konica Minolta Medical & Graphic, Inc.	**Japan**
Production Companies	
Konica Minolta Repro Co., Ltd.	**Japan**
Konica Minolta Technoproducts Co., Ltd.	**Japan**
American Litho Inc.	**U.S.A.**
Sales Companies	
Chuo Medical	**Japan**
Konica Minolta Graphic Imaging Japan Co., Ltd.	**Japan**
Konica Minolta Health Care Co., Ltd.	**Japan**
Konica Minolta Health Care System Support Co., Ltd.	**Japan**
ME Kikai	**Japan**
Toho Chemical Laboratory Co., Ltd.	**Japan**
Konica Minolta Graphic Imaging U.S.A., Inc.	**U.S.A.**
Konica Minolta Medical Imaging U.S.A., Inc.	**U.S.A.**
Konica Minolta Medical & Graphic Imaging Europe GmbH	**Germany**
Konica Minolta Medical & Graphic Imaging Europe B.V.	**Netherlands**
Konica Minolta Medical Systems Russia	**Russia**
Konica Minolta Medical & Graphic (SHANGHAI) Co., Ltd.	**China**

Sensing

	Country
Business Company	
Konica Minolta Sensing, Inc.	**Japan**
Sales Companies	
Konica Minolta Sensing Americas, Inc.	**U.S.A.**
Konica Minolta Sensing Europe B.V.	**Germany**
Konica Minolta Sensing Singapore, Pte. Ltd.	**Singapore**

Other Companies

	Country
Konica Minolta Business Expert, Inc.	**Japan**
Konica Minolta Chemical Corporation	**Japan**
Konica Minolta Engineering Co., Ltd.	**Japan**
Konica Minolta IJ Technologies, Inc.	**Japan**
Konica Minolta Information System Corporation	**Japan**
Konica Minolta Logistics Co., Ltd.	**Japan**
Konica Minolta Planetarium Co., Ltd.	**Japan**
Konica Minolta Sogo Service Co., Ltd.	**Japan**
Konica Minolta Technology Center, Inc.	**Japan**
Konica Minolta Technosearch Corporation	**Japan**
Konica Minolta Holdings U.S.A., Inc.	**U.S.A.**
Konica Minolta Technology U.S.A., Inc.	**U.S.A.**
Konica Minolta (CHINA) INVESTMENT Ltd.	**China**

(In order of business, region, and alphabetical order by country name.)

Board of Directors

As of June 23, 2009

Chairman of the Board

Yoshikatsu Ota

Directors

Masatoshi Matsuzaki

Tadao Namiki
President of Namiki Office

Tadaaki Jagawa
Advisor to the Board, Hino Motors, Ltd.

Tohru Tsuji
Senior Corporate Advisor
MARUBENI CORPORATION

Yozo Izuhara
Director, Chairman of the Board
Nippon Sheet Glass Co., Ltd.

Hisao Yasutomi

Yoshifumi Johno

Hiroshi Ishiko

Shoei Yamana

Akio Kitani

Yasuo Matsumoto

Executive Officers

As of June 23, 2009

Masatoshi Matsuzaki
President and CEO

Senior Executive Officers

Shoei Yamana
In charge of Corporate Strategy,
Investor Relations, and Administrative Innovation
Chairman of Risk Management Committee

Hiroshi Ishiko
In charge of CSR, Legal Affairs, General Affairs,
and Compliance
General Manager, Kansai Headquarters

Yoshihiko Someya
In charge of Human Resources,
Corporate Communications, Branding,
and Corporate Image Strategy

Takashi Matsumaru
President,
Konica Minolta Opto, Inc.

Akio Kitani
In charge of Supply Chain Management (SCM)
President,
Konica Minolta Business Technologies, Inc.

Kiyofumi Tanida
President,
Konica Minolta Medical & Graphic, Inc.

Yasuo Matsumoto
In charge of Corporate Accounting,
Corporate Finance, and Information Technology

Takashi Sugiyama
In charge of Technology Strategy
Executive Director,
Konica Minolta Business Technologies, Inc.

Executive Officers

Hideki Okamura
Executive Director,
Konica Minolta Business Technologies, Inc.
President,
Konica Minolta Business Solutions Europe GmbH

Atsushi Kodama
Executive Director,
Konica Minolta Business Technologies, Inc.

Hisashi Tokumaru
In charge of New Business Development
General Manager, LA Business Department

Yoshiaki Ando
General Manager, Corporate Finance Division

Masaru Kamei
Director,
Konica Minolta Technology Center, Inc.
General Manager, Intellectual Property Center

Masami Akiyama
Executive Director,
Konica Minolta Opto, Inc.

Nobuyasu Ieuji
In charge of Production Innovation
Executive Director,
Konica Minolta Business Technologies, Inc.

Toshihiko Karasaki
President,
Konica Minolta Sensing, Inc.

Hiroyuki Inoue
Executive Director,
Konica Minolta Opto, Inc.

Tawara Komamura
President,
Konica Minolta Technology Center, Inc.

Yoshiaki Takei
Executive Director,
Konica Minolta Business Technologies, Inc.

Hirofumi Hogaki
President,
Konica Minolta Business Expert, Inc.

Kazuyoshi Hata
General Manager, Corporate Strategy Division

Corporate Data

As of March 31, 2009

Company Name

Konica Minolta Holdings, Inc.

Address

1-6-1 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan
Tel: (81) 3-6250-2100
Fax: (81) 3-3218-1368
URL: http://konicaminolta.com

Established

August 2003

Paid-in Capital

¥37,519 million (US$382 million)

Number of Employees

Parent company: 181
Group: 36,875

Investor Relations Contact

Tel: (81) 3-6250-2011
Fax: (81) 3-3218-1362
E-mail: ir4902@konicaminolta.jp

Investor Information

Konica Minolta Holdings, Inc.
As of March 31, 2009

Common Stock
Authorized: 1,200,000,000 shares
Outstanding: 531,664,337 shares

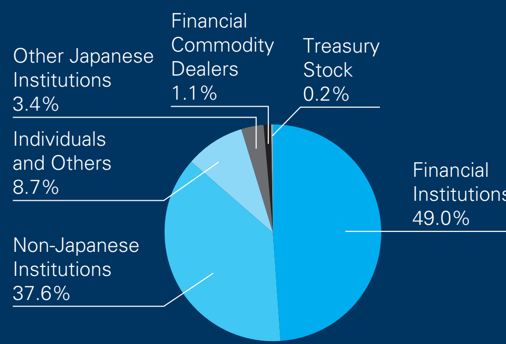
Stock Exchange Listings
Tokyo, Osaka, 1st Sections

Number of Shareholders
29,336

Independent Auditor
KPMG AZSA & CO.

Transfer Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Types of Shareholders



Principal Shareholders

Shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)*
Japan Trustee Services Bank, Ltd. (Trust account)	50,189	9.5
The Master Trust Bank of Japan, Ltd. (Trust account)	46,177	8.7
Japan Trustee Services Bank, Ltd. (Trust account 4G)	33,494	6.3
JPMorgan Chase Bank 380055	30,602	5.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,494	2.9
State Street Bank and Trust Company	13,384	2.5
Nippon Life Insurance Company	12,009	2.3
Japan Trustee Services Bank, Ltd. (Chuo Mitsui Asset Trust and Banking Company, Limited Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.2
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	10,801	2.0
Daido Life Insurance Company	9,040	1.7

** Shareholding ratio is calculated with treasury stock being subtracted from the total number of issued shares.*

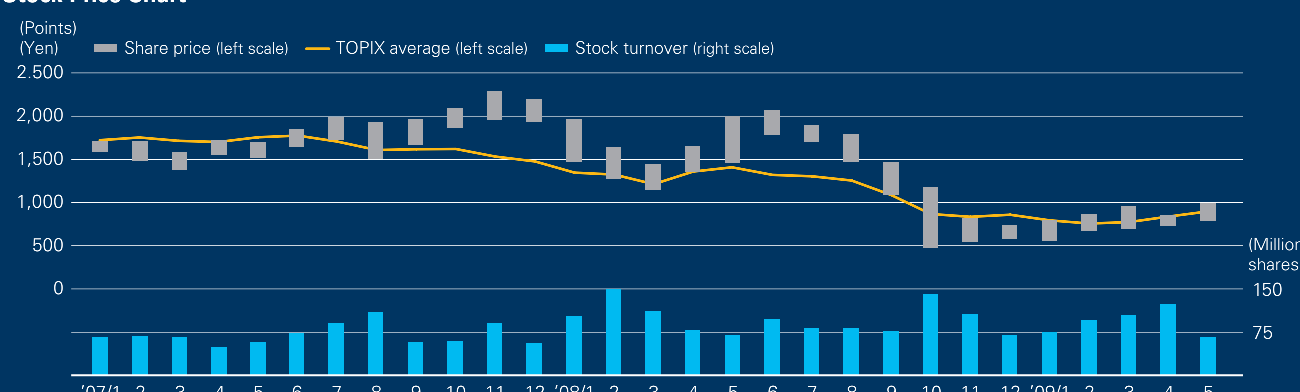
Note: Although significant shareholder reports from three joint shareholders including The Bank of Tokyo-Mitsubishi UFJ, Ltd., member of the Mitsubishi UFJ Financial Group, claim that they hold shares of Konica Minolta as set forth below, the Company is unable to confirm the exact number of shares held at period end. For this reason only the top 10 shareholders as per the shareholders' register have been listed.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held (%)
Mitsubishi UFJ Financial Group, Inc. (Joint holding)	February 24, 2009	54,452	10.2

Note: Although significant shareholder reports from the following companies claim that they hold substantial numbers of shares in Konica Minolta Holdings, Inc. as of March 31, 2009 the Company is unable to confirm the number of shares held and hence these companies have not been included in the major shareholders overview stated above.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held (%)
Fidelity Investments Japan Limited (Joint holding)	March 13, 2009	35,777	6.7
Templeton Asset Management Limited (Joint holding)	February 27, 2009	26,683	5.0
Barclays Global Investors Japan Trust & Banking Co., Ltd. (BTB) (Joint holding)	March 9, 2009	23,168	4.4

Stock Price Chart



KONICA MINOLTA

Konica Minolta Holdings, Inc.

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