May 13, 2010

Consolidated Financial Results

Fiscal Year ended March 31, 2010
April 1, 2009 – March 31, 2010

Konica Minolta Holdings, Inc.

Stock exchange listings:	Tokyo, Osaka (First Sections)
Local securities code number:	4902
URL:	http://konicaminolta.com
Listed company name:	Konica Minolta Holdings, Inc.
Representative:	Masatoshi Matsuzaki, President and CEO
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Telephone number:	(81) 3-6250-2100

Scheduled date for Ordinary General Meeting of Shareholders:	June 22, 2010
Scheduled date for dividends payment:	May 31, 2010
Scheduled date for submission of securities report:	June 23, 2010

(Units of less than 1 million yen have been omitted.)

1. Overview of performance (From April 1, 2009 to March 31, 2010)

(1) Business performance
Percentage figures represent the change from the same period of the previous year.

[Millions of yen]

Fiscal years ended March 31	Net sales		Operating income		Ordinary income		Net income	
2010	804,465	-15.1%	43,988	-21.8%	40,818	-10.1%	16,931	11.5%
2009	947,843	-11.5%	56,260	-53.0%	45,403	-56.4%	15,179	-77.9%

Fiscal years ended March 31	Net income per share		Net income per share (diluted)	
2010	31.93	yen	30.32	yen
2009	28.62	yen	26.91	yen

Fiscal years ended March 31	Net income to shareholders' equity	Recurring profit to total assets	Operating profit to net sales
2010	4.1%	4.6%	5.5%
2009	3.7%	4.8%	5.9%

Note: Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Fiscal year ended March 31, 2010: ¥ 81 million
Fiscal year ended March 31, 2009: ¥ (99 million)

(2) Financial position

[Millions of yen]

As of March 31	Total assets	Net assets	Equity ratio	Net assets per share
2010	865,797	420,775	48.5 %	791.28 yen
2009	918,058	414,284	45.0 %	779.53 yen

Notes: Shareholders' equity
As of Mar, 31, 2010: ¥ 419,535 million
As of Mar. 31, 2009: ¥ 413,380 million

(3) Cash flows

[Millions of yen]

Fiscal years ended March 31	Operating activities	Investing activities	Financing activities	Cash and cash equivalents balance at the end of period
2010	113,377	(40,457)	(43,803)	164,146
2009	107,563	(90,169)	4,959	133,727

2. Dividends

[Yen]

Fiscal years ended March 31	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total (annual)
2009	-	10.00	-	10.00	20.00
2010	-	7.50	-	7.50	15.00
2011(forecast)	-	7.50	-	7.50	15.00

Fiscal years ended March 31	Total dividends (annual) [millions of yen]	Dividend pay-out ratio (consolidated) [%]	Net asset-to-dividend ratio (consolidated) [%]
2009	10,606	69.9	2.6
2010	7,953	47.0	1.9
2011(forecast)		39.8	

3. Consolidated results forecast for fiscal year ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

[Millions of yen]

	Net sales	%	Operating income	%	Ordinary income	%	Net income	%	Net income per share
Six months	400,000	1.7	21,000	129.3	19,000	117.7	8,000	126.3	15.09 yen
Full-year	830,000	3.2	50,000	13.7	46,000	12.7	20,000	18.1	37.72 yen

Percentage figures for the full year represent the change from the previous fiscal year, while percentage figures for the six months period represent the change from the same period of the previous year.

4. Other

(1) Changes in status of material subsidiaries during the quarter under review (Changes to specified subsidiaries accompanying the additional consolidation or removal from consolidation of companies): None

(2) Changes to consolidated financial statement principles, preparation processes, disclosure methods, etc. (Description of changes to important items fundamental to financial statement preparation)

a. Changes accompanied by the amendment of accounting principles: Yes
b. Changes other than “a.”: None
Note: Please refer to” [4] Accounting standards and methods” on page 27 for details.

(3) Number of outstanding shares（common stock）

a. Outstanding shares at period-end（including treasury stock）
As of March 31, 2010: 531,664,337 shares
As of March 31, 2009: 531,664,337 shares

b. Treasury stock at period-end
As of March 31, 2010: 1,464,883 shares
As of March 31, 2009: 1,370,709 shares

Note: For the number of shares, used for the calculation of net income per share, please see “Per Share Information” on page 45.

[Reference]

Non-consolidated financial results

1. Overview of performance (From April 1, 2009 to March 31, 2010)

(1) Business performance

Percentage figures represent the change from the same period of the previous year.

[Millions of yen]

Fiscal years ended March 31	Net sales		Operating income		Ordinary income		Net income	
2010	19,965	-56.1%	(9,768)	-170.3%	(8,775)	-156.4%	(4,586)	-125.0%
2009	45,489	-30.6%	13,896	-59.7%	15,551	-57.2%	18,329	-61.8%

Fiscal years ended March 31	Net income per share		Net income per share (diluted)	
2010	(8.65)	yen	-	yen
2009	34.56	yen	32.52	yen

Note: Net income per share (after full dilution) is not written, as the Group recorded a net loss.

(2) Financial position

[Millions of yen]

As of March 31	Total assets	Net assets	Equity ratio	Net assets per share
2010	469,954	255,806	54.3 %	481.31 yen
2009	490,403	268,840	54.7 %	506.10 yen

Notes: Shareholders' equity
As of Mar. 31, 2010: ¥ 255,188 million
As of Mar. 31, 2009: ¥ 268,380 million

Explanation of Appropriate Use of Performance Projections and Other Special Items

This document contains projections of performance and other projections that were made based on information currently available and certain assumptions judged to be reasonable. There is a possibility that diverse factors may cause actual performance, etc., to differ considerably from projections. Please see the "3. Outlook for the fiscal year ending March 31, 2011" section on page 11 for more information on points to be remembered in connection with the use of projections.

1. Operating Results

(1) Business Performance Analysis

1. Overview

[Billions of yen]

	March 31			
	2010	2009	Increase (Decrease)	
Net sales	804.4	947.8	(143.3)	-15.1 %
Gross profit	364.4	427.6	(63.1)	-14.8 %
Operating income (loss)	43.9	56.2	(12.2)	-21.8 %
Ordinary income	40.8	45.4	(4.5)	-10.1 %
Income before income taxes and minority interests	36.0	33.2	2.8	8.6 %
Net income	16.9	15.1	1.7	11.5 %
Net income per share [yen]	31.93	28.62	3.31	11.6 %
Capital expenditure	36.9	61.1	(24.2)	-39.6 %
Depreciation	61.1	70.1	(9.0)	-12.8 %
R & D expenses	68.4	81.7	(13.3)	-16.3 %
Free cash flow	72.9	17.3	55.5	319.2 %
Number of employees [persons]	36,048	36,875	(827)	-2.2 %
Exchange rates [yen]				
US dollar	92.85	100.54	(7.69)	-7.6 %
Euro	131.15	143.48	(12.33)	-8.6 %

Looking at economic circumstances in Japan and abroad, a credit crunch triggered by the financial crisis in the fall of 2008 had severe repercussions for the real economy, producing a vicious cycle of weak consumption, declining production, and worsening employment conditions that swept across the world, especially in advanced economies. The worst of this downturn has now passed, thanks largely to measures to restore financial order by the financial authorities and the success of government stimulus packages, and there were signs of a gradual recovery in the second half of the fiscal year under review. However, the recovery remained anemic as capital spending restrains and the credit crunch lingered. Moreover, a protracted appreciation of the yen put strong pressure on operating revenue at businesses including the Konica Minolta Group, where the ratio of overseas sales is high.

The Group regards the drastic change in the business environment not as a temporary economic slowdown but as a turning point in society and an opportunity to enhance its corporate value to achieve stronger growth, the Group formulated **BUSINESS PLAN <09-10>**. And it is now executed it to ensure it is able to successfully navigate through this challenging period. The business plan has three pillars: **(1) Improving corporate capabilities, (2) Achieving strong growth, and (3) Reforming the corporate culture.** It will be executed during the fiscal year under review and in the next fiscal year. In the fiscal year under review, the first year of implementation, the Group focused on lowering break-even point by **minimizing fixed costs** through cost cutting and the execution of structural reforms, including the optimization of production systems in Japan and overseas, and the streamlining of overseas sales bases and sales personnel, including acquired sales companies, considering that the Group needs to urgently change its corporate structure to ensure it has free cash flows even in difficult business circumstances where growth in sales cannot be expected. The Group also took steps to **trim down the balance sheet** by reducing inventories, curbing capital expenditure, and improving accounts receivable periods and accounts payable periods. As a result of those initiatives, free cash flows for the fiscal year under review topped ¥70 billion, far exceeding the year-ago level.

Looking at the results of major businesses, sales of multi-functional peripherals (MFPs) for offices, the main products in the Business Technologies Business, were less than in the previous fiscal year, reflecting reduced capital spending by a corporate sector looking to cut costs, as well as tightening lease contracts attributable to the credit crunch. Nonetheless, the Group sought to boost demand by launching new color machines, and sales momentum consequently recovered in the Business Technologies Business in the second half of the fiscal year under review. In the Optics Business, as the LCD TV and personal computer markets recovered, sales of TAC films (protective films for polarizing plates) and glass hard disk (HD) substrates were sold well. In the Medical and Graphic Imaging Business, sales of digital equipment were almost on a par with the year-ago level, but that did not offset decrease in sales of film products.

As a result, Konica Minolta's consolidated net sales for the fiscal year under review amounted to ¥804.4 billion, a decrease of 15.1% year on year, reflecting declines in sales of main products and the effect of exchange conversion associated with the strong yen. Although the Group cut fixed costs and research and development expenditure, among other cost reductions, operating income fell 21.8%, to ¥43.9 billion, and ordinary income slipped 10.1%, to ¥40.8 billion, respectively, reflecting a decline in profits associated with the decrease in sales and the effect of exchange rates. After posting a loss on valuation of investment securities and business structure improvement expenses as extraordinary losses, net income stood at ¥16.9 billion, up 11.5% year on year.

2. Segment Information

[Billions of yen]

	March 31			
	2010	2009	Increase (Decrease)	
Business Technologies				
Net sales - external	540.8	623.6	(82.8)	-13.3 %
Operating income	38.9	52.5	(13.5)	-25.9 %
Optics				
Net sales - external	136.7	173.4	(36.6)	-21.1 %
Operating income	14.3	12.5	1.8	14.8 %
Medical & Graphic				
Net sales - external	104.3	125.8	(21.5)	-17.1 %
Operating income	1.4	3.0	(1.6)	-52.3 %
Sensing				
Net sales - external	6.9	8.3	(1.4)	-17.5 %
Operating income (loss)	(0.0)	0.3	(0.3)	-

Business Technologies Business

[MFPs for offices]

Konica Minolta strove to boost demand for **MFPs for offices** as companies cut costs and curbed capital expenditure in the protracted global downturn, updating the bizhub series by launching two models of high speed color MFPs, namely *bizhub C652 and C552*, and four models of medium-to-low speed color MFPs, *bizhub C452, C360, C280, and C220*, in the first half of the fiscal year. These six new products are designed to contribute to customers' total cost of ownership (TCO) with new energy saving systems that slash power consumption compared with conventional models and with more durable components. They are also intended to help customers boost their productivity and reduce the environmental burden by offering high image quality with the use of the Company's proprietary polymerized toner, cutting-edge network and security functions, and significantly lower machine operation noise. Partly reflecting the contribution of these new products, sales volumes of color MFPs for offices increased steadily every quarter. Although sales volumes for the full year fell short of the level of a year ago, those for the second half exceeded the year-ago level. Meanwhile, sales volumes of monochrome MFPs for offices recovered in the second half, with volumes in the North American market, which drove the recovery, exceeding the year-ago level.

[Production printing field]

Demand for color machines, such as *bizhub PRO C6501 and C5501*, remained stagnant in all markets in the global slowdown. On the other hand, with the launch of two new monochrome products, the *bizhub PRO 1201/1051*, sales of monochrome MFPs were up from a year ago, reflecting strong sales, principally in the North America and Asian markets.

[Printer field]

We stepped up our efforts to sell A4 tandem printers and A4 color MFPs for office use. Sales volumes of printers for the fiscal year under review far exceeded the year-ago level, driven by sharp rises in sales volumes of color machines for Europe and OEMs.

Overall, our Business Technologies Business focused on sales of color MFPs for offices, color printers and high-speed MFPs for production printing in line with our "genre-top strategy." Momentum recovered, with sales rising every quarter and exceeding the year-ago level in certain areas and product fields. However, the recovery did not offset weak sales in the first half and the effect of the strong yen. As a consequence, sales to external customers fell 13.3% from the previous fiscal year, to ¥540.8 billion, and also operating income declined 25.9%, to ¥38.9 billion.

Optics Business

[Display materials field]
The Group sought to boost sales of high-function products, such as VA-TAC (viewing angle expansion) film and 40μ thin film, where the Company has a competitive edge. Meanwhile, given the positive impact of measures taken, especially by the Japanese and Chinese governments, to stimulate demand for home electrical appliances, the market for large LCD televisions recovered sharply. The recovery in demand in the United States and advanced economies in Europe also outpaced expectations. Consequently, sales volumes for the fiscal year under review were up sharply from a year ago.

[Memory related product field]
The Group took steps to expand sales of optical pickup lenses for Blu-ray Discs, the mainstay in the field. Although demand for optical pickup lenses for personal computers remained weak, demand for lenses for audio-video equipment recovered. Overall sales volumes of optical pickup lenses, including those for CDs and DVDs, exceeded the year-ago levels.

The Group sought to increase sales of glass HD substrates for high storage densities of 250GB and 320GB. Backed by a recovery in demand for substrates for notebook computers and external memory, sales volumes exceeded the year-ago result.

[Image input/output component field]
While we have limited the product fields focusing on profitability, sales volumes declined, reflecting weak demand for the high-end items in which the Company excels and, in turn attributable to the global economic downturn.

Overall, sales volumes of TAC film and glass HD substrates increased, backed by a recovery in the markets. However, the business was adversely affected by increasing pricing pressure on TAC film in association with falling prices of LCD TVs, a decline in sales volumes in the image input/output component field, and a fall in the unit sales price of pickup lenses for Blu-ray Discs, shifting to plastic. As a result, net sales to outside customers declined 21.1% from a year ago, to ¥136.7 billion, but operating income increased 14.8%, to ¥14.3 billion, reflecting a recovery in sales of mainstay products and the effect of structural reforms to reduce breakeven sales undertaken by the Group from the end of the previous fiscal year.

Medical and Graphic Imaging Business

[Healthcare field]

In the digital X-ray diagnostic imaging area, main business sector, Konica Minolta launched a new computed radiography (CR) system, the *REGIUS MODEL 210*. The Company sought to expand sales to medical facilities both in Japan and overseas by offering digital radiography (DR) systems and diagnostic imaging workstations in addition to CR systems. As a result, sales volumes of this digital equipment were almost on a par with the levels of the previous year. We also took steps to expand our business sphere from the existing X-ray diagnostic imaging area, launching new products such as the *I-PACS EX ceed*, a network device, and the *SONIMAGE 513* color ultrasonic diagnostic equipment.

[Graphic imaging field]

Konica Minolta focused on sales of digital equipment, including *Pagemaster Pro 6501*, an on-demand printing system. Despite the continued cooling of capital expenditure in the printing industry associated with the lingering economic sluggishness, the Company endeavored to boost sales. As a result of its efforts, sales of digital equipment were almost on a par with the level of a year ago.

As noted, our Medical & Graphic Imaging Business focused on expanding the sales of the digital equipment and strengthening the digital solution business, but accelerating declines in sales of film products, in addition to the effect of a strong yen, could not be offset either in the healthcare field or in the graphic imaging field. As a consequence, net sales to outside customers fell 17.1% from the previous year, to ¥104.3 billion. As gross profit declined with a fall in sales volumes of film products, the Company stepped up its initiatives to reduce fixed costs. However, operating income slipped 52.3%, to ¥1.4 billion.

Sensing Business

In the Sensing Business, Konica Minolta launched new products, the *CM-5* spectrophotometer, the *CR-5* colorimeter, and the *RANGE5* non-contact 3D digitizer and sought to boost sales, especially in the fields of color sensing and 3D measuring. However, although sales increased sharply in China, capital expenditure continued to be curbed in the manufacturing industry in major markets in Japan, the United States, and Europe, reflecting economic stagnation, and consequently, sales volumes experienced sluggish growth. As a result, net sales to outside customers declined 17.5%, to ¥6.9 billion. The operating loss was ¥6 million.

[Reference]

Three month performance (From January 1, 2010 to March 31, 2010)

[Billions of yen]

	Three months (Jan - Mar)			
	2010	2009	Increase (Decrease)	
Net sales	215.7	201.2	14.5	7.2 %
Gross profit	105.8	80.6	25.2	31.3 %
Operating income (loss)	22.7	(7.1)	29.9	-
Ordinary income (loss)	21.6	(8.6)	30.3	-
Income before income taxes and minority interests (loss)	18.5	(17.3)	35.9	-
Net income (loss)	7.9	(12.1)	20.0	-
Net income per share [yen]	14.94	(22.95)	37.89	-
Capital expenditure	12.5	13.8	(1.3)	-9.8 %
Depreciation	15.1	18.4	(3.3)	-18.1 %
R & D expenses	16.4	19.0	(2.5)	-13.4 %
Free cash flow	15.1	10.9	4.2	38.2 %
Exchange rates [yen]				
US dollar	90.70	93.61	(2.91)	-3.1 %
Euro	125.62	121.81	3.81	3.1 %

[Reference]

Three month performance by segment (From January 1, 2010 to March 31, 2010)

[Billions of yen]

	Three months (Jan - Mar)			
	2010	2009	Increase (Decrease)	
Business Technologies				
Net sales - external	146.8	137.4	9.4	6.9 %
Operating income	20.8	4.8	16.0	331.0 %
Optics				
Net sales - external	34.1	26.9	7.2	26.9 %
Operating income (loss)	4.0	(6.8)	10.9	-
Medical & Graphic				
Net sales - external	27.9	31.2	(3.3)	-10.7 %
Operating income (loss)	(0.0)	(1.0)	1.0	-
Sensing				
Net sales - external	2.1	1.8	0.3	20.7 %
Operating income (loss)	0.4	(0.0)	0.4	-

3. Outlook for the fiscal year ending March 31, 2011

The economic situation surrounding the Group, both in Japan and abroad, is generally expected to recover as emerging economies in Asia and elsewhere maintain the growth seen in the current fiscal year. Japan and the United States, along with advanced European economies, seem to enjoy moderate recoveries. Still, many concerns remains, including a very difficult employment situation, rising long-term interest rates, and a stronger yen. We think the economic outlook remains uncertain and challenging.

Looking at the main businesses of the Company, we believe the Business Technologies Business will enjoy a modest recovery in the fiscal year ending March 31, 2011, although it will take some time for demand for MFPs for offices and production printing to recover in earnest. In the Optics Business, demand for digital consumer electronics such as LCD TVs and personal computers is expected to continue to expand.

We assume exchange rates of 90 yen against the US dollar and 125 yen against the euro.

[Billions of yen]

	March 2011 forecast		March 2010		Increase (Decrease)	
	Six months	Full year	Six months	Full year	Six months	Full year
Net sales	400.0	830.0	393.3	804.4	6.6	25.5
Operating income	21.0	50.0	9.1	43.9	11.8	6.0
Ordinary income	19.0	46.0	8.7	40.8	10.2	5.1
Net income	8.0	20.0	3.5	16.9	4.4	3.0

Note: The above operating performance forecasts are based on future-related suppositions, outlooks, and plans at the time this report was released, and they involve risks and uncertainties. It should be noted that actual results may differ significantly from these forecasts due to various important factors, such as changes in economic conditions, market trends, and currency exchange rates.

(2) Financial Position

(1) Analysis of financial position

		March 31		[Billions of yen]
		2010	2009	Increase (Decrease)
Total assets	[Billions of yen]	865.7	918.0	(52.2)
Net assets	[Billions of yen]	420.7	414.2	6.4
Net assets per share	[yen]	791.28	779.53	11.75
Equity ratio	[%]	48.5	45.0	3.4

At fiscal year end, total assets amounted to ¥865.7 billion, down ¥52.2 billion compared with the end of the previous fiscal year. The decline in assets reflects a reduction in inventories, the curtailment of capital investment, and improvements in accounts receivable periods and accounts payable periods. Inventories fell ¥30.8 billion from the end of the previous fiscal year, to ¥98.2 billion, attributable to launches of new products and a recovery in sales. Interest-bearing debt slipped ¥33.0 billion, to ¥197.3 billion.

Despite a decrease in foreign currency translation adjustments because of the appreciation of the yen, net assets increased ¥6.4 billion from the end of the previous fiscal year, to ¥420.7 billion, reflecting a rise in retained earnings primarily due to the posting of ¥16.9 billion in net income. Net assets per share came to ¥791.28, and the shareholders' equity ratio rose 3.4 percentage points from the end of the previous fiscal year to 48.5%.

(2) Cash flows

	March 31		[Billions of yen]
	2010	2009	Increase (Decrease)
Cash flows from operating activities	113.3	107.5	5.8
Cash flows from investing activities	(40.4)	(90.1)	49.7
Total [Free cash flow]	72.9	17.3	55.5
Cash flows from financing activities	(43.8)	4.9	(48.7)

During the fiscal year under review, net cash provided by operating activities was ¥113.3 billion, while net cash used in investing activities, mainly associated with capital investment, totaled ¥40.4 billion. As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥72.9 billion.
Net cash used in financing activities was ¥43.8 billion.

In addition, the effect of exchange rate changes increased cash and cash equivalents by ¥1.3 billion. As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥164.1 billion, rising ¥30.4 billion from the consolidated previous fiscal year-end.

Net cash provided by operating activities

Net cash provided by operating activities reached ¥113.3 billion (¥107.5 billion in the previous consolidated fiscal year). Although the Group reported income before income taxes and minority interests of ¥36.0 billion, depreciation of ¥61.1 billion, and an improvement of working capital of ¥17.5 billion, these amounts were partly offset by ¥6.5 billion in accounts payable and accrued expenses, ¥3.8 billion in interest expenses, and other factors.

Net cash used in investing activities

Net cash used in investing activities was ¥40.4 billion (¥90.1 in the previous fiscal year). Cash of ¥33.6 billion was mainly used for investments in molding for new products in the Business Technologies Business and in the acquisition of tangible fixed assets relating to the reinforcement of production capacities in the Optics Business, our strategic business.

As a result, free cash flow (the sum of operating and investing activities) was an inflow of ¥72.9 billion (¥17.3 billion in the previous fiscal year).

Net cash used in financing activities

Net cash used in financing activities was ¥43.8 billion (net cash provided of ¥4.9 billion in the previous fiscal year), mainly reflecting ¥30.0 billion for the redemption of corporate bonds at maturity, ¥9.2 billion in dividend payments, and ¥4.4 billion for repayments of loans payable and lease obligations.

(Note) Amounts mentioned above do not include consumption taxes.

[Cash flow indicators]

	March 31				
	2006	2007	2008	2009	2010
Shareholders' equity ratio [%]	31.1	38.6	43.0	45.0	48.5
Market price-based shareholders' equity ratio [%]	84.5	86.4	74.0	48.4	66.8
Debt redemption period [years]	3.0	3.4	1.8	2.1	1.7
Interest coverage ratio	14.4	12.8	27.7	23.4	29.3

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Market price-based shareholders' equity ratio: Market capitalization / Total assets

Years of debt redemption: Interest-bearing debt / Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / Interest payments

Market capitalization is calculated as the share price at period-end multiplied by the number of shares outstanding at period-end (excluding treasury stock). Net cash flow from operating activities figures are those stated in the consolidated statements of cash flows. Interest-bearing debt is all liabilities reflected on the consolidated balance sheets that are subject to interest payments. Interest payments are those stated in the consolidated statements of cash flows.

Cash flow outlook for the fiscal year ending March 31, 2011

Konica Minolta projects that free cash flow, the net value of cash flows from operating and investing activities, will amount to an inflow of ¥20.0 billion.

(3) Basic policy regarding profit distribution, dividends for the fiscal year under review, and projected dividends for the current fiscal year

1. Basic policy regarding profit distribution

The policy regarding the payment of dividends from retained earnings, etc. calls for the basic approach of making a comprehensive evaluation of consolidated performance and funding requirements for promoting strategic investments in growth fields while seeking to sustain shareholder returns. Regarding the specific dividend target, the Company is aiming to sustain a dividend payout ratio of 25% or higher over the medium-to-long-term.

With respect to the acquisition of treasury stock, the Company intends to make appropriate decisions regarding treasury stock acquisition as a means of profit distribution while giving due attention to such factors as the Company's financial condition and stock price trends.

2. Dividends for the fiscal year under review and the current fiscal year

In the fiscal year under review (fiscal year ended March 31, 2010), the Company reported lower profits as the business downturn was greater than anticipated in the first half of the fiscal year. Nevertheless, the Company intends to distribute a year-end dividend of 7.5 yen per share as initially planned, which combined with the interim dividend of 7.5 yen per share will bring the total annual dividend to 15 yen per share.

With respect to dividends for the current fiscal year (fiscal year ending March 31, 2011), given that the business environment demands prudence, the Company plans to distribute 7.5 yen per share for both the interim dividend and the year-end dividend, making a total annual dividend of 15 yen per share.

**Figures given in the text as billions of yen have been rounded off to the nearest hundred million.*

2. Group overview

The Group comprises the parent company, 96 consolidated subsidiaries, 18 non-consolidated subsidiaries, and 7 affiliates.
A chart detailing the business structure follows.

Konica Minolta Holdings, Inc.

Business Technologies Business: 76
(Consolidated Subsidiaries: 57 Unconsolidated Subsidiaries: 15 Affiliates: 4)

Production: 10
- Konica Minolta Supplies Manufacturing Co., Ltd.
- Toyohashi Precision Products Co., Ltd.
- Konica Minolta Business Technologies Manufacturing (H.K.) Ltd. (Hong Kong)
- Konica Minolta Business Technologies (DONGGUAN) Co., Ltd. (China)
- Konica Minolta Business Technologies (WUXI) Co., Ltd. (China)
- Other Companies: 5

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Konica Minolta Business Technologies, Inc.

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Sales: 65
- Konica Minolta Business Solutions Japan Co., Ltd.
- Konica Minolta Business Solutions U.S.A., Inc. (U.S.A)
- Konica Minolta Business Solutions Europe GmbH (Germany)
- Konica Minolta Business Solutions Deutschland GmbH (Germany)
- Konica Minolta Business Solutions (UK) Ltd. (U.K.)
- Konica Minolta Business Solutions France S.A.S. (France)
- Konica Minolta Business Solutions Australia Pty. Ltd. (Australia)
- Konica Minolta Business Solutions (CHINA) Co., Ltd. (China)
- Other Companies: 57

Sensing Business: 4
(Consolidated Subsidiaries: 4)

Konica Minolta Sensing, Inc.

Sales: 3
- Konica Minolta Sensing Europe B.V. (Germany)
- Konica Minolta Sensing Americas, Inc. (U.S.A)
- Konica Minolta Sensing Singapore, Pte. Ltd. (Singapore)

Optics Business: 9
(Consolidated Subsidiaries: 9)

Production: 7
- Konica Minolta Opto Products Co., Ltd.
- Konica Minolta Opto (DALIAN) Co., Ltd. (China)
- Konica Minolta Optical Products (SHANGHAI) Co., Ltd. (China)
- Konica Minolta Glass Tech Malaysia Sdn. Bhd. (Malaysia)
- Other Companies: 3

↓

Konica Minolta Opto, Inc.

↓

Sales: 1
- Konica Minolta Opto (SHANGHAI) Co., Ltd. (China)

Medical and Graphic Imaging Business: 17
(Consolidated Subsidiaries: 12, Unconsolidated Subsidiaries: 3, Affiliates: 2)

Production: 4
- Konica Minolta Technoproducts Co., Ltd.
- Other Companies: 3

↓

Konica Minolta Medical & Graphic, Inc.

↓

Sales: 12
- Konica Minolta Health Care Co., Ltd.
- Konica Minolta Graphic Imaging Japan Co., Ltd
- Konica Minolta Medical Imaging U.S.A., Inc. (U.S.A.)
- Konica Minolta Graphic Imaging U.S.A., Inc. (U.S.A.)
- Other Companies: 8

Other Businesses: 15
(Consolidated Subsidiaries: 14 Affiliates: 1)
- Konica Minolta Photo Imaging, Inc.
- Konica Minolta Technology Center, Inc.
- Konica Minolta Business Expert, Inc.
- Konica Minolta IJ Technologies, Inc.
- Konica Minolta Logistics Co., Ltd.
- Konica Minolta Sogo Service Co., Ltd.
- Konica Minolta Engineering Co., Ltd.
- Konica Minolta Information System Co., Ltd.
- Konica Minolta Technosearch Corporation
- Konica Minolta Planetarium Co., Ltd.
- Other Companies: 5

Notes:

Organization chart is as March 31, 2010. Only major consolidated subsidiaries are shown.

3. Management policy

(1) Basic management policy

Management philosophy: "The creation of new value"
Management visions: "An innovative corporation that continues to create inspiring products and services in the field of imaging"
"A global corporation that leads the market by advanced technologies and reliability"
Corporate Message: "The essentials of imaging"
(Means providing the essentials to customers and being recognized as an essential company in the imaging world.)

(2) Medium-to long-term management strategies and pending issues

We expect the current positive momentum will generally continue, with the ongoing growth of emerging economies, especially in Asia, and moderate recoveries in advanced economies such as Japan, the United States, and Europe. However, potential causes of instability among macroeconomic indicators are still of particular concern, including the employment situation, long-term interest rates, and exchange rates. Consequently, economic conditions remain uncertain and challenging.

In this difficult environment, the Konica Minolta Group has stemmed the trend of declines in sales and profit for two consecutive fiscal years. Positioning the fiscal year ending March 31, 2011 as a turning point for a return to growth, the Group will be proactive in its initiatives to **achieve strong growth,** as stated in **BUSINESS PLAN <09-10>**, and will look to achieve sustainable growth not only in the immediate future but also five to ten years from now. The Group has focused on **improving its corporate capabilities** under the business plan. To do this, the Group will reform processes in all functions, including the planning, development, production, and sale of products, from the perspective of customers. We will also undertake comprehensive reforms in distribution, procurement, and information technology. We believe these reforms will strengthen the competitiveness of the entire Group.

To achieve its vision for sustainable growth, the Group will take on the major challenges described below.

1. Bolstering existing businesses and expanding operations

In the Business Technologies Business, particularly in the office segment we will strive to meet the diversified needs of customers for offices by bolstering the competitiveness of MFPs and enhancing solution and service systems. For the production printing segment, we will enhance our product lineup by launching new products and will enter the commercial printing market by strengthening cooperation with internal and external resources, then expand the production printing business.

In the Optics Business, the Group aims to expand the sales volume and market share of TAC films and glass HD substrates by improving production efficiency and ramping up production capacity through active capital expenditure. Using its optical technologies, the Group will enter the LED lighting business, thus expanding operations into a new field other than the digital consumer electronics industry.

2. Strengthening operations in Asian markets

In Asian markets, where demand is expected to grow, the Group will focus on rapidly expanding sales in China and India as immediate priority, especially in the Business Technologies and Medical/Healthcare Businesses, and strengthen to sell the Group's products and services.

Meanwhile, we will continue to shift production bases to China and Malaysia and will step up local procurement. The Group aims to expand operations by enhancing its competitiveness through cost reductions.

3. Accelerating development of new businesses

For the Group to achieve strong, sustainable growth over the next five to ten years, it is important to add new businesses that will create a new era in addition to existing businesses. The Group will launch new businesses in the environment and energy, where social needs are increasing, and will harness its strengths to offer unique products. The Group will then develop a new area to serve as the third business, following the Business Technologies Business and Optics Business.

Specifically, we are developing an organic light emitting diode (OLED) business based on a strategic alliance with General Electric Company (GE) of the United States. To establish mass production technology and to produce samples and products for limited sale aiming for cultivating potential customers, the Group is constructing a pilot line that is slated to be completed in the fall of 2010.

Meanwhile, the Group has formed a capital and business alliance with Konarka Technologies, Inc., a U.S. venture, and is launching an organic thin film solar cell business, taking advantage of synergies with the OLED business.

Through these businesses, the Group seeks to maximize its social contribution and elevate itself to a group of companies that better meet the needs of society, thereby increasing corporate value.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

March 31, 2009 and 2010

[Millions of yen]

	March 31, 2009	March 31, 2010
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	85,753	85,533
Notes and accounts receivable-trade	171,835	177,720
Lease receivables and investment assets	13,598	13,993
Short-term investment securities	48,000	79,000
Inventories	129,160	98,263
Deferred tax assets	25,326	19,085
Accounts receivable-other	16,531	7,639
Other	19,463	12,720
Allowance for doubtful accounts	(4,749)	(4,703)
Total current assets	504,919	489,253
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	71,937	66,708
Machinery, equipment and vehicles, net	69,726	52,782
Tools, furniture and fixtures, net	26,875	22,026
Land	35,033	34,320
Lease assets, net	196	366
Construction in progress	11,522	16,901
Assets for rent, net	12,568	11,952
Total property, plant and equipment	227,860	205,057
Intangible assets		
Goodwill	81,374	71,936
Other	30,248	27,137
Total intangible assets	111,623	99,074
Investments and other assets		
Investment securities	18,068	22,029
Long-term loans receivable	461	164
Long-term prepaid expenses	3,438	3,353
Deferred tax assets	39,608	35,304
Other	12,596	12,375
Allowance for doubtful accounts	(519)	(815)
Total investments and other assets	73,654	72,411
Total noncurrent assets	413,138	376,544
Total assets	918,058	865,797

	March 31, 2009	[Millions of yen] March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	87,105	83,118
Short-term loans payable	64,980	58,231
Current portion of long-term loans payable	12,102	27,501
Current portion of bonds	30,066	―
Accounts payable-other	36,443	30,536
Accrued expenses	27,770	24,882
Income taxes payable	2,534	2,488
Provision for bonuses	11,736	11,173
Provision for directors' bonuses	85	149
Provision for product warranties	2,496	1,869
Provision for loss on business liquidation	7,268	4,714
Notes payable-facilities	2,444	562
Other	25,853	22,086
Total current liabilities	310,889	267,313
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	83,259	71,625
Deferred tax liabilities for land revaluation	3,889	3,733
Provision for retirement benefits	57,962	54,245
Provision for directors' retirement benefits	534	450
Other	7,238	7,654
Total noncurrent liabilities	192,884	177,708
Total liabilities	503,773	445,022
Net assets		
Shareholders' equity		
Capital stock	37,519	37,519
Capital surplus	204,140	204,140
Retained earnings	185,453	193,790
Treasury stock	(1,662)	(1,743)
Total shareholders' equity	425,451	433,707
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(513)	741
Deferred gains or losses on hedges	198	33
Foreign currency translation adjustment	(11,755)	(14,947)
Total valuation and translation adjustments	(12,070)	(14,172)
Subscription rights to shares	460	617
Minority interests	444	622
Total net assets	414,284	420,775
Total liabilities and net assets	918,058	865,797

(2) Consolidated Statements of Income

Fiscal years ended March 31, 2009 and 2010

[Millions of yen]

	March 31	
	2009	2010
Consolidated statements of income		
Net sales	947,843	804,465
Cost of sales	520,206	439,978
Gross profit	427,637	364,486
Selling, general and administrative expenses	371,376	320,498
Operating income	56,260	43,988
Non-operating income		
Interest income	1,655	1,749
Dividends income	520	358
Equity in earnings of affiliates	—	81
Other	5,748	5,654
Total non-operating income	7,925	7,843
Non-operating expenses		
Interest expenses	4,866	3,808
Equity in losses of affiliates	99	—
Foreign exchange losses	7,272	1,124
Other	6,544	6,079
Total non-operating expenses	18,782	11,013
Ordinary income	45,403	40,818
Extraordinary income		
Gain on sales of noncurrent assets	249	853
Gain on sales of investment securities	6	699
Gain on sales of subsidiaries and affiliates' stocks	2,803	—
Licence related income	560	257
Gain on transfer of business	3,063	—
Reversal of provision for loss on business liquidation	932	1,025
Other extraordinary income of foreign subsidiaries	—	757
Other	458	—
Total extraordinary income	8,073	3,593
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,115	2,833
Loss on sales of investment securities	0	351
Loss on valuation of investment securities	3,826	499
Impairment loss	1,168	2,561
Business structure improvement expenses	10,094	2,084
Loss on revision of retirement benefit plan	2,046	—
Total extraordinary losses	20,252	8,329
Income before income taxes and minority interests	33,224	36,082
Income taxes-current	13,183	9,306
Income taxes-deferred	4,857	9,806
Total income taxes	18,040	19,113
Minority interests in income	5	37
Net income	15,179	16,931

(3) Consolidated Statements of Changes in Net Assets

Fiscal years ended March 31, 2009 and 2010

[Millions of yen]

	March 31	
	2009	2010
Consolidated statements of changes in net assets		
Shareholders' equity		
Capital stock		
Balance at the end of previous period	37,519	37,519
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	37,519	37,519
Capital surplus		
Balance at the end of previous period	204,140	204,140
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	204,140	204,140
Retained earnings		
Balance at the end of previous period	176,684	185,453
Effect of changes in accounting policies applied to foreign	5,210	—
Changes of items during the period		
Dividends from surplus	(9,283)	(9,280)
Net income	15,179	16,931
Change of scope of consolidation	96	—
Disposal of treasury stock	(117)	(11)
Amortization of net retirement benefit obligation in foreign	(2,316)	697
Total changes of items during the period	3,558	8,337
Balance at the end of current period	185,453	193,790
Treasury stock		
Balance at the end of previous period	(1,340)	(1,662)
Changes of items during the period		
Purchase of treasury stock	(665)	(106)
Disposal of treasury stock	343	25
Total changes of items during the period	(321)	(81)
Balance at the end of current period	(1,662)	(1,743)
Total shareholders' equity		
Balance at the end of previous period	417,003	425,451
Effect of changes in accounting policies applied to foreign	5,210	—
Changes of items during the period		
Dividends from surplus	(9,283)	(9,280)
Net income	15,179	16,931
Change of scope of consolidation	96	—
Purchase of treasury stock	(665)	(106)
Disposal of treasury stock	226	14
Amortization of net retirement benefit obligation in foreign	(2,316)	697
Total changes of items during the period	3,236	8,256
Balance at the end of current period	425,451	433,707

[Millions of yen]

	March 31	
	2009	2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,913	(513)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,426)	1,255
Total changes of items during the period	(3,426)	1,255
Balance at the end of current period	(513)	741
Deferred gains or losses on hedges		
Balance at the end of previous period	(319)	198
Changes of items during the period		
Net changes of items other than shareholders' equity	517	(164)
Total changes of items during the period	517	(164)
Balance at the end of current period	198	33
Foreign currency translation adjustment		
Balance at the end of previous period	(2,431)	(11,755)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9,323)	(3,192)
Total changes of items during the period	(9,323)	(3,192)
Balance at the end of current period	(11,755)	(14,947)
Total valuation and translation adjustments		
Balance at the end of previous period	162	(12,070)
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,232)	(2,101)
Total changes of items during the period	(12,232)	(2,101)
Balance at the end of current period	(12,070)	(14,172)
Subscription rights to shares		
Balance at the end of previous period	286	460
Changes of items during the period		
Net changes of items other than shareholders' equity	174	157
Total changes of items during the period	174	157
Balance at the end of current period	460	617
Minority interests		
Balance at the end of previous period	858	444
Changes of items during the period		
Net changes of items other than shareholders' equity	(414)	178
Total changes of items during the period	(414)	178
Balance at the end of current period	444	622

[Millions of yen]

	March 31	
	2009	2010
Total net assets		
Balance at the end of previous period	418,310	414,284
Effect of changes in accounting policies applied to foreign	5,210	―
Changes of items during the period		
Dividends from surplus	(9,283)	(9,280)
Net income	15,179	16,931
Change of scope of consolidation	96	―
Purchase of treasury stock	(665)	(106)
Disposal of treasury stock	226	14
Amortization of net retirement benefit obligation in foreign	(2,316)	697
Net changes of items other than shareholders' equity	(12,473)	(1,766)
Total changes of items during the period	(9,236)	6,490
Balance at the end of current period	414,284	420,775

(4) Consolidated Statements of Cash Flow

Fiscal years ended March 31, 2009 and 2010

[Millions of yen]

	March 31	
	2009	2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	33,224	36,082
Depreciation and amortization	70,179	61,174
Impairment loss	1,168	2,561
Amortization of goodwill	8,909	9,233
Interest and dividends income	(2,176)	(2,107)
Interest expenses	4,866	3,808
Loss (gain) on sales and retirement of noncurrent assets	2,866	1,980
Loss (gain) on sales and valuation of investment securities	3,820	150
Loss (gain) on sales and valuation of subsidiaries/affiliates' stocks	(2,803)	—
Loss (gain) on transfer of business	(3,063)	—
Increase (decrease) in provision for bonuses	(3,290)	(544)
Increase (decrease) in provision for retirement benefits	5,708	(2,926)
Increase (decrease) in provision for loss on business liquidation	(4,459)	(2,553)
Decrease (increase) in notes and accounts receivable-trade	50,596	(10,718)
Decrease (increase) in inventories	(3,550)	28,688
Increase (decrease) in notes and accounts payable-trade	(10,372)	(451)
Transfer of assets for rent	(7,419)	(7,707)
Decrease (increase) in accounts receivable-other	4,545	1,900
Increase (decrease) in accounts payable-other and accrued expenses	(12,821)	(6,554)
Decrease/increase in consumption taxes receivable/payable	952	3,646
Other, net	8,058	889
Subtotal	144,939	116,551
Interest and dividends income received	2,000	2,271
Interest expenses paid	(4,594)	(3,874)
Payments for extra retirement payments	(105)	—
Income taxes (paid) refund	(34,676)	(1,572)
Net cash provided by (used in) operating activities	107,563	113,377

[Millions of yen]

	March 31	
	2009	2010
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(61,645)	(33,687)
Proceeds from sales of property, plant and equipment	1,767	1,663
Purchase of intangible assets	(7,774)	(5,837)
Proceeds from transfer of business	4,585	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3,177	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(27,987)	—
Payments of loans receivable	(286)	(296)
Collection of loans receivable	216	254
Purchase of investment securities	(990)	(2,927)
Proceeds from sales of investment securities	18	1,197
Payments of valuation of other investments	(1,440)	(1,207)
Other, net	191	383
Net cash provided by (used in) investing activities	(90,169)	(40,457)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(16,504)	(6,266)
Proceeds from long-term loans payable	44,817	16,005
Repayment of long-term loans payable	(6,364)	(12,237)
Redemption of bonds	(5,000)	(30,000)
Repayments of lease obligations	(1,993)	(1,938)
Proceeds from sales of treasury stock	218	14
Purchase of treasury stock	(665)	(109)
Cash dividends paid	(9,279)	(9,271)
Cash dividends paid to minority shareholders	(268)	—
Net cash provided by (used in) financing activities	4,959	(43,803)
Effect of exchange rate change on cash and cash equivalents	(11,311)	1,302
Net increase (decrease) in cash and cash equivalents	11,041	30,418
Cash and cash equivalents at beginning of period	122,187	133,727
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	498	—
Cash and cash equivalents at end of period	133,727	164,146

5. Note on the premise of going concern

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

6. Basis of presenting consolidated financial statements

[1] Scope of consolidation

(1) Number of consolidated subsidiaries: 96

Principal consolidated subsidiaries:

Konica Minolta Business Technologies, Inc.
Konica Minolta Opto, Inc.
Konica Minolta Medical & Graphic, Inc.
Konica Minolta Sensing, Inc.
Konica Minolta Photo Imaging, Inc.
Konica Minolta Techonology Center, Inc.
Konica Minolta Business Expert, Inc.
Konica Minolta IJ Technologies, Inc.
Konica Minolta Business Solutions Japan Co., Ltd.
Konica Minolta Health Care Co., Ltd.
Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Minolta Business Solutions Europe GmbH
Konica Minolta Business Solutions U.S.A., Inc.
Konica Minolta Business Technologies Manufacturing (HK) Ltd.

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

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

Unconsolidated subsidiaries have not been included in consolidation because they are relatively small and their assets, sales, net income, and retained earnings (in proportion to scale of equity ownership) do not have no material influence on consolidated financial statement.

[2] Scope of the use of equity accounting

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

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

[3] Changes regarding consolidated subsidiaries during the fiscal year under review

Some consolidated subsidiaries have fiscal years ending on December 31, and consolidated financial statements are prepared using the financial statements of those companies as of that fiscal year-end date. Adjustments are made to consolidated accounts to account for important transactions involving those companies that occur between the end of those companies' fiscal year-end date and the end of the consolidated fiscal year.

(Consolidated Subsidiaries with Fiscal Years Ending on December 31)

Konica Minolta Business Solutions (Shenzhen) Co., Ltd.
Konica Minolta Medical & Graphic (SHANHAI) Co., Ltd.
Konica Minolta Business Solutions do Brazil Ltda.
Konica Minolta Business Solutions de Mexico SA de CV.
Konica Minolta Medical Systems Russia
Konica Minolta Business Solutions Romania s.r.l.
Konica Minolta Business Solutions Russia LLC

[4] Accounting standards and methods

(1) Asset valuation

1. Securities

Bonds held to maturity:

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

Other securities:

Securities with fair market value are stated using the mark-to-market method based on the market price at the balance sheet date. (Total net unrealized gains or losses after tax effect adjustments are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market values are primarily stated at cost using the moving value average.

2. Derivatives

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

3. Inventories

Domestic consolidated subsidiaries' inventories are, in the main, recorded at cost as determined by the periodic-average method (method of reducing book value when the contribution of inventories to profitability declines). Overseas consolidated subsidiaries' inventories are, in the main, recorded at the lower of cost or market value, with cost determined by the first-in, first-out method.

(2) Amortization method for important depreciable assets

1. Tangible fixed assets (excluding lease assets)

The depreciable assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. Overseas consolidated subsidiaries adopt the straight-line method. However, the Company and its domestic consolidated subsidiaries have used the straight-line method for their buildings (excluding annexed structures) acquired since April 1, 1998.

2. Intangible fixed assets

We have adopted the straight-line method based on an estimated in-house working life of five years for the software we use.

3. Lease Assets

Lease assets arising from finance lease transactions that do not transfer of ownership
Depreciation is computed using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero. Finance lease transactions not involving transfer of ownership commencing on or before March 31, 2008 are accounted for based on methods applicable to ordinary rental transactions.

(3) Standards for key allowances

1. Allowance for doubtful accounts

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.

2. Allowance for bonuses

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

3. Allowance for director's bonus

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

4. Allowance for product warranty

The provisioning of free after-sales service for products is recorded based on past after-sales service expenses as a percentage of net sales.

5. Allowance for loss on withdrawal from operation

To provide for losses when the Company exits a business, provisions to this reserve are made in the amount of the estimated losses.

6. Reserve for retirement benefits and pension plans

In order to provide employee retirement benefits, the Company records an amount based on projected benefit obligations and pension assets at the end of the consolidated fiscal year under review. Prior service cost is being amortized as incurred by the straight-line method over certain periods (principally 10 years) which are shorter than the average remaining years of service of the employees at the time when the service cost is generated. Actuarial gains and losses are being amortized in the fiscal year following the fiscal year in which the gains or losses are recognized, by the straight line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees at the time when they are generated.

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

7. Reserve for directors' retirement benefits

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

(4) Principal accounting methods for hedge transactions

1. Hedge accounting methods

The deferred hedge method is used. Special accounting methods are used for interest rate swaps.

2. Hedge methods and hedge targets

The hedge methods are forward exchange contracts, and interest rate swaps that meet certain conditions. The hedge targets are scheduled foreign currency denominated transactions, corporate bonds, and borrowings.

3. Hedge policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts as hedging instruments only, not for trading purpose to make profits, within the limit of actual foreign transactions to reduce risk arising from future fluctuations of foreign exchange rates.

In addition, the Company and consolidated subsidiaries enter into interest rate swaps to make interest rates on bonds and borrowings stable or reduce costs fluctuations for future capital procurement, both as hedging instruments only, not for speculation purpose, within the limit of actual financial or operating transactions.

4. Methods for evaluating the effectiveness of hedges

Verification is made to ascertain a high correlation between value fluctuations of cash flows and hedging instruments.

(5) Other important items regarding the preparation of consolidated financial statements

1. Consumption tax

The tax-exclusion method is used to account for consumption taxes. In addition, asset-related consumption tax that cannot be excluded is accounted for as deferred consumption taxes, etc., in the long-term prepaid expenses item and amortized over a five-year period by the straight-line method.

2. Consolidated tax payment system

The consolidated tax payment system is applied.

[5] Valuation of consolidated subsidiary's assets and liabilities

The market value method is used to value the assets and liabilities of consolidated subsidiaries.

[6] Amortization of consolidation goodwill and negative goodwill

Amortization of goodwill is carried out separately for each goodwill item over a rational time period of 20 years or less.

[7] Range of cash within consolidated cash flow statements

Cash (cash and cash equivalents) in the consolidated cash flow statements comprises cash on hand and short-term investments that are due for redemption in three months or less and that are easily converted into cash with little risk to a change in value.

7. Important notes in the basis of presenting consolidated financial statements

[Consolidated balance sheets items]

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

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

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

Investment securities (stocks)	2,816 million yen

4. Breakdown of inventories

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

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

[Consolidated statements of income items]

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

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

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

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

4. Reversal of allowance for loss on withdrawal from operations represents the net value of the portion of losses accompanying the decision to withdraw from Photo Imaging Business that were covered by the drawing down of the allowance for the loss on withdrawal from operations during the previous fiscal year and the value of such losses in the fiscal year under review. The value of these figures is as follows:

   Drawing down of the allowance for loss on withdrawal from operations in the previous fiscal year:
   ¥1,327 million
   Loss on withdrawal from operations in the fiscal year under review:
   ¥301 million

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

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

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

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

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

Segment information

(1) Business segment

Fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)

[Millions of yen]

	Business Technologies	Optics	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
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	1,104,899	(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, depreciation, and capital expenditure								
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. Business classification is based on similarity of product type and market. The Group's operations are classified into the five segments of Business Technologies, Optics, Medical and Graphic Imaging, Sensing, and other businesses.

2. Principal products in each business segment

Business Segment	Principal Products
Business Technologies	MFPs, printers, etc.
Optics	Optical devices, electronics materials, etc.
Medical and Graphic Imaging	Medical products, graphic imaging products, etc.
Sensing	Industrial-use and medical-use measuring instruments, etc
Other businesses	Products other than the above

3. Operating expenses not allocated but included in Elimination/corporate under review amounted to ¥31,297 million are principally R&D expenses incurred by the Company and expenses associated with head office functions.

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

5. Accounting changes

(1) Application of " Accounting Standards for Measurement of Inventories"

Beginning with the fiscal year under review, " Accounting Standards for Measurement of Inventories" (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) has been applied to domestic consolidated subsidiaries, and the main method of measurement of inventories was changed from the cost method determined by the periodic-average method to the cost method (method of reducing book value when the contribution of inventories to profitability declines), where cost is determined by the periodic-average method. As a result, compared with the previous method, the introduction of the new method had the effect of increasing operating expenses for each business segment as follows: for the Business Technologies business, ¥1,191 million; Optics business, ¥1,680 million; Medical and Graphic business, ¥668 million; Sensing business, ¥39 million, and other businesses, ¥64 million. Operating incomes for these businesses reduced by the respective amounts.

(2) Recording of Loss on Disposal of Inventories

With the application of the "Accounting Standards for Measurement of Inventories" (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) to domestic consolidated subsidiaries beginning with the fiscal year under review, the Group reviewed its accounting principles, and, effective the fiscal year under review, loss on disposal of inventories is recorded under cost of sales. Consequently, certain overseas consolidated subsidiaries which recorded these expenses under non-operating expenses changed to the method of recording these expenses under cost of sales. As a result, compared with the previous method, the introduction of the new method had the effect of increasing the operating expenses for each business segment as follows: for the Business Technologies business, ¥2,092 million; Optics business, ¥294 million; Medical and Graphic business, ¥185 million; Sensing business, ¥17 million, and other businesses, ¥16 million. Operating incomes for these businesses reduced by the respective amounts.

6. Change in Method for Calculation of Depreciation of Tangible Fixed Assets
The Company and its domestic consolidated subsidiaries, in response to fiscal year March 2009 corporate income tax law revisions, with respect to mechanical device, have shifted to the use of the post-revision method of amortizing assets over the applicable useful lifetimes of those assets beginning with the fiscal year under review. As a result, compared with the method used in the previous fiscal year, the introduction of the new method had the effect of increasing the operating expenses of the consolidated fiscal year under review for each business segment as follows: for the Business Technologies business, ¥379 million; Optics business ¥6,145 million; Medical and Graphic business, ¥54 million; Sensing business, ¥1 million, and other businesses, ¥5 million. Operating incomes for these businesses reduced by the respective amounts.

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

[Millions of yen]

	Business Technologies	Optics	Medical and Graphic	Sensing	Other	Total	Elimination & corporate	Consoli-dation
Sales								
External	540,809	136,745	104,350	6,921	15,639	804,465	-	804,465
Intersegment	3,681	924	1,569	970	46,493	53,640	(53,640)	-
Total	544,490	137,670	105,920	7,892	62,132	858,105	(53,640)	804,465
Operating expenses	505,526	123,279	104,450	7,899	58,350	799,507	(39,030)	760,477
Operating income (loss)	38,963	14,390	1,469	(6)	3,781	58,598	(14,610)	43,988
Assets, depreciation, and capital expenditure								
Assets	402,012	139,051	46,668	7,474	55,679	680,886	184,910	865,797
Depreciation	30,973	18,799	4,214	281	2,185	56,453	4,720	61,174
Impairment losses	168	1,050	1,338	-	3	2,561	-	2,561
Capital expenditure	18,190	13,599	1,782	165	1,485	35,223	1,710	36,933

Notes:

1. Business classification is based on similarity of product type and market. The Group's operations are classified into the five segments of Business Technologies, Optics, Medical and Graphic Imaging, Sensing, and other businesses.

2. Principal products in each business segment

Business Segment	Principal Products
Business Technologies	MFPs, printers, etc.
Optics	Optical devices, electronics materials, etc.
Medical and Graphic Imaging	Medical products, graphic imaging products, etc.
Sensing	Industrial-use and medical-use measuring instruments, etc
Other businesses	Products other than the above

3. Operating expenses not allocated but included in Elimination/corporate under review amounted to ¥29,396 million are principally R&D expenses incurred by the Company and expenses associated with head office functions.

4. Included within the Elimination & Corporate figure for assets are ¥232,694 million in corporate assets, which primarily include the holding company's surplus operating funds (cash and marketable securities) and long-term investment funds (investment securities) as well as other assets held by the holding company.

(2) Information by geographical area

Fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, others	Total	Elimination & corporation	Consolidation
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
Total assets	618,121	123,255	133,427	86,430	961,235	(43,176)	918,058

Notes:

1. Countries and territories are classified based on geographical proximity.

2. Principal countries in the above areas, excluding Japan, are as follows:
   (1) North America: United States, and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore

3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. This amount was ¥ 31,297 million.

4. Included within the Elimination & corporate figure for assets are ¥202,373 million in corporate assets, which primarily include the holding company's surplus operating funds (cash and marketable securities) and long-term investment funds (investment securities) as well as other assets held by the holding company, etc.

5. Accounting Changes

(1) Application of " Accounting Standards for Measurement of Inventories"
Beginning with the fiscal year under review, " Accounting Standards for Measurement of Inventories" (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) has been applied to domestic consolidated subsidiaries, and the main standard and method of measurement of inventories was changed from the cost method determined by the periodic-average method to the cost method (method of reducing book value when the contribution of inventories to profitability declines), where cost is determined by the periodic-average method. As a result, compared with the previous method, the introduction of the new method had the effect of increasing operating expenses for Japan by ¥3,644 million. Operating income for Japan reduced by the same amount.

(2) Recording of Loss on Disposal of Inventories
With the application of the "Accounting Standards for Measurement of Inventories" (No.9, issued by The Accounting Standards Board of Japan (ASBJ) on July 5, 2006) to domestic consolidated subsidiaries beginning with the fiscal year under review, the Group reviewed its accounting principles, and, loss on disposal of inventories is recorded under cost of sales. Consequently, certain overseas consolidated subsidiaries which recorded these expenses under non-operating expenses changed to the method of recording these expenses under cost of sales. As a result, compared with the previous method, the introduction of the new method had the effect of increasing operating expenses for each geographical segment as follows: for North America, ¥995 million; for Europe, ¥1,140 million, and for Asia, Others, ¥470 million. Operating incomes for these geographical segments reduced by the same amounts.

6. Change in Method for Calculation of Depreciation of Tangible Fixed Assets
The Company and its domestic consolidated subsidiaries, in response to fiscal year March 2009 corporate income tax legislative revisions, with respect to mechanical device, have shifted to the use of the post-revision method of amortizing assets over the applicable useful lifetimes of those assets beginning with the fiscal year under review. As a result, compared with the method used in the previous fiscal year, the introduction of the new method had the effect of increasing the operating expenses for Japan by ¥6,587 million. Operating income for Japan reduced by the same amount.

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

[Millions of yen]

	Japan	North America	Europe	Asia excluding Japan, others	Total	Elimination & corporation	Consolidation
Sales							
External	373,172	171,946	209,345	50,000	804,465	-	804,465
Intersegment	215,647	2,115	1,513	157,068	376,344	(376,344)	-
Total	588,820	174,061	210,859	207,068	1,180,809	(376,344)	804,465
Operating expenses	552,599	174,704	202,820	196,555	1,126,679	(366,202)	760,477
Operating income (loss)	36,220	(642)	8,038	10,513	54,129	(10,141)	43,988
Total assets	571,861	100,195	121,276	96,076	889,409	(23,611)	865,797

Notes:

1. Countries and territories are classified based on geographical proximity.

2. Principal countries in the above areas, excluding Japan, are as follows:
   (1) North America: United States, and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore

3. Operating expenses not able to be properly allocated that are included in Elimination & corporate are principally R&D expenses incurred by the Company and expenses associated with head office functions. This amount was ¥ 29,396 million.

4. Included within the Elimination & corporate figure for assets are ¥232,694 million in corporate assets, which primarily include the holding company's surplus operating funds (cash and marketable securities) and long-term investment funds (investment securities) as well as other assets held by the holding company, etc.

(3) Overseas sales

Fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009)

[Millions of yen]

	North America	Europe	Asia excluding Japan and Others	Total
Overseas sales	217,024	271,797	202,074	690,896
Consolidated sales	-	-	-	947,843
Overseas sales as a percentage of consolidated sales	22.9%	28.7%	21.3%	72.9%

Notes:
1. Countries and territories are classified based on geographical proximity.

2. Principal countries in the above areas, excluding Japan, are as follows:
   (1) North America: United States and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore

3. Overseas sales are the Company and consolidated subsidiary sales in countries or regions outside of Japan.

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

[Millions of yen]

	North America	Europe	Asia excluding Japan and Others	Total
Overseas sales	174,923	233,244	166,842	575,010
Consolidated sales	-	-	-	804,465
Overseas sales as a percentage of consolidated sales	21.8%	29.0%	20.7%	71.5%

Notes:
1. Countries and territories are classified based on geographical proximity.

2. Principal countries in the above areas, excluding Japan, are as follows:
   (1) North America: United States and Canada
   (2) Europe: Germany, France, and United Kingdom
   (3) Asia excluding Japan, Others: Australia, China, and Singapore

3. Overseas sales are the Company and consolidated subsidiary sales in countries or regions outside of Japan.

Tax-effect accounting

(1) Deferred tax assets and deferred tax liabilities

[Millions of yen]

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

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

[%]

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

Financial instruments

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

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

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

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

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

2. Matters relating to fair values, etc. of financial instruments
   The consolidated balance sheet amount, the fair value and the difference between the two on March 31, 2010 (the closing date of the consolidated fiscal year under review) are as follows.

[Millions of yen]

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

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

(Note 1)
Methods of calculating the fair value of financial instruments and matters relating to derivatives transactions

(1) Cash and deposits and
(2) Notes and accounts receivable-trade
    As they are settled in a short period and their market values are nearly identical to their book values, the book values are used.

(3) Securities and investment securities
    For the fair values of securities and investment securities, the prices on the relevant exchanges are used.
    (i) As held-to-maturity securities are entirely school bonds and the creditworthiness of the issuers has not changed materially from the time of acquisition, their book values are used.

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

(4) Notes and accounts payable-trade and,
(5) Short-term loans payable

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

(6) Long-term loans payable

For the fair values of long-term loans payable at fixed interest rates, the total amount of the principal and interest is discounted using a rate that is assumed to be applied when a similar loan is newly borrowed.

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

(7) Derivatives transactions

(i) Those which the hedge accounting does not apply to

The contract amount or the amount equivalent to the principal set forth in the contract for each type of hedged item in derivatives transactions on the consolidated closing date, the market value and valuation gains or losses, and the method of calculating fair value are as follows:

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

[Millions of yen]

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

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

[Millions of yen]

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

(ii) Those which the hedge accounting applies to

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

[Millions of yen]

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

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

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

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

[Millions of yen]

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

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

[Millions of yen]

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

Additional information

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

Securities

Fiscal year ended March 31, 2009

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

[Millions of yen]

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

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

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

[Millions of yen]

	Sales amount	Total profit	Total loss
Other securities	15	6	0

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

[Millions of yen]

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

Fiscal year ended March 31, 2010

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

[Millions of yen]

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

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

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

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

[Millions of yen]

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

(3) Securities for which impairment losses are recorded

During the fiscal year under review, the Company processed impairment losses of ¥499 million for securities.
For securities with quoted market values, if the market value has declined by more than 50% compared with the acquisition cost at term end, or if the market value has declined by more than 30% but not more than 50% compared with the acquisition cost at the term end for two years in succession and has declined more than in the preceding year, the Company processes the impairment loss, taking into account recoverability and other factors, assuming that the market value has “markedly declined.”
For securities without quoted market values, if the effective value has fallen by more than 50% compared with the acquisition cost, the Company processes the impairment loss, assuming that the market value has “markedly declined.”

Retirement Benefit Plan

(1) Outline of the retirement benefit system

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

(2) Items related to retirement benefit liabilities

[Millions of yen]

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

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

(3) Items related to retirement benefit costs

[Millions of yen]

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

(*):

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

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

[Millions of yen]

	April 1, 2008 – March 31, 2009	April 1, 2009– March 31, 2010
a. Method of attributing the retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
b. Discount rate	Mainly 2.5%	Mainly 2.5%
c. Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
d. Period for amortization of unrecognized prior service cost	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.)	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining years of service of employees when liabilities are accrued.)
e. Period for amortization of unrecognized actuarial differences	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining service period starting the year after actuarial loss or gain are recognized.)	Mainly 10 years (Amortization is made over a certain period, using the straight-line method within the average remaining service period starting the year after actuarial loss or gain are recognized.)

Per Share Information

[yen]

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

Notes: Bases of calculations

1. Net assets per share

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

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

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

Important Subsequent Events

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

Omission of Disclosure

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