Konica

# Annual Report 2001

For the Fiscal Years Ended March 31, 2001

KONICA CORPORATION

## PROFILE

*Since its establishment in 1873, Konica has continually served as a pioneer in its field, developing one ground-breaking product after another and venturing into previously uncharted realms of technology. At the dawn of the 21st century, the Company maintains its innovative spirit, its relentless work ethic, and its focus on creating exciting new products and technologies.*

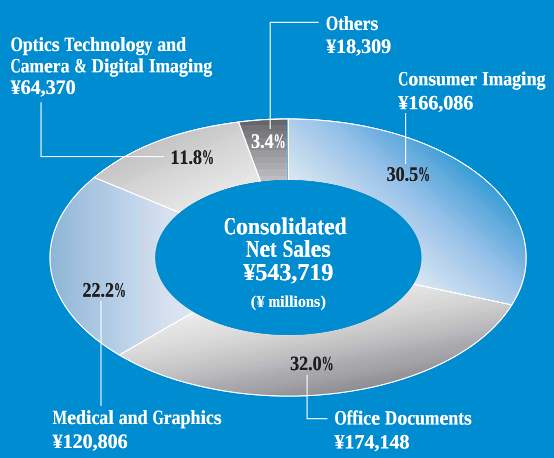
*Konica anticipates that the new century will bring increasingly affluent lifestyles as the advanced products, services and technologies of today's information and networking age become even more sophisticated. In this environment, in line with its slogan of "Imaging solutions," the Company will continue to meet evolving needs both today and in the decades ahead. In these efforts, the Company is committed to developing products and technologies that not only meet the demands of its customers, but also enrich human lives and contribute to society's advance.*

*In an age of swift and dramatic change, Konica remains constant in its willingness to push forward and explore the farthest reaches of technology.*

## CONTENTS



**Sales Breakdown by Segment**




## FORWARD-LOOKING STATEMENTS

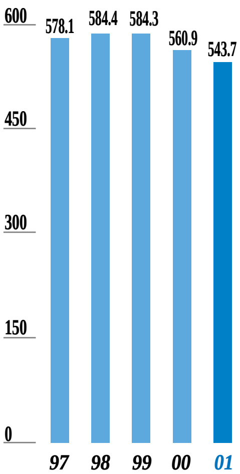
The plans, strategies and statements related to the outlook for future results in this document are in accordance with assumptions and beliefs determined by management based on currently available information. However, it should be noted that there is a possibility that actual results could differ significantly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

# CONSOLIDATED FINANCIAL HIGHLIGHTS

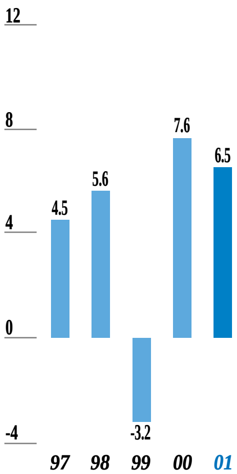
KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note) |
|---|---|---|---|
| | 2001 | 2000 | 2001 |
| **For the Year:** | | | |
| Net sales | ¥543,719 | ¥560,900 | $4,388,370 |
| Operating income | 30,543 | 33,131 | 246,513 |
| Net income | 6,457 | 7,627 | 52,115 |
| Capital expenditure | 30,424 | 30,237 | 245,553 |
| R&D expenses | 26,672 | 25,730 | 215,270 |
| **At Year-End:** | | | |
| Total assets | ¥518,181 | ¥549,703 | $4,182,252 |
| Shareholders' equity | 160,259 | 162,793 | 1,293,454 |
| | Yen | | U.S. dollars |
| **Per Share of Common Stock:** | | | |
| Net income—primary | ¥ 18.1 | ¥ 21.3 | $ 0.15 |
| Shareholders' equity | 448.1 | 455.2 | 3.62 |
| Cash dividends | 10.0 | 10.0 | 0.08 |
| | Percent | | |
| **Financial Ratios:** | | | |
| Equity ratio | 30.9% | 29.6% | |
| Return on assets | 1.21 | 1.34 | |
| Return on equity | 4.00 | 4.74 | |

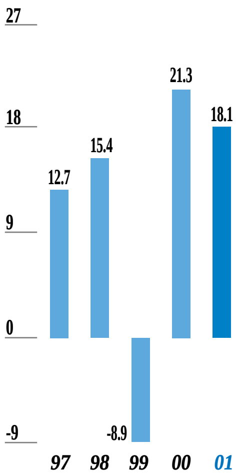
Note: U.S. dollar amounts above and elsewhere in this report are translated from yen, for convenience only, at the rate of ¥123.90=US$1, the approximate exchange rate prevailing at March 31, 2001.



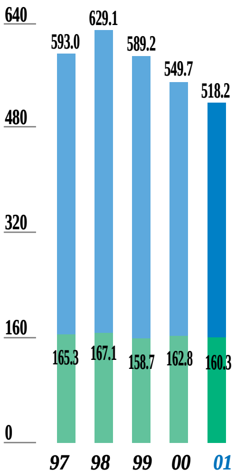

(¥ billions)
**Net Sales**



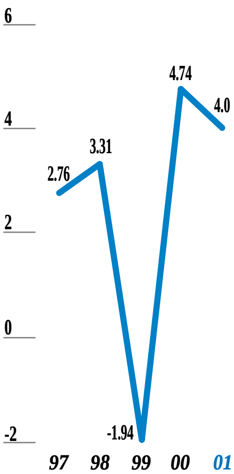

(¥ billions)
**Net Income (Loss)**




(¥ )
**Net Income (Loss) per Share**




(¥ billions)
Total Assets / Shareholders' Equity




(%)
**Return on Equity**

***In this difficult market environment, Konica is working to steadily achieve such basic goals as increasing operating income, decreasing interest-bearing debt, and boosting corporate value. We are also pushing forward with efforts to dramatically reform our business structure in line with the trend toward digitization.***

## *Transformation Is the Key to Konica's Future*

The key to Konica's future is to dramatically transform the Company's business structure. Meeting this challenge will require us all to work together with relentless determination. Since assuming the position of president and chief executive officer in April 2001, I have emphasized this point at every possible opportunity. The report you are now reading is intended to clarify Konica's business position to you, our shareholders, and to rally the support of everyone involved in Konica's management and business operations.

In my few months of serving as president, I have become convinced that our company is poised to move in a positive direction.

In February 2001, the Company formulated a new medium-term management plan for the period from the fiscal year ending March 2002 to March 2005. Called SAN Plan 2004, the plan maps out a course for Konica's growth during this age of rapid change, consistent with the challenge mentioned above. An outline of the plan follows. First, however, I would like to report on the Company's business performance during fiscal 2001, ended March 31, 2001.

## *Business Results for Fiscal 2001*

Despite the fact that the fiscal year under review saw a largely inhospitable business environment, the Company's performance went almost as planned. We recorded net sales of ¥543.7 billion and net income of ¥6.5 billion. While I would greatly prefer to deliver a more positive report on our performance, I regret to say that we fell short of some of our goals compared with the previous fiscal year. Key factors behind the adverse results included unfavorable exchange rates, with the yen's appreciation during the year having a significant dampening effect on sales and operating income, and an extraordinary loss resulting from mandatory retirement benefit payments. However, looking back at the consolidation of our product line and the cost-reduction measures the Company undertook, we can claim a certain degree of success for the year.

In business related to the photographic materials segment, the Medical and Graphic Company managed to post gains by shifting early on to digital products, leading to development and marketing of such systems as to record, transmit and store X-ray images (the Konica Direct Imaging System). In addition, the EM & ID Business Group saw increased sales of triacetyl cellulose (TAC film), a key material for making the polarizing filters used in liquid crystal displays (LCDs). Operations went into full swing in March 2000. Due to the high production capacity at our dedicated facility—the industry's first—we succeeded in meeting the growing market demand. At the same time, the Consumer Imaging Company, which handles color film and photographic paper, recorded steady growth in markets such as Russia, India, China and Brazil. Due to sluggish domestic demand, falling prices, and unfavorable exchange rates, revenue and profit declined. The Inkjet Business Group, which handles inkjet paper products, continued to cultivate large-scale business in its sector with the highly regarded Konica Inkjet Paper Photolike QP.

Sales and operating income from the business machines segment, which is managed by the Office Document Company, were heavily affected by the exchange rate and saw drops in both revenue and profit. The Optics Technology Company, which handles products such as pickup lenses used in CDs and DVDs, saw steady growth overall but experienced a temporary slowdown, mainly due to the rapid cooling of the U.S. personal computer market in the latter half of the year.

The Camera & Digital Imaging Business Group, which markets products such as cameras and digital cameras, was affected by the downturns in the film and camera markets of Japan and Western countries, which saw significant decreases in both sales amounts and volumes. On the other hand, digital camera sales continued to grow, centering largely on original equipment manufacturing (OEM) supply.

## *Results of the Company's Medium-Term Business Plan*

Before outlining the contents of our new SAN Plan 2004 medium-term management plan and our future strategies for growth, I would like to review the policies Konica has followed over the past several years.

Beginning in 1998, the Company moved forward with two new medium-term business initiatives, V Plan 2000 AAA and SAN Plan 2003.

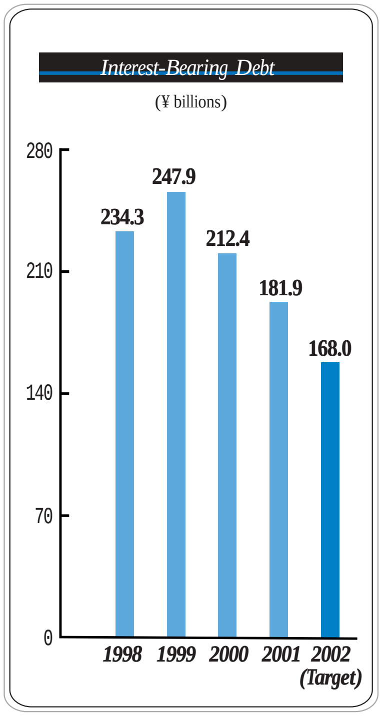
Our V Plan 2000 AAA set the basic approach for restructuring our photographic materials segment, with the goals of improving profits and strengthening cash flow management to reduce interest-bearing debt.

Guided by the plan, we succeeded in raising our operating margin from 4% in March 1998 to 5.6% in March 2001 and in slashing interest-bearing debt from ¥234.3 billion to ¥181.9 billion.

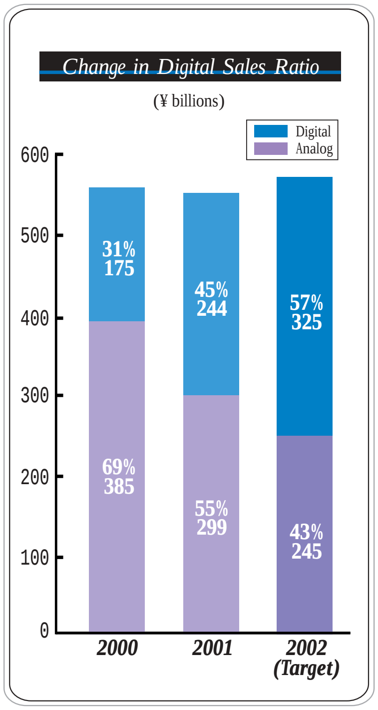
Meanwhile, the primary goal of SAN Plan 2003 was to boost corporate value, guided by the key words *Speed*,

*President*
***Fumio Iwai***

*Alliance*, and *Network*. The *Speed* concept has been applied in all operating areas by means of structural reform. In June 1999, we implemented new policies to refine our internal company system, and in June 2000 we introduced new management and decision-making structures.



***From 31% to 45%. As of March 2001, the shift to digitization has continued to proceed swiftly. Guided by our medium-term business plan, we will keep focusing investment, staff, and technical strategies to push ahead with digital networking.***




Under the *Alliance* theme, in April 2000 Konica formed a business tie-up with Minolta Co., Ltd., in the office document business. The combination of our high-speed digital technology and materials development with Minolta's digital color image processing technology and printers gives both companies a number of highly competitive products and greater technical strengths. The alliance will provide consumers with a host of attractive new products that offer unprecedented features, while helping us bolster operations and significantly boost profits.

Under the Network theme, we focused on increasing sales of the digital products in our product line. These efforts paid off, with the sales percentage of digital products climbing dramatically, from 31% in March 2000 to 45% one year later.

Moreover, we have reallocated Konica's resources and sought to promote the development of products and services for digital network systems and expanded strategic business lines such as optics technology, inkjets, and electronic materials. Combining these three strategic business fields proved highly successful, as the Company's sales rose from ¥71.3 billion in March 2000 to ¥80.7 billion in March 2001.

## *Transforming Our Business Structure under SAN Plan 2004*

At the outset of this report, I described how dramatic transformation was the key to Konica's future. By this, I mean the transformation of our business structure itself. While transformation has been the underlying theme of the Company's medium-term management plans for the past several years, our business structure has mainly revolved around film, photographic paper and other analog products. The continued swift advancement in digital technology, however, requires a more profound shift—from the previous business structure to one that better accommodates digital systems and creates new business opportunities.

Accordingly, we studied the progress made under SAN Plan 2003 during the previous year, added new management tasks, and upgraded to SAN Plan 2004 in a move designed to achieve steady implementation of the medium-term management plan. SAN Plan 2004 stipulates a policy of focusing investment, human resources and technical strategies on promoting the Company's shift in emphasis toward the newly developing areas centered on digital networks while also reinforcing strategic business areas.

## *Solid Growth Expected in the Business Machines Segment and for the Office Document Company*

We anticipate significant growth in the business machines segment, and for the Office Document Company in particular. With many companies now providing office document services, competition in this field has intensified. Accordingly, many of the Company's shareholders must have questions about our optimistic expectations for the Office Document Company. I believe the following points will provide a clear answer to these questions.

First, it is a fact that high-speed copiers are the focus of keen attention. As digitization continues to increase, the business structure of the Office Document Company will remain the same—that is, profits will continue to come from sales of consumables. Eventually, however, high-speed copiers will generate greatly increasing sales. Also, note that some major technological advances are necessary to develop high-speed copiers that can operate around the clock and sustain productivity of at least 75 copies per minute (as with the Konica Sitios 7075). Konica's high-speed copiers already enjoy high regard in this area, with levels of reliability and durability that give us a strong competitive edge.

Backed by the performance of our high-speed copiers, we are considering introducing print-on-demand (POD) to the near-print industry. Although we have possessed the functional ability to handle POD, certain technical problems with the image continued to hamper development, such as detailed control of the print position. These problems have now been resolved, and we expect to launch the product at a price of several million yen. There is a large market for near-print POD that requires high-volume copying, and we believe this will contribute significantly to expanding sales. For example, developing a controller that can interface with the IBM AS/400 for computer network systems would greatly improve networking capabilities.

Second, consider the subject of cost reduction in digital copiers. To obtain clear success at a time of intensifying price competition, Konica has focused on comprehensive cost reductions. We expanded our manufacturing base in China, then continued finding other innovative ways to drive down costs.

Third, I would like to mention sales of polymerization toner, whose development is unique to Konica. Following the establishment of our business alliance with Minolta in December 2000, we jointly formed the Konica Minolta Supplies Manufacturing Co., Ltd. The new company brought to market a practical polymerization toner, which debuted as a consumable that delivers superior picture quality at a competitive price.

By making best use of our competitive strengths in the years ahead, we have our sights set on boosting sales from ¥174.1 billion in March 2001 to ¥277.0 billion by March 2005.

## *Expanding Our Technological Sphere with Optics Technology*

We are also optimistic about the future prospects of the Optics Technology Company, one of our strategic business operations. To this point, the Optics Technology Company's mainstay product has been the aspherical plastic lenses used in optical discs, with our CD/DVD aspherical plastic objective lenses capturing a market share of around 70%. We expect to maintain a healthy market share and high profitability, particularly in lenses for DVDs and the next-generation HD-DVDs. Plans are also under way to reinforce our lens unit business, especially for products such as VTRs and digital cameras.

Further, we expect that opto-mechatronics technology, which we developed for zoom lenses used in cameras/VTRs and 3.5-inch magneto-optical (MO) disk drives, will find applications in micro-camera units, such as those used in the personal digital assistant field. With these areas as our focal points, our goal in optics technology, including camera and digital imagimg operations, is to boost sales from ¥64.4 billion in March 2001 to ¥83.0 billion by March 2005.

## *The Inkjet Business Group Uses High Technology to Create New Markets*

The Inkjet Business Group and the EM & ID Business Group have been designated as strategic business fields in photosensitive materials-related operations. Sales of media (paper) have been the driving force behind the business volume and profits of the Inkjet Business Group. In particular, sales of our highly regarded Photolike QP, a Konica photo-quality inkjet paper with an excellent glossy base and microporous technology for fast drying, have doubled every six months. This has led to our capturing around a 60% share of the market for high-quality glossy paper.

In addition, printer heads are achieving both higher speeds and higher density as the number of nozzles has increased from 128 to 512. The Company has set a goal of 512 nozzles and is following a three-pronged approach that calls for developing media, printer heads and ink. While combined sales of the Inkjet Business Group were ¥4.1 billion in fiscal 2001, we have set an ambitious sales target of ¥36.0 billion by March 2005.

## *Advances in High-Value-Added Products from the EM & ID Business Group*

The EM & ID Business Group is focusing its energies on LCD polarizer TAC film. Demand for this film, a key component in making polarized film for LCDs, should continue to expand. As thin film and high-value-added services continue to grow, we project that sales of the EM & ID Business Group will rise sharply from ¥12.2 billion in March 2001 to ¥30.0 billion by March 2005.

## *Focusing on Investment, Human Resources and R&D Strategy*

To guide our efforts in fields with high growth potential, we are focusing on our investment, human resources and R&D strategy as outlined above. All capital investment possible within the limitations of cash flow is being directed toward these fields. Specifically, the LCD polarizer TAC film business is creating high-value-added products, the Optics Technology Company is expected to see operations expand as it finds new applications for optics technology, and the Inkjet Business Group has developed a strategic plan to use its advanced technology to open new markets. In addition, the Medical and Graphic Company is constructing a new medical dry film production facility, the Consumer Imaging Company is investing in a digital photo network service, and the Office Document Company is undertaking investment in polymerization toner. In these ways, we are concentrating intensively on investment and R&D in digital imaging fields, with expectations of solid future growth.

We are well aware of the vital importance of allocating human resources effectively, especially in light of the technical expertise it takes to shift focus to fields with the highest growth potential. To meet this challenge, we have established a committee to mobilize human resources. We will also continue to apply our unique technology and exploit our competitive strengths to broaden our strategic business alliances, such as the office document business joint venture formed with Minolta in April 2000.

### *Plans to Establish Separate Corporations and a Holding Company in April 2003*

In closing, I would like to touch on our plans to establish separate corporations and a holding company. Details of these plans are outlined in SAN Plan 2004.

Konica introduced an internal company system in 1999, and our structure now encompasses four companies and three business groups. Our business covers a variety of fields, and each operation has a diverse customer base with its own unique needs. To accelerate the development of these operations, it is necessary to transfer a considerable amount of power and authority to each company. Consequently, in April 2003 we plan to make each existing company a separate corporate entity and to study the transfer of Konica to a holding company. These changes will increase management flexibility, allow us to focus more sharply on maximizing corporate value, and help ensure that management remains shareholder-oriented.

SAN Plan 2004 also outlines our environmental accounting systems. Konica believes that global environmental preservation is one of the most critical issues management must address, and accordingly has devised a set of Environmental Guidelines to promote harmonious coexistence between our operations and the natural environment. Under these guidelines, we created environmental accounting systems in March 2000 and established environmental performance goals that take effect following the year ending March 31, 2002.

I believe that the 21st century will be an era of profound change and intense competition. Konica stands ready to respond swiftly, decisively and effectively to new challenges as they arise, moving into the future with courage and determination.

Fumio Iwai

June 28, 2001
Fumio Iwai, *President*

***Konica has taken up the challenge to explore new business opportunities and develop completely new products. Over the years, our pioneering spirit has yielded many innovations, including the first brand name camera and first color film in Japan.***

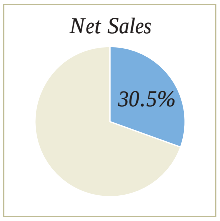
# Consumer Imaging Company

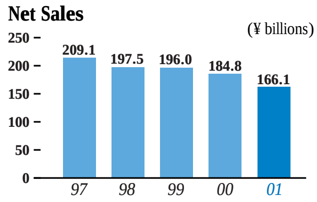
### *Working to Expand Asian Markets and Boost Demand for Digital Products*

For the fiscal year ended March 31, 2001, overall sales in this segment totaled ¥166.1 billion, a decrease of 10.1% from the previous year, and operating income fell to ¥6.9 billion, a drop of 22.5%.

In Asia, where we have undertaken aggressive marketing ahead of competitors to keep a tight grip on our large share of the market, we saw steady sales growth owing to our strong brand name, reputation for quality and extensive network of Konica Photo Express minilab shops. Sales in Japan and Western countries, on the other hand, declined due to the rapid growth of competitively priced digital cameras and to the falling prices of film paper. In Japan, we fought to maintain market prices in the face of strong downward pressure by introducing new products such as the Konica Color New Centuria 800 Super Zoom. Despite these efforts, however, the growing momentum toward lower prices had an adverse effect on sales performance. On a positive note, we succeeded with our planned efforts to reduce production costs and fixed sales costs. Prices dropped and sales fell in Western countries as well, though not on the same scale as in Japan.

In terms of future business development, as the trend toward digitization increases around the globe, we will seek to boost sales with a two-pronged approach that matches conditions in different markets. First, in Asia, where we have already established a relatively high market share of around 30% and where growth potential is high, we will concentrate on selling film papers, using our powerful brand name and reputation for reliability to boost sales. Second, in Japan and Western countries, we will reinforce our efforts to reduce costs and respond to digital demand. Factors such as the Internet's growing popularity, the improved communication infrastructure, and the rapid penetration of digital cameras have given rise to expectations that online photo services will be established, particularly in Western countries. In North America, we have already begun laying the groundwork for digital photo-net print services, in alliance with several major Internet service providers. In Japan, we will restructure our labs and reinforce our service systems, centered on our Konica Photo Express and Konica Digital Photo Express minilab shops, of which there are already more than 1,000 across the nation. We will also work to improve our digital photo-net printing bases, starting with expanding and refining the digital services we offer at storefronts.




*Konica Color Centuria 400*

*Torikkiri Konica Mini Goody Super*

*Konica Digital Minilab QD-21 Super System*

# Office Document Company

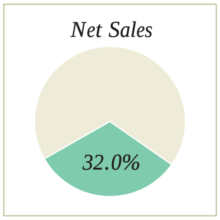
***Full Entry into the "Solutions" Business, Backed by the Power of Direct Distribution***

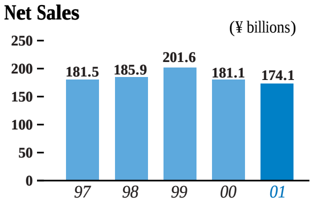
Sales declined 3.9% compared with the prior year, to ¥174.1 billion, and operating income fell 48.6%, to ¥7.4 billion.

As a result of our steadily launching new mid-speed digital copiers, we gained a full lineup of products, and sales volume grew by more than double the rate of sales growth in worldwide markets. We fell short of our sales target, however, due to such factors as the yen's appreciation and the high sales ratio of low-speed machines, compared with high-speed machines. In Japan, sales on a volume basis climbed 7% as demand shifted to low-speed machines, but the sales amount inched up by only 3%. In North America, sales rose slightly on a volume basis, but the sales amount actually dipped due to the impact of the strengthened yen. In Europe, sales on a volume basis increased by about 4% thanks to a switch to digital copiers, and the sales amount climbed 6% on a local currency basis. The yen's appreciation, however, resulted in a significant drop in income. In April 2000, we publicly announced our business tie-up with Minolta Co., Ltd., and in December our joint-venture company commenced production of polymerization toner. Other joint activities began as well, such as the purchase of parts, supply of finished products and cooperative R&D efforts.

As for future business development, we will pursue growth in four directions. First, our tie-up partner Minolta will take over development of low-speed machines while we focus on mid- and high-speed machines, areas where we are fundamentally strong. Second, we will work to expand business centered around polymerization toner, the next-generation toner we developed. For example, we will equip new products with polymerization toners to achieve even higher image quality. Third, we will strengthen our price-competitiveness by undertaking further cost-reduction measures.

With the digital copier now in its second generation, it is vital to reduce costs starting right at the design stage. One of our cost-reduction efforts will be to expand production in China of mid- and high-speed machines. Fourth, we will launch fully into the "solutions" business, such as print-on-demand (POD) services. In Europe and the United States, for example, we will enter the solutions business centered on high-speed machines, taking advantage of the powerful direct distribution systems and networks we have established there. As in the United States, we will also use our European solutions center to reinforce software development and sales support.




*Konica 7035*

*Konica 7075*

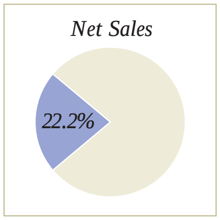
# Medical and Graphic Company

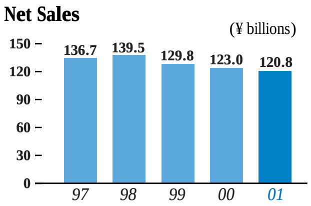
### *Expanding the Market with Highly Regarded Imaging Equipment and Dry Film*

Sales fell 1.9%, to ¥120.8 billion, but operating income advanced 11.9%, to ¥9.4 billion.

In the medical imaging field, increased networking and digitization in hospitals has fueled rapid growth in the market for dry-film X-ray imagers. We enjoyed significant sales growth in this area, thanks especially to highly regarded new products such as the Konica Direct Digitizer REGIUS Model 150 (a cassette-type digital imaging system with high levels of fineness) and the Konica Laser Imager DRYPRO Model 722 (a digital image output system with high levels of fineness). We posted significantly higher sales of our dry film, which has earned an outstanding reputation for image quality. Overseas, energetic sales promotion efforts helped boost sales of our graphic imaging products. However, sales fell in Japan, which is our main market, due to stagnant demand in the printing industry caused by the continued recession and intensified competition resulting from new models introduced by other industries.

As for future business development, the medical imaging products field has the potential to see continued annual growth of around 5% to 6%, with most of that growth in digital products. We will focus on marketing our X-ray imaging equipment and dry film, both of which stand above the competition in quality and performance. Our dry film in particular has carved out a generous share of the market in Japan, and eventually we will undertake aggressive business development efforts in Western markets. In addition, we are constructing new dry-film production facilities to meet the expected rapid increase in demand. Since these new facilities will focus on state-of-the-art equipment, they will help us slash production costs when they commence operation in April 2002. In the graphic imaging products field, we expect business conditions to become increasingly bleak due to Japan's lingering recession and the trend toward filmless imaging promoted by digital technology. Our approach here will be to continue cutting costs by centralizing our production sites and generating more business from the printing and prepress markets, where we enjoy a strong reputation.




*Konica Laser Imager DRYPRO Model 722*

*Konica Direct Digitizer REGIUS Model 150*

*Konica Digital Konsensus*

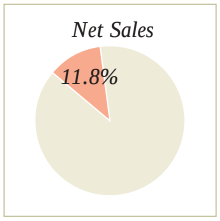
# Optics Technology Company and Camera & Digital Imaging Business Group

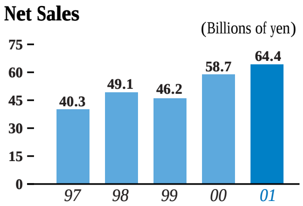
## *Achieving Growth by Developing High-Added-Value Products and Entering New Business Areas*

Sales rose 9.7%, to ¥64.4 billion, and operating income jumped 23.1%, to ¥12.8 billion.

In the optics technology field, our sales of aspherical plastic lenses for optical discs suffered a temporary slump due to falling demand for personal computers, yet for the year overall our sales posted nearly double-digit growth. As we continue using advanced technology in the design, processing and production stages to refine performance and achieve further downsizing, we have hopes that our aspherical plastic lenses for optical discs could capture a market share of around 70%. In addition, components such as optical scanning lenses for laser printers and optical units for VTRs and digital cameras enjoyed steady sales growth, and we launched a new type of 3.5-inch magneto-optical (MO) disk drive corresponding to the USB (640 MB). In both Japan and the West, the markets for film cameras suffered significant declines, and we saw decreases in sales volumes and amounts accordingly. On a brighter note, however, we saw considerably higher sales of digital cameras, centering on original equipment manufacturing (OEM) supply.

As for future business development, we view optics technology as a strategic business area despite the current unfavorable market conditions resulting from the stagnant personal computer market, and believe that high profitability is possible. To make this a reality, in the short term we are focusing on high-value-added products such as DVDs and aspherical plastic lenses for the next generation HD-DVDs. In addition, we are expanding our optical units business and shifting more production overseas to reduce costs. We will also find further applications for the optics/mechatronics technology we developed for the zoom lenses of cameras combined with VTRs or 3.5-inch MO disk drives. For example, this technology may find applications in portable information terminal instruments, such as micro camera units. To support this business development, we invested ¥2.5 billion in March 2001 to expand our facilities for producing aspherical plastic lenses for optical discs. The improved facilities turn out some 40 million pieces per month, helping us meet the market's rapidly increasing demand.




*Aspherical plastic lenses used in optical disk drives*

*Konica HEXAR RF*

*Konica Digital Revio KD-200Z*

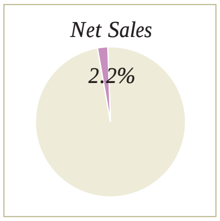
# EM & ID Business Group

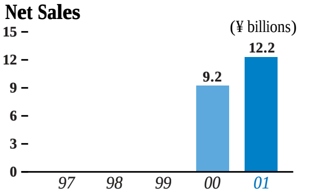
### *Strengthening Price-Competitiveness with Our Leading-Edge Fine-Filming Technology*

Sales surged 32.6%, to ¥12.2 billion, and operating income gained 44.4%, to ¥2.6 billion.

When our new factory commenced operation in March 2000, it marked our full entry into the triacetyl cellulose (TAC) film business for liquid crystal display (LCD) polarizing plates—an information technology (IT)-related product that shows significant growth potential. Our sales in this area enjoyed strong growth despite the fact that demand for LCD panels suffered a temporary slump following the slowdown of the U.S. economy. Moreover, our new factory gives us greater production capacity and achieves a level of product quality that meets even the market's most stringent demands.

As for future business development, the tight supply and demand situation is expected to continue for a while, so in the near future we will focus on providing a stable supply of products to increase our market share. As part of this move, we are now beginning to serve as supplier to polarizing plate manufacturers in Taiwan and South Korea. We will also enhance our fine filming processes and technology to prepare for the intensifying price competition expected ahead. As fine filming technology is owned only by filmmakers, this will help us reduce costs and add value, which will improve our price-competitiveness. In addition, we are planning to begin production at a second plant in April 2002, even though we just finished expanding our first plant in March 2001. The second plant became necessary due to the market's continued rapid growth.




Note: Net sales in this category began with the fiscal year ended March 31, 2000.

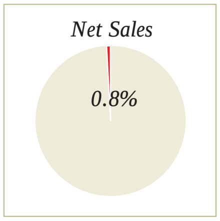
# Inkjet Business Group

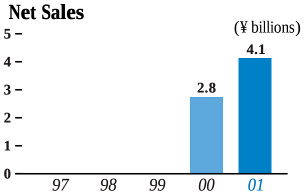
### *Developing the Component Business with Our Advanced Head Technology*

Sales climbed 46.4%, to ¥4.1 billion, and the operating income (loss) improved to ¥0.7 billion, a 30% decrease from the previous period.

Sales of media (paper) posted strong gains and played a large role in our increased income in this area. Leading the way was our Konica Inkjet Paper Photolike QP, whose superior gloss, high image quality and quick-drying microporous technology have earned high praise. Strong sales of this product helped us capture about 60% of the market for high-quality glossy paper. We also accelerated the start of our component business (inkjet heads and inks) and began business negotiations related to OEM supply.

As for future business development, in the short term we will generate more business focusing on media (paper) and seek to expand the business of inkjet head and ink components. Especially, the industry is evolving quickly toward higher-density, 512-nozzle heads and a greater range of inks. Progress in these areas will help us expand our component business. Also, we are trying to gain a new foothold in the large-format printer field, marketing our large printers to the advertising and light printing industries. In our marketing activities, we promote the high-performance heads, high printing speeds and superior image quality that distinguish our printers.




Note: Net sales in this category began with the fiscal year ended March 31, 2000.

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| **For the Year:** | | | | | | |
| Net sales | ¥543,719 | ¥560,900 | ¥584,342 | ¥584,401 | ¥578,080 | ¥505,348 |
| Cost of sales | 319,163 | 323,710 | 342,543 | 342,452 | 345,237 | 297,864 |
| Operating income | 30,543 | 33,131 | 14,575 | 23,062 | 23,604 | 17,674 |
| Net income (loss) | 6,457 | 7,627 | (3,166) | 5,501 | 4,541 | 2,118 |
| Depreciation and amortization | 25,940 | 30,687 | 32,488 | 28,488 | 27,130 | 29,481 |
| Capital expenditure | 30,424 | 30,237 | 42,702 | 47,850 | 28,261 | 32,648 |
| R&D expenses | 26,672 | 25,730 | 27,944 | 26,666 | 23,957 | 22,050 |
| **At Year-End:** | | | | | | |
| Total assets | ¥518,181 | ¥549,703 | ¥589,201 | ¥629,062 | ¥592,997 | ¥552,008 |
| Total current assets | 317,890 | 335,899 | 349,240 | 392,855 | 370,399 | 327,900 |
| Property, plant and equipment—net | 141,870 | 141,114 | 161,534 | 159,873 | 145,970 | 139,882 |
| Total current liabilities | 262,273 | 272,568 | 280,922 | 324,194 | 279,241 | 257,577 |
| Long-term debt | 57,099 | 77,657 | 94,344 | 76,010 | 87,018 | 67,818 |
| Shareholders' equity | 160,259 | 162,793 | 158,742 | 167,144 | 165,268 | 164,303 |
| | Yen | | | | | |
| **Per Share of Common Stock:** | | | | | | |
| Net income (loss)—primary | ¥ 18.1 | ¥ 21.3 | ¥ (8.9) | ¥ 15.4 | ¥ 12.7 | ¥ 5.9 |
| Shareholders' equity | 448.1 | 455.2 | 443.8 | 467.3 | 462.1 | 459.4 |
| Cash dividends | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| | Percent | | | | | |
| **Financial Ratios:** | | | | | | |
| Cost of sales ratio | 58.7% | 57.7% | 58.6% | 58.6% | 59.7% | 58.9% |
| Equity ratio | 30.9 | 29.6 | 26.9 | 26.6 | 27.9 | 29.8 |
| Return on assets | 1.21 | 1.34 | (0.52) | 0.90 | 0.79 | 0.39 |
| Return on equity | 4.00 | 4.74 | (1.94) | 3.31 | 2.76 | 1.27 |
| **Other** (Persons)**:** | | | | | | |
| Number of employees | 17,595 | 17,839 | 18,953 | 18,388 | 18,664 | 18,563 |

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31

## Segment Information by Product

Millions of yen

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| Photographic materials | ¥305,200 | ¥321,084 | ¥336,643 | ¥354,101 | ¥357,298 | ¥327,088 |
| Business machines | 238,518 | 239,816 | 247,698 | 230,300 | 220,782 | 178,260 |
| Consolidated | ¥543,719 | ¥560,900 | ¥584,342 | ¥584,401 | ¥578,080 | ¥505,348 |
| Operating income: | | | | | | |
| Photographic materials | ¥19,022 | ¥18,158 | ¥3,041 | ¥14,034 | ¥15,583 | ¥15,816 |
| Business machines | 20,174 | 24,786 | 18,086 | 18,490 | 10,782 | 6,438 |
| Total | 39,197 | 42,945 | 21,128 | 32,525 | 26,366 | 22,255 |
| Elimination and corporate | (8,654) | (9,813) | (6,553) | (9,462) | (2,761) | (4,581) |
| Consolidated | ¥30,543 | ¥33,131 | ¥14,575 | ¥23,062 | ¥23,604 | ¥17,674 |

## Domestic Sales and Export Sales

Millions of yen

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|---|
| Domestic sales (Note 1) | ¥249,473 | ¥256,824 | ¥254,193 | ¥263,730 | ¥271,007 | ¥260,375 |
| Export sales (Note 2): | 294,246 | 304,076 | 330,149 | 320,671 | 307,073 | 244,973 |
| North America | 140,078 | 139,380 | 156,583 | 145,153 | — | — |
| Europe | 72,968 | 85,694 | 103,010 | 98,300 | — | — |
| Asia and other | 81,199 | 79,001 | 70,555 | 77,218 | — | — |
| Ratio of export sales to net sales | 54.1% | 54.2% | 56.5% | 54.9% | 53.1% | 48.5% |
| Net sales | ¥543,719 | ¥560,900 | ¥584,342 | ¥584,401 | ¥578,080 | ¥505,348 |

Notes: 1. Domestic sales are sales to customers in Japan by the Company and its consolidated subsidiaries.
2. Export sales are sales to customers outside Japan by the Company and its consolidated subsidiaries.

## **Segment Information by Geographic Region** (Note 1)

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| Net sales: | | | | | | |
| Japan | ¥336,294 | ¥332,649 | ¥328,570 | ¥353,793 | ¥362,451 | ¥323,083 |
| Overseas: | 207,423 | 228,250 | 255,772 | 230,607 | 215,629 | 182,264 |
| North America | 120,016 | 129,152 | 150,377 | 131,560 | — | — |
| Europe | 66,549 | 78,079 | 86,006 | 78,445 | — | — |
| Asia and other | 20,858 | 21,019 | 19,389 | 20,602 | — | — |
| Consolidated | ¥543,719 | ¥560,900 | ¥584,342 | ¥584,401 | ¥578,080 | ¥505,348 |
| Operating income: | | | | | | |
| Japan | ¥36,286 | ¥33,697 | ¥14,905 | ¥17,608 | ¥21,651 | ¥13,340 |
| Overseas: | 2,024 | 6,554 | 3,769 | 4,812 | 4,517 | 4,776 |
| North America | 2,154 | 5,037 | 3,321 | 3,284 | — | — |
| Europe | (871) | 689 | 478 | 1,529 | — | — |
| Asia and other | 741 | 828 | (30) | (1) | — | — |
| Total | 38,311 | 40,252 | 18,674 | 22,420 | 26,169 | 18,117 |
| Elimination and corporate | (7,767) | (7,121) | (4,099) | 641 | (2,564) | (443) |
| Consolidated | ¥30,543 | ¥33,131 | ¥14,575 | ¥23,062 | ¥23,604 | ¥17,674 |
| Assets: | | | | | | |
| Japan | ¥345,592 | ¥342,434 | ¥350,202 | ¥374,585 | ¥372,542 | ¥341,183 |
| Overseas: | 152,078 | 153,224 | 198,561 | 209,806 | 181,154 | 154,152 |
| North America | 93,245 | 97,036 | 132,233 | 145,157 | — | — |
| Europe | 43,079 | 42,037 | 53,510 | 50,785 | — | — |
| Asia and other | 15,754 | 14,151 | 12,818 | 13,864 | — | — |
| Total | 497,672 | 495,659 | 548,764 | 584,393 | 553,697 | 495,335 |
| Elimination and corporate | 20,508 | 54,044 | 40,436 | 44,669 | 39,300 | 56,672 |
| Consolidated | ¥518,181 | ¥549,703 | ¥589,201 | ¥629,062 | ¥592,997 | ¥552,008 |

Note: 1. Segment information by geographic region is given for the Company and its consolidated subsidiaries located in the respective geographic regions.

## *Sales Results*

In the fiscal year ended March 31, 2001, consolidated net sales totaled ¥543.7 billion, a decline of 3.1% from the previous fiscal year. The world economy experienced a relatively positive trend during the first part of the fiscal year. Beginning in autumn 2000, however, the outlook became much cloudier as information technology (IT)-related industries centered on the United States, which had helped drive the economy, entered an adjustment phase. In Japan, an increase in capital investment from the private sector sparked hopes of at least a slight recovery, but continued stagnation in consumer spending and flat stock prices in the latter half of the year led to continued pessimism about the overall economy.

Unfavorable currency exchange fluctuation also served to dampen Japan's economy. The yen appreciated 3.9% against the U.S. dollar during the fiscal year, to an average of ¥108.83 in March 2001, and 16.5% against the euro, to an average of ¥99.94 in March 2001. This had a significant impact on sales, contributing to a drop of ¥25.3 billion.

Looking at results in our photographic materials segment, sales increased for the Medical and Graphic Company owing to rapidly growing demand for dry films for X-ray imaging systems. In the EM & ID Business Group, demand continued to develop for our triacetyl cellulose (TAC) film, used for the polarizing filters in liquid crystal displays (LCDs). Demand continued to climb in the Inkjet Business Group as well, where we enjoy an outstanding reputation for quick-drying, photo-quality paper. Nevertheless, sales by the Consumer Imaging Company were affected by price declines and the graphic imaging segment remained in an economic slump, and both segments experienced a decrease. In particular, the consumer imaging segment was affected by the yen's appreciation, falling ¥9.4 billion, and as a result sales dropped ¥18.7 billion.

In our business machines segment, the Optics Technology Company posted higher sales reflecting double-digit growth in sales of aspherical plastic lenses for use in optical discs. For the Office Document Company, however, sales on a volume basis increased reflecting the completion of our lineup of digital copiers, but the yen's appreciation led to a ¥13.8 billion drop in terms of sales amount. As a result, sales for these operations were down ¥7.0 billion compared with the previous fiscal year.

## *Cost of Sales, and Selling and General Administrative Expenses*

The cost of sales during the fiscal year under review fell 1.4% compared with the previous period, to ¥319.2 billion, due to purchasing costs, resulting from the changes in the currency exchange rate and to the Company's cost-reduction efforts. However, due to lower sales and to price revisions, the cost of sales ratio increased one percentage point, from 57.7% to 58.7%. As a result, gross profit declined 5.3% from the previous year, to ¥224.6 billion.

Selling and general administrative expenses decreased ¥10.0 billion from the previous year, to ¥194.0 billion, a drop of 4.9%. However, because net sales also fell 3.1%, the SG&A expenses ratio was down only 0.7 percentage point from the previous year, from 36.4% to 35.7%. The main factors behind the decrease included efforts to streamline operations, such as cutbacks in labor and incentives centering on the Consumer Imaging Company. R&D allocations were focused in three strategic areas: optics technology, medical imaging, and inkjet technology.

## *Sales Results by Segment*

Sales of our photographic materials segment declined 4.7% compared with the previous year, to ¥306.9 billion, but operating income climbed to ¥19.0 billion, an increase of 4.8%. Although sales by the Consumer Imaging Company, which enjoys a high relative density of sales, fell ¥18.7 billion, due to lower prices and the yen's revaluation, the drop was restrained at ¥2.0 billion, by cutting production costs and fixed selling expenses as planned. The Medical and Graphic Company enjoyed enhanced demand for dry film and X-ray imaging system for dry film. Although sales dropped reflecting pricing changes, operating income increased.

The EM & ID Business Group achieved significant advances in both sales and operating income for TAC film used for polarizing filters in LCDs. Likewise, robust sales in the Inkjet Business Group, where our paper media has remained strong, helped reduce the operating loss.

Sales of our business machines segment showed a slight decline of 0.7% from the previous year, to ¥239.4 billion, while operating income fell 18.6%, to ¥20.2 billion. The Office Document Company, with its high relative density of sales, achieved higher volume and reduced costs, but due to the yen's appreciation both sales amount and operating income fell ¥7.0 billion. For the Optics Technology Company, where demand continues to expand for the aspherical plastic lenses used in optical discs, both sales and operating income increased.

## *Analysis of Profit and Loss*

As outlined above, the overall sales amount in the fiscal year under review was lower than in the previous period due to such factors as the yen's appreciation, and despite our efforts to reduce SG&A expenses by cutting back fixed expenses. As a result, operating income fell 7.8% compared with the previous year, to ¥30.5 billion, and the operating margin dropped 0.3 percentage point, to 5.6%.

In non-operating income and expenses, the Company recorded a ¥19.5 billion, down ¥1.6 billion compared to the previous year. Non-operating income items included ¥1.2 billion in interest and dividend income, compared with ¥1.7 billion in the previous year; ¥1.6 billion in net foreign currency gains, as against a loss of ¥4.7 billion the prior year; and ¥8.6 billion in gains on sales of fixed assets, versus ¥0.3 billion a year earlier. The decrease in interest and dividend income was due to our selling off of marketable securities. The gains on sales of fixed assets resulted from our disposing of the Muromachi Center Building, which had been rented, in an effort to improve asset-management efficiency.

Non-operating expense items included ¥9.3 billion in interest expenses, compared with ¥10.5 billion the previous year. This drop was caused by our reduction of interest-bearing debt. We also registered ¥2.6 billion in valuation loss on investment securities, which resulted from our applying new standards for market value appraisal to investment securities, in line with the Japanese accounting standard. Reflecting the Japanese accounting standard for retirement benefits payable, a net pension expense of ¥13.2 billion was recorded upon the introduction of the new standard.

Consequently, income before provision for income taxes decreased 27.3% from the previous fiscal year, to ¥11.1 billion, and net income fell 15.3%, to ¥6.5 billion.

Net income per share of common stock was ¥18.06, down from ¥21.33 the previous year. Return on equity dropped to 4.00%, from 4.74%, and return on assets declined to 1.21%, from 1.34%.

### *Assets and Liabilities*

Total assets at the end of the fiscal year under review were down 5.7% from the previous year-end, to ¥518.2 billion. Looking at current assets, marketable securities decreased ¥17.5 billion as the Company disposed of such securities, with ¥11.6 billion of that amount appropriated to setting up the retirement benefits payable trust. Looking at fixed assets, land and buildings and structures declined ¥1.9 billion, mainly as a result of our selling off the Muromachi Center Building. Machinery and equipment increased ¥8.8 billion, mainly due to investment in facilities for producing TAC for the polarizing filters used in LCDs, and facilities for producing aspherical plastic lenses for use in optical discs.

Total current liabilities fell ¥10.3 billion from the previous fiscal year-end, while total long-term liabilities decreased ¥19.3 billion. Within total current liabilities, short-term debt dropped ¥16.1 billion, but the current portion of long-term debt rose ¥6.2 billion. Trade notes and accounts payable decreased ¥9.6 billion, and accrued expenses increased ¥1.5 billion.

Total long-term liabilities declined ¥19.3 billion, mainly due to a drop of ¥20.6 billion resulting from the repayment of long-term debt. Interest-bearing debt decreased ¥30.5 billion, to ¥181.9 billion, indicating our success at reducing such debt to below ¥200 billion. A target in our new medium-term management plan, SAN Plan 2004, calls for an additional reduction in interest-bearing debt to ¥160 billion, or one-third of total assets.

Total shareholders' equity fell ¥2.5 billion from the previous year-end, as a ¥2.9 billion gain in retained earnings and a ¥1.1 billion increase in unrealized gain on securities were more than offset by a drop of ¥6.5 billion due to foreign currency translation adjustment in line with the Japanese accounting standard.

Although both total assets and total shareholders' equity declined compared with the previous fiscal year-end, the rate of decrease in total assets was greater than that in shareholders' equity. Consequently, the shareholders' equity ratio for the year under review was up 1.3 percentage points, to 30.9%.

### *Capital Investment*

Capital investment in this fiscal year totaled ¥30.4 billion, an increase of ¥0.2 billion from the previous period. Of this amount, ¥0.8 billion went to companywide-related investment, ¥15.6 billion to the photographic materials segment, and ¥14.0 billion to the business machines segment. In our photographic materials segment, some ¥8.8 billion was targeted to digitization and strategic areas, including ¥5.7 billion for EM business, ¥2.6 billion for the Medical and Graphic Company, and ¥0.5 billion for the Inkjet Business Group. In our business machines segment, some ¥12.3 billion was targeted to digitization and strategic areas, including ¥7.8 billion for the Office Document Company and ¥4.3 billion for the Optics Technology Company.

## Cash Flows

Net cash provided by operating activities in the year under review totaled ¥50.9 billion. This resulted in part from an increase in notes and accounts payable (a net decline of ¥21.5 billion), which offset a decrease in notes and accounts receivable (a net increase of ¥10.9 billion).

Net cash used in investing activities totaled ¥8.1 billion. This resulted from payment for acquisition of fixed assets, which was balanced by increases in proceeds from the sale of fixed assets, marketable securities and investment securities.

Net cash used in financing activities totaled ¥42.6 billion, reflecting redemption of preferred stock of affiliates that were dissolved. Substantial progress was made, however, toward repaying long-term debt. As for cash and cash equivalents, though liabilities such as loans decreased, as a result of ¥18.9 billion from the sale of fixed assets and investment securities, an increase of ¥1.6 billion was recorded. Consequently, cash and cash equivalents at the fiscal year-end rose to ¥56.6 billion.

## Outlook

Deflation of the Japanese economy and the slowdown of the world economy present extremely unfavorable economic conditions. In addition, due to the rapid progress of digitization—the IT revolution–global competition across industries has become increasingly severe, and our operating environment is changing rapidly.

Faced with this difficult environment and in line with SAN Plan 2004 formulated in January 2001, our entire group will implement sharply focused management measures aimed at achieving a profit of ¥27.0 billion and ROE of 12% by the fiscal year ending in March 2005.

We have implemented a new internal company system to respond to the changing management environment with rapid decision-making and fast action.

To strengthen our corporate structure, in June 2000 we introduced an executive officer system to define as clearly as possible the functions of decision-making and supervision, as well as the task assignment of business executive functions. The system aims eventually will reinforce our operational capabilities.

At the time we introduced our executive officer system, we also streamlined the board of directors, reducing its membership from 17 to 11 to allow appropriate discussion while facilitating swift, sound decision-making. SAN Plan 2004 lays the groundwork to create the premier imaging solution company.

# CONSOLIDATED BALANCE SHEETS

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| ASSETS | 2001 | 2000 | 2001 |
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 4) | ¥56,573 | ¥55,022 | $456,602 |
| Marketable securities (Note 5) | — | 17,463 | — |
| Notes and accounts receivable—trade (Note 6) | 140,329 | 138,475 | 1,132,599 |
| Less: Allowance for doubtful accounts | (9,058) | (7,334) | (73,107) |
| Inventories | 102,260 | 104,221 | 825,343 |
| Deferred tax assets (Note 8) | 10,680 | 9,585 | 86,199 |
| Other accounts receivable | 9,123 | 10,712 | 73,632 |
| Other current assets | 7,980 | 7,752 | 64,407 |
| Total current assets | 317,890 | 335,899 | 2,565,698 |
| **Property, Plant and Equipment:** | | | |
| Land | 18,585 | 19,288 | 150,000 |
| Buildings and structures | 107,196 | 108,407 | 865,182 |
| Machinery and equipment | 285,771 | 276,926 | 2,306,465 |
| Construction in progress | 8,267 | 1,646 | 66,723 |
| | 419,821 | 406,269 | 3,388,386 |
| Less: Accumulated depreciation | (277,951) | (265,154) | (2,243,349) |
| Property, plant and equipment, net | 141,870 | 141,114 | 1,145,036 |
| **Investments and Other Assets:** | | | |
| Investment securities (Note 5) | 17,200 | 17,820 | 138,822 |
| Long-term loans | 4,352 | 5,289 | 35,125 |
| Deferred tax assets (Note 8) | 15,493 | 15,694 | 125,044 |
| Intangible assets | 8,881 | 7,784 | 71,679 |
| Long-term prepaid expenses | 5,934 | 7,504 | 47,893 |
| Other investments | 11,966 | 12,846 | 96,578 |
| Other assets | 7 | 50 | 56 |
| Less: Allowance for doubtful accounts | (5,417) | (2,961) | (43,721) |
| Total investments and other assets | 58,421 | 64,030 | 471,517 |
| **Foreign currency translation adjustments** | — | 8,659 | — |
| Total assets | ¥518,181 | ¥549,703 | $4,182,252 |

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

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of yen 2001 | Millions of yen 2000 | Thousands of U.S. dollars (Note 3) 2001 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term debt (Note 7) | ¥78,656 | ¥94,722 | $634,835 |
| Current portion of long-term debt (Note 7) | 46,155 | 39,985 | 372,518 |
| Notes and accounts payable—trade (Note 6) | 74,738 | 84,303 | 603,212 |
| Accrued expenses | 34,771 | 33,318 | 280,638 |
| Accrued income taxes (Note 8) | 3,194 | 3,080 | 25,779 |
| Other current liabilities | 24,756 | 17,157 | 199,806 |
| Total current liabilities | 262,273 | 272,568 | 2,116,812 |
| **Long-Term Liabilities:** | | | |
| Long-term debt (Note 7) | 57,099 | 77,657 | 460,847 |
| Accrued retirement benefits | 31,144 | 27,601 | 251,364 |
| Other long-term liabilities | 6,718 | 9,047 | 54,221 |
| Total long-term liabilities | 94,961 | 114,306 | 766,433 |
| **Minority Interests** | 687 | 36 | 5,545 |
| **Shareholders' Equity** (Note 10)**:** | | | |
| Common stock, par value ¥50 per share: | | | |
| Authorized—800,000,000 shares | | | |
| Issued and outstanding—357,655,368 shares | 37,519 | 37,519 | 302,817 |
| Additional paid-in capital | 79,342 | 79,342 | 640,371 |
| Retained earnings | 48,813 | 45,932 | 393,971 |
| Unrealized gains on securities | 1,064 | — | 8,588 |
| Foreign currency translation adjustments | (6,478) | — | (52,284) |
| Less: Treasury common stock | (2) | (0) | (16) |
| Total shareholders' equity | 160,259 | 162,793 | 1,293,454 |
| **Commitments and Contingent Liabilities** (Note 11) | | | |
| Total liabilities and shareholders' equity | ¥518,181 | ¥549,703 | $4,182,252 |

# CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2001 | 2000 | 2001 |
| **Net Sales** (Note 6) | ¥543,719 | ¥560,900 | $4,388,370 |
| **Cost of Sales** (Note 6) | 319,163 | 323,710 | 2,575,973 |
| Gross profit | 224,555 | 237,190 | 1,812,389 |
| **Selling, General and Administrative Expenses** | 194,012 | 204,058 | 1,565,876 |
| Operating income | 30,543 | 33,131 | 246,513 |
| **Other Income (Expenses):** | | | |
| Interest and dividend income | 1,198 | 1,722 | 9,669 |
| Interest expenses | (9,267) | (10,454) | (74,794) |
| Foreign currency gains (loss), net | 1,606 | (4,739) | 12,962 |
| Equity in earnings (loss) of unconsolidated subsidiaries and affiliates | (248) | 52 | (2,002) |
| Gains on sales of fixed assets | 8,587 | 288 | 69,306 |
| Write-down on investment securities | (2,603) | — | (21,009) |
| Amortization of unrecognized obligation at transition (Note 13) | (22,096) | — | (178,337) |
| Gains on securities contribution to retirement benefit trust (Note 13) | 8,873 | — | 71,614 |
| Other, net | (5,534) | (4,793) | (44,665) |
| Total | (19,483) | (17,924) | (157,248) |
| Income before income taxes | 11,059 | 15,206 | 89,257 |
| **Provision for Income Taxes** (Note 8): | | | |
| Current | 4,593 | 4,774 | 37,070 |
| Deferred | (0) | 2,808 | (0) |
| Total | 4,593 | 7,582 | 37,070 |
| **Minority Interests in Earnings of Consolidated Subsidiaries** | (8) | 3 | (65) |
| **Net Income** | 6,457 | 7,627 | 52,115 |
| **Retained Earnings at Beginning of the Year:** | 45,932 | 41,880 | 370,718 |
| Cumulative effect on prior years of change in accounting for income taxes | — | — | — |
| Appropriations: | | | |
| Cash dividends | (3,576) | (3,576) | (28,862) |
| **Retained Earnings at End of the Year** | ¥48,813 | ¥45,932 | $393,971 |

| | Yen | | U.S. dollars (Note 3) |
|---|---|---|---|
| **Per Share of Common Stock:** | | | |
| Net income | ¥ 18.1 | ¥ 21.3 | $ 0.15 |
| Cash dividends | 10.0 | 10.0 | 0.08 |

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

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2001 and 2000

| | Shares of issued common stock (thousands) | Millions of yen | | | | | |
|---|---|---|---|---|---|---|---|
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Unrealized gains on securities | Foreign currency translation adjustments |
| **Balance at March 31, 2001** | 357,655,368 | ¥37,519 | ¥79,342 | ¥48,813 | ¥(2) | ¥1,064 | ¥(6,478) |
| Net income | | | | | | | |
| **Balance at March 31, 2000** | 357,655,368 | ¥37,519 | ¥79,342 | ¥45,932 | ¥(0) | ¥ — | ¥ — |
| Net income | | | | | | | |
| **Balance at March 31, 1999** | 357,655,368 | ¥37,519 | ¥79,343 | ¥41,881 | ¥(1) | ¥ — | ¥ — |

| | Shares of issued common stock (thousands) | Thousands of U.S. Dollars (Note 3) | | | | | |
|---|---|---|---|---|---|---|---|
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Unrealized gains on securities | Foreign currency translation adjustments |
| **Balance at March 31, 2001** | 357,655,368 | $302,817 | $640,371 | $393,971 | $(16) | $8,588 | $(52,284) |
| Net income | | | | | | | |
| **Balance at March 31, 2000** | 357,655,368 | $302,817 | $640,371 | $370,718 | $ — | $ — | $ — |

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2001 and 2000

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | 2001 | 2000 | 2001 |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes | ¥11,059 | ¥15,206 | $ 89,257 |
| Depreciation and amortization | 25,940 | 30,687 | 209,362 |
| Increase in allowance for doubtful receivables | 3,722 | (1,494) | 30,040 |
| Interest and dividend income | (1,198) | (1,722) | (9,669) |
| Interest expenses | 9,267 | 10,454 | 74,794 |
| Loss (gain) on sales or disposals of fixed assets, net | (6,606) | 1,172 | (53,317) |
| Write-down on investment securities | 2,603 | 1,657 | 21,009 |
| Amortization of unrecognized net obligation at transition | 13,223 | — | 106,723 |
| Decrease in notes and accounts receivable | 3,067 | (7,821) | 24,754 |
| Decrease in inventories | 5,151 | 7,493 | 41,574 |
| Decrease in notes and accounts payable | (7,560) | 13,973 | (61,017) |
| Decrease in accrued consumption tax payable | (740) | 1,264 | (5,973) |
| Other | 5,743 | 2,583 | 46,352 |
| Subtotal | 63,673 | 73,452 | 513,906 |
| Interest and dividend income received | 973 | 1,662 | 7,853 |
| Interest expenses paid | (9,244) | (10,345) | (74,609) |
| Income taxes paid | (4,479) | (3,505) | (36,150) |
| Net cash provided by operating activities | 50,923 | 61,264 | 411,001 |
| **Cash Flows from Investing Activities:** | | | |
| Payment for acquisition of marketable securities | — | (674) | — |
| Proceeds from the sale of marketable securities | 120 | 3,416 | 969 |
| Payment for acquisition of fixed assets | (23,050) | (22,962) | (186,037) |
| Proceeds from the sale of fixed assets | 12,112 | 7,179 | 97,756 |
| Payment for acquisition of investment securities | (573) | (167) | (4,625) |
| Proceeds from the sale of investment securities | 6,768 | 506 | 54,625 |
| Other | (3,497) | 1,499 | (28,224) |
| Net cash used in investing activities | (8,119) | (11,203) | (65,529) |
| **Cash Flows from Financing Activities:** | | | |
| Decrease in short-term debt | (23,200) | (23,422) | (187,248) |
| Proceeds from long-term debt | 25,681 | 22,090 | 207,272 |
| Redemption of long-term debt | (41,551) | (13,472) | (335,359) |
| Proceeds from the issuance of bonds | — | 3,000 | — |
| Payments for repurchase of treasury stocks | (1) | — | (8) |
| Dividends paid | (3,576) | (3,576) | (28,862) |
| Other | — | (18,667) | — |
| Net cash used in financing activities | (42,648) | (34,048) | (344,213) |
| **Translation differences on cash and cash equivalents** | 966 | (1,042) | 7,797 |
| **Increase in cash and cash equivalents** | 1,121 | 14,969 | 9,048 |
| **Cash and cash equivalents at the beginning of the year** | 55,022 | 40,053 | 444,084 |
| **Increase in cash and cash equivalents by new consolidation** | 429 | — | 3,462 |
| **Cash and cash equivalents at fiscal year-end** | ¥56,573 | ¥55,022 | $456,602 |

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

**1. Basis of Presenting Financial Statements**

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Konica Corporation (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Certain amounts previously reported have been reclassified to confirm to the current year classifications.

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

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The consolidated statements of cash flows have been required to be prepared with effect for the year ended March 31, 2000 in accordance with new accounting standards.

**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 subsidiaries in which it has control. All significant intercompany transactions and accounts and unrealized profits are eliminated in consolidation.

Investments in unconsolidated subsidiaries and significant affiliates are accounted for by the equity method. Investments in insignificant affiliates are stated at cost.

The excess of cost over the underlying investments in subsidiaries is recognized as goodwill and is amortized on a straight-line basis over a five-year period.

**(b) Translation of Foreign Currencies**

**Translation of Foreign Currency Transactions**

Until the year ended March 31, 2000, revenue and cost or expense items arising from the transactions of the Company denominated in foreign currencies had been translated into Japanese yen at relevant exchange rates prevailing at the time of transactions ("historical rates"). All assets and liabilities denominated in foreign currencies (including short-term monetary items) had been translated into yen at the historical rates.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, 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. Resulting gains and losses are included in net profit or loss for the period. As a result of adopting the new method, income before income taxes has increased by ¥714 million(US$5,763 thousand) as compared with the amounts which would have been reported if the previous standard had been applied consistently.

**Translation of Foreign Currency Financial Statements**

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

Until the year ended March 31, 2000, the foreign currency translation adjustments had been disclosed on the part of Assets or Liabilities, and the new standards also changed the method of disclosure on "foreign currency translation adjustments."

For the comparatively, the Foreign currency translation adjustments March 31, 2000 was reclassified to the part of the shareholders' equity.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

**(d) Inventories**

Inventories are valued principally on an average-cost basis.

**(e) Property, Plant and Equipment Depreciation**

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 assets.

Depreciation of buildings acquired after April 1, 1998 is computed using the straight-line method. Depreciation of foreign subsidiaries is computed using the straight-line method.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any differences are charged or credited to income.

**(f) Income Taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

### (g) Research and Development Expenses

Expenses for research and development activities are charged to income as incurred.

### (h) Financial Instruments

Until the year ended March 31, 2000, marketable securities are stated at cost which is determined by the moving average method.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. The adoption of the new standard had no material impact on income before income taxes for the year ended March 31, 2001.

**Derivatives**

Under the new standard, 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**

Securities held by the Company and its subsidiaries are, under the new standard, classified into two categories;

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, 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 as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

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 the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the new standard, other securities are presented as "non-current." The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, the securities in the current portfolio have decreased by ¥17,342 million (US$139,968 thousand) and the securities in the non-current portfolio have increased by the same amount.

**Hedge Accounting**

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

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

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest rate fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates effectiveness of its 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.

### (i) Accrued Retirement Benefits

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥27,929 million (US$225,416 thousand), including the amount of ¥22,096 million (US$178,337 thousand) that is fully-amortized the establishment of the trust for retirement benefit at April 1, 2000 (the beginning of year) is amortized on a straight-line basis over 5 years. The unrecognized actuarial differences will be amortized on a straight-line basis mainly over the period of 10 years from the next year in which they arise.

As a result of adopting the new standard, including the extraordinary gain of ¥8,873 million(US$71,614 thousand) by contribution of investment securities related to the establishment of the trust for retirement benefit, net retirement benefit expenses for the year ended March 31, 2001 income before income taxes has decreased by ¥12,807 million (US$103,366 thousand) as compared with the amounts which would have been reported if the previous standard had been applied consistently.

### (j) Per Share Data

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

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

## 3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥123.90=US$1, the rate of exchange on March 30, 2001, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

## 4. Cash and Cash Equivalents

Cash and cash equivalents consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Cash and bank deposits............. | **¥55,492** | ¥53,618 | **$447,877** |
| Money management funds ........ | **1,081** | 1,404 | **8,725** |
| Cash and cash equivalents ......... | **¥56,573** | ¥55,022 | **$456,602** |

## 5. Securities

As of March 31, 2001

### (a) Other Securities with Quoted Market Values

Millions of yen

| | | Original purchase value | Market value at the consolidated balance sheet date | Unrealized gains or losses |
|---|---|---|---|---|
| Securities for which the amounts in the consolidated balance sheets exceed the original purchase value | (1) Shares .. | ¥ 5,570 | ¥ 8,192 | ¥2,622 |
| | (2) Other ... | — | — | — |
| | Subtotal ..... | 5,570 | 8,192 | 2,622 |
| Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value | (1) Shares .. | 4,928 | 4,091 | (836) |
| | (2) Other ... | 120 | 85 | (34) |
| | Subtotal ..... | 5,049 | 4,177 | (871) |
| Total ....................... | | ¥10,619 | ¥12,370 | ¥1,751 |
| | | | | Thousands of U.S. dollars |
| Total ....................... | | $85,706 | $99,839 | $14,132 |

### (b) Other Securities Sold during the Fiscal Year under Review

Millions of yen

| | Sale value | Total profit | Total loss |
|---|---|---|---|
| Other securities ............ | ¥5,616 | ¥23 | ¥470 |
| | | | Thousands of U.S. dollars |
| Other securities ............ | $45,327 | $186 | $3,793 |

### (c) Composition and Amounts on the Consolidated Balance Sheets of Other Securities without Market Quotes

Amounts on consolidated balance sheets

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Money management funds ............................. | ¥1,081 | $8,725 |
| Unlisted stocks .............................................. | 733 | 5,916 |
| Unlisted foreign bonds .................................. | 817 | 6,594 |

### (d) Future Amortization Schedules of Other Securities with Maturity Date

Millions of yen

| | Within one year | One year or more, up to five years |
|---|---|---|
| Unlisted foreign bonds ..................... | ¥272 | ¥545 |
| | | Thousands of U.S. dollars |
| Unlisted foreign bonds ..................... | $2,195 | $4,399 |

## 6. Investments in and Loans to Unconsolidated Subsidiaries and Affiliates

The following investments in and loans to unconsolidated subsidiaries and affiliates as of March 31, 2001 and 2000 are included in investment securities:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Investments .................................. | **¥3,272** | ¥3,402 | **$26,408** |
| Loans ............................................ | **49** | 335 | **395** |
| | **¥3,321** | ¥3,738 | **$26,804** |

A summary of transactions at the balance sheet dates with these unconsolidated subsidiaries and affiliates is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Sales ............................................ | **¥11,389** | ¥16,480 | **$ 91,921** |
| Purchases ..................................... | **30,282** | 21,444 | **244,407** |

Transaction balances as of March 31, 2001 and 2000 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Trade receivables .......................... | **¥ 6,865** | ¥7,282 | **$ 55,408** |
| Trade payables .............................. | **12,969** | 7,530 | **104,673** |

## 7. Short-Term & Long-Term Debt

### Bank

Short-term and long-term debt as of March 31, 2001 and 2000 are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2001** | | 2000 | **2001** |
| | | (Interest rate) | | |
| Short-term loans ......... | **¥ 78,656** | 4.77% | ¥ 94,722 | **$ 634,835** |
| Current portion of long-term loans ..... | **31,155** | 5.10% | 39,985 | **251,453** |
| Long-term loans ......... | **11,349** | 3.56% | 16,907 | **91,598** |
| | **¥121,161** | | ¥151,614 | **$977,893** |

The annual maturities of long-term debt as of March 31, 2001 are as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2003 ...................................................... | ¥4,431 | $35,763 |
| 2004 ...................................................... | 6,290 | 50,767 |
| 2005 ...................................................... | 521 | 4,205 |
| 2006 ...................................................... | 21 | 169 |

### Bonds

Bonds as of March 31, 2001 and 2000 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Bonds ......................................... | **¥60,750** | ¥60,750 | **$490,315** |

The annual maturity of long-term debt as of March 31, 2001 is as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2002 | ¥15,000 | $ 121,065 |
| 2003 | 15,000 | 121,065 |
| 2004 | 5,000 | 40,355 |
| 2005 | 5,000 | 40,355 |
| 2006 | 10,000 | 80,710 |

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2001 and 2000 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Property, plant and equipment | **¥4,659** | ¥ 5,121 | **$37,603** |

## 8. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2001 and 2000 were 42.1%.

At March 31, 2001 and 2000, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

| | **2001** | 2000 |
|---|---|---|
| Statutory tax rate | **42.1%** | 42.1% |
| Accumulated deficit | **—** | 9.9 |
| Other, net | **(0.6)** | (2.2) |
| Effective tax rate | **41.5%** | 49.8% |

At March 31, 2001 and 2000, significant components of deferred tax assets and liabilities are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Gross deferred tax assets: | | | |
| Tax effect on loss of a consolidated subsidiary previously not recognized | **¥ 1,298** | ¥ 2,528 | **$ 10,476** |
| Tax loss carryforward | **7,511** | 10,894 | **60,621** |
| Reserve for employees' retirement allowance | **13,899** | 3,977 | **112,179** |
| Inventories, etc | **4,936** | 5,015 | **39,839** |
| Other, net | **14,346** | 9,465 | **115,787** |
| Subtotal | **41,992** | 31,879 | **338,918** |
| Valuation allowance | **(7,034)** | (4,980) | **(56,772)** |
| Deferred tax assets total | **34,957** | 26,899 | **282,139** |
| Total gross deferred tax liabilities | **(8,783)** | (1,619) | **(70,888)** |
| Net deferred tax assets | **¥26,174** | ¥25,279 | **$211,251** |

## 9. Research and Development Expenses

Total amounts charged to income for the fiscal years ended March 31, 2001 and 2000 are ¥26,672 million (US$215,270 thousand) and ¥25,730 million, respectively.

## 10. Shareholders' Equity

The Japanese Commercial Code provides that an amount equivalent to at least 10 per cent of cash distributions (cash dividends and bonuses to directors and corporate auditors) paid in a fiscal period should be appropriated to a legal reserve until this reserve equals 25 per cent of stated capital. The legal reserve is not available for cash dividends but may be used to reduce a deficit by a shareholders' resolution or may be capitalized by a Board of Directors' resolution.

On June 28, 2001, the shareholders approved a cash dividend to be paid to shareholders on record as of March 31, 2001 totaling ¥1,788 million (US$14,431 thousand), at the rate of ¥5.00 (US$0.04) per share of common stock. The related appropriation of retained earnings to the legal reserve was made in the amount of ¥183 million (US$1,477 thousand).

## 11. Commitments and Contingent Liabilities

The Company and its subsidiaries were contingently liable, as of March 31, 2001, for trade notes discounted with banks of ¥63 million (US$508 thousand) and for loans guaranteed of ¥3,376 million (US$27,248 thousand).

## 12. Lease Transactions

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

### Lessee

### 1. Finance Leases

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Machinery & equipment | **¥11,505** | ¥12,154 | **$ 92,857** |
| Tools & furniture | **6,001** | 4,171 | **48,434** |
| Others | **683** | 647 | **5,513** |
| | **18,191** | 16,973 | **146,820** |
| Less: Accumulated depreciation | **(7471)** | (5,907) | **(60,299)** |
| Net book value | **¥10,720** | ¥11,066 | **$ 86,521** |
| Depreciation | **¥ 3,274** | ¥ 2,087 | **$ 26,425** |

Depreciation is based on the straight-line method over the lease terms of the lease assets.

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2001 and 2000 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Due within one year | **¥ 3,122** | ¥ 2,869 | **$25,198** |
| Due over one year | **7,598** | 8,196 | **61,324** |
| | **¥10,720** | ¥11,066 | **$86,521** |
| Lease rental expenses for the year | **¥ 3,274** | ¥ 2,087 | **$26,425** |

### 2. Operating Leases

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2001 and 2000 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Due within one year | **¥ 4,805** | ¥ 5,235 | **$ 38,781** |
| Due over one year | **12,133** | 17,025 | **97,926** |
| | **¥16,939** | ¥22,260 | **$136,715** |

### Lessor

### Finance Leases

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Leased tools & furniture: | | | |
| Purchase cost | **¥972** | ¥1,919 | **$7,845** |
| Accumulated depreciation | **(896)** | (1,564) | **(7,232)** |
| Net book value | **¥ 76** | ¥ 355 | **$ 613** |

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2001 and 2000 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2001** | 2000 | **2001** |
| Due within one year | **¥ 87** | ¥ 300 | **$ 702** |
| Due over one year | **—** | 107 | **—** |
| | **¥ 87** | ¥ 408 | **$ 702** |
| Lease rental income for the year | **¥1,030** | ¥1,318 | **$8,313** |
| Depreciation for the year | **896** | 1,146 | **7,232** |

### 13. Retirement Benefits Plan

The Company and its subsidiaries have defined benefit retirement plans: the plan which is governed by the Japanese Welfare Pension Insurance Law, the tax-qualified pension plan and the lump-sum payment plan. In addition, in some cases when employees retire, the Company provides for additional retirement benefits that are not in accordance with the retirement benefit accounting.

The reserve for retirement benefits as of March 31, 2001 is analyzed as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| a. Retirement benefit obligations | ¥(107,039) | $(863,914) |
| b. Plan assets | 65,795 | 531,033 |
| c. Unfunded retirement benefit obligations (a+b) | (41,243) | (332,873) |
| d. Unrecognized transition amount | 5,833 | 47,078 |
| e. Unrecognized actuarial differences | 5,106 | 41,211 |
| f. Unrecognized prior service cost | — | — |
| g. Net amount on consolidated balance sheets (c+d+e+f) | (30,303) | (244,576) |
| h. Prepaid pension cost | 840 | 6,780 |
| i. Accrued retirement benefits (g–h) | ¥( 31,144) | $(251,364) |

Note: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

Net pension expense related to the retirement benefits for the year ended March 31, 2001 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| a. Service costs | ¥ 5,597 | $ 45,174 |
| b. Interest costs | 3,283 | 26,497 |
| c. Expected return on plan assets | (1,179) | (9,516) |
| d. Amortization of transition amount | 22,096 | 178,337 |
| e. Actuarial differences that are accounted for as expenses | — | — |
| f. Prior service cost that are accounted for as expenses | — | — |
| g. Retirement benefit costs (a+b+c+d+e+f) | ¥ 29,297 | $ 236,457 |
| h. Gains on securities contribution to employees' retirement benefit trust | 8,873 | 71,614 |
| i. Retirement benefit costs related to unrecognized differences arising from accounting changes, net (h–d) | ¥(13,223) | $(106,723) |

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

| | | |
|---|---|---|
| a. Method of attributing the retirement benefits to periods of services | | Straight- line basis |
| b. Discount rate | | Mainly 3.5% |
| c. Expected rate of return on plan assets | | Mainly 2.5% |
| d. Amortization of unrecognized prior service cost | | Mainly 10 years |
| e. Amortization of unrecognized actuarial differences | | Mainly 10 years |
| f. Amortization of transition amount | The Company: | Fully-amortized |
| | Subsidiaries: | 5 years |

### 14. Related Party Transactions

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the year ended March 31, 2001 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Name of related company | SECONIC CORPORATION | |
| Paid-in capital | ¥ 1,503 | $ 12,131 |
| Principal business | Production & sales of copy machines | |
| Equity ownership percentage by the Company | 38% | |
| Description of the Company's transaction | | |
| Purchases amounts from April 2000 to March 2001 | ¥31,526 | $254,447 |
| Balance of accounts payable–trade as of March 31, 2001 | ¥10,707 | $ 86,416 |

The terms and conditions of the above transactions are on an arm's-length basis.

### 15. Segment Information

Segment information is reported in accordance with the requirements of the MOF. The photographic materials segment includes photographic film, photographic paper, photofinishing equipment and chemicals, videotapes and others. The business machines segment includes plain-paper copiers, printers, facsimile machines, cameras, optical products and others.

**BY PRODUCT**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Photographic materials | Business machines | Total | Elimination & corporate | Consolidation |
| 2001: Net sales | | | | | |
| Outside | ¥305,200 | ¥238,518 | ¥543,719 | ¥ — | ¥543,719 |
| Intersegment | 1,666 | 865 | 2,531 | (2,531) | 0 |
| Total | 306,866 | 239,384 | 546,251 | (2,531) | 543,719 |
| Operating expenses | 287,843 | 219,209 | 507,053 | 6,122 | 513,175 |
| Operating income | ¥ 19,022 | ¥ 20,174 | ¥ 39,197 | ¥(8,654) | ¥ 30,543 |
| Assets | ¥292,823 | ¥184,219 | ¥477,042 | ¥41,139 | ¥518,181 |
| Depreciation | 13,051 | 11,046 | 24,097 | 1,843 | 25,940 |
| Capital expenditure | 15,564 | 14,057 | 29,621 | 803 | 30,424 |

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Photographic materials | Business machines | Total | Elimination & corporate | Consolidation |
| 2000: Net sales | | | | | |
| Outside | ¥321,084 | ¥239,816 | ¥560,900 | ¥ — | ¥560,900 |
| Intersegment | 866 | 1,336 | 2,203 | (2,203) | — |
| Total | 321,951 | 241,152 | 563,103 | (2,203) | 560,900 |
| Operating expenses | 303,792 | 216,365 | 520,158 | 7,610 | 527,769 |
| Operating income | ¥ 18,158 | ¥ 24,786 | ¥ 42,945 | ¥(9,813) | ¥ 33,131 |
| Assets | ¥291,906 | ¥189,067 | ¥480,973 | ¥68,730 | ¥549,703 |
| Depreciation | 15,023 | 14,362 | 29,385 | 1,301 | 30,687 |
| Capital expenditure | 11,748 | 17,416 | 29,164 | 1,072 | 30,237 |

| | Thousands of U.S. dollars (Note 3) | | | | |
|---|---|---|---|---|---|
| | Photographic materials | Business machines | Total | Elimination & corporate | Consolidation |
| 2001: Net sales | | | | | |
| Outside | $2,463,277 | $1,925,085 | $4,388,370 | $ — | $4,388,370 |
| Intersegment | 13,446 | 6,981 | 20,428 | (20,428) | 0 |
| Total | 2,476,723 | 1,932,074 | 4,408,805 | (20,428) | 4,388,370 |
| Operating expenses | 2,323,188 | 1,769,241 | 4,092,437 | 49,411 | 4,141,848 |
| Operating income | $ 153,527 | $ 162,825 | $ 316,360 | $(69,847) | $ 246,513 |
| Assets | $2,363,382 | $1,486,836 | $3,850,218 | $332,034 | $4,182,252 |
| Depreciation | 105,335 | 89,153 | 194,487 | 14,875 | 209,362 |
| Capital expenditure | 125,617 | 113,454 | 239,072 | 6,481 | 245,553 |

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

**BY GEOGRAPHIC REGION**

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination & corporate | Consolidation |
| 2001: Net sales | | | | | | | |
| Outside | ¥336,294 | ¥120,016 | ¥66,549 | ¥20,858 | ¥543,719 | ¥ — | ¥543,719 |
| Intersegment | 100,679 | 7,725 | 642 | 25,464 | 134,511 | (134,511) | 0 |
| Total | 436,974 | 127,741 | 67,191 | 46,323 | 678,230 | (134,511) | 543,719 |
| Operating expenses | 400,687 | 125,587 | 68,062 | 45,581 | 639,919 | (126,743) | 513,175 |
| Operating income | ¥ 36,286 | ¥ 2,154 | ¥ (871) | ¥ 741 | ¥ 38,311 | ¥ (7,767) | ¥ 30,543 |
| Assets | ¥345,592 | ¥ 93,245 | ¥43,079 | ¥15,754 | ¥497,672 | ¥ 20,508 | ¥518,181 |

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination & corporate | Consolidation |
| 2000: Net sales | | | | | | | |
| Outside | ¥332,649 | ¥129,152 | ¥78,079 | ¥21,019 | ¥560,900 | ¥ — | ¥560,900 |
| Intersegment | 106,253 | 7,406 | 869 | 12,755 | 127,285 | (127,285) | — |
| Total | 438,903 | 136,558 | 78,949 | 33,774 | 688,186 | (127,285) | 560,900 |
| Operating expenses | 405,206 | 131,520 | 78,259 | 32,946 | 647,933 | (120,164) | 527,769 |
| Operating income | ¥ 33,697 | ¥ 5,037 | ¥ 689 | ¥ 828 | ¥ 40,252 | ¥ (7,121) | ¥ 33,131 |
| Assets | ¥342,434 | ¥ 97,036 | ¥42,037 | ¥14,151 | ¥495,659 | ¥ 54,044 | ¥549,703 |

| | Thousands of U.S. dollars (Note 3) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Europe | Asia and Other | Total | Elimination & corporate | Consolidation |
| 2001: Net sales | | | | | | | |
| Outside | $2,714,237 | $ 968,652 | $537,119 | $168,345 | $4,388,370 | $ — | $4,388,370 |
| Intersegment | 812,583 | 62,349 | 5,182 | 205,521 | 1,085,642 | (1,085,642) | 0 |
| Total | 3,526,828 | 1,031,001 | 542,300 | 373,874 | 5,474,011 | (1,085,642) | 4,388,370 |
| Operating expenses | 3,233,955 | 1,013,616 | 549,330 | 367,885 | 5,164,802 | (1,022,946) | 4,141,848 |
| Operating income | $ 292,865 | $ 17,385 | $ (7,030) | $ 5,981 | $ 309,209 | $ (62,688) | $ 246,513 |
| Assets | $2,789,282 | $ 752,583 | $347,692 | $127,151 | $4,016,723 | $ 165,521 | $4,182,252 |

**EXPORT SALES**

| | Millions of yen | Thousands of U.S. dollars (Note 3) | Percentage of net sales |
|---|---|---|---|
| 2001: Sales to | | | |
| North America | ¥140,078 | $1,130,573 | 25.8% |
| Europe | 72,968 | 588,927 | 13.4 |
| Asia and Other | 81,199 | 655,359 | 14.9 |
| 2000: Sales to | | | |
| North America | ¥139,380 | $1,313,048 | 24.8% |
| Europe | 85,694 | 807,292 | 15.3 |
| Asia and Other | 79,001 | 744,239 | 14.1 |

ChuoAoyama Audit Corporation PRICEWATERHOUSECOOPERS

The Board of Directors
KONICA CORPORATION

We have audited the accompanying consolidated balance sheets of KONICA CORPORATION and its consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated Financial position of KONICA CORPORATION and its consolidated subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Notes 2 (b), 2 (h) and 2 (i), effective from the year ended March 31, 2001, KONICA CORPORATION and its consolidated subsidiaries have adopted new Japanese accounting standards for financial instruments, retirement benefits, and foreign currency translation.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2001

## BOARD OF DIRECTORS

As of June 28, 2001

### Chairman of the Board
Tomiji Uematsu

### President and Chief Executive Officer
Fumio Iwai

### Managing Directors
Mamoru Komiya
Takeo Koitabashi
Shigeru Suzuki

### Advisory Director
Takanori Yoneyama

### Directors
Takamasa Shintani
Masaru Kanbe

### Senior Corporate Auditor
Hideo Kubota

### Corporate Auditors
Masayuki Matsumoto
Yasuyuki Wakahara
Kazunobu Kato

### Executive Officers
Shigeru Suzuki
Tadashi Kojima
Yukio Morito
Kunio Ito
Yasumitsu Tsunoda
Hirofumi Sakaguchi
Shunpei Iwano
Hisashi Yamaguchi
Hideaki Iwama
Teruo Kawaura
Tomohisa Saito

### Associate Directors
Satoru Hohnishi
Kiyoshi Izawa
Genichiro Kazama
Tadashi Kabasawa

As of August 2001

## DOMESTIC OPERATIONS

### MARKETING & SERVICE

Konica Marketing Corporation
Konica Medical Inc.
Kyoritsu Medical Electric Co., Ltd.
Konica Color Photo Equipment Co., Ltd.
Konica Color Imaging Corporation
Konica Business Machines Japan Co., Ltd.
Nihon ID System Co., Ltd.
Konica ID Imaging Co., Ltd.
Konica Logistics Co., Ltd.
Konica Meditech Service Corporation
Konica Sogo Service Co., Ltd.
Konica Engineering Co., Ltd.
Konica Service Co., Ltd.
Konica Technosearch Corporation

### MANUFACTURING

Yamanashi Konica Co., Ltd.
Kofu Konica Co., Ltd.
Konica Gelatin Corporation
Konica Packaging Corporation
Konica Chemical Corporation
Konica Minolta Supplies Manufacturing Co., Ltd.
Konica Denshi Co., Ltd.
Konica Repro Co., Ltd.
Konica System Equipment Co., Ltd.

## OVERSEAS OPERATIONS

### NORTH AMERICA & CENTRAL AMERICA

***Konica Headquarters North America, Inc.**
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Te1: 201-236-3700

**Konica Photo Imaging, Inc.**
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Te1: 201-574-4000

**Konica Medical Imaging, Inc.**
411 Newark-Pompton Turnpike, Wayne, NJ 07470, U.S.A.
Te1: 973-633-1500

**Konica Graphic Imaging International, Inc.**
71 Charles Street, Glen Cove, NY 11542-2837, U.S.A.
Te1: 516-674-2500

**Konica Business Technologies, Inc.**
500 Day Hill Road, Windsor, CT 06095, U.S.A.
Te1: 860-683-2222

**Digitec Office Products, Inc.**
2064 East University Dr., Compton, CA 90220, U.S.A.
Tel: 800-934-2679

**Albin Industries, Inc.**
P.O. Box 346, Farmington, MI 48332, U.S.A.
Tel: 810-478-0005

**Konica Office Products, Inc.**
534 Broad Hollow Rd., Melville, NY 11747, U.S.A.
Tel: 516-753-1700

**Konica Manufacturing U.S.A., Inc.**
6900 Konica Drive, Whitsett, NC 27377, U.S.A.
Tel: 336-449-8000

**Konica Supplies Manufacturing U.S.A., Inc.**
Upper Chesapeake Corporate Center, 1000 Konica Drive,
Elkton, MD 21921,U.S.A.
Tel: 410-398-7371

**Konica Computer Solutions, Inc.**
7710 Kanamar Court, San Diego, CA 92121, U.S.A.
Tel: 858-549-2199

***Konica Technology, Inc.**
47265 Fremont Blvd., Fremont, CA 94538, U.S.A.
Tel: 510-353-7566

**Konica Finance U.S.A. Corporation**
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Tel: 201-236-3706

**Konica Canada, Inc.**
1329 Meyerside Drive, Mississauga, Ontario L5T 1C9, Canada
Tel: 905-670-7722

**Konica Business Technologies Canada, Inc.**
1851 Sandystone Manor Pickering, Ontario L1W 3R9, Canada
Tel: 905-839-7921

**Konica Business Technologies de Mexico S.A. de C.V.**
Calle Lago Gran Oso No. 234-B, Col. Pensil,
Mexico D.F.C.P. 11430, Mexico
Tel: 5-527-6500

## EUROPE

**Konica Europe GmbH**
Friedrich-Bergius-Str., Gewerbegebiet, 85662 Hohenbrunn, Germany
Tel: 08102-8040

**Konica Business Machines Deutschland GmbH**
Frankenstrasse 7, 20097 Hamburg, Germany
Tel: 040-23602-0

**Konica Business Machines Europe GmbH**
Lilienthalstrasse 1, 21337 Lüneburg, Germany
Te1: 04131-8860

**Konica France S.A.**
Paris-Nord II-3, Allee du Ponant-B.P. 50077-95948
Roissy C.D.G. CEDEX, France
Tel: 1-49386550

**Konica Bureautique S.A.**
Energy Park-Immeuble 7 144/148, Boulevard de Verdun,
92413 Courbevoire Cedex, France
Tel: 1-46676700

**Konica UK Ltd.**
Plane Tree Crescent, Feltham, Middlesex TW13 7HD, U.K.
Tel: 020-8751-6121

**Konica Business Machines (U.K.) Ltd.**
Konica House, Miles Gray Road, Basildon, Essex SS14 3AR, U.K.
Tel: 1268-53-4444

**Konica Peter Llewellyn Ltd.**
11-12 De La Beche Street, Swansea SA1 3EZ, U.K.
Tel: 1792-466136

**Konica East Direct Ltd.**
Unit 7, Acorn Way, Oaktree Industrial Estate,
Mansfield NG18 3HD, U.K.
Tel: 1623-422227

**Konica Nederland B.V.**
Lagedijk 18, P.O. Box 288, 3400 AG IJsselstein, The Netherlands
Tel: 30-6868900

***Konica Capital EC (Holland) B.V.**
Officia 1 de Boelelaan 7, 1083 HJ, Amsterdam, The Netherlands
Tel: 020-6465996

**Konica Austria GmbH**
Hofbauergasse 3, A-1120, Wien, Austria
Tel: 1-834521-25

**Konica Business Machines Italia S.p.A.**
Via Senigallia, 18/2-Edificio A 20161,
Milano-MI, Italy
Tel: 02-640051

***Konica Business Machines Belgium S.A.N.V.**
Avenue de la Metrologie 10, B-1130
Bruxelles, Belgium
Tel: 02-2442424

**Konica Czech S.R.O.**
Premyslovoka 7, Prague, The Czech Republic
Tel: 02-7936978

****Konica Fribourg Office**
Route de l'Ancienne Papeterie-1, Case Postale 160,
1723 Marly, Switzerland
Tel: 026-435-7292

## ASIA & OCEANIA

**Konica Hong Kong Ltd.**
Room 1818, Sun Hung Kai Centre, 30 Harbour Road,
Hong Kong, S.A.R., China
Tel: 2827-7288

**Konica Manufacturing (H.K.) Ltd.**
Units 1606-08, Tower 2, Grand Central Plaza,
138 Shatin Rural Committee Road, Shatin,
N.T., Hong Kong, S.A.R., China
Tel: 2688-0077

**Konica Manufacturing Vietnam Co., Ltd.**
No. 5 VSIP Street 4, Vietnam Singapore Industrial Park,
Thuan An District, Bin Duong Province, Vietnam
Tel: 84-65-075-6630

**Konica (Dalian) Co., Ltd.**
Dalian Industry District 29-17-1,
Dalian Economic and Technical Development Zone, Dalian, China
Tel: 411-7622575

**Konica Asia Headquarters Pte. Ltd.**
401 Commonwealth Drive #01-04,
Singapore 149598
Tel: 472-8724

**Konica Singapore Pte. Ltd.**
401 Commonwealth Drive #01-04,
Singapore 149598
Tel: 473-1377

**Konica Australia Pty. Ltd.**

**A.B.E. Rentals Pty. Ltd.**

**K.B.A. Properties Pty. Ltd.**

**Apeco of Australia Pty. Ltd.**
22 Giffnock Avenue, North Ryde, N.S.W. 2113, Australia
Tel: 02-9878-5333

***Konica (Thailand) Co., Ltd.**
11th Floor, Sermmit Tower, 159 Asoke Road, Sukhumvit 21,
Bangkok 10110, Thailand
Tel: 2-260-8655

***Konica Photochem (Thailand) Co., Ltd.**
600/24 Moo 11 Sukaphiban 8 Rd., Nonkham Sriracha
(Sriracha Industrial Park), Chonburi 20280, Thailand
Tel: 38-480429

****Konica Middle East Office**
P.O. Box 16988, Dubai, U.A.E.
Tel: 04-8816202

****Konica Graphic Imaging Middle East Liaison Office**
Yuzyil Mah., Matbaacilar Sitesi No. 212 Bagcilar Sitesi,
Istanbul, Turkey
Tel: 212-629-5267

****Konica Beijing Office**
Jia 129 Xuanwumen Xi Da Jie 12B11, Jin Yu Building 100031 Beijing,
China
Tel: 10-66415344

****Konica Shanghai Office**
Golden Tower 8-B, Jiu An Public Square, 258 Tongren Road,
Shanghai 200040, China
Tel: 21-6247-2767

* Unconsolidated subsidiary
** Representative office

As of March 31, 2001

### Common Stock
Authorized: 800,000,000 shares
Outstanding: 357,655,368 shares

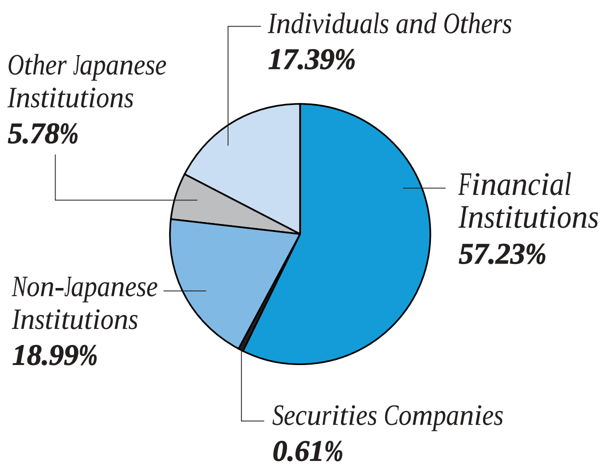
### Stock Exchange Listings
Tokyo, Osaka, Nagoya, Frankfurt, Düsseldorf

### Number of Shareholders
28,936

### Independent Auditor
ChuoAoyama Audit Corporation

### Transfer Agent for Common Stock
The Toyo Trust and Banking Co., Ltd,
4-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan

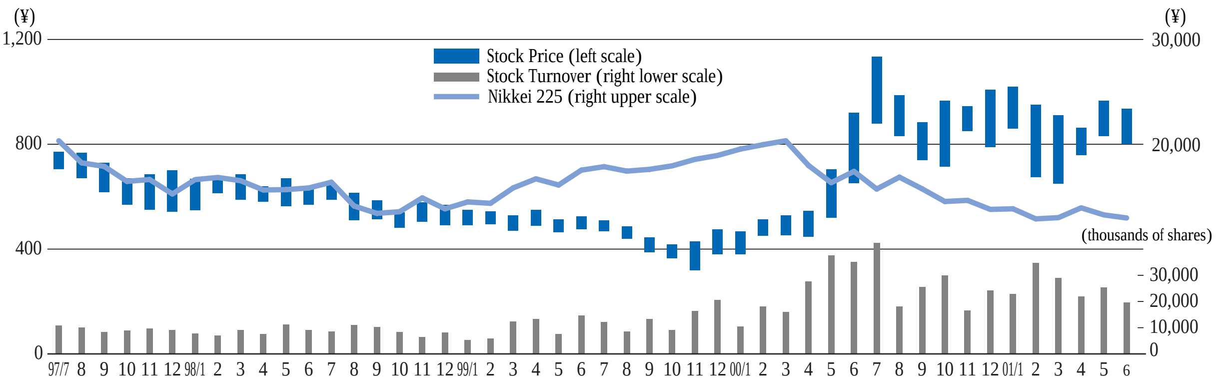
### Composition of Shareholders




### Major Shareholders

| Name | Investment in Konica | |
|---|---|---|
| | Number of Shares (thousands) | Percentage of Total Equity (%) |
| Japan Trustee Services Bank, Ltd. | 20,458 | 5.72% |
| The Bank of Tokyo–Mitsubishi, Ltd. | 17,657 | 4.94% |
| The Sanwa Bank, Ltd. | 17,657 | 4.94% |
| Asahi Life Insurance Co. | 16,574 | 4.63% |
| The Toyo Trust and Banking Co., Ltd. | 14,570 | 4.07% |
| The Nomura Trust and Banking Co., Ltd. | 14,504 | 4.06% |
| The Mitsubishi Trust and Banking Co., Ltd. | 11,938 | 3.34% |
| Nippon Life Insurance Co. | 11,340 | 3.17% |
| The Chuo Mitsui Trust and Banking Co., Ltd. | 8,516 | 2.38% |
| The Yasuda Fire and Marine Insurance Co., Ltd. | 7,930 | 2.22% |
| Total | 141,144 | 39.47% |

### Stock Price Chart



# CORPORATE DATA

As of March 31, 2001

**Konica Corporation**

Shinjuku Nomura Building, 26-2, Nishi Shinjuku 1-chome,
Shinjuku-ku, Tokyo 163-0512, Japan
Tel: (03) 3349-5251
Fax: (03) 3349-8998
URL: http://www.konica.co.jp

**Year of Establishment**

1873

**Paid-in Capital** (as of March 31, 2001)

¥37,519 million (US$303 million)

**Number of Employees**

17,595

**Underwriters**

The Nomura Securities Co., Ltd.
The Nikko Securities Co., Ltd.

**Products**

***Consumer Imaging Products:***

Color film and paper, black-and-white film and paper, inkjet media, photofinishing equipment and chemicals, etc.

***Cameras and Digital Imaging Products:***

Compact 35mm cameras, digital still cameras, etc.

***Business Equipment:***

Plain-paper copiers, full-color copiers, facsimile machines, color laser printers, etc.

***Medical Imaging Products:***

Medical imaging film and automatic processors, laser imagers, imaging cameras, etc.

***Graphic Imaging and Industrial Products:***

Platemaking film, typesetting paper, color-proofing systems, image-processing systems, etc.

***Optics Products:***

Aspherical plastic lenses, zoom lens units, MO disk drives, etc.

***Electronic Materials:***

TAC film for polarizers of LCDs, etc.

KONICA CORPORATION

Shinjuku Nomura Building, 26-2, Nishi Shinjuku 1-chome, Shinjuku-ku, Tokyo 163-0512, Japan
Tel: (03) 3349-5251 Fax: (03) 3349-8998
Internet Home Page: http://www.konica.co.jp

0109SK
This report is printed in Japan on recycled paper.