KONICA MINOLTA

The essentials of imaging

KONICA MINOLTA HOLDINGS, INC.

ANNUAL REPORT 2007

Profile

In August 2003, Konica Corporation and Minolta Co., Ltd. integrated their respective managements and established a holding company, Konica Minolta Holdings, Inc. The new company represents an organic union of the revolutionary technologies long accumulated by the two companies, centering on a comprehensive imaging business—from input to output. Moreover, the Konica Minolta Group is pursuing growth by leveraging collective Group resources in the two major business domains of equipment and services, and components. The Group has annual sales of more than ¥1 trillion, conducts business operations in approximately 40 nations worldwide and has approximately 30,000 employees. Based on an underlying management principle of "New Value Creation" and driven by the corporate message of "the essentials of imaging", Konica Minolta aims to provide inspired creativity in the field of imaging by becoming an innovative, technologically sophisticated, reliable and market-leading global company that is able to enhance corporate value and respond to the expectations of its stakeholders through corporate creativity.

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

Consolidated Financial Highlights

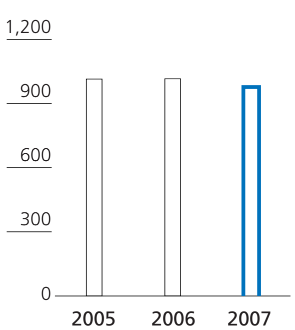
Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
For the Year:			
Net sales	¥1,027,631	¥1,068,390	$8,705,040
* Operating income	104,007	83,416	881,033
Net income (loss)	72,542	(54,306)	614,502
Capital expenditure	64,000	67,571	542,143
R&D expenditures	72,142	67,178	611,114
At Year-End:			
Total assets	¥ 951,052	¥ 944,054	$8,056,349
Total net assets	368,624	296,571	3,122,609
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock:			
Net income—primary	¥136.67	¥(102.29)	$1.16
Net assets	692.39	553.50	5.87
Cash dividends	10	—	0.08
	Percent		
Financial Ratios:			
Equity ratio	38.6%	31.1%	
Return on assets	11.2	9.0	
Return on equity	21.9	(17.1)	

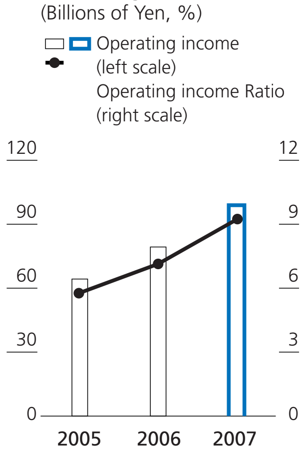
Notes: 1. U.S. dollar amounts above and elsewhere in this report for the Company are translated from yen, for convenience only, at the rate of ¥118.05=US$1, the approximate exchange rate prevailing at March 31, 2007.
2. Equity ratio = (Net assets − Minority interests) ÷ (Total Liabilities, minority interests and net assets) × 100 (%)
Return on assets = (Operating income + Interest and dividend income) ÷ Average total assets × 100 (%)
Return on equity = Net income ÷ Average (Net assets − Minority interests) × 100 (%)

*Supported by favorable growth in the main Business Technologies and Optics segments, operating income increased 24.7% year-on-year and the operating income to total sales ratio improved 2.3 percentage points to 10.1% as operating income recorded a new historical high.

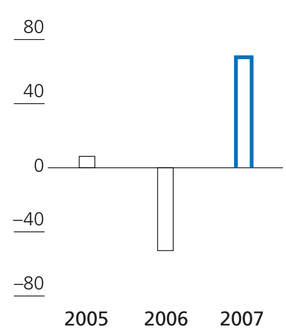
Net Sales
(Billions of Yen)



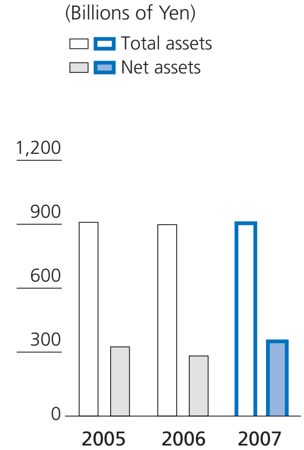
Operating Income and Operating Income Ratio
(Billions of Yen, %)

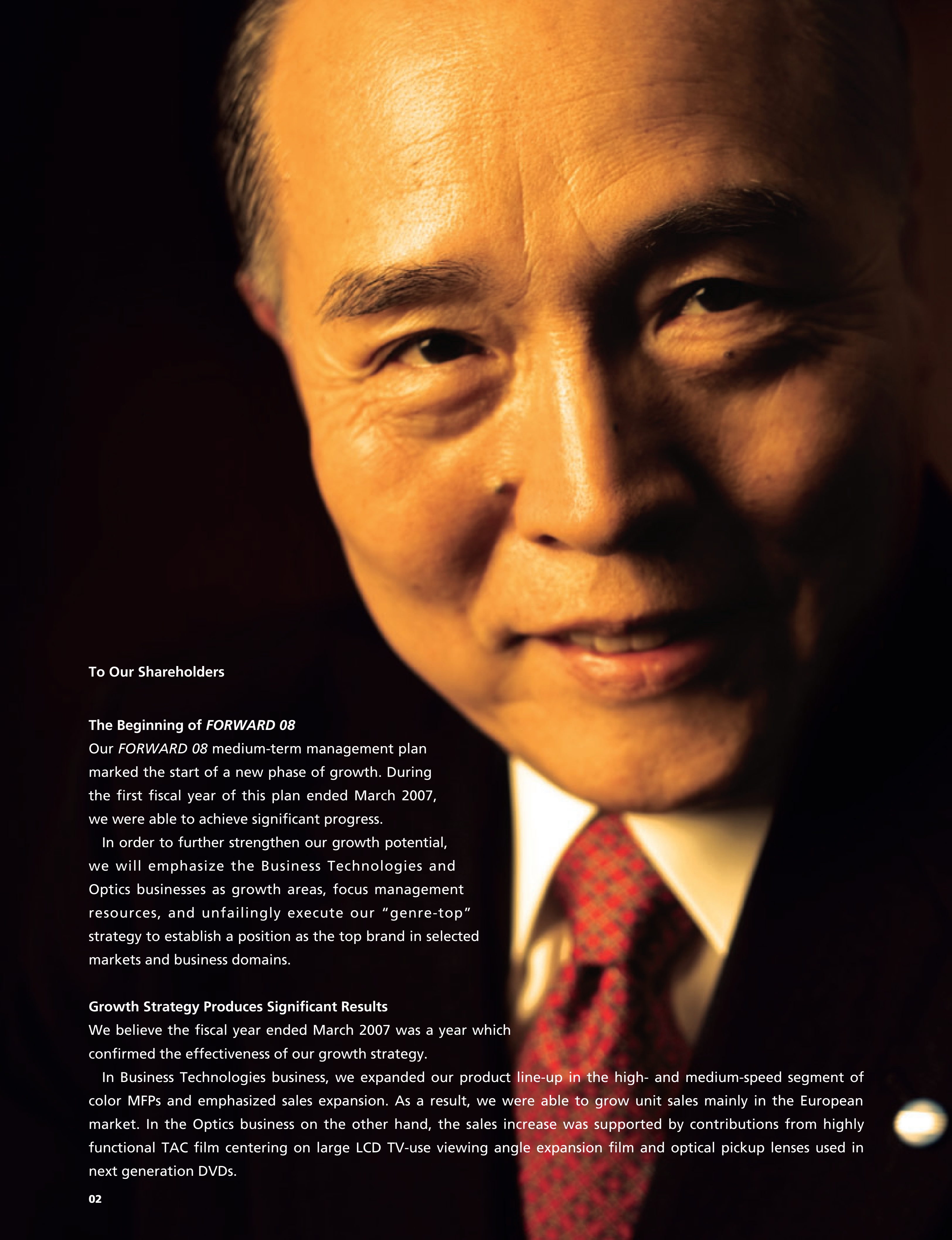


Net Income (Loss)
(Billions of Yen)



Total Assets and Net Assets
(Billions of Yen)





To Our Shareholders

The Beginning of *FORWARD 08*

Our *FORWARD 08* medium-term management plan marked the start of a new phase of growth. During the first fiscal year of this plan ended March 2007, we were able to achieve significant progress.

In order to further strengthen our growth potential, we will emphasize the Business Technologies and Optics businesses as growth areas, focus management resources, and unfailingly execute our "genre-top" strategy to establish a position as the top brand in selected markets and business domains.

Growth Strategy Produces Significant Results

We believe the fiscal year ended March 2007 was a year which confirmed the effectiveness of our growth strategy.

In Business Technologies business, we expanded our product line-up in the high- and medium-speed segment of color MFPs and emphasized sales expansion. As a result, we were able to grow unit sales mainly in the European market. In the Optics business on the other hand, the sales increase was supported by contributions from highly functional TAC film centering on large LCD TV-use viewing angle expansion film and optical pickup lenses used in next generation DVDs.

"FORWARD 08" – Basic Concept

Further increase the added value in operations and maximize corporate value through the Group's growth.

Promote growth by leveraging collective Group resources

- Build a new corporate value
- Promote world-class corporate social responsibility (CSR) management

Growth strategies

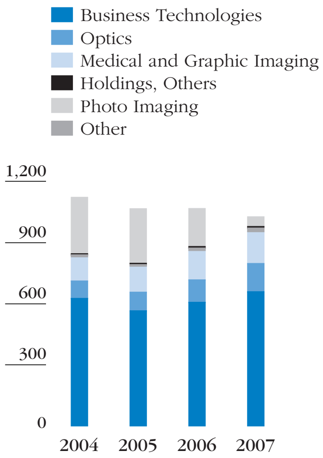
- Further strengthen and advance operations in current core businesses
- Expand the scope of operations into the fields adjacent to current core businesses
- Nurture new businesses

Corporate structure reinforcement

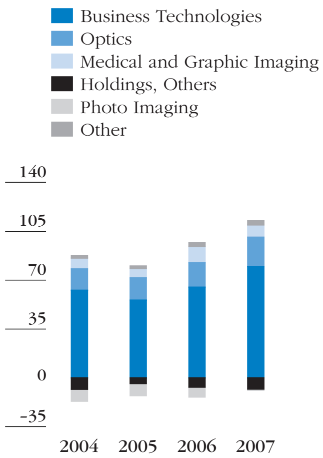
- Strengthen the base of business capabilities
- Establish a strong financial structure
- Strengthen human resources and rebuild the corporate image

FORWARD 08 Overview

Net Sales
(Billions of Yen)



Operating Income (Loss)
(Billions of Yen)



The *FORWARD 08* three-year medium-term management plan was launched in April 2006, and aims to create and grow new value-added in the Group's businesses as well as maximize Group growth and corporate value. In order to achieve this, the fundamental policies of the plan are to (1) promote growth by leveraging collective Group resources, (2) build a new corporate image, and (3) promote world-class CSR management.

In addition, the consolidated performance targets for the fiscal year ending March 2009, which is the final year of the plan, are as follows.

- Consolidated net sales: ¥1,100 billion
- Operating income: ¥110 billion (operating income margin: 10%)
- Net income: ¥57 billion

In order to strengthen growth potential, the Group believes it is important to pursue synergies between businesses that go beyond current boundaries in seeking to create and grow new value-added in the Group's businesses. The Group intends to accelerate growth through the two drive wheels of "equipment and services businesses" consisting of multi-function peripherals (MFPs) and laser printers (LBPs), digital printing equipment and medical equipment, and "components businesses", consisting of optical components and display materials. In addition to placing special emphasis on Business Technologies and Optics as growth areas, the Group plans to steadfastly execute its "genre-top" strategy in establishing itself as the top brand in specific markets and domains.

The Group's growth strategy aims to strengthen core businesses while at the same time expanding its domain in peripheral business areas through the development of its existing business base and technology resources, and further, to nurture future businesses centering on core technologies.

Moreover, the Group seeks to strengthen the constitution of the Group as a whole by enhancing its business and financial base in addition to improving its personnel resources and rebuilding its corporate image.

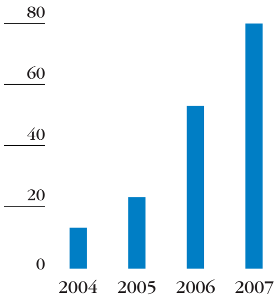
In order to achieve sustainable improvement in corporate and shareholder value, it is essential that a company be trusted by society. In this regard, the Group is committed to strengthening global development not only in economic terms, but also from the standpoint of society and the environment, and to fulfilling its corporate social responsibility (CSR) as a corporation in strengthening Group internal controls including compliance, and in seeking highly transparent management.

Strategies by Segment

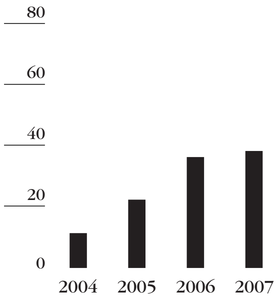
Business Technologies

Color MFP Unit Shipments
(Thousand units)

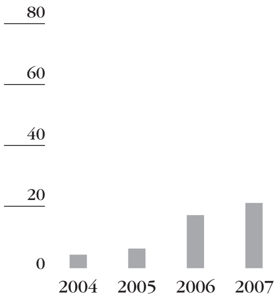
Europe



North America



Japan



For general office-use MFPs, the emphasis is on expanding the *bizhub* series product line-up and sales in the high- and medium-speed segment of color MFP, and on maintaining the leading market share in segment 2 and above (MFPs that can output over 21 pages per minute) of the color MFP market, leveraging the industry's largest production scale for polymerized toner, color management technologies, high quality print images, high cost performance and other strengths to differentiate our products.

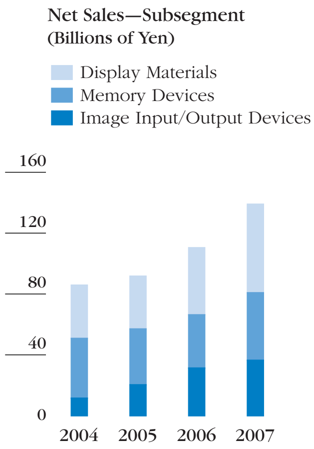
In the production printing market, the Group continues to enhance its product offerings in the digital printing area, and strengthen its lineup of high speed MFP *bizhub PRO* series products.

Moreover, as office environs are rapidly being networked, we are emphasizing color MFP applications, and by seeking full-scale compatibility with open API and applications, are providing total network solutions. We are also leveraging Konica Minolta's strengths to build a product, service and marketing structure that is designed for each region, segment, and industry.

In addition, although the target market for LBPs had heretofore been the SOHO segment, we intend to shift our marketing strategy to the general office-use segment where print volumes are large, while enhancing our *magicolor* series of tandem and multi-function LBPs in the high value-added high speed segment in order to increase the profitability of the business and boost sales.

In consumables, a third polymerized toner plant with annual production capacity of 7,000 tons was put into operation in December 2006. In addition to existing capacity, this new plant raises the Group's total polymerized toner production capacity to 15,000 tons per year. This level of production is the largest in the industry, and prepares the Group for the future increase in demand it foresees.

Optics



In liquid crystal display (LCD)-use triacetyl cellulose film (TAC film) for polarizing plate protection, we aim to expand the business on growing demand mainly for high value-added viewing angle expansion film used in large LCDs in keeping with the shift to large screen LCDs and higher resolution.

In optical pickup lenses, the Group will maintain a commanding market share in next generation pickup lenses, and has already begun production of both Blu-ray Disk and the high definition (HD) DVD formats. Materials development is the key point for next generation pickup lenses, and the Konica Minolta merger has created an advantage in the Group having both the design and production technology to integrate plastic lens with glass molding technologies, resulting in the ability to fully leverage these strengths to ensure commanding competitiveness.

Demand for glass hard disks is expanding because of stable growth in the lap-top PC market and expanding applications such as networked home appliances with hard disk drives. Responding to the growing demand, Konica Minolta is expanding manufacturing capacity through overseas production.

In micro cameras units for camera-equipped mobile phones, we intend to establish cost competitiveness in order to cope with intensified price competition in the end product market.

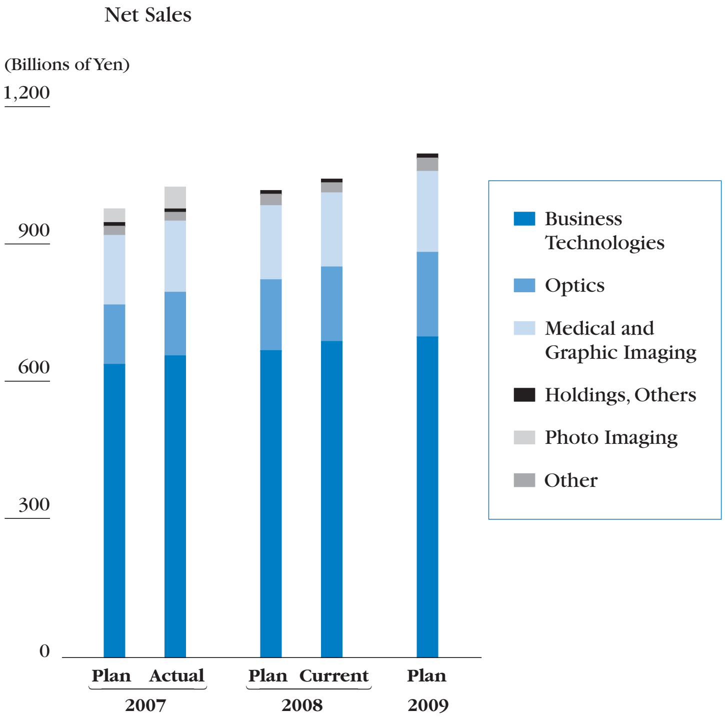
Medical and Graphic Imaging

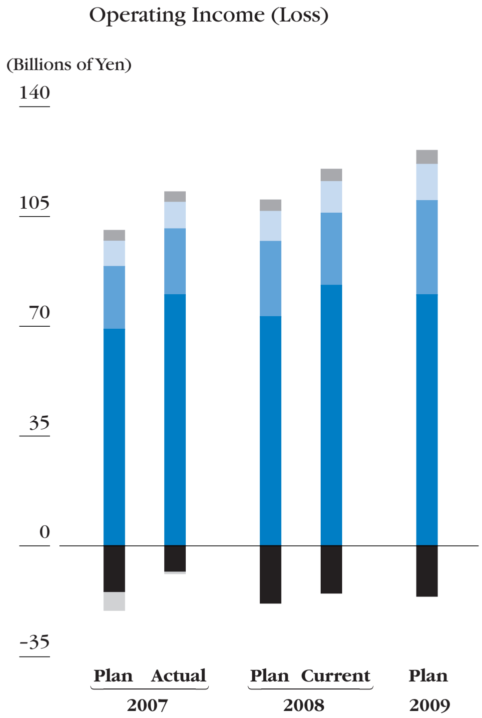
In medical imaging, the business target for the Group's computed radiography (CR) products is expanding from the hospital market to the clinic market. Given an accelerating trend toward digitization and networks, demand for digital equipment and systems such as X-ray digital image readers and recorded image output systems is also growing among clinics. There is a rising need for clinics to provide primary diagnosis given health care system improvements. Thus demand for digital equipment is expected to expand rapidly. In addition, as the trend toward digital and networks is a worldwide phenomenon, the Group is working to strengthen its overseas marketing.

For the fiscal year ending March 2008, the Group intends to develop the clinic market by introducing the compact and easy to operate *REGIUS110* X-ray digital image reader in response to customer needs.

In graphic imaging, the Group acquired American Litho Inc., a major printing plate manufacturer in the U.S. in 2005. The Group is also seeking to establish the plate business (printing plate) centering on computer-to-plate (CTP) as early as possible in preparation for future growth.

FORWARD 08 Growth Targets by Business Segment





Performance Targets by Business Segment

(Billions of Yen)

Fiscal Years Ended/Ending March 31		2007 Plan	2007 Actual	2008 Plan	2008 Current	2009 Plan
Business Technologies	Net sales	¥640.0	¥ 658.7	¥ 670.0	¥ 690.0	¥ 700.0
	Operating income	69.0	80.0	73.0	83.0	80.0
Optics	Net sales	130.0	139.0	155.0	163.0	185.0
	Operating income	20.0	21.0	24.0	23.0	30.0
Medical and Graphic Imaging	Net sales	155.0	158.7	165.0	165.0	180.0
	Operating income	8.5	8.9	10.0	10.5	12.0
Other	Net sales	17.0	16.0	22.0	19.0	26.0
	Operating income	3.0	2.9	3.2	3.5	4.0
Segment Total	Net sales	942.0	972.4	1,012.0	1,037.0	1,091.0
	Operating income	100.5	112.8	110.2	120.0	126.0
Photo Imaging	Net sales	30.0	47.8	0	0	0
	Operating income (loss)	(6.0)	(0.8)	0	0	0
Holdings, Others, Elimination and Corporate	Net sales	8.0	7.4	8.0	8.0	9.0
	Operating income (loss)	(14.5)	(8.0)	(18.2)	(15.0)	(16.0)
Group Total	Net sales	980.0	1,027.6	1,020.0	1,045.0	1,100.0
	Operating income	80	104.0	92.0	105.0	110.0

Initiatives for Further Growth

The fiscal year ending March 2009 will be the final year of *FORWARD 08*. In order for the Group to continue growing, however, the important issues will be the strengthening and further development of existing businesses, and as previously outlined in growth strategies, expansion of business domains peripheral to existing businesses and the nurturing of future businesses.

In terms of expanding business domains peripheral to the Group's existing businesses, the Group has identified IT remote services and professional document services as solutions businesses related to the Business Technologies business, LCD-use films with new functions and next generation memory devices in the Optics business, and the computer-aided diagnosis system business related to the Medical and Graphic Imaging business.

In terms of efforts to nurture future new businesses, the Group is conducting research and development on organic electronics technologies in the area of organic electro luminescence (EL) materials as light sources, atmospheric pressure glow plasma technologies in the area of high intensity film processing, Micro Total Analysis System (μTAS) ultra micro processing technology in new medical fields, and super inkjet technologies in the industrial production equipment area.

Nurture New Businesses

Core technologies to generate new business in the future

Organic electronics technologies

► Organic EL materials for light sources

Atmospheric pressure glow plasma technologies

► Ultra hard coating processing

μTAS technologies

► New medical fields

Super inkjet technologies

► Industrial manufacturing devices

Technology Strategy and Growth-Oriented Research Themes

The Group, under the theme of technology development integrated with Group business strategies, strengthening existing businesses, expanding business domains and creating new businesses, aims for technology development that supports Group growth and can contribute new value to society. A basic strategy to accomplish this is to develop new products and development through the compounding and integration of technologies, and strategic alliances with external sources.

In accordance with the *FORWARD 08* medium-term management plan, there are three basic research and development themes, (a) product commercialization to strengthen existing businesses over the next two to three years, (b) product commercialization for business domain expansion over the next three to five years, and (c) product commercialization aimed at the creation of new businesses in five years or longer. Of these three themes, technology development for the strengthening of existing businesses and business domain expansion are the basic responsibility of each business company's development division, while business expansion and the creation of new businesses are the responsibility of the Konica Minolta Technology Center, Inc., which has approximately 600 engineers.

Strengthening of Existing Businesses

Regarding strengthening of existing businesses, the emphasis is research and development themes where there is room for further expansion of the technology. Research and development is being conducted on next generation toners, controller platforms, and systems for practitioners.

Of these, the focus of next generation toners is the broadening of the color gamut for proprietary polymerized toner, where the Group is strongly competitive, in order to further enhance image reproduction capabilities. This is expected to further enhance the Group's advantage in the growing color MFP area. In addition, while the special characteristic of polymerized toner is that it can be fixed even at low temperatures, the Group will be working to further improve fixation technology.

Business Domain Expansion

In business domain expansion, the emphasis is on the enhanced solutions in the Business Technologies segment, development of films with new functions and next generation memory technologies in the Optics segment, and diagnostic imaging in the Medical and Graphic Imaging segment.

Of these, the Group intends to synthesize materials used in LCDs and other display panels to develop high value-added, highly functional films.

Creation of New Businesses

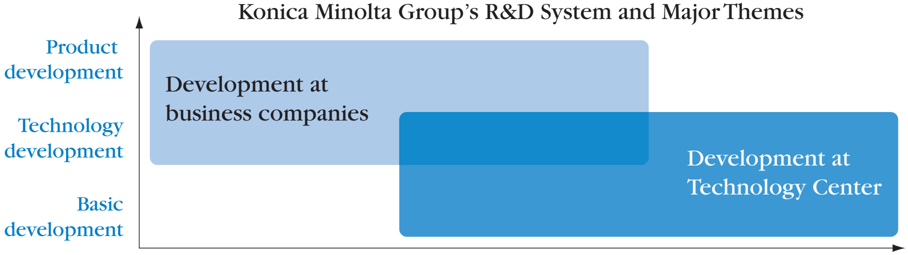
Regarding the creation of new businesses, technology development is progressing in the areas of organic electronics and in new medical fields.

In organic electronics, Konica Minolta signed a strategic alliance agreement with General Electric Company in March 2007 to speed up development and commercialization of organic light emitting diode (OLED) devices for light sources. Organic EL is composed of a thin layer of organic material sandwiched between two electrodes that emits light when an electronic field is applied. Thus there are high expectations in the field of illumination displays for organic EL as the next generation technology. OLED lighting is a surface light source that has many properties not available in light sources heretofore; a film-type device that is easy to bend, as well as thin, and environmentally friendly. The current global lighting market is estimated at ¥9 trillion and is forecast to grow 5% per annum.

Development is also under consideration for this product in other applications, such as back lights for LCDs and as a stand-alone display.

In terms of new medical fields, the Group is actively pursuing development in life science areas, and developing reagents and diagnostic equipment for genetic testing. We also promote joint research with other corporations and universities for the development of basic technologies for stem cell biological systems for application in diagnostic systems for the early detection of cancer.

Konica Minolta Group's R&D System and Major Themes



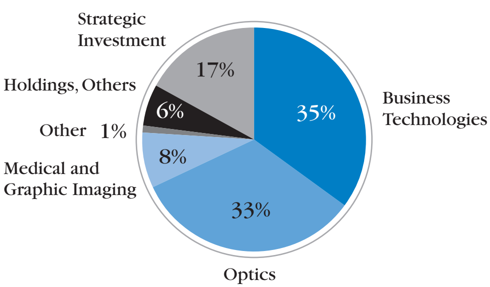
Strengthen existing businesses [Product commercialization in 2–3 years]	Business domain expansion [Product commercialization in 3–5 years]	Future business creation [Product commercialization in 5 years or more]
• Next generation toner • New fixation technology • Controller platforms • Medical practitioner systems	• Ubiquitous imaging equipment • Next generation memory technologies • Films with new functions • Medical diagnostic imaging	• Organic electronics • New medical applications

Investment Plan

Proactively promote capital investment aiming for the Group's growth and expansion focusing on the Business Technologies and Optics businesses

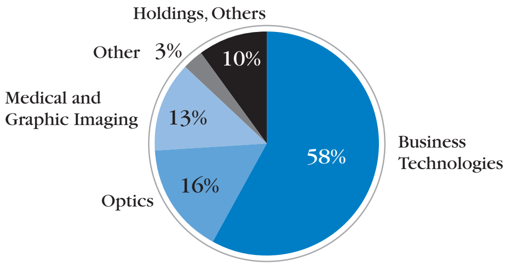
Investments and Loans

March 2007–March 2009:
Total ¥300 billion
(including an additional allocation of ¥70 billion)



R&D Expenditures

March 2007–March 2009:
Total ¥250 billion
(maintaining an 8% level to net sales)



Intellectual Property Strategy

As the Konica Minolta Group places emphasis on research and development, it owns a substantial amount of intellectual property including patents. The Group believes that intellectual property is an extremely important management resource, and in addition to protecting the Group's businesses with its intellectual property, intends to effectively utilize this property externally. (See pages 38 to 41 for Intellectual Property Update.)

As a result, consolidated sales for the fiscal year ended March 2007 were ¥1,027.6 billion, while sales in our two main business lines of Business Technologies and Optics were ¥658.7 billion and ¥139.0 billion respectively. As the Photo Imaging business is in the process of being wound down, related sales recorded a decline of 3.8% year-on-year, while sales in all other business areas recorded year-on-year growth.

In terms of earnings, operating income increased ¥20.6 billion year-on-year to ¥104.0 billion, and net income was ¥72.5 billion, both of which represented historical highs. By major segment, Business Technologies operating income was ¥80.0 billion, while Optics operating income was ¥21.0 billion.

Both of these sales and operating income results were significantly higher than the numerical targets established in *FORWARD 08* for the fiscal year ended March 2007.

Further, we now expect to completely exit from the Photo Imaging business, which was also a theme of *FORWARD 08*, by the end of September 2007.

One Milestone toward Sustainable Growth

As can be seen, we have unfailingly exceeded our targets in the first fiscal year of *FORWARD 08*. However, we are still not satisfied. We believe that we must continually pursue sustainable growth. Now that we have established one milestone on the road to sustainable growth under *FORWARD 08*, we need to carefully build the base for the next stage of growth.

In order to do this, *FORWARD 08* outlines a growth strategy to strengthen and develop our core businesses, expand our domain in areas peripheral to our core businesses, and to nurture future businesses. From this perspective, we were also checking the progress in our growth strategy as we were meeting our numerical targets for the fiscal year ended March 2007. Our conclusion is that we cannot afford to be complacent. Going forward, we will be brushing up our strategies in the pursuit of further growth and will also be seeking to accelerate the speed at which we reach the plan's goals and targets.

In addition, in the technology development area, we also made progress in enhancing our R&D capabilities as stipulated by *FORWARD 08*. For further details, please refer to the *FORWARD 08* section which follows.

Emphasis on Shareholder Value

The Konica Minolta Group recognizes that enhancing shareholder value is an important management issue. As a result, based on our medium-term management plan which aims to enhance corporate value through Group growth, we seek to provide returns to shareholders while at the same time expanding retained earnings, actively promoting strategic investment in growth areas, and strengthening our financial condition.

In summary, we have made a good start in our *FORWARD 08* medium-term management plan. Rather than relaxing, however, we remain strongly committed to achieving the goals in the plan, and continue to build the platform for further growth brick by brick in order to build a solid base for continuous growth.

We look forward to your continued support and guidance in this effort.

June 2007
Yoshikatsu Ota
President and CEO

Business Technologies is pursuing a

genre-top

strategy to consistently expand market share in

color MFPs,

while the earnings contribution from

polymerized toner

is very promising.

In Optics, we are confident that high

value-added film for LCDs and

next generation pickup lenses

for Blu-ray Disk and other DVD formats will

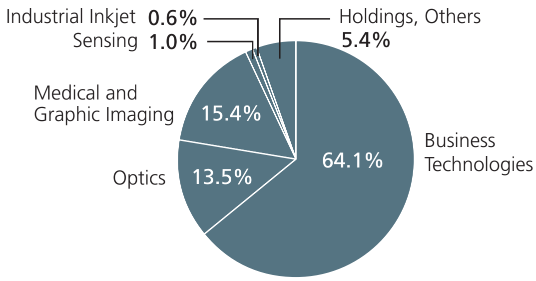
promote sustainable future growth.

Medical and Graphic Imaging is contributing

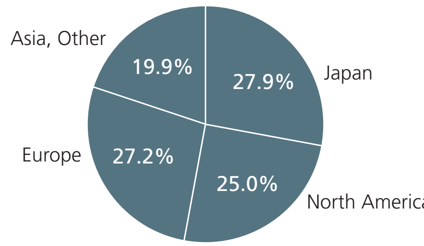
to the development of the medical field through

digital diagnosis technology.

Sales Composition
(Fiscal Year Ended March 2007)



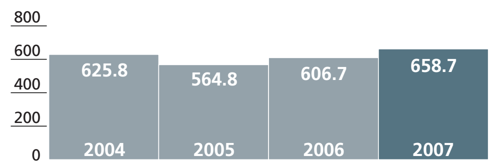
Net Sales by Geographical Region
(Fiscal Year Ended March 2007)



Business Technologies

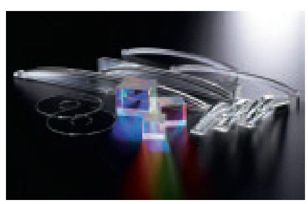
Main Products:
MFPs, LBPs, facsimile machines, consumables, software, system solutions, service

Net Sales
(Billions of Yen)

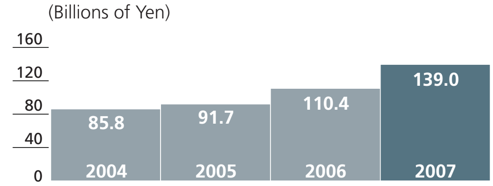


Optics

Main Products:
Optical pickup lenses, lens units, microcamera units, TAC film for LCDs, glass substrates for hard disks



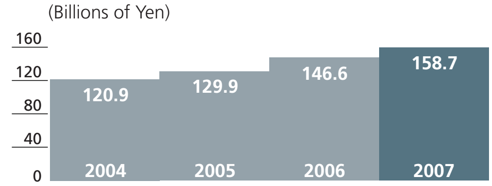
Net Sales
(Billions of Yen)



Medical and Graphic Imaging

Main Products:
X-ray image processing systems, X-ray film, contrast media for diagnostic purposes, digital color proofing systems, graphic film

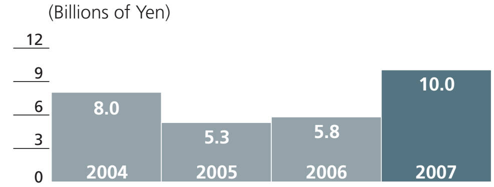
Net Sales
(Billions of Yen)



Sensing

Main Products:
3-D digitizers, color, and light measuring instruments, medical measuring instruments

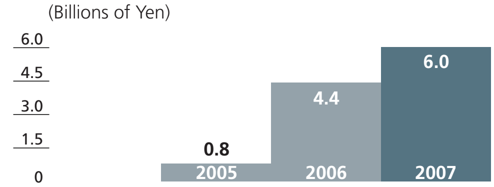
Net Sales
(Billions of Yen)

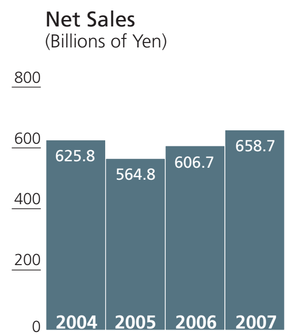


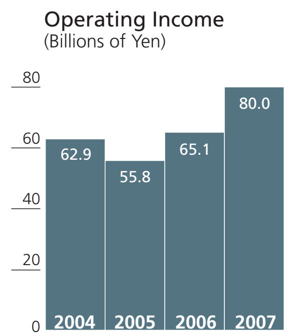
Industrial Inkjet

Main Products:
Industrial inkjet heads, consumables, textile printers and others

Net Sales
(Billions of Yen)







Business Technologies

High growth in sales, supported by expanding sales of color MFPs for general offices and high-speed MFPs for production printing, resulted in a higher operating income ratio.

For the fiscal year ended March 2007, Konica Minolta worked to expand its business base in color MFPs for general offices where high growth is expected, and in the production printing area targeting customers with large printing volume.

In color MFPs which are seeing growing demand in major regions such as Japan, the U.S., and Europe, the emphasis was on expanding our product lineup of medium- and high-speed models. We further strengthened our product lineup by introducing four new models, *bizhub C300, bizhub C352, bizhub C252, and bizhub C550*, in the general office segment where market growth continues. Customers highly value these new products for their abundant network functionality that is compatible with networked office environments, the latest security functions, high print picture quality that is based on Konica Minolta's proprietary polymerized toner with fine, uniformly sized particles, advanced imaging technology, the use of tandem engines for high speed output, and high cost performance. As a result, sales recorded strong growth centering on the European markets.

Consequently, the high unit growth of color MFP sales exceeded unit growth for the market as a whole. In addition, the Group's general office-use A3 paper-adoptable tandem-type color MFPs established a market position within the top group in the priority markets of Europe and the U.S..

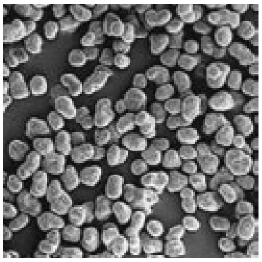
AKIO KITANI
President
Konica Minolta Business Technologies, Inc.

The color MFP *bizhub C550* is suitable for the networked office environment

The high-speed color MFP *bizhubPRO C5500* expands the potential of the production printing business

magicolor

A4 high-speed tandem type color LBP *magicolor5570*



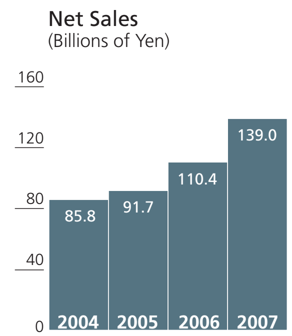
Independently developed polymerized toner

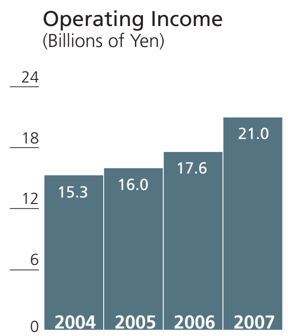
High picture quality achieved through its smaller particles and uniform shape

As we continued to respond to persistent demand for monochrome MFPs in the U.S., Asia and other regions, unit growth was also recorded for monochrome MFPs. In the production printing business segment, we introduced two high speed MFPs (*bizhubPRO C6500 and bizhubPRO 1050e*) and strengthened our product lineup, where high growth is expected from the internal printing divisions of large companies and major franchise copy shops. In the U.S., which is our largest market for these products. we strengthened our marketing network by expanding our direct sales organization and promoting business tie-ups with major dealers, which also resulted in growth of unit sales.

In the LBP business, we promoted a qualitative change in marketing policies to place even more emphasis on profitability. During the year, we worked to shift our marketing emphasis from the SOHO customer base heretofore to high volume general corporate users and to tandem color LBPs in the medium- to high-speed segment. In addition, we emphasized sales of high value-added products with integrated print, copy, scan and facsimile functions. In the fiscal year under review, a new *magicolor5550* series LBP was announced and marketed.

As a result of the above, consolidated net sales for the Business Technology business in the fiscal year ended March 2007 were ¥658.7 billion, while operating income was ¥80.0 billion.





Optics

High sales growth was recorded in all business areas centering on TAC film and glass substrates for hard disks, and a recovery in the optical pickup lenses for memory devices also contributed to the profit increase.

For the fiscal year ended March 2007, the first half saw strong sales growth for highly functional products in the display materials business. In more detail, strong sales growth was recorded for LCD-use TAC film as well as viewing angle expansion film supported by growing demand for large screen LCD TVs. From the second half, although customer inventory adjustments and a changeover to new products had a negative effect on unit shipments, a sales increase was recorded for the full fiscal year. This notwithstanding, a new fourth production line began operating in September 2006 to cope with increased demand, which expanded Konica Minolta's TAC film production capacity to 120 million square meters a year, and provided a boost to sales. Moreover, we began construction of a fifth production line that is scheduled to begin operating from the fall of 2007.

In the optical pickup lens business, our main pickup lens products for current generation DVDs were negatively affected by customer inventory adjustments in the first half. However, memory-related pickup lens products emerged from a period of inventory adjustments, and sales recovered driven by our main object lens products.

TAKASHI MATSUMARU
President
Konica Minolta Opto, Inc.

Konica Minolta's optical pickup lenses enjoy a commanding market share

Glass hard disk substrates are light and very durable

TAC film production process

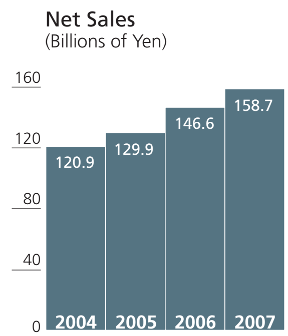
Lens unit for camera-equipped mobile phones

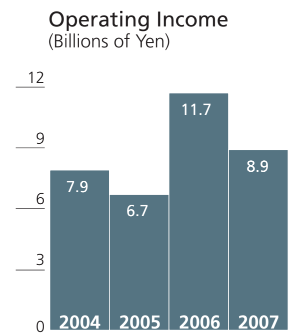
In next generation pickup lenses, which are expected to become the next driver of our optical pickup lens business, full-fledged production is underway for both Blu-ray Disk and HD DVD format end products. In addition, object lens shipments began and made a contribution to sales and earnings. In particular, Konica Minolta has a commanding lead in object lenses because of its organic integration of plastic lens and glass molding technologies made possible by the merger of Konica and Minolta.

In glass substrate for hard disks, stable growth in lap-top PCs and growing demand from expanding applications of hard disk drives in networked home appliances, and progress in adapting to perpendicular magnetic recording resulted in strong sales overall in the first half. However, growth rates decelerated in the second half due to the impact of customer inventory adjustments.

Sales of digital camera lens units waned as a result of intensified competition in finished product markets. In components for mobile phones with cameras, however, demand is shifting from 1.3 mega pixel models to the high end segment such as 2 to 3 mega pixels, which is our area of strength. As a result, volume growth was seen in shipments to major domestic and overseas customers, which contributed to the expansion of our business during the fiscal year.

Given the above, consolidated net sales for the Optics business in the fiscal year ended March were ¥139.0 billion and operating income reached ¥21.0 billion.





Medical and Graphic Imaging

While overseas medical imaging segment sales of digital equipment and printing-use film were favorable, rising development expenses and sharply rising silver costs resulted in lower earnings.

For the fiscal year ended March 2007, we worked in the medical segment to expand sales of digital related equipment and systems such as the *REGIUS series* computed radiography systems and the *DRYPRO series* image output systems mainly to the worldwide hospital market in response to the trend toward digital and networked systems in the diagnostic and health care workplace.

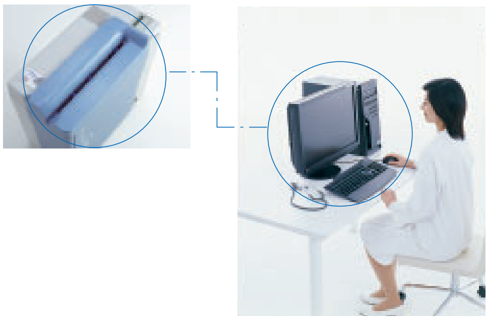
In addition to the large hospital market, we shifted our particular focus to the clinic market, where there is an increasing need for primary diagnosis. In June 2007, we marketed a new computed radiography product called *REGIUS110*, a compact and easy-to-use machine offering high picture quality and speed that is targeted at the general clinic market.

KIYOFUMI TANIDA
President
Konica Minolta Medical & Graphic, Inc.

The REGIUS PureView Type-M x-ray manmography system incorporates cutting-edge phase contrast technology

Digital Konsensus Premium is the ultimate digital color proofing system

Compact design digital
X-ray image reader
REGIUS MODEL 110



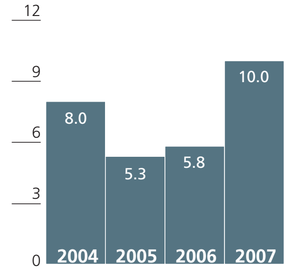
All-in-one CR
console/viewer/filing with
the *REGIUS Unitea*

In order to strengthen our ability to respond to domestic market needs, the marketing and service organizations were integrated and reorganized, and a new company called Konica Minolta Health Care Co., Ltd. was established in April 2007 in order to be able to provide a total solution from product planning to after service. Overseas, we strengthened our marketing coverage with the establishment of a new marketing company in Europe, and sales of both equipment and film were strong.

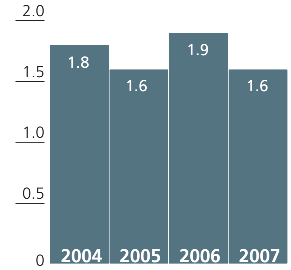
In the graphic imaging segment, we emphasized the early start-up of our CTP business, and strengthening overseas sales and ensuring sales volume for our main printing-use film products.

As a result, consolidated net sales for the Medical and Graphic Imaging business were ¥158.7 billion. Operating income declined to ¥8.9 billion from the previous fiscal year due to rising costs for digital equipment development and sharply higher silver prices, which is the base material for film.

Net Sales
(Billions of Yen)



Operating Income
(Billions of Yen)



* New product categorization was adopted from the fiscal year ended March 2005. Under the previous categorization, March 2005 results were flat with the previous fiscal year.

Sensing

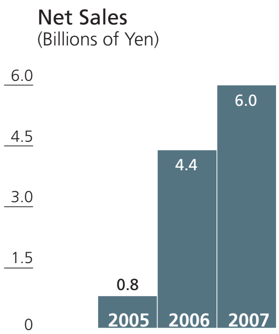
The main color measurement business recorded strong growth in sales to the automobile and flat panel display (FPD) industries, with the consolidation of additional sales in the U.S. and other markets, and this resulted in strong overall sales growth.

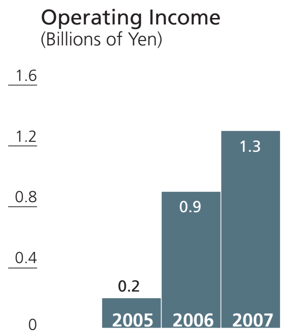
For the fiscal year ended March 2007, the main color measurement business was supported by strong sales of spectrophotometers measuring physical objects designed for the automobile industry and light source measuring equipment for the FPD industry. In 3-D digitizers, we worked to expand marketing channels for industrial-use and scientific applications.

Moreover, new marketing companies established in the U.S., European and Singapore markets boosted consolidated sales growth. On the other hand, exiting from the photographic measurement and temperature measurement segments resulted in lower sales of related equipment.

As a result, consolidated net sales for the Sensing business in the fiscal year ended March 2007 were ¥10.0 billion, while operating income was ¥1.6 billion.

CM series portable spectrophotometer





Nassenger V digital inkjet textile print system

Industrial Inkjet

New customers were developed on the strength of Konica Minolta's inkjet technology and proprietary ink technology used in printer heads and industrial printers such as textile printers.

The fiscal year ended March 2007 marked the second year of full-fledged operations for this business, and the business expanded favorably during the year on active development of new customers. In addition, sales were strong for printer heads and other products in the components segment.

As a result, consolidated net sales for the Industrial Inkjet business in the fiscal year ended March 2007 were ¥6.0 billion and operating income reached ¥1.3 billion.

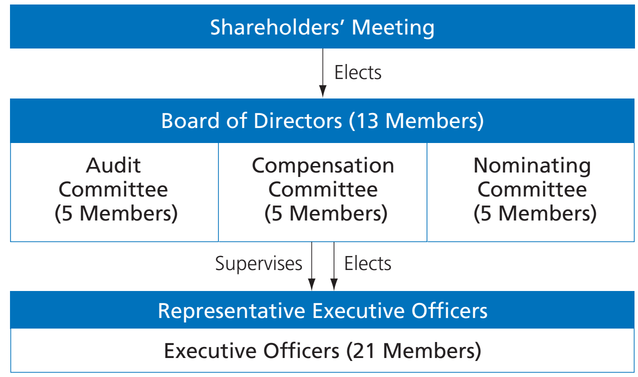
Photo Imaging

As the Group intends to completely exit the Photo Imaging business by the end of September 2007, it continued working during the fiscal year ended March 2007 to wind down this business in Japan and overseas.

In the photo-related business (color film and photographic paper), the number of products and volume produced was wound down in stages and production was discontinued from the end of March 2007. In addition, marketing activities of related domestic and overseas sales companies or offices have been discontinued, with the closure and sales of these companies and offices expected to be completed by the end of September 2007.

For the fiscal year ended March 2007, consolidated net sales in the Photo Imaging business were ¥47.8 billion and the operating loss was ¥0.8 billion.

Role of Each Committee



Nominating Committee—
Nominates Board director candidates to be approved by shareholders at the next general shareholders' meeting.

Compensation Committee—
Determines Board director and executive officer compensation.

Audit Committee—
Supervises directors' and executive officers' decision making in place of auditors under the conventional systems.

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

The separation of the supervisory and executive functions is accomplished by a company-with-committees system that includes the Audit Committee, Nominating Committee, and Compensation Committee, which are an integral part of the Board of Directors, through which the Group is working to enhance transparency and fairness, while at the same time working to speed up decision-making.

The Board of Directors does not make decisions on the execution of daily operations, but engages in appropriate management by concentrating on the managerial supervision functions and on decision-making of basic management policies and other essential issues. Executive Officers execute the decisions of the Board assuming full responsibility for businesses assigned to them individually under the leadership of the President & CEO.

The supervisory function of the Board is ensured by the appointment of non-executive officers for the majority of Board directorships. Of a total 13 Board members, seven are non-executive officers, four of which are outside directors serving as members of the committees, and the other three are non-executive directors, including the Chairperson of the Board. The other six Board members also hold executive positions, including the President and CEO, and the executive officers in charge of corporate strategy, accounting and finance, technology strategy, compliance, and the Group's largest business company.

Moreover, as all committees are chaired by outside directors and the President and CEO does not serve on any committee, we believe this provides for a very advanced and highly transparent corporate governance structure. In terms of the actual activities of outside directors, an average of over 90% of attendance was confirmed to the Board and committee meetings, which were held 13 times and 25 times, respectively, during the fiscal year ended March 2007, thereby promoting enhanced governance.

The Nominating Committee is responsible for the selection of new director candidates. Each outside director is elected based on their track record and insights into each respective field of expertise. Moreover, they are strongly independent, have no important business relationships with the Group, and are able to devote sufficient time to the performance of their duties as Board and committee members. In the fiscal year under review, a policy was created to define standards of independence for outside directors. In addition, the Group's outside director candidate selection is centered on individuals with actual experience as corporate chief executives, based on the belief that such candidates would be more appropriate given their responsibility as Board members for important decisions regarding management of the Group in addition to supervising executive management. Because extended terms for outside directors can lead to questions regarding their independence, the Group has established a principle of limiting the term that each outside director serves.

The Compensation Committee determines policies regarding compensation decisions, and determines monetary and other compensation for directors and executive officers based on these policies. The aim of the directors' compensation system is to strengthen the motivation for directors and executive officers to strive for the continuous medium- and long-term growth of the Group in line with management policies to meet shareholder expectations, and to maintain a continuously high level of capable director/executive talent even when compared to other companies in the same industry, thereby maximizing the value of the Group as a whole. Director compensation packages consist of a "fixed compensation" component and long-term incentives in the form of "stock remuneration-type stock options" (outside directors receive only fixed compensation),

J-SOX Project Team Action Plan

Phase 1	Create a comprehensive plan (completion by March 2007)
Phase 2	Create documentation for internal control system (implement in fiscal year ending March 2008)
Phase 3	Evaluate status of preparations and operations
Phase 4	Further improvement

→ Complete a robust system by the end of March 2008

while executive officer compensation packages consist of three components, "fixed compensation", "performance-based compensation" as a short-term incentive and "stock remuneration-type stock options" as a long-term incentive with the Group's compensation policy standard being a 60:20:20 mix of those three type of compensation. As the Group believes that it is important to clarify the degree and nature of the performance-based compensation in the compensaiton policy, Konica Minolta discloses more information in its business reports than is required by Japan's Company Law regarding the structure of executive compensation and the total amount of each type of compensation.

The Audit Committee reviews directors' and executive officers' decisions for legality and appropriateness, reviews internal control systems and reviews and determines the selection of accounting auditor. The Audit Committee Office specifically assigned to support the Audit Committee has been established as a necessary support function for the committee to properly execute its duties, and in addition to functioning as the secretariat for the Audit committee, performs its duties under the direction of the committee.

Each executive officer in charge of the Corporate Audit Division, Risk Management Committee, and Compliance Committee that are an integral part of the Group's system of internal controls is to report on a regular basis to the Audit Committee, and is required to report in a timely manner to the committee on any issues of pressing importance and the status of work on these issues, or as required by the Audit Committee. The designated audit members elected by the Audit Committee can attend Executive Meetings or other management meetings when necessary, and can request the executive officers in charge of the Corporate Audit Division, Risk Management Committee, and Compliance Committee to conduct research or prepare reports.

While Konica Minolta Holdings, Inc. has established an Audit Committee, subsidiaries including business and common function companies have established their own company auditors.

The Audit Committee, Corporate Audit Division and auditors in business and common function companies work to improve audit efficiency and effectiveness while maintaining their independence and communications.

In order to support an enhanced corporate governance function, a Board of Directors Office has been established to provide support for the Board of Directors as well as the Nominating Committee and the Compensation Committee. In addition, the Board of Directors Office supports the Company's outside directors by providing them with regular information updates, pre-meeting explanations of Board agenda items, and conducting secretarial work including arranging informal meetings with the Chairperson of the Board as well as the President and visits to the Group's domestic and overseas operational sites.

The objective of Konica Minolta's compliance efforts is to ensure compliance with laws, regulations, corporate ethics and internal regulations in all of its business activities. In order to do this, the Group has created the Konica Minolta Group Conduct Guidelines. Through these guidelines, the Group is working to enhance corporate value and to ensure the trust of all of its stakeholders. In addition to the appointment of a compliance officer, the selection of a support and promotion department and the establishment of a Compliance Committee, the Group has established a help line as a contact point for consultations regarding compliance issues for the entire Group.

Konica Minolta has established a J-SOX Project Team and has begun preparations for the introduction in Japan of the "Financial Products Exchange Law" from April 2008. Preparations are executed in four phases for the establishment of an internal control system for all Group companies that are subject to consolidation. In addition, the Group is working to create a system to prevent mistakes in the preparation of financial statements as well as in the financial disclosures themselves and to ensure their appropriate disclosure.

Through these activities, Konica Minolta intends to realize a highly transparent corporate governance structure and to enhance corporate as well as shareholder value in the process.

Basic Philosophy

Konica Minolta believes that managing a corporation in a socially responsible manner is the essence of management itself.

We provide customers with trustworthy products and services, conduct fair and transparent corporate activities, place emphasis on wide-ranging communication with society, preserve the environment, proactively contribute to society, and respect our employees and treat them responsibly. Our commitment to ethical behavior is contained in the Konica Minolta Group Charter of Corporate Behavior, which forms the basis of daily conduct for each Konica Minolta employee, which we continue working to enhance.

We believe that this continuous improvement is embodied in our response to the trust placed in Konica Minolta by our customers, shareholders, business partners, local societies, employees and other stakeholders, and are convinced that fulfilling our responsibilities across a broad spectrum of economic, social and environmental areas will enhance the Group's corporate value.

In order to realize the kind of management we envision, Konica Minolta has created the *FORWARD 08* medium-term management plan, and has adopted a basic philosophy of promoting world-class CSR management. The particular emphasis of this philosophy is the slogan, "to be a trusted corporation through the continual enhancement of corporate value, through a strengthening of the Group's global development not only economically, but socially and environmentally as well". In order to achieve this, the Group is working to strengthen mutually trusting relationships across the spectrum of all of its stakeholders, strengthen product quality and environmental management, practice good Group governance and strive for continuous improvement.

Major Initiatives in the Fiscal Year Ended March 2007

1. Beneficial and Safe Products

ISO15408 international information security certification was obtained for all MFP products.

2. Fair and Transparent Corporate Activities

With the aim of complete compliance with the Restrictions of Hazardous Substances (RoHS) directive and other environmental regulations, we have initiated a supplier certification system and have completed on-site inspection of supplier production sites (approximately 500 companies and 700 sites).

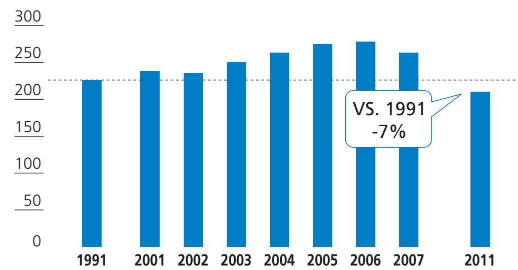
3. Communication with Society and Information Disclosure

Through our Information Disclosure Committee, we are ensuring the proper functioning of our system for timely and appropriately disclosing information to the stock exchange authorities.

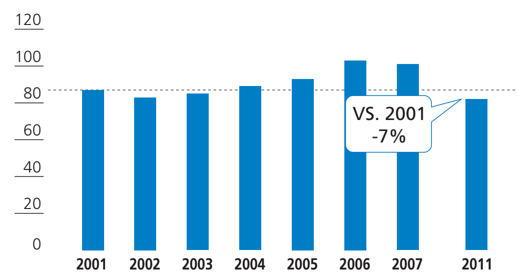
4. Environmental Protection

Konica Minolta conducted Group-wide evaluations to identify energy-saving measures and established plans and measures to reduce CO_2 emissions.

Trend in Domestic Site CO_2 Emission Volume
(Thousand tons of CO_2)



Trend in CO_2 Emission Volume of Overseas Production Sites
(Thousand tons of CO_2)



5. Contribution to Society

Konica Minolta supported globally the Pink Ribbon Awareness Campaign to eliminate the tragedy of breast cancer by donating X-ray mammography imaging equipment that is essential for early detection of breast cancer to university hospitals in China, and by participating in symposiums held in Japan.

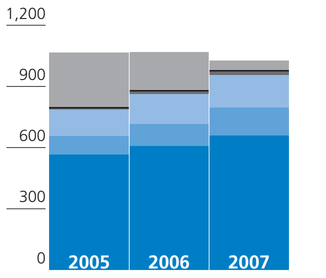
Digital mammography presentation ceremony in China

6. Respect for Employees

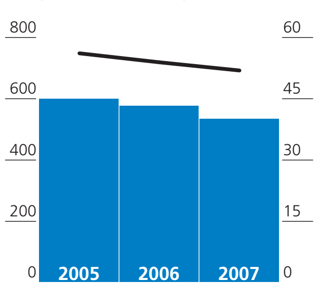
Based on the philosophy that our most important asset is people, the Group is promoting the growth and skill development of its employees, including technology mentoring, training and support for the acquisition of certification in China, and providing on-the-job training in France.

Contents

Net Sales
(Billions of Yen)



Cost of Sales and Cost of Sales Ratio
(Billions of Yen, %)



Scope of Consolidated Financial Statements

The Konica Minolta Group comprises Konica Minolta Holdings, Inc., and its 120 subsidiaries, 25 unconsolidated subsidiaries and 9 affiliated companies.

The business segments of the Group are organized and segmented by type of product, the markets in which these products are sold and the nature of the business or how it is administered. The Group's six business segments are Business Technologies, Optics, Medical and Graphic Imaging, Sensing, Industrial Inkjet, and Photo Imaging. In addition, the Group nearly completed its exit from the Photo Imaging business in the fiscal year ended March 2007.

Consolidated Business Results

Consolidated Net Sales

Consolidated net sales for the fiscal year ended March 2007 declined by ¥40.8 billion year-on-year to ¥1,027.6 billion. While sales in the Photo Imaging business that is being wound down recorded a large decline of ¥139.4 billion for the year, growth was recorded in sales for all other businesses. In particular, sales for the strategic Optics business recorded 26% year-on-year growth.

In the Business Technologies business, good growth of medium- and high-speed color MFPs mainly in European markets supported 9% growth in sales for the segment as a whole. In the Optics business, all areas recorded good sales growth, including TAC film and viewing angle expansion film for display applications, optical pickup lenses and glass hard disk substrates for memory applications, micro cameras for camera-equipped mobile phones for imaging input/output applications. In the Medical and Graphic Imaging business, digital X-ray input/output equipment for medical imaging area and overseas film sales for the graphic imaging area recorded 8% year-on-year growth. In the Sensing business, strong sales were recorded for color measuring equipment used in automobile and FPD industries. In the Industrial Inkjet business, favorable sales were supported by active development of new customers. On the other hand, sales in the Photo Imaging business recorded a noticeable decline because of the Group's decision to exit this business in Japan and overseas.

Cost of Sales, and Selling, General and Administrative Expenses

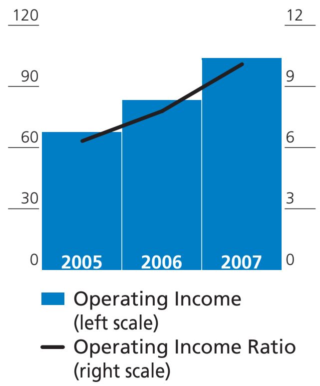
The cost of sales for the fiscal year was ¥532.7 billion, resulting in a cost of sales ratio of 51.8%. The Group was able to offset sharply higher silver and other basic materials costs and unit price declines because of more intense competition with Group-wide cost reduction efforts and an improved sales mix with the introduction of new products, and the effect of foreign exchange rates. As a result, gross profit was ¥494.9 billion, and the gross profit margin improved by 2 percentage points over the previous year, from 46.2% to 48.2%.

Selling, general and administrative expenses were reduced by ¥48.7 billion because of the exit from the Photo Imaging business. As a result, total selling, general and administrative expenses declined by ¥18.9 billion from the previous fiscal year to ¥390.9 billion, even though selling and research expenses for other businesses increased by ¥29.8 billion.

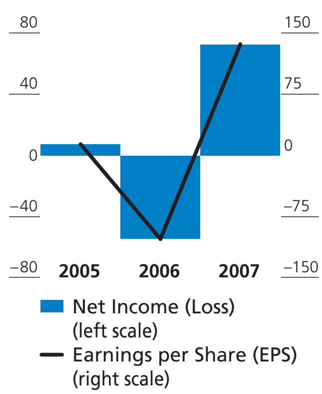
Research and Development Expenses

Research and development expenditures rose ¥5.0 billion over the previous fiscal year to ¥72.1 billion. In the Business Technologies segment, R&D expenditures rose over the previous fiscal year to ¥42.5 billion, mainly because of expenditures for the development of new medium- and high-speed color MFP products and R&D on software and applications to establish the capability to provide solutions. In the Optics segment, R&D expenditures of ¥9.8 billion were used largely for

Operating Income and Operating Income Ratio
(Billions of Yen, %)



Net Income (Loss) and Earnings per Share (EPS)
(Billions of Yen, %)



R&D on next generation pickup lenses. Medical and Graphic Imaging segment R&D expenditures were higher than the previous fiscal year at ¥10.5 billion mainly because of R&D expenditures for digital X-ray image input/output equipment. In addition, R&D expenditures for the Sensing segment were ¥1.1 billion.

Segment Information

Sales in the Business Technologies segment grew 9% year-on-year to ¥658.7 billion and operating income increased 23% year-on-year to ¥80.0 billion. This increase reflected sales growth mainly in European markets on an enhanced product lineup with the introduction of four new color MFP models, mainly in the medium- and high-speed range. Also contributing to sales was the introduction of two new models in the production printing area that were specially aimed at developing the U.S. market, which has the largest market potential.

Sales in the Optics segment increased 26% year-on-year to ¥139.0 billion and operating income grew 19% year-on-year to ¥21.0 billion. Growth in this segment was supported by increased sales of TAC and viewing angle expansion film in the display area, given growth in the LCD TV market and the shift to larger screen sizes. In addition, sales of high value-added optical pickup lenses were buoyed by growth of DVD readable products, and the contribution from the second half from sales of next generation products for Blu-ray and HD DVD formats. In the imaging input/output area, particularly strong growth was recorded in sales of camera units for camera-equipped mobile phones to major overseas customers. As a result, operating income for the segment also recorded growth over the previous fiscal year.

Medical and Graphic Imaging segment sales increased 8% year-on-year to ¥158.7 billion, while operating income for the segment declined 24% year-on-year to ¥8.9 billion. In the medical imaging area the higher segment sales reflected favorable growth in digital input/output equipment for overseas markets as well as dry film for digital equipment, given an accelerating trend toward on-site medical digitization and networking. In the graphic imaging area, although the accelerating trend toward digitization and filmless in printing processes continued, the main line film products grew in overseas markets. On the other hand, the year-on-year decline in operating income was due to higher costs for digital equipment development and sharply higher prices for silver, which is the basic material for film products.

Sensing business sales growth reflected stronger sales of color measuring equipment for the automobile and FPD industries, and the contribution from the establishment of new independent sales companies in the U.S., Europe and Singapore. On the other hand, additional costs related to the establishment of these independent overseas marketing companies resulted in lower operating income for the year. Sales for the Sensing business increased 72% year-on-year to ¥10.0 billion, while operating income declined 11% year-on-year to ¥1.6 billion.

Sales in the Industrial Inkjet business increased 38% year-on-year to ¥6.0 billion, while operating income grew 47% year-on-year to ¥1.3 billion. The business recorded good growth in its second year of full-fledged operations thanks to active efforts to win new customers.

Sales for the Photo Imaging business declined 74% year-on-year to ¥47.8 billion following the Group's decision to exit the business in Japan and overseas. However, the operating loss for the segment improved by ¥6.3 billion from the previous fiscal year to ¥0.8 billion.

Earnings Analysis

The major increase and decrease factors affecting earnings included a large positive contribution from the Group's main business segments, while the process of exiting from the Photo Imaging business had a positive affect on the overall profit margin. The weaker yen was an additional positive earnings factor. As a result, operating income for the fiscal year ended March 2007 increased 24.7% to ¥104.0 billion, while the operating income ratio improved by 2.3 percentage points from 7.8% to 10.1%.

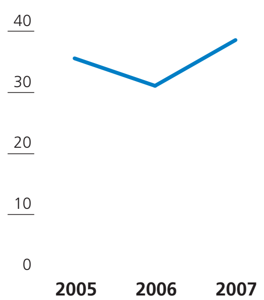
Net other expenses (income) improved by ¥120.2 billion over the previous fiscal year to a surplus of ¥0.9 billion. The major factors behind this improvement included the absence of (1) a ¥96.6 billion charge for costs related to the decision to exit the Photo Imaging business last fiscal year, (2) a goodwill amortization charge of ¥2.4 billion related to the prior management integration, and (3) a provision of ¥6.5 billion for the special outplacement program recorded the previous fiscal year. For the fiscal year ended March 2007, a gain on the sale of fixed assets of ¥7.3 billion related to the exit from the Photo Imaging business, and gains of ¥2.8 billion on the sale of investment securities were recorded. In addition, interest expenses declined because of a reduction in interest-bearing debt.

As a result of the above, income before income taxes and minority interests was ¥104.9 billion and net income for the period was ¥72.5 billion. Net income per share of common stock was ¥136.67, while ROE (return on equity) was 21.9% and ROA (operating income + interest and dividend income return on total assets) was 11.2%.

Liquidity and Financial Position

Total Assets, Liabilities and Shareholders' Equity/Net Assets

Equity Ratio
(%)

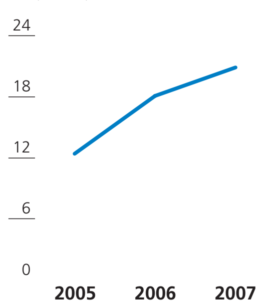


Total assets at the end of the fiscal year were ¥7.0 billion higher than at the end of the previous fiscal year at ¥951.1 billion.

In current assets, notes and accounts receivable–trade increased by ¥11.1 billion due to growth in sales. In addition, inventories declined by ¥15.9 billion and allowance for doubtful accounts declined by ¥4.3 billion, mainly as a result of the exit from the Photo Imaging business.

In property, plant and equipment, the book value of mainly machinery and equipment, buildings and structures, and land declined by ¥34.9 billion as a result of asset sales related to the decision to exit the Photo Imaging business. However, as accumulated depreciation also increased by ¥48.9 billion, the net value of property, plant and equipment increased ¥14.0 billion as a result of capital expenditures mainly in the Business Technologies and Optics businesses. In other asset categories, investment securities declined by ¥3.5 billion due to stock liquidations arising from the sale of stock in affiliated companies and the unwinding of cross-holdings due to the decision to exit the Photo Imaging business.

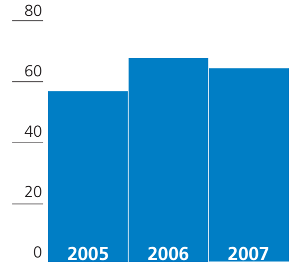
Interest Coverage Ratio
(Times)



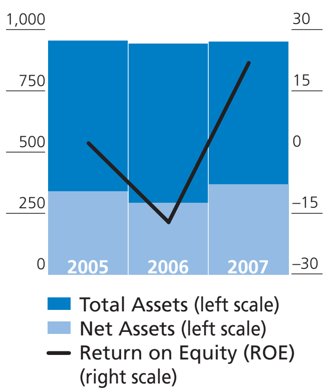
Under liabilities, interest-bearing debt declined by ¥7.2 billion to ¥229.4 billion. Short-term debt declined by ¥55.4 billion, and the current portion of long-term debt declined by ¥5.0 billion. On the other hand, long-term debt increased by ¥53.3 billion due to the issuance of convertible bonds (¥70.3 billion).

In net assets, as net income for the period was ¥72.5 billion, retained earnings increased by ¥95.6 billion. On the other hand, as retained earnings were used to offset the loss at the end of the previous fiscal year, additional paid-in capital declined by ¥21.9 billion, and unrealized gains on securities declined by ¥2.7 billion because of the sale of stocks held. As a result of the above, net assets at the end of the period increased by ¥72.1 billion over the end of the previous fiscal year, and the equity ratio increased by 7.5 percentage points over the end of the previous fiscal year to 38.6%.

Capital Expenditure
(Billions of Yen)



Total Assets, Net Assets and Return on Equity (ROE)
(Billions of Yen, %)



Capital Expenditure, and Depreciation and Amortization

Capital expenditure was ¥64.0 billion and mainly for production capacity, with ¥24.5 billion of expenditure being allocated to the Business Technologies segment which is the Group's core business, ¥24.5 billion for the Optics segment and ¥8.8 billion for the Medical and Graphic Imaging segment.

In terms of developments of note in Business Technologies for the period under review, construction of a new polymerized toner plant (in Nagano, Japan) was completed. In the Optics segment, a fourth plant for TAC film was completed to respond to growing LCD related demand, while construction began for a fifth plant scheduled for completion in the fall of 2007 (both in Kobe, Japan). In the memory-related area, the Group also invested in production capacity for next generation pickup lenses. In Medical and Graphic Imaging, a CTP plate production line for the newspaper industry that is owned American Litho Inc., a major U.S. printing plate manufacturer acquired by the Group in October 2005, was expanded.

Cash Flows

Net cash provided by operating activities during the fiscal year totaled ¥66.7 billion. While income before income taxes and minority interests of ¥104.9 billion and depreciation and amortization of ¥52.7 billion contributed to cash inflows, cash outflows from payments (¥30.0 billion) accrued at the end of the previous fiscal year because of the decision to exit the Photo Imaging business, payments of retirement benefits (¥8.4 billion), and payment of corporate taxes (¥22.2 billion) had a significant impact on operating cash outflows.

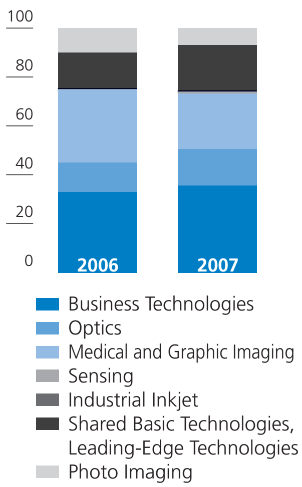
Net cash used in investing activities was ¥56.4 billion, largely because of cash outflows of ¥62.5 billion due to acquisition of property, plant and equipment for the core Business Technologies business and for the strategic Optics business. These outflows mainly consisted of capital expenditure for investments in molds for new products, and increased production capacity mainly for polymerized toner and TAC film.

Net cash used in financing activities was ¥5.2 billion. While there was a cash inflow of ¥70.3 billion from the issue of convertible bonds, debt repayments exceeded the cash inflow, including a ¥53.1 billion repayment of short-term debt, corporate bond redemption and other debt repayments.

Future Financial Strategies

The Konica Minolta Group intends to speedily implement policies outlined in the *FORWARD 08* medium-term management plan and to unfailingly achieve the Group's operational targets, In order to accomplish this, the Group believes that its financial strategy will be one important key. As a result, the Group intends to strengthen its financial structure, and to flexibly respond to capital expenditure and other funding needs in growth areas with diversified funding sources. Recently, the Group moved to increase net assets by issuing convertible bonds (see Note 6 in Notes to the Consolidated Financial Statements) in December 2006 with the aim of strengthening the Group's net assets over the long term through conversion into equity and minimizing the cost of funds. Our key medium-term financial indicator targets are for a net asset ratio over 50% and a D/E ratio of less than 0.5 times.

Proportion of Disclosed Patents by Business Segment
(%)



1. R&D Segments and Intellectual Property Strategy Direction

The total number of published applications for the Konica Minolta Group increased by 523 in the fiscal year ended March 2007 to 4,329 patents, compared to 3,806 patents in the fiscal year ended March 2006.

By business segment, the number of published applications for the Business Technologies in the fiscal year ended March 2007 was 1,543 patents, an increase of 28% year-on-year and 341 patents more than in the fiscal year ended March 2006. In addition, the number of published applications in the Optics in the fiscal year ended March 2007 was 650 patents and 38% higher than the number of patents for this business segment in the fiscal year ended March 2006. The combined number of published applications for both of these segments has risen to over 50% of total published applications for the Group (versus 44% in the fiscal year ended March 2006). The increase in published applications for these business segments is the result of the Group's efforts to actively strengthen its patent applications based on an intellectual property strategy that is an integral part of its business strategy.

Further, the number of published shared basic technology and leading-edge technology patents for the fiscal year ended March 2007 was 858 patents, a 44% year-on-year increase over 264 patents in the fiscal year ended March 2006. The increase in shared basic technology and leading-edge technology patents is an indication of the Group's efforts to accumulate patents for the support of future businesses.

2. R&D, Intellectual Property Organization, Collaboration and Alliances

(1) R&D and Intellectual Property Organization

The Group's R&D organization consists of an R&D organization within each business company for the development of new products, and the Konica Minolta Technology Center, Inc., which functions to provide development for shared basic technologies and leading-edge technologies. (for further information on the Group's R&D activities, please refer to page 10–12).

The Intellectual Property Center is responsible for the centralized and concentrated administration of the intellectual property assets of each business company from a Group-wide perspective. As the Intellectual Property Center systematically and strategically makes applications for and acquires intellectual property rights for each business company, monitors and clears the intellectual property rights of third parties and prepares intellectual property strategies for each business company that are in line with that company's business strategy, the business companies and Intellectual Property Center function as one in developing the Group's intellectual property rights. In particular, in order to more actively create intellectual property assets, Intellectual Property Center liaison personnel are assigned to the R&D organizations of each business company in order to ensure intellectual property activities that are closely collaborated with on-site R&D activities.

(2) R&D Alliances

The Konica Minolta Group is actively promoting R&D alliances. From a base of functional organic material synthesis technologies as one core technology, the Group is developing organic EL materials as key technology for future business development. In light emitting devices where there are high expectations for commercialization of organic EL for lighting applications, the Group succeeded in developing a white OLED devices in June 2006 with the world's highest power efficiency and commercial level long life time. In order to accelerate commercialization of this white OLED devices, the Group signed an agreement to strengthen its collaboration with Universal Display Corporation of the U.S. in October 2006. Moreover, a strategic partnership agreement was signed with the General Electric Company of the U.S. in March 2007 to further accelerate development and commercialization of OLED lighting applications.

In addition, the Group is participating in various R&D projects, including participation in Japan's Ministry of Economy, Trade and Industry (METI) national projects such as the "Technology Research Association for Advanced Display Materials (TRADIM)" and "Technological Development of Superflexible Display Components", which is a New Energy and Industrial Technology Development Organization (NEDO). Through such alliances, the Group is seeking to actively utilize external resources to efficiently manage its R&D activities and promote commercialization.

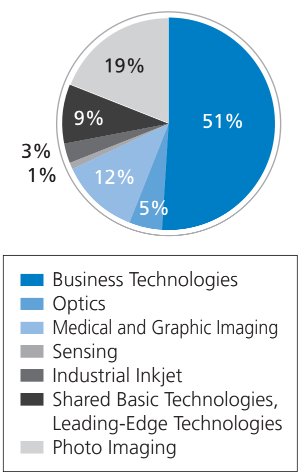
3. Acquisition and Management of Intellectual Property, Trade Secrets Management and Policies to Prevent Technology Leakage

Recognizing the importance of intellectual property as a management resource, the Group is actively promoting profitable business asset formation and the effective utilization of intellectual property rights in each of its businesses. In addition, the Group created and implemented new "Regulations for the Management of Industrial Property Rights" in the fiscal year ended March 2006 in order to provide employees with an incentive to develop new inventions and creations. These regulations are in response to the recent nation-wide trend in increasing the number lawsuits by employees seeking compensation for their inventions.

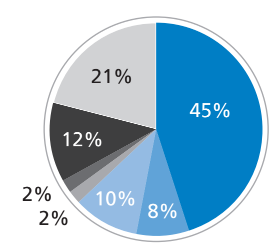
Know-how and trade secrets created in-house are an important part of the Group's technology assets, and unintended information disclosure could harm the Group's technological advantage and threaten the healthy development of the Group's business. In addition, trade secrets received from other companies on the basis of a confidentiality agreement is at the same time an important asset for these companies, and the leakage of such information not only damages the trustworthiness of the Group, but also presents potential legal problems. As a result, the Group has created "Standards for the Management of Confidential Information" and has established a system to thoroughly prevent the leakage of the Group's as well as other companies' trade secrets.

Moreover, the Group is placing emphasis on training its personnel in the acquisition and management of intellectual property. In addition to encouraging active participation in training and educational programs sponsored by various associations, the Group has also assigned Intellectual Property Center personnel in the key countries including China with the aim of increasing understanding of regulations in various countries in addition to strengthening and preparing for local intellectual property operations.

Proportion of Japanese Patents by Business Segment



Proportion of U.S. Patents by Business Segment



4. Business Contribution of Licensing-Related Activities

The Group is working to effectively utilize the large number of intellectual property rights it holds as a means of ensuring the profitability of its businesses by establishing product differentiation and competitive advantage. On the other hand, in business domains where the technology is becoming increasingly sophisticated and complex, the Goup is pursuing cross-licensing agreements to obtain needed technology from other companies from the standpoint of ensuring business sustainability as well as maintaining a degree of R&D freedom. Decisions to obtaining licensing from other companies are based on a comprehensive appraisal of the effectiveness of the license acquisition, based on the need to ensure a degree of R&D freedom and the possibility of litigation.

5. Business Contribution of Patents and Other Intellectual Property Assets

(1) Patent Portfolio Contributions to Business

The Group believes that applying for and acquiring patent rights for the R&D accomplishments of each business area in order to ensure patent superiority is the basis of contribution to each business. In order to ensure patent superiority, the Group specifies priority technology domains and areas to drive business expansion and the Group's "genre-top" strategy. Efforts in these designated domains and areas not only include systematic and concentrated efforts to acquire patent rights, but also selecting appropriate countries for patent applications and implementing policies for early patent right acquisition, the Group is working for the early acquisition of effective patent rights that contribute to the business.

As of March 31, 2007, the total number of patents held in Japan was 6,039 and the number of U.S. patents held was 6,058, with the Group's Business Technologies and Optics businesses accounting for over 50% of the Group's total patents in Japan and the U.S.

The sharp growth recorded between the fiscal year ended March 2006 and the fiscal year ended March 2007 is the result of the Group's active investment in technology development for future growth and expansion primarily in these two segments.

Further, according to the granted patent data for calendar 2006 that is published in the Japan Patent Office Annual Report 2007, Konica Minolta Holdings, Inc. ranked 32nd with 562 patents and Konica Minolta Business Technologies, Inc. ranked 84th with 241 patents. The Group's own research indicates that it holds a total of 898 granted patents and ranks 21st.

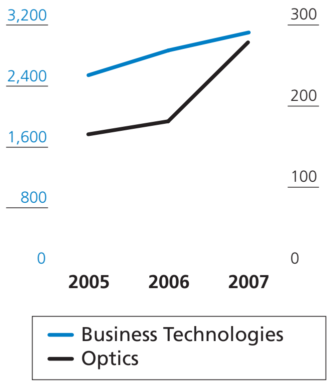
On the other hand, the trend in U.S. patents granted for the Group is shown in the following table. As a result of active patent filings and patents granted in the U.S. which is an important market for the Group, Konica Minolta's ranking in calendar 2006 recorded a sharp rise from 2005 to 44th, and the Group ranks 15th among Japanese companies (versus 17th in 2005).

Estimated Group Ranking in U.S. Patents Granted

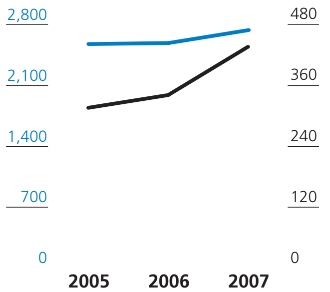
Calendar year	2003	2004	2005	2006
Patents Granted	380	404	316	497
Ranking (Est.)	55	50	56	44

Note: Estimate of aggregate ranking of Konica Minolta Group companies based on data compiled by the Intellectual Property Owners Association.

Trend of Japanese Patents in the Business Technologies and Optics



Trend of U.S. Patents in the Business Technologies and Optics



(2) Business Contribution of Other Intellectual Property

The Konica Minolta brand is an invaluable asset of the Group. In particular, maintaining and improving the image of the Konica Minolta brand after the Group's exit from the photographic film and camera businesses has become ever more important. The Group has created an organization to manage and strengthen the Konica Minolta brand. In addition, the Intellectual Property Center is working to legally protect the Konica Minolta brand by applying for and obtaining rights and maintaining the trademark rights in over 200 foreign countries. Moreover, training exercises were implemented in the fiscal year ended March 2007 to instill a sense of pride in every Group employee in order to raise the image of the brand inside and outside the Group.

In addition to maintaining a high brand image, there are increasing instances of counterfeit goods being sold in Japan and overseas. Counterfeiting of consumable products in the Business Technology area is detrimental to revenue and earnings and moreover could cause irreparable damage to the Group's brand image. The Intellectual Property Center, with the cooperation of each business company, is actively implementing anti-counterfeiting measures.

6. Intellectual Property Portfolio Policies

Considering the Business Technologies and Optics as priority business domains, the Group is not only increasing the number of patent applications but also enhancing its ability to search prior art documents before applications are made as it actively works to improve patent quality. Further, the Group continues to emphasize patent applications in foreign countries in response to the globalization of its businesses.

The Group manages the patent assets held within the Group as a portfolio from the standpoint of future business profitability and the potential for patent utilization inside and outside the Group.

7. Risk Response

As of the date of this report, the Konica Minolta Group was not involved in any intellectual property disputes or litigation that could have a material impact on the management of the Group.

Consolidated Balance Sheets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Assets			
Current Assets:			
Cash on hand and in banks (Note 4)	¥ 85,677	¥ 80,878	$ 725,769
Notes and accounts receivable—trade	257,380	246,264	2,180,263
Short-term investments (Note 5)	909	—	7,700
Inventories	133,550	149,428	1,131,300
Deferred tax assets (Note 7)	41,336	43,242	350,157
Other accounts receivable	10,999	10,048	93,172
Other current assets	19,489	19,681	165,091
Allowance for doubtful accounts	(5,106)	(9,393)	(43,253)
Total current assets	544,237	540,152	4,610,224
Property, Plant and Equipment:			
Buildings and structures	163,895	171,000	1,388,352
Machinery and equipment	215,227	245,502	1,823,185
Tools and furniture	143,672	140,494	1,217,044
Land	33,065	35,871	280,093
Construction in progress	12,406	13,128	105,091
Rental business-use assets	73,793	71,008	625,100
Total	642,060	677,005	5,438,882
Accumulated depreciation	(411,965)	(460,877)	(3,489,750)
Net property, plant and equipment	230,094	216,127	1,949,123
Intangible Fixed Assets:			
Goodwill	82,074	80,789	695,248
Other intangible fixed assets	15,897	22,694	134,663
Total intangible fixed assets	97,971	103,483	829,911
Investments and Other Assets:			
Investment securities (Note 5)	33,948	37,459	287,573
Long-term loans	614	1,051	5,201
Long-term prepaid expenses	4,393	4,462	37,213
Deferred tax assets (Note 7)	27,306	29,135	231,309
Other	13,037	13,328	110,436
Allowance for doubtful accounts	(552)	(1,146)	(4,676)
Total investments and other assets	78,748	84,291	667,073
Total assets	¥ 951,052	¥ 944,054	$ 8,056,349

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Liabilities, Minority Interests and Shareholders' Equity/Net Assets			
Current Liabilities:			
Short-term debt (Note 6)	¥ 79,927	¥ 135,362	$ 677,061
Current portion of long-term debt (Note 6)	17,105	22,123	144,896
Notes and accounts payable—trade	121,707	117,974	1,030,978
Accrued expenses	50,563	39,027	428,319
Accrued income taxes (Note 7)	14,171	8,778	120,042
Reserve for discontinued operations (Note 12)	28,097	58,078	238,009
Other current liabilities	65,496	95,214	554,816
Total current liabilities	377,069	476,559	3,194,147
Long-Term Liabilities:			
Long-term debt (Note 6)	132,331	79,075	1,120,974
Accrued retirement benefits (Note 14)	57,947	64,869	490,868
Accrued retirement benefits for directors and statutory auditors	459	442	3,888
Deferred tax liabilities on land revaluation (Note 7)	4,028	4,042	34,121
Other long-term liabilities	10,590	22,493	89,708
Total long-term liabilities	205,358	170,924	1,739,585
Minority Interests	—	2,753	—
Contingent liabilities (Note 10)			
Shareholders' Equity (Notes 9, 18):			
Common stock:			
Authorized—1,200,000,000 shares in 2006 and 2005			
Issued—531,664,337 shares in 2006 and 2005	—	37,519	—
Additional paid-in capital	—	226,069	—
Less: Treasury stock, at cost; Common stock, 825,124 shares in 2006 and 719,416 shares in 2005	—	(915)	—
Retained earnings	—	20,088	—
Unrealized gains on securities	—	10,180	—
Foreign currency translation adjustments	—	875	—
Total shareholders' equity	—	293,817	—
Net Assets (Notes 2, 9, 18):			
Common stock:			
Authorized—1,200,000,000 shares in 2007 and 2006			
Issued—531,664,337 shares in 2007 and 2006	37,519	—	317,823
Capital surplus	204,143	—	1,729,293
Retained earnings	115,704	—	980,127
Less: Treasury stock, at cost; Common stock, 939,214 shares in 2007 and 825,124 shares in 2006	(1,097)	—	(9,293)
Unrealized gains on securities, net of taxes	7,454	—	63,143
Unrealized losses on hedging derivatives, net of taxes	(90)	—	(762)
Foreign currency translation adjustments	3,834	—	32,478
Share subscription rights	108	—	915
Minority interests	1,048	—	8,878
Total net assets	368,624	—	3,122,609
Total liabilities, minority interests and shareholders' equity / net assets	¥ 951,052	¥ 944,054	$ 8,056,349

Consolidated Statements of Income

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Net Sales	¥1,027,630	¥1,068,390	$8,705,040
Cost of Sales (Note 8)	532,714	575,163	4,512,613
Gross profit	494,916	493,227	4,192,427
Selling, General and Administrative Expenses (Note 8)	390,909	409,811	3,311,385
Operating income	104,006	83,415	881,033
Other Income (Expenses):			
Interest and dividend income	2,316	1,756	19,619
Interest expenses	(5,088)	(5,427)	(43,100)
Foreign exchange gains, net	3,432	5,413	29,072
Gain (loss) on sales and disposals of property, plant and equipment, net	4,484	(2,434)	37,984
Write-down of investment securities	(26)	(8)	(220)
Loss on disposal of inventories	(7,054)	(7,540)	(59,754)
Loss on impairment of goodwill	—	(2,361)	—
Gain on sales of securities, net	2,744	1,107	23,244
Gain on sales of investments in affiliated companies, net	580	549	4,913
Loss on impairment of fixed assets (Note 11)	(640)	(4,143)	(5,421)
Loss on discontinued operations (Note 12)	(935)	(96,625)	(7,920)
Provision for special outplacement program	—	(6,484)	—
Equity in losses of affiliates	(160)	(2,507)	(1,355)
Other, net	1,233	(645)	10,445
Total	884	(119,350)	7,488
Income (loss) before income taxes and minority interests	104,890	(35,934)	888,522
Income Taxes: (Note 7)			
Current	27,307	24,650	231,317
Deferred	4,827	(7,116)	40,889
Total	32,135	17,533	272,215
Minority Interests in earnings of consolidated subsidiaries	(213)	(837)	(1,804)
Net Income (loss)	¥ 72,542	¥ (54,305)	$ 614,502

	Yen		U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Per Share (Notes 9, 18):			
Net income (loss)—Basic	¥136.67	¥(102.29)	$1.16
—Diluted	134.00	—	1.14
Cash dividends	10	—	0.08

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

Consolidated Statements of Changes in Net Assets

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

For the fiscal year ended March 31, 2007

	Shares of issued common stock	Millions of yen: Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
Shareholders' equity at March 31, 2006 as previously reported	531,664,337	¥37,519	¥226,069	¥ 20,088	¥ (915)	¥10,180	—	¥ 875	—	—	¥293,817
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										2,753	2,753
Net assets at April 1, 2006	531,664,337	¥37,519	¥226,069	¥ 20,088	¥ (915)	¥10,180	—	¥ 875	—	¥ 2,753	¥296,571
Net income				72,542							72,542
Changes in the scope of consolidation				527							527
Transfer from capital surplus to retained earnings			(21,928)	21,928							—
Purchase of treasury stock					(190)						(190)
Re-issuance of treasury stock			2		7						9
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans				618							618
Net changes during the year						(2,725)	(90)	2,958	108	(1,705)	(1,455)
Total changes during the year		—	(21,926)	95,616	(182)	(2,725)	(90)	2,958	108	(1,705)	72,053
Balance at March 31, 2007	531,664,337	¥37,519	¥204,143	¥115,704	¥(1,097)	¥ 7,454	¥(90)	¥3,834	¥108	¥ 1,048	¥368,624

	Shares of issued common stock	Thousands of U.S. dollars (Note 3): Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total
Shareholders' equity at March 31, 2006 as previously reported	531,664,337	$317,823	$1,915,028	$170,165	$(7,751)	$ 86,235	—	7,412	—	—	$2,488,920
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										23,321	23,321
Net assets at April 1, 2006	531,664,337	$317,823	$1,915,028	$170,165	$(7,751)	$ 86,235	—	$ 7,412	—	$ 23,321	$2,512,249
Net income				614,502							614,502
Changes in the scope of consolidation				4,464							4,464
Transfer from capital surplus to retained earnings			(185,752)	185,752							—
Purchase of treasury stock					(1,609)						(1,609)
Re-issuance of treasury stock			17		59						76
Actuarial gains and losses of overseas subsidiaries defined benefit retirement plans				5,235							5,235
Net changes during the year						(23,083)	(762)	25,057	915	(14,443)	(12,325)
Total changes during the year		—	(185,735)	809,962	(1,542)	(23,083)	(762)	25,057	915	(14,443)	610,360
Balance at March 31, 2007	531,664,337	$317,823	$1,729,293	$980,127	$(9,293)	$ 63,143	$(762)	$32,478	$915	$ 8,878	$3,122,609

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

Consolidated Statements of Shareholders' Equity

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

For the fiscal year ended March 31, 2006

	Shares of issued common stock	Millions of yen: Common stock	Additional paid-in capital	Retained earnings	Unrealized gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2005	531,664,337	¥37,519	¥226,069	¥ 79,491	¥ 4,780	¥(7,339)	¥(791)
Net loss				(54,305)			
Increase due to newly consolidated subsidiaries				200			
Cash dividends				(2,654)			
Bonuses to directors and statutory auditors				(32)			
Effect of adoption of new accounting standard for retirement benefits by subsidiaries in the United Kingdom				(2,611)			
Net unrealized gains on securities					5,399		
Foreign currency translation adjustments						8,215	
Purchase of treasury stock							(123)
Balance at March 31, 2006	531,664,337	¥37,519	¥226,069	¥ 20,088	¥10,180	¥ 875	¥(915)

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

Consolidated Statements of Cash Flows

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31		March 31
	2007	2006	2007
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥104,890	¥(35,934)	$ 888,522
Depreciation and amortization	52,692	51,198	446,353
Loss on impairment of fixed assets	640	4,143	5,421
Amortization of goodwill	6,476	5,595	54,858
Increase (decrease) in allowance for doubtful accounts	(4,378)	465	(37,086)
Interest and dividend income	(2,316)	(1,756)	(19,619)
Interest expenses	5,088	5,427	43,100
Loss (gain) on sales and disposals of tangible fixed assets	(4,484)	2,434	(37,984)
Gain on sale and write-down of securities	(2,717)	(1,099)	(23,016)
Gain on sales of investment in affiliated companies	(580)	—	(4,913)
Decrease in accrued retirement benefits	(8,383)	—	(71,012)
Decrease in reserve for discontinued operations	(29,980)	—	(253,960)
Loss on impairment of goodwill	—	2,361	—
Loss on discontinued operations	935	96,625	7,920
Provision for special outplacement program	—	6,484	—
(Increase) decrease in trade notes and accounts receivable	(976)	7,257	(8,268)
Decrease in inventories	19,262	22,032	163,168
Decrease in trade notes and accounts payable	(5,064)	(31,855)	(42,897)
Increase (decrease) in accrued consumption tax payable	(1,969)	400	(16,679)
Reversal of reserve for loss on impairment of leased assets	(3,129)	—	(26,506)
Transfer of rental business-use assets	(10,168)	(11,278)	(86,133)
Other	(17,700)	(9,449)	(149,936)
Subtotal	98,137	113,051	831,317
Interest and dividend income received	2,473	1,524	20,949
Interest paid	(5,220)	(5,488)	(44,219)
Payment for special outplacement program	(6,484)	—	(54,926)
Income taxes paid	(22,193)	(30,162)	(187,997)
Net cash provided by operating activities	66,712	78,924	565,116
Cash Flows from Investing Activities:			
Payment for acquisition of tangible fixed assets	(62,517)	(51,904)	(529,581)
Proceeds from sale of tangible fixed assets	12,064	5,551	102,194
Payment for acquisition of intangible fixed assets	(6,703)	(8,809)	(56,781)
Proceeds from sale of subsidiaries	—	8,599	—
Payment for acquisition of additional shares of consolidated subsidiaries	(2,744)	—	(23,244)
Proceeds from sales of investments in consolidated subsidiaries	1,744	—	14,773
Payment for acquisition of newly consolidated subsidiaries	—	(1,729)	—
Payment for loans receivable	(891)	(541)	(7,548)
Proceeds from collection of loan receivable	1,142	1,556	9,674
Payment for acquisition of investment securities	(1,411)	(42)	(11,953)
Proceeds from sales of investment securities	3,461	5,057	29,318
Payment for other investments	(2,129)	(3,236)	(18,035)
Other	1,585	2,352	13,427
Net cash used in investing activities	(56,401)	(43,146)	(477,772)
Cash Flows from Financing Activities:			
Net decrease in short-term loans payable	(53,125)	(25,819)	(450,021)
Proceeds from long-term loans payable	—	27,502	—
Repayment of long-term loans payable	(8,079)	(7,396)	(68,437)
Proceeds from issuance of bonds	70,300	9,184	595,510
Redemption of bonds	(14,002)	(17,536)	(118,611)
Proceeds from disposal of treasury stock	9	10	76
Payment for purchase of treasury stock	(190)	(135)	(1,609)
Dividend paid	(12)	(2,661)	(102)
Dividend paid to minority shareholders in consolidated subsidiaries	(70)	—	(593)
Net cash used in financing activities	(5,170)	(16,850)	(43,795)
Effect of exchange rate changes on cash and cash equivalents	322	2,463	2,728
Increase in cash and cash equivalents	5,463	21,391	46,277
Cash and cash equivalents at the beginning of the year	80,878	59,485	685,116
Increase in cash and cash equivalents due to newly consolidated subsidiaries	245	1	2,075
Cash and cash equivalents at the end of the year	¥ 86,587	¥ 80,878	$ 733,477

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

Notes to The Consolidated Financial Statements

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2007 and 2006

1. Basis of Presenting Financial Statements

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

The consolidated balance sheet as of March 31, 2007, which has been prepared in accordance with the new accounting standard as discussed in Note 2 (r), is presented with the consolidated balance sheet as of March 31, 2006 prepared in accordance with the previous presentation rules.

Also, as discussed in Note 2 (s), the consolidated statement of changes in net assets for the year ended March 31, 2007 has been prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required to be filed with the Local Finance Bureau.

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

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

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

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its 120 subsidiaries (124 subsidiaries for 2006) in which it has control. All significant intercompany transactions, balances and unrealized profits among the Companies are eliminated on consolidation.

Investments in 10 unconsolidated subsidiaries (11 unconsolidated subsidiaries for 2006) and 3 significant affiliates (3 significant affiliates for 2006) are accounted for using the equity method. Investments in other unconsolidated subsidiaries and affiliates are stated at cost, since they have no material effect on the consolidated financial statements.

The excess of cost over the underlying investments in subsidiaries is recognized as goodwill and is amortized on a straight-line basis over a period not exceeding 20 years.

(b) Translation of Foreign Currencies

Translation of Foreign Currency Transactions and Balances

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and revenues and costs are translated using the average exchange rates for the period.

Translation of Foreign Currency Financial Statements

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

(c) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits withdrawable on demand and short-term investments with an original maturity of three months or less.

(d) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses from uncollectible receivables based on management's estimate.

(e) Inventories

The company and its domestic consolidated subsidiaries' inventories are mainly stated at cost as determined by the average method. Overseas consolidated subsidiaries' inventories are mainly stated at the lower of cost or market value, where cost is determined using the first-in, first-out method.

(f) Property, Plant and Equipment

Depreciation of property, plant and equipment for the Company and domestic consolidated subsidiaries is computed using the declining balance method, except for depreciation of buildings acquired after April 1, 1998, based on the estimated useful lives of the assets. Depreciation of buildings acquired after April 1, 1998 is computed using the straight-line method. Depreciation for foreign subsidiaries is computed using the straight-line method.

(g) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Deliberation Council of Japan issued a new accounting standard entitled "Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets". Further, on October 31, 2003, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 6 – "Application Guidance on Accounting Standards for Impairment of Fixed Assets". These standards are effective from fiscal years beginning April 1, 2005.

The Company and its domestic subsidiaries adopted these standards from the year ended March 31, 2006. As a result, operating income increased by ¥3,018 million and income before income taxes and minority interests decreased by ¥29,483 million for the year ended March 31, 2006, as compared with the amounts which would have been reported if the previous standards had been applied consistently. The accumulated impairment loss is deducted from net book value of each asset.

(h) Income Taxes

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

(i) Research and Development Costs

Research and development costs are expensed as incurred.

(j) Financial Instruments

Derivatives

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

Securities

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

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

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

Hedge Accounting

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

Derivatives designated as hedging instruments by the Companies are principally interest rate swaps, commodity swaps and forward foreign currency exchange contracts. The related hedged items are trade accounts receivable and payable, raw materials, long-term bank loans and debt securities issued by the Companies.

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

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

(k) Leases

Finance leases held by the Company and its domestic subsidiaries, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for using a method similar to that used for ordinary operating leases.

(l) Retirement Benefit Plans

Retirement Benefits for Employees

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

Unrecognized prior service cost is amortized by the straight-line method over a 10-year period, which is shorter than the average remaining years of service of the eligible employees. Unrecognized net actuarial gain or loss is primarily amortized from the following year by the straight-line method over 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Accrued retirement Benefits for Directors and Statutory Auditors

To provide for the payment of directors' retirement benefits, domestic consolidated subsidiaries record a reserve for retirement benefits for directors and statutory auditors based on the amount payable accumulated at the end of the period based on the Company's regulations.

(m) Accounting Standard for Stock Options

On December 27, 2005, the Accounting Standards Board of Japan issued Financial Accounting Standard No.8 "Accounting Standard for Stock Options". Further, on May 31, 2006, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 11 – "Application Guidance on Accounting Standard for Stock Options".

The Company and its domestic subsidiaries adopted these standards from the year ended March 31, 2007. As a result, operating income and income before income taxes and minority interests decreased by ¥108 million ($915 thousand), for the year ended March 31, 2007 as compared with the amount which would have been reported if the previous standards had been applied consistently.

(n) Accounting standard for retirement benefits in the United Kingdom

Effective from the year ended March 31, 2006, consolidated subsidiaries Konica Minolta Business Solutions (UK) Ltd. and Konica Minolta Photo Imaging (UK) Ltd. adopted a new accounting standard for retirement benefits in the United Kingdom.

Retained earnings decreased by ¥2,611 million since the net retirement benefit obligation at the transition date and actuarial gains and losses were charged directly to retained earnings for the year ended March 31, 2006.

(o) Accounting standard for retirement benefits in the United States

Effective from the year ended March 31, 2007, consolidated subsidiaries Konica Minolta Business Solutions U.S.A., Inc., adopted a new accounting standard for retirement benefits in the United States.

Retained earnings increased by ¥137 million and actuarial gains and losses were charged directly to retained earnings for the year ended March 31, 2007.

(p) Appropriations of Retained Earnings

Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after approval by the board of directors as required under the Japanese Corporate Law.

(q) Per Share Data

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

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

(r) Accounting standard for presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting

Standards Board of Japan, on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (The Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan, on December 9, 2005).

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the new accounting standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprised the assets, liabilities, minority interests and shareholders' equity sections.

The adoption of the new accounting standards had no impact on the consolidated statement of income for the year ended March 31, 2007. If the new accounting standards had not been adopted at March 31, 2007, shareholders' equity amounting to ¥367,558 million ($3,113,579 thousand) would have been presented.

(s) Accounting standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its domestic subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 issued by the Accounting Standards Board of Japan, on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets" (The Financial Accounting Standard Implementation Guidance No.9 issued by the Accounting Standards Board of Japan, on December 27, 2005).

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the new accounting standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new net asset presentation rules.

3. U.S. Dollar Amounts

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

4. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2007 and 2006, consist of:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Cash on hand and in banks	¥85,677	¥80,878	$725,769
Short-term investments	909	—	7,700
Cash and cash equivalents	¥86,587	¥80,878	$733,477

5. Securities

As of March 31, 2007

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value			
(1) Shares	¥11,638	¥24,836	¥13,198
(2) Bonds	24	24	—
(3) Other	214	214	—
Subtotal	¥11,877	¥25,075	¥13,198
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	¥ 5,697	¥ 5,057	¥ (640)
(2) Bonds	—	—	—
(3) Other	—	—	—
Subtotal	¥ 5,697	¥ 5,057	¥ (640)
Total	¥17,575	¥30,132	¥12,557
	Thousands of U.S. dollars		
Total	$148,878	$255,248	$106,370

(2) Other Securities Sold during the year ended March 31, 2007

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥5,629	¥2,788	¥44
	Thousands of U.S. dollars		
Other securities	$47,683	$23,617	$373

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

	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥378	$3,202
Foreign investment fund	¥909	$7,700

As of March 31, 2006

(1) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains (losses)
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value			
(1) Shares	¥13,688	¥30,417	¥16,728
(2) Bonds	—	—	—
(3) Other	120	129	8
Subtotal	¥13,808	¥30,546	¥16,737
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	¥ 2,881	¥ 2,694	¥ (187)
(2) Bonds	—	—	—
(3) Other	16	12	(3)
Subtotal	¥ 2,897	¥ 2,706	¥ (191)
Total	¥16,706	¥33,252	¥16,546

(2) Other Securities Sold during the year ended March 31, 2006

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥5,215	¥1,531	¥420

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

	Millions of yen
Unlisted stocks	¥486

6. Short-Term & Long-Term Debt

Short-term debt was principally unsecured and generally represent bank overdrafts. The amounts as of March 31, 2007 and 2006 were ¥79,927 million (US$677,061 thousand) and ¥135,362 million, respectively, and the weighted-average interest rates were approximately 3.3% and 2.2%.

Long-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Bonds			
2.975% unsecured bonds due in 2006	¥ —	¥ 5,000	$ —
0.20–0.22% unsecured bonds due in 2006	—	8,983	—
2.3% bonds due in 2007	9	28	76
2.5% bonds due in 2007	9	28	76
2.4% bonds due in 2007	9	28	76
2.825% unsecured bonds due in 2008	5,000	5,000	42,355
Zero coupon convertible unsecured bonds due in 2009	30,266	—	256,383
Zero coupon convertible unsecured bonds due in 2016	40,000	—	338,839
Long-term loans			
Interest rate 1.0%	74,140	82,131	628,039
Less Current portion	(17,105)	(22,123)	(144,896)
	¥132,331	¥ 79,075	$1,120,974

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

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

The aggregate annual maturities of long-term debt at March 31, 2007 are as follows:

	Amount	
Years ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥17,105	$144,896
2009	11,446	96,959
2010	42,102	356,645
2011	27,502	232,969
2012 and beyond	51,013	432,130

7. Income Taxes

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

At March 31, 2007 and 2006, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Deferred tax assets:			
Accrued retirement benefits	¥ 28,949	¥ 32,417	$ 245,227
Net operating tax loss carried forward	25,244	23,529	213,842
Elimination of unrealized intercompany profits	18,121	14,807	153,503
Reserve for discontinued operations	12,901	14,405	109,284
Tax effects related to investments	8,720	6,054	73,867
Write-down of assets	7,658	11,457	64,871
Accrued bonuses	5,181	5,621	43,888
Depreciation and amortization	4,298	7,446	36,408
Enterprise taxes	2,148	1,728	18,196
Allowance for doubtful accounts	986	3,157	8,352
Provision for special outplacement program	—	2,638	—
Other	16,194	13,999	137,179
Gross deferred tax assets	130,405	137,265	1,104,659
Valuation allowance	(49,902)	(52,392)	(422,719)
Total deferred tax assets	80,502	84,872	681,931
Deferred tax liabilities:			
Unrealized gains on securities	(6,374)	(7,689)	(53,994)
Retained earnings of overseas subsidiaries	(3,194)	(2,185)	(27,056)
Gains on securities contributed to employees' retirement benefit trust	(3,124)	(3,161)	(26,463)
Special tax-purpose reserve for condensed booking of fixed assets	(1,086)	(1,448)	(9,199)
Other	(291)	(111)	(2,465)
Total deferred tax liabilities	(14,072)	(14,596)	(119,204)
Net deferred tax assets	¥ 66,430	¥ 70,276	$ 562,728
Deferred tax liabilities related to revaluation:			
Deferred tax liabilities on land revaluation	¥ (4,028)	¥ (4,042)	$ (34,121)

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Current assets – deferred tax assets	¥41,336	¥43,242	$350,157
Fixed assets – deferred tax assets	27,306	29,135	231,309
Current liabilities – other current liabilities	(21)	(3)	(178)
Long-term liabilities – other long-term liabilities	¥ (2,191)	¥ (2,097)	$ (18,560)
Net deferred tax assets	¥66,430	¥70,276	$562,728

At March 31, 2007 and 2006, the reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2007	2006
Statutory income tax rate	40.7%	40.7%
(Reconciliation)		
Valuation allowance	(9.3)	(95.0)
Tax credits	(2.6)	6.5
Non-taxable income	(0.7)	—
Difference in statutory tax rates of foreign subsidiaries	(0.3)	—
Expenses not deductible for tax purposes	1.7	—
Amortization of goodwill	1.9	(9.0)
Other, net	(0.8)	8.0
Effective income tax rate per consolidated statements of income	30.6%	(48.8)%

8. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the year ended March 31, 2007 and 2006 are ¥72,142 million (US$611,114 thousand) and ¥67,178 million, respectively.

9. Net Assets

The Japanese Corporate Law effective from May 1, 2006 provides that earnings in an amount equal to 10% of dividends of retained earnings shall be appropriated as a capital surplus or a legal reserve on the date of distribution of retained earnings until the aggregated amount of capital surplus and legal reserve equals 25% of stated capital. The legal reserve is included in retained earnings in the accompanying consolidated balance sheets. The Japanese Commercial Code, effective until the enforcement of the Japanese Corporate Law, provided that earnings in an amount equal to at least 10% of appropriations of retained earnings that were paid in cash shall be appropriated as a legal reserve until the aggregated amount of capital surplus and legal reserve equaled 25% of stated capital.

The Board of Directors decided not to pay cash dividend for the interim period ended September 30, 2006, due to the considerable extraordinary losses incurred in the previous year in connection with the exit from the Photo Imaging business.

On May 10, 2007, the Board of Directors approved cash dividends to be paid to shareholders of record as of March 31, 2007, totaling ¥5,307 million, at a rate of ¥10 per share.

10. Contingent Liabilities

The Companies were contingently liable at March 31, 2007 for loan and lease guarantees of ¥2,236 million (US$18,941 thousand) and as of March 31, 2006 for loan and lease guarantees of ¥2,620 million.

11. Loss on Impairment of Fixed Assets

The Companies have recognized loss on impairment of ¥640 million ($5,421 thousand), for the following groups of assets as of March 31, 2007 and 2006:

Description	Classification	Amount: Millions of yen, March 31, 2007	2006	Thousands of U.S. dollars, March 31, 2007
Rental assets	Land, Buildings and structures	¥ —	¥ 4,412	$ —
	Rental business-use assets	117	—	991
Idle assets	Land, Buildings and structures, Others	522	287	4,422
Manufacturing and sales of photographic paper, Film, etc.	Buildings and structures, Machinery and equipment, Tools and furniture, Others	—	24,756	—
Manufacturing and sales of except above	Land, Buildings and structures	—	3,296	—
Total		¥640	¥32,752	$5,421

(1) Identifying the cash-generating unit to which an asset belongs
Each cash-generating unit is identified based on the product line and geographical area as a group of assets. For rental assets, cash-generating unit is identified by the rental contract and the geographical area. Each idle assets is also identified as a cash-generating unit.

(2) The events and circumstances that led to the recognition of the impairment loss
Due to the decline in real estate value and poor performance, profitability of rental and idle assets has worsened.
Therefore, the Companies have marked the assets down to the recoverable value.

(3) Details of Impairment of fixed assets

	Amount: Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Buildings and structures	¥ 87	¥13,464	$ 737
Rental business-use assets	117	—	991
Machinery and equipment	—	11,006	—
Tools and furniture	—	1,539	—
Leased asset	—	3,972	—
Others	435	2,769	3,685

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

12. Loss on Discontinued Operations

In the fiscal year ended March 31, 2006, the Companies recorded ¥96,625 million of loss on discontinued operations, which was incurred in connection with the exit from the Photo Imaging business.

This loss included a reserve for discontinued operations (¥58,078 million), impairment loss on fixed assets of Photo Imaging business (¥28,609 million) and the cost for disposal of inventories (¥18,536 million), less the proceeds from the sale of business (–¥8,599 million).

During the year ended March 31, 2007 the reserve for discontinued operations declined by ¥29,980 million ($253,960 thousand) to ¥28,097 million ($238,009 thousand).

On the statement of income for the year ended March 31, 2007 the Companies posted ¥935 million ($7,920 thousand) of loss on discontinued operations. It is the net amount of ¥17,567 million ($148,810 thousand) of income from the reversal of reserve and ¥18,502 million ($156,730 thousand) of loss on discontinued operations due to the changes various conditions and environment.

13. Lease Transactions

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

Lessee

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Buildings and structures	¥ 8,841	¥ 10,598	$ 74,892
Machinery, equipment and other	2,435	15,110	20,627
Tools and furniture	11,348	13,230	96,129
Rental business-use assets	4,173	6,590	35,349
Intangible fixed assets	358	694	3,033
	27,158	46,224	230,055
Less: Accumulated depreciation	(16,037)	(28,572)	(135,849)
Loss on impairment of lease assets	15	3,972	127
Net book value	¥ 11,106	¥ 13,679	$ 94,079

The scheduled maturities of future lease rental payments on such lease contracts at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Due within one year	¥ 2,913	¥ 5,949	$24,676
Due over one year	8,236	11,701	69,767
Total	¥11,150	¥17,651	$94,452

Lease rental expenses and depreciation equivalents under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2007 and 2006 were as follows:

Lease rental expenses for the period	¥ 4,168	¥10,045	$35,307
Depreciation equivalents	¥ 1,081	¥ 9,175	$ 9,157

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

Reserve for loss on impairment of leased assets as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Reserve for loss	¥ 15	¥ 3,102	$ 127

Reversals of reserve for loss on impairment of leased assets for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Reversals of reserve for loss	¥ 3,087	¥ 869	$26,150

2) Operating Leases

The scheduled maturities of future operating lease rental payments as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Due within one year	¥ 5,052	¥ 5,350	$ 42,795
Due over one year	14,676	11,670	124,320
Total	¥19,728	¥17,021	$167,116

Lessor

1) Finance Leases

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Leased rental business-use assets:			
Purchase cost	¥ 28,524	¥ 22,569	$ 241,626
Less: Accumulated depreciation	(17,940)	(14,830)	(151,970)
Net book value	¥ 10,584	¥ 7,738	$ 89,657

The scheduled maturities of future finance lease rental income as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Due within one year	¥5,089	¥3,780	$43,109
Due over one year	3,953	4,236	33,486
Total	¥9,043	¥8,017	$76,603

Lease rental income and depreciation under the finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2007 and 2006 were as follows:

Lease rental income for the period	¥5,638	¥4,496	$47,759
Depreciation	¥5,312	¥4,174	$44,998

2) Operating Leases

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Due within one year	¥1,694	¥3,045	$14,350
Due over one year	1,677	2,690	14,206
Total	¥3,372	¥5,735	$28,564

14. Retirement Benefit Plans

The Companies have defined benefit retirement plans that include corporate defined benefit pensions plans (CDBPs), which are governed by the Japanese Welfare Pension Insurance Law, tax-qualified pension plans and lump-sum payment plans. In addition, the Company may pay additional retirement benefits to employees at its discretion.

The Company and certain of its domestic subsidiaries changed their retirement plans, as follows:

On April 1, 2003, Konica's tax-qualified benefit plan was transferred to a CDBP.

On April 30, 2003, a portion of the Konica lump-sum payment plan was transferred to a defined contribution pension plan.

On February 1, 2004, the Ministry of Health, Labour and Welfare permitted the substitutional portion of the Konica Welfare Pension Fund be returned to the government, and the remaining portion of the Fund was integrated into a CDBP.

On March 1, 2004, the Ministry of Health, Labour and Welfare permitted that the substitutional portion of the Minolta Welfare Pension Fund be returned to the government, and the remaining portion of the Fund was integrated into a CDBP. A portion of the Minolta lump-sum payament plan was transferred to a CDBP on the same date.

On April 1, 2004, apportion of the Minolta lump-sum payment plan was transferred to a defined contribution pension plan.

The reserve for retirement benefits as of March 31, 2007 and 2006 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
a. Retirement benefit obligations	¥(149,936)	¥(154,221)	$(1,270,106)
b. Plan assets	108,766	108,320	921,355
c. Unfunded retirement benefit obligations (a+b)	(41,170)	(45,901)	(348,751)
d. Unrecognized actuarial differences	(4,528)	(5,572)	(38,357)
e. Unrecognized prior service costs	(9,557)	(11,768)	(80,957)
f. Net amount on consolidated balance sheets (c+d+e)	(55,256)	(63,241)	(468,073)
g. Prepaid pension costs	2,690	1,627	22,787
h. Accrued retirement benefits (f-g)	¥ (57,947)	¥ (64,869)	$ (490,868)

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

Net retirement benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
a. Service costs	¥ 6,383	¥ 5,024	$ 54,070
b. Interest costs	4,244	4,107	35,951
c. Expected return on plan assets	(2,887)	(2,046)	(24,456)
d. Amortization of actuarial differences	338	3,220	2,863
e. Amortization of prior service costs	(1,529)	(1,536)	(12,952)
f. Retirement benefit costs (a+b+c+d+e)	6,549	8,769	55,476
g. Contribution to defined contribution pension plans	2,745	2,895	23,253
Total (f+g)	¥ 9,295	¥11,665	$ 78,738

Note: Retirement benefit costs of consolidated subsidiaries using a simplified method are included in "a. service costs."
In addition to the above net retirement benefit costs, a provision for a special outplacement program of ¥6,484 million was recorded as other expenses for the year ended March 31, 2006.

Assumption used in the calculation of the above information are as follows:

	2007	2006
Method of attributing the retirement benefits to periods of service	Periodic allocation method for projected benefit obligations	Periodic allocation method for projected benefit obligations
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 1.25%	Mainly 1.25%
Amortization of unrecognized prior service cost	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years

15. Derivatives

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

Risks associated with derivative instruments

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

Risk control system on derivative instruments

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

The principal policies on foreign currency exchange instruments and other derivative instruments of the Company and its major subsidiaries are approved by the Management Committee of the Company. Additionally, a Committee, which consists of management from the Company and its major subsidiaries meets regularly, at which time the principal policies on foreign currency exchange instruments and other derivative instruments are reaffirmed and the market risks are assessed. All derivative instruments are reported monthly to the respective officers. Market risks and credit risks for other subsidiaries are controlled and assessed based on internal rules, and the derivative instruments are approved by the respective President of each subsidiary.

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

A summary of derivative instruments at March 31, 2007 and 2006 is as follows:

(1) Currency-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2007			2006			2007		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:									
To sell foreign currencies:									
US$	¥36,861	¥36,817	¥ 44	¥30,849	¥31,081	¥(231)	$312,249	$311,876	$ 373
EURO	25,352	25,664	(311)	33,433	33,928	(494)	214,756	217,399	(2,634)
To buy foreign currencies:									
US$	¥ 8,354	¥ 8,508	¥ 153	¥ 6,672	¥ 6,682	¥ 10	$ 70,767	$ 72,071	$ 1,296
EURO	1,277	1,286	9	—	—	—	10,817	10,894	76
Total	¥71,846	¥72,276	¥(104)	¥70,955	¥71,692	¥(715)	$608,607	$612,249	$ (881)

Notes: 1. Fair value is calculated based on the forward foreign currency exchange rates prevailing as of March 31, 2007 and 2006, respectively.
2. Derivative instruments for which hedge accounting is applied are excluded from the above table.

(2) Interest Rate-Related Derivatives

	Millions of yen						Thousands of U.S. dollars		
	March 31						March 31		
	2007			2006			2007		
	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)	Contract value (notional principal amount)	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Pay fixed, receive floating	¥8,022	¥34	¥34	¥7,285	¥32	¥32	$67,954	$288	$288

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

16. Stock Option Plans

The following tables summarize details of stock option plans as of March 31, 2007.

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

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

The following tables summarize and movement of outstanding stock options for the year ended March 31, 2007.

Not exercisable stock options	
Stock options outstanding at March 31, 2006	—
Stock options granted	105,500
Forfeitures	—
Conversion to exercisable stock options	105,500
Stock options outstanding at March 31, 2007	—

Exercisable stock options	
Stock options outstanding at March 31, 2006	194,500
Conversion from not exercisable stock options	105,500
Stock options exercised	—
Forfeitures	3,000
Stock options outstanding at March 31, 2007	297,000

The following tables summarize price information of stock options as of March 31, 2007.

Not exercisable stock options	Outstanding balance
Price of stock options exercised (Yen)	¥ 1
Average market price of the stock at the time of exercise (Yen)	—
Exercise price (Yen)	¥1,453

17. Segment Information

(1) Business Segment Information

Business segment information of the Companies for the years ended March 31, 2007 and 2006 is presented as follows:

Business segment	Related business segment products
Business Technologies:	Copy machines, printers and others
Optics:	Optical devices, electronic materials and others
Photo Imaging:	Photographic film and materials, ink-jet products, cameras and others
Medical and Graphic Imaging:	X-ray or graphic film, equipment for medical or graphic use and others
Sensing:	Industrial or medical measurement instruments
Other:	Others products not categorized in the above segments

	Millions of yen								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales									
Outside	¥658,693	¥138,960	¥ 47,752	¥ 158,705	¥10,003	¥ 13,516	¥1,027,630	¥ —	¥1,027,630
Intersegment	3,955	1,396	9,700	12,249	859	58,313	86,476	(86,476)	—
Total	662,648	140,356	57,453	170,955	10,863	71,830	1,114,106	(86,476)	1,027,630
Operating expenses	582,666	119,355	58,278	162,074	9,213	60,164	991,753	(68,129)	923,624
Operating income (loss)	¥ 79,982	¥ 21,000	¥ (825)	¥ 8,880	¥ 1,649	¥ 11,665	¥ 122,353	¥ (18,346)	¥ 104,006
Assets	¥479,938	¥155,413	¥ 47,704	¥ 124,727	¥10,046	¥486,872	¥1,304,702	¥(353,650)	¥ 951,052
Depreciation	30,050	10,806	—	5,138	210	6,487	52,692	—	52,692
Impairment losses	537	46	—	—	—	56	640	—	640
Capital expenditure	24,510	24,464	—	8,793	400	5,831	64,000	—	64,000

	Millions of yen								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2006: Net sales									
Outside	¥606,730	¥110,368	¥187,117	¥ 146,600	¥ 5,822	¥ 11,752	¥1,068,390	¥ —	¥1,068,390
Intersegment	3,488	1,803	12,179	27,269	2,352	58,734	105,828	(105,828)	—
Total	610,218	112,171	199,296	173,869	8,174	70,486	1,174,218	(105,828)	1,068,390
Operating expenses	545,098	94,578	206,412	162,180	6,319	60,041	1,074,630	(89,655)	984,974
Operating income (loss)	¥ 65,120	¥ 17,593	¥ (7,115)	¥ 11,689	¥ 1,855	¥ 10,445	¥ 99,588	¥ (16,172)	¥ 83,415
Assets	¥462,534	¥119,174	¥102,061	¥ 122,610	¥ 8,813	¥430,648	¥1,245,842	¥(301,787)	¥ 944,054
Depreciation	27,214	7,593	4,070	5,128	141	7,050	51,198	—	51,198
Impairment losses	704	—	24,756	2,659	—	4,632	32,752	—	32,752
Capital expenditure	28,765	21,835	2,975	6,704	141	7,146	67,570	—	67,570

	Thousands of U.S. dollars								
	Business Technologies	Optics	Photo Imaging	Medical and Graphic Imaging	Sensing	Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales									
Outside	$5,579,780	$1,177,128	$404,507	$1,344,388	$84,735	$ 114,494	$ 8,705,040	$ —	$8,705,040
Intersegment	33,503	11,825	82,169	103,761	7,277	493,969	732,537	(732,537)	—
Total	5,613,283	1,188,954	486,684	1,448,158	92,020	608,471	9,437,577	(732,537)	8,705,040
Operating expenses	4,935,756	1,011,055	493,672	1,372,927	78,043	509,648	8,401,127	(577,120)	7,824,007
Operating income (loss)	$ 677,526	$ 177,891	$ (6,989)	$ 75,222	$13,969	$ 98,814	$ 1,036,451	$ (155,409)	$ 881,033
Assets	4,065,548	$1,316,501	$404,100	$1,056,561	$85,100	$4,124,286	$11,052,114	$(2,995,765)	$8,056,349
Depreciation	254,553	91,537	—	43,524	1,779	54,951	446,353	—	446,353
Impairment losses	4,549	390	—	—	—	474	5,421	—	5,421
Capital expenditure	207,624	207,234	—	74,485	3,388	49,394	542,143	—	542,143

(2) Geographic Segment Information

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales							
Outside	¥460,196	¥246,786	¥263,702	¥ 56,945	¥1,027,630	¥ —	¥1,027,630
Intersegment	292,774	2,247	969	183,885	479,877	(479,877)	—
Total	752,970	249,033	264,672	240,830	1,507,507	(479,877)	1,027,630
Operating expenses	639,740	244,932	254,632	239,016	1,378,321	(454,697)	923,624
Operating income	¥113,230	¥ 4,100	¥ 10,040	¥ 1,814	¥ 129,186	¥ (25,179)	¥ 104,006
Assets	¥865,962	¥179,007	¥155,426	¥ 92,420	¥1,292,817	¥(341,765)	¥ 951,052

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2006: Net sales							
Outside	¥476,720	¥262,288	¥270,566	¥ 58,815	¥1,068,390	¥ —	¥1,068,390
Intersegment	294,586	5,898	1,302	185,488	487,276	(487,276)	—
Total	771,307	268,186	271,868	244,304	1,555,666	(487,276)	1,068,390
Operating expenses	685,718	261,121	267,633	243,206	1,457,681	(472,706)	984,974
Operating income	¥ 85,588	¥ 7,065	¥ 4,235	¥ 1,097	¥ 97,985	¥ (14,569)	¥ 83,415
Assets	¥821,766	¥183,772	¥144,887	¥ 86,231	¥1,236,657	¥(292,603)	¥ 944,054

	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidated
2007: Net sales							
Outside	$3,898,314	$2,090,521	$2,233,816	$ 482,380	$ 8,705,040	$ —	$8,705,040
Intersegment	2,480,085	19,034	8,208	1,557,687	4,065,032	(4,065,032)	—
Total	6,378,399	2,109,555	2,242,033	2,040,068	12,770,072	(4,065,032)	8,705,040
Operating expenses	5,419,229	2,074,816	2,156,984	2,024,701	11,675,739	(3,851,732)	7,824,007
Operating income	$ 959,170	$ 34,731	$ 85,049	$ 15,366	$ 1,094,333	$ (213,291)	$ 881,033
Assets	$7,335,553	$1,516,366	$1,316,612	$ 782,889	$10,951,436	$(2,895,087)	$8,056,349

Note: Major countries or areas other than Japan are as follows:
North America ..................U.S.A. and Canada
Europe...............................Germany, France and U.K.
Asia and Other..................Australia, China and Singapore

(3) Overseas Sales

	Millions of yen		Thousands of U.S. dollars	Percentage of net sales
	2007	2006	2007	2007
Overseas Sales				
North America	¥257,160	¥274,218	$2,178,399	25.0%
Europe	279,324	281,418	2,366,150	27.2
Asia and Other	204,623	199,529	1,733,359	19.9

Notes: 1. Major countries or areas are as follows:
North America ...............U.S.A. and Canada
Europe..........................Germany, France and U.K.
Asia and Other..............Australia, China and Singapore
2. "Overseas sales" represents sales recognized outside of Japan by the Companies.

18. Net Income (loss) per share

Calculations of net income per share for the years ended March 31, 2007 and 2006, are as follows.

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2007	2006	2007
Net income (loss) attributable to common shares	¥72,542	¥(54,305)	$614,502
	Thousands of shares		
Weight average number of common shares outstanding:			
Basic	530,778	530,898	530,778
Diluted	541,168	—	541,168
	Yen		U.S. dollars
Net income per share:			
Basic	¥136.67	¥(102.29)	$1.16
Diluted	134.00	—	1.14

Diluted net income per share for the year ended March 31, 2006 was not disclosed due to the company's loss position (anti-dilutive).

Report of Independent Auditors

Konica Minolta Holdings, Inc. and Consolidated Subsidiaries

KPMG

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

We have audited the accompanying consolidated balance sheet of Konica Minolta Holdings, Inc. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of Konica Minolta Holdings, Inc. and consolidated subsidiaries for the year ended March 31, 2006, were audited by other auditors whose report thereon dated June 23, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Konica Minolta Holdings, Inc. and subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollars and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 21, 2007

The Konica Minolta Group

As of June 30, 2007

Business Technologies

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

Optics

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

Medical and Graphic Imaging

	COUNTRY
BUSINESS COMPANY	
Konica Minolta Medical & Graphic, Inc.	Japan
PRODUCTION COMPANIES	
Konica Minolta Repro Co., Ltd.	Japan
Konica Minolta Technoproducts Co., Ltd.	Japan
American Litho Inc.	U.S.A.
SALES COMPANIES	
Chuo Medical	Japan
Konica Minolta Graphic Imaging Japan Co., Ltd.	Japan
Konica Minolta Health Care Co., Ltd.	Japan
Konica Minolta Health Care System Support Co., Ltd.	Japan
Konica Minolta ID System Co., Ltd.	Japan
Konica Minolta Medical & Graphic Technosupport Co., Ltd.	Japan
ME Kikai	Japan
Toho Chemical Laboratory Co., Ltd.	Japan
MHI Medical Systems, Inc.	Japan
Konica Minolta Graphic Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical Imaging U.S.A., Inc.	U.S.A.
Konica Minolta Medical & Graphic Imaging Europe GmbH	Germany
Konica Minolta Medical & Graphic Imaging Europe B.V.	Netherlands
Konica Minolta Medical Systems Russia	Russia
Konica Minolta Medical & Graphics (SHANGHAI) Co., Ltd.	China

Sensing

	COUNTRY
BUSINESS COMPANY	
Konica Minolta Sensing, Inc.	Japan
SALES COMPANIES	
Konica Minolta Sensing Americas, Inc.	U.S.A.
Konica Minolta Sensing Europe B.V.	Germany
Konica Minolta Sensing Singapore, Pte. Ltd.	Singapore

Industrial Inkjet

	COUNTRY
BUSINESS COMPANY	
Konica Minolta IJ Technologies, Inc.	Japan

Photo Imaging

	COUNTRY
Konica Minolta Photo Imaging, Inc.	Japan

Other Businesses

	COUNTRY
Konica Minolta Business Expert, Inc.	Japan
Konica Minolta Chemical Corporation	Japan
Konica Minolta Engineering Co., Ltd.	Japan
Konica Minolta Information System Corporation	Japan
Konica Minolta Logistics Co., Ltd.	Japan
Konica Minolta Planetarium Co., Ltd.	Japan
Konica Minolta Sogo Service Co., Ltd.	Japan
Konica Minolta Technology Center, Inc.	Japan
Konica Minolta Technosearch Corporation	Japan
Media Technology Co., Ltd.	Japan
Konica Minolta Headquarters North America, Inc.	U.S.A.
Konica Minolta Holdings U.S.A., Inc.	U.S.A.
Konica Minolta Technology Co., Ltd.	U.S.A.
Konica Minolta (CHINA) INVESTMENT Ltd.	China

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

Board of Directors

As of June 21, 2007

Chairman of the Board

Fumio Iwai

Directors

Yoshikatsu Ota

Hisashi Nakayama
Chairman of the Board of Directors, Meiji Dairies Corporation

Tadao Namiki
President of Namiki Office

Tadaaki Jagawa
Chairman of the Board, Hino Motors, Ltd.

Takeo Higuchi
Chairman and CEO
Daiwa House Industry Co., Ltd.

Masanori Hondo

Yoshihiko Someya

Hiroshi Ishiko

Shoei Yamana

Akio Kitani

Yasuo Matsumoto

Masatoshi Matsuzaki

Executive Officers

As of June 21, 2007

Yoshikatsu Ota
President and CEO

Senior Executive Officers

Shoei Yamana
In charge of Corporate Strategy
Chairman of Risk Management Committee

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

Takashi Matsumaru
In charge of Production Innovation
President, Konica Minolta Opto, Inc.

Tsuyoshi Miyachi
In charge of Imaging Strategy and Corporate Communications & Branding
President, Konica Minolta Photo Imaging, Inc.

Toshifumi Hori
In charge of Human Resources
President, Konica Minolta Business Expert, Inc.

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

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

Masatoshi Matsuzaki
In charge of Technology Strategy
President, Konica Minolta Technology Center, Inc.

Yasuo Matsumoto
In charge of Corporate Accounting, Corporate Finance, and IT Planning

Executive Officers

Tomohisa Saito
Director, Konica Minolta Business Technologies, Inc.

Hiroshi Furukawa
President, Konica Minolta Sensing, Inc.

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

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

Takashi Sugiyama
Executive Director, Konica Minolta Business Technologies, Inc.

Takumi Kawakami
Director, Konica Minolta Business Technologies, Inc.
President, Konica Minolta Business Solutions Japan Co., Ltd.

Hisashi Tokumaru
Executive Director, Konica Minolta Opto, Inc.

Hisao Yasutomi
General Manager, Secretariat, and Board of Directors Office

Yoshiaki Ando
General Manager, Corporate Finance Division

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

Yoshifumi Johno
General Manager, Corporate Audit Division

Corporate Data

As of March 31, 2007

Company Name

Konica Minolta Holdings, Inc.

Address

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

Established

August 2003

Paid-in Capital

¥37,519 million (US$318 million)

Number of Employees

Parent company: 90
Group: 30,207

Investor Relations Contact

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

Investor Information

Konica Minolta Holdings, Inc.
As of March 31, 2007

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

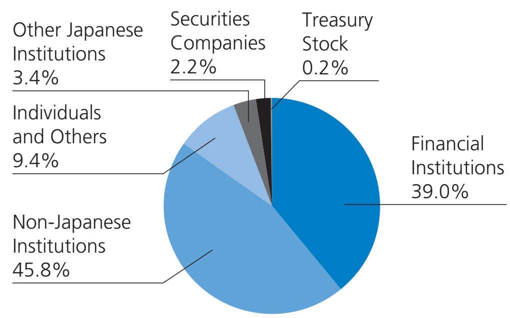
Stock Exchange Listings
Tokyo, Osaka, 1st Sections

Number of Shareholders
35,470

Independent Auditor
KPMG AZSA & CO.

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

Types of Shareholders



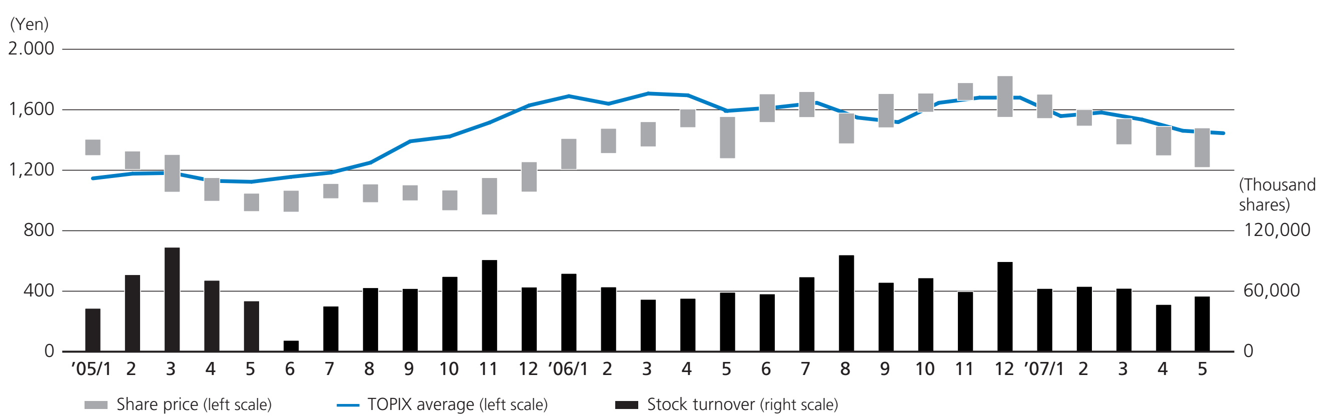
Principal Shareholders

Name	Investment in Konica Minolta Holdings, Inc. Number of shares held (Thousand shares)	Investment ratio (%)
The Chase Manhattan Bank NA London	52,820	10.0
Japan Trustee Services Bank, Ltd. (Trust account)	32,817	6.2
The Master Trust Bank of Japan, Ltd. (Trust account)	27,648	5.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,494	2.9
State Street Bank and Trust Company	14,296	2.7
Nippon Life Insurance Company	12,009	2.3
Japan Trustee Services Bank, Ltd. (Mitsui Asset Trust and Banking Company Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	11,875	2.2
UBS AG London A/C IPB Segregated Client Account	11,615	2.2
The Nomura Trust and Banking Co., Ltd. (Holder in Retirement Benefit Trust for UFJ Bank Limited)	10,801	2.0
Daido Life Insurance Company	9,040	1.7

Note: Although significant shareholder reports from the following companies claim that they hold substantial numbers of shares in Konica Minolta Holdings, Inc. as of March 31, 2007, the Company is unable to confirm the number of shares held and hence these companies have not been included in the principal shareholders' overview stated above.

Companies submitting significant shareholder reports	Reporting obligation accrual date	Number of shares held (Thousand shares)	Percentage of shares held
Templeton Asset Management Ltd. (Joint holding)	December 4, 2006	55,217	10.4%
Barclays Global Investors Japan Trust & Banking Co., Ltd. (BTB) (Joint holding)	January 31, 2007	37,281	7.0%
Fidelity Investments Japan Limited	December 31, 2006	27,707	5.2%

Stock Price Chart



KONICA MINOLTA

KONICA MINOLTA HOLDINGS, INC.

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

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