Financial Results (Consolidated)
for The Fiscal Year ended March 31, 2000

English Translation or “KESSAN TANSHIN”
(April 1, 1999, to March 31, 2000)

KONICA CORPORATION

Company Name: Konica Corporation
Local Securities Code Number: 4902
Stock Exchange Listings: Tokyo, Osaka, Nagoya (first sections)
Head office: 26-2 Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 163-0512, Japan
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Board of Directors Meeting: May 18, 2000

1. Consolidated financial results for fiscal 2000 (April 1, 1999, to March 31, 2000)

(1) Operating Results (Million yen)

	Net sales		Operating income		Recurring profit	
Fiscal 2000	¥560,900	(4.0)%	¥33,131	127.3%	¥18,476	(92.0)%
Fiscal 1999	584,342	0.0%	14,575	(36.8)	1,280	(92.0)

(Million yen)

	Net income	Net income share	Net income per share (diluted)	Net income/ Shareholders’ equity	Recurring profit /Capital	Recurringper profit /Sales
Fiscal 2000	¥7,627	—%	¥21.33	4.7%	3.4%	3.3%
Fiscal 1999	(3,166)	—	(8.85)	(1.9)	0.2	0.2

Notes: 1. Equity in profit/(loss) of nonconsoldiated subsidiaries and affiliates
Fiscal 2000: ¥52 million
Fiscal 1999: ¥229 million
2. Gain on valuation of marketable securities: ¥13,756 million
Loss on valuation of derivatives transactions: ¥291 million
3. Changes in accounting methods: None
4. Percentages in net sales, operating income, recurring profit, and net income columns indicate changes from the previous fiscal year.

(2) Financial Position (Million yen)

	Total assets	Shareholders’ equity	Shareholders’ equity ratio (%)	Shareholders’ equity per share (Yen)
Fiscal 2000	¥549,703	¥162,793	29.6%	¥455.17
Fiscal 1999	589,201	158,742	26.9	443.84

(3) Cash Flows (Million yen)

	Operating activities	Investment activities	Financing activities	Cash and cash equivalents at year-end
Fiscal 2000	¥61,264	¥(11,203)	¥(34,048)	55,022
Fiscal 1999	—	—	—	—

(4) Scope of consolidation/equity method accounting
Consolidated subsidiaries: 61
Subsidiaries accounted for by the equity method: 26
Affiliates accounted for by the equity method: 4

(5) Changes in scope of consolidation/equity method
Newly consolidated subsidiaries: —
Subsidiaries excluded from consolidation: 5
Companies included in equity method accounting: 1
Companies excluded from equity method accounting: 2

2. Consolidated results forecast for fiscal 2001 (April 1, 2000, to March 31, 2001)

(Million yen)

	Net sales	Recurring profit	Net income
Interim	¥270,000	¥ 8,000	¥5,000
Full-year	570,000	20,000	6,000

Estimated net income per share for FY 2001 is ¥16.78.

1-1 Konica Group Organization

The Konica Group comprises 61 consolidated subsidiaries, 26 nonconsolidated subsidiaries, and 16 affiliate companies. The organization of Group companies is outlined below.

Photographic Materials and Photo-related Industrial Equipment

Production (Domestic)

● Konica Gelatin Corporation
● Konica Packaging Corporation
● Konica Chemical Corporation
● Konica Repro Co., Ltd.
● Konica System Equipment Co., Ltd.
■ Toho Chemical Laboratory Co., Ltd.
Other Nonconsolidated Subsidiaries 1
Other Affiliates 1

Production (Overseas)

● Konica Manufacturing USA., Inc.
▲ Konica Photochem (Thailand) Co., Ltd.
Other Nonconsolidated Subsidiaries 1

Business Machines, Cameras, and Optical Products

Production (Domestic)

● Yamanashi Konica Co., Ltd.
● Kofu Konica Co., Ltd.
● Konica Supplies Manufacturing Co., Ltd.
● Konica Denshi Co., Ltd.
■ Sekonic Co., Ltd.

Production (Overseas)

● Konica Supplies Manufacturing U.S.A., Inc.
● Konica Business Machines Europe GmbH
● Konica Manufacturing (H.K.) Ltd.
Other Nonconsolidated Subsidiaries 1

Konica Corporation

Photographic Materials and Photo-related Industrial Equipment

Film, paper, photographic chemicals, miscellaneous chemicals, photographic equipment, others

Business Machines, Cameras, and Optical Products

Copiers, facsimiles, printers, cameras, optical products, others

Photographic Materials and Photo-related Industrial Equipment

Sales and Service (Domestic)

● Konica Marketing Corporation
● Konica Color Imaging Corporation
● Konica Color Photo Equipment Co., Ltd.
● Konica Medical Inc.
● Kyoritsu Medical Co., Ltd.
● Konica Meditech Service Corporation
● Nihon ID System

● Konica Logistics Co., Ltd. [*1]
● Konica Sogo Service Co., Ltd.
● Konica Engineering Co., Ltd.
● Konica Technosearch Corporation
Other Consolidated Subsidiaries 2
Other Nonconsolidated Subsidiaries 6
Other Affiliates 5

Sales and Service (Overseas)

● Konica Photo Imaging, Inc. [*2]
● Konica Canada, Inc.
● Konica Graphic Imaging International, Inc
● Konica Europe GmbH
● Konica UK Ltd.
● Konica France S.A.
● Konica Australia Pty. Ltd.
● Konica Asia Headquarters Pte. Ltd.
Other Consolidated Subsidiaries 8
Other Nonconsolidated Subsidiaries 2
Other Affiliates 1

Business Machines, Cameras, and Optical Products

Sales and Service (Domestic)

● Konica Business Machines Japan Co., Ltd.
● Konica Service Co., Ltd.
Other Consolidated Subsidiaries 11
Other Affiliates 6

Sales and Service (Overseas)

● Konica Business Technology, Inc.
● Konica Business Machines Deutschland GmbH
● Konica Bureautique S.A.
● Konica Business Machines (U.K.) Ltd.
● Konica Business Machines Italia S.p.A.
● Konica Australia Pty. Ltd.
▲ Konica Capital EC B.V.
Other Consolidated Subsidiaries 11
Other Nonsolidated Subsidiaries 3
Other Affiliates 1

*(*1) On June 11, 1999, Konica Logistics Co., Ltd., changed to Konica Distribution Center Co., Ltd.*
*(*2) On April 1, 1999, Konica Photo Imaging, Inc. changed Konica U.S.A. Inc.*
● *consolidated subsidiary.*
■ *nonconsolidated subsidiary.*
▲ *affiliate company.*

1-2 Management Policy

(1) Basic Management Policy

Konica's business vision is to create enjoyment for people through its products and services. The Company's profitability is a reflection of its ability to achieve this goal. The rapid advance of digital technologies and the IT revolution is eliminating the boundaries between Konica's core business and other business fields and leading to greater global competition. With the aim of becoming a leading international company in the 21st century, Konica's management is striving to create a company that is regarded highly in capital markets around the world.

(2) Basic Policy Regarding the Distribution of Profits

Amid an operating environment that is predicted to remain harsh, Konica will implement measures set out in its medium term management plan to improve management efficiency, raise profitability, and reinforce its business foundation. At the same time, the Company will uphold a policy of maintaining stable dividend payments, giving adequate consideration to the internal funds required to finance business activities that will strengthen competitiveness and improve profitability.

(3) Long Term Management Strategies

In January 2000, Konica started a four-year management plan, SAN 2003, to realize its vision of becoming an imaging solutions company. Based on the key words Speed, Alliance, and Network (SAN), the following measures will be implemented throughout the Konica Group to meet the needs of a digitally networked society.

1) The speed of management will be raised in all parts of the Konica Group to achieve the plan's main goal of increasing the market value of Konica.

2) Management organization reforms will be made to facilitate the thorough implementation of an internal company system, with a ultimate goal of incorporating companies under a holding company structure.

3) Management resources and investment will be concentrated in high-growth areas. (Main business fields are construction of digital product and service systems, the expansion of the optics technology business, and building large-scale inkjet and electronic materials businesses)

4) To build best-in class businesses and business segments, Konica will actively seek alliances with partners in the information imaging sector as well as other sectors.

In the fiscal year ending March 2004, Konica aims to have net income of ¥20 billion and a ROE of 10%.

(4) Management Organization and Corporate Governance

In June 1999, the Company introduced a internal company system to acquire the decision making speed and flexibility required to adapt in a rapidly changing operating environment. Subsequently, in the June 2000, the Board of Directors was reformed and an executive officer system introduced to improve corporate governance.

These moves were made to clearly separate the responsibilities for decision making and supervision from decision execution, and improve the Company's ability to implement strategy.

The number of directors has been reduced to improve ability of the Board of Directors to perform its decision making and supervision functions. Executive officers, which will be selected by an Executive Office Committee, have been given the authority to implement decisions made by the Board of Directors.

(5) Future Issues

While the Japanese economy is predicted to recover slowly, the outlook for the operating environment remains clouded. Advancing technology will further blur business boundaries and raise international competition to a higher competition.

Konica will adhere to the following policies to improve its ability to compete in such an environment.

1) Raise the market value by pursuing measures based on the key words Speed, Alliance, and Network.

2) Emphasize cash flow management and further reduce the balance of interest bearing debt.

3) Allocate management resources to strategic areas and promote the development of digital products and systems for a networked society.

4) Thoroughly implement the internal company system with a view to migrating to a holding company organization

5) Improve disclosure of environmental information and strengthen activities to preserve the environment.

6) Respond to changes in accounting standards, such as new standards for retirement benefits.

1-3. Management Results

(1) Consolidated Business Performance

Looking at the world economy in fiscal 2000, ended March 31, 2000, the United States continued to grow strongly, and Europe expanded at a gentle pace. Asia also recovered steadily from recent economic troubles. In Japan, activity showed signs of an upward trend, boosted by greater stability in the financial system and of government stimulus measures centering on public works.

In Japan, demand for Konica's products and services remained weak, and price competition intensified. While conditions improved in Asia and remained strong in the United States, the advance of digitization and networking together with product and price competition contributed to an harsh operating environment.

In 1998, Konica launched a medium-term management plan, V Plan 2000 AAA, which had improving cash flow as its main management goal. During the year under review, Konica strove to complete measures in the plan and quickly return to operating profitability.

In June 1999, the Company began implementing an internal company systems and reforming head office functions. In addition to clarifying the authority and responsibility of each internal company, Konica planned to improve consolidated results by introducing a personnel appraisal system that links remuneration to business results. Consolidated cash flow improved markedly during the year, to ¥50 billion.

Interest bearing debt, was reduced to ¥212.3 billion, and the Company is on course to reach its target of lowering debt to ¥200.0 billion by March 2001.

The yen appreciated against the U.S. dollar and the German mark by 12.5% and 17.3%, respectively, during fiscal 2000, which had a significant impact on Konica's results. Consolidated net sales fell ¥23.4 billion, or 4.0%, to ¥560.9 billion. However, cost savings achieved by business rationalization measures and the reduction of selling and administrative expenses resulted in net income of ¥7.6 billion-a ¥10.7 billion turnaround from the previous fiscal year.

(2) Results Breakdown

Photographic Materials and Photo-related Industrial Equipment (Million yen)

	Fiscal 2000	Fiscal 1999	Increase/Decrease	YoY Change
Sales to outside customers	¥321,084	¥336,643	¥(15,559)	95%
Intersegment elimination	866	747	119	116%
Sales	321,951	337,390	(15,436)	95%
Operating income	18,158	3,041	15,117	597%

The Consumer Imaging Company

During the fiscal year under review, the Consumer Imaging company expanded Konica's popular CENTURIA series of color film, which was released worldwide under a unified package in January 1999, as well as the Torikkiri Konica MiNi Goody series of in-film cameras, which has set new standards for picture quality in this product category. In the strategic photofinishing field, Konica added three systems to its QD-21 Minilab System series.

Sales of photographic film and paper in the United States increased 7% and 22% on a volume and value basis, respectively, and Konica Photo Imaging Inc., returned to profitability.

Sales in Europe and Asia and were also lively, with concentrated marketing campaigns in Russia and selected Asian countries leading to significant increases in sales.

In Japan, were demand for photographic materials was depressed, Konica focused on strengthening its operating structure and raising profitability.

Despite a decline in consolidated sales, cost-cutting measures led to sharp rise in operating income during fiscal 2000.

The Medical and Graphic Imaging Company

Demand for X-ray film was stagnant in fiscal 2000 and price competition remained fierce. As the medical industry continued its shift toward the use of digital imaging processing equipment, Konica leveraged is reputation to strengthen its position in several key product categories.

Konica released the Konica DRY PRO 722, a high-performance dry laser imager, and the Konica Direct Digitizer REGIUS 150, a digital imaging system that records images on cassette tapes. Konica is now refining its marketing activities to focus on supporting the total diagnostic process and promoting systems that employ dry digital processes.

In graphic imaging, although the decline in demand for equipment in the printing and pre-press fields bottomed out during the fiscal year, the market recovery was only slight. Konica transferred its presensitized plate business to Mitsubishi Chemical Corp. on March 31, 2000, to facilitate its strategy of concentrating greater resources in the color proofing field. This move helped to raise Konica's marketing efficiency and improve profitability in the graphic imaging field. In Japan, Konica maintained its overwhelming lead in color proofing, with the Konica Konsensus series of analog systems and Konica Digital Konsensus winning market praise for their high productivity and cost efficiency.

The Inkjet Business Group

In October 1999, Konica combined the various business sections engaged in ink-jet-related activities to create the Inkjet Business Group.

Konica QP Photo Ink-Jet Paper, a quick drying photo quality paper that boasts a clear, sharp finish, has captured a large share of the domestic market. The paper adopts unique multilayer, highly porous coating technology developed by Konica.

With its strengths in photographic and chemistry technologies, Konica is well positioned to meet the demands for faster, higher-resolution inkjet printer heads and ink as well as paper.

EM and ID Business Group

In fiscal 2000, Konica has entered the market for TAC film, demand for which is expected to increase 25% a year over the next four years. In March 2000, the Company commenced operations at a new production facility in Kobe. Konica will rely on its outstanding manufacturing technology to secure the trust of customers for this technically advanced film.

Business Machines, Cameras, and Optical Products (Million yen)

	Fiscal 2000	Fiscal 1999	Increase/Decrease	YoY Change
Sales to outside customers	¥239,816	¥247,698	¥(7,882)	97%
Intersegment elimination	1,336	1,730	(398)	77%
Sales	241,152	249,428	(8,276)	97%
Operating income	24,786	18,086	6,700	137%

The Office Document Company

The cancellation of a contract to supply printers on an OEM basis led to a decline in office equipment sales. However, sales by Konica's marketing subsidiaries increased, centering on digital copiers.

In Japan, the ratio of digital machine sales in the copier market advanced at a rapid rate. Konica strengthened its SITIOS (Systems Integrated Task Input/Output System) series of high-speed copier/printers, which command a high market share, by introducing the Konica 7075 and 7065 digital input output system (DI/OS) machines. The Company also boosted its presence at the lower end of the digital copier market, introducing the Konica 7020 and 7030 models to provide digital performance at more affordable prices.

Konica is progressing rapidly with restructuring measures designed to ensure the provision of hardware and software services required for total document solutions in networked offices. In Europe, the Company has strengthened its direct marketing network and is working to achieve a uniform service level in all countries in the region. At the same time, the Company is diversifying into the print-on-demand market, which is predicted to expand as a source of demand for document production and editing equipment.

Optics Technology Company

Konica's aspherical plastic pick-up lenses, the mainstay product in Konica's optical components business, have an outstanding reputation among makers of data input/output, recording, and storage media devices for audio equipment and computers. In fiscal 2000, the IT revolution continued to spur demand for optical disks, including CD-R, CD-RW, and DVD disks, that offer convenience in storing large amounts of data. Higher sales of plastic lenses as well as camcorder lens units, compact camera lens units, and 3.5 inch magneto optical (MO) drives supported a healthy increase in sales of optics technology products.

The Camera and Digital Photo Group

Sales of compact cameras increased during the fiscal year, with APS cameras being the main contributors to sales growth. The popular Konica Revio series of APS cameras was expanded by the addition of the Revio Z3, which was awarded a Good Design Award by XXXXX. The Konica Q-M200, released during the year under review, was a standout performer in digital still cameras-a product category in which Konica posted a large year-on-year gain. Sales of OEM-made cameras also contributed to the increase in digital camera sales.

Y2K Resolution

Due comprehensive compliance measures, neither Konica or any of the Konica Group companies have experienced disruptions to their operations as a result of Y2K related problems.

Outlook for Fiscal 2001

While there are signs of improvement in the Japanese economy, the prospects for a recovery are clouded. Management will be required to respond to the continued advance of digital technologies and global competition that crosses traditional industry borders.

Against this backdrop, Konica will progress with various measures to strengthen the competitiveness of its operating structure, centering on the implementation of an internal company system.

In line with new accounting standards for retirement benefits, Konica will calculate retirement expenses using a discount rate of 3.5% and a projected return on investment of 3.5%.

The adoption of new accounting standards is expected to reduce Konica's parent company results by ¥20.9 billion and consolidated results by ¥8.0 billion in fiscal 2000. Konica plans to sell investment trust products to write off the parent company amount in a lump sum. Group companies will write off losses over a period of five years.

Consolidated Results Forecasts (Hundred million yen)

	Fiscal 2000		Fiscal 1999		Year-on-Year Change	
	Interim	Full year	Interim	Full year	Interim	Full year
Sales	¥2,700	¥5,700	¥2,804	¥5,609	96%	102%
Operating income	160	350	186	331	86%	106%
Recurring profit	80	200	99	184	81%	109%
Net income	(50)	60	42	76	—	79%

	Fiscal 2000		Fiscal 1999		Year-on-Year Change	
	Interim	Full year	Interim	Full year	Interim	Full year
Photosensitive materials	¥1,500	¥3,300	¥1,588	¥3,210	94%	103%
Information equipment	1,200	2,400	1,215	2,398	99%	100%
Total	¥2,700	¥5,700	¥2,804	¥5,609	96%	102%

Parent Company Results Forecasts (Hundred million yen)

	Fiscal 2000		Fiscal 1999		Year-on-Year Change	
	Interim	Full year	Interim	Full year	Interim	Full year
Sales	¥1,700	¥3,600	¥1,668	¥3,404	102%	106%
Operating income	50	150	75	145	67%	103%
Recurring profit	60	120	54	102	111%	118%
Net income	(40)	40	33	47		85%

	Fiscal 2000		Fiscal 1999		Year-on-Year Change	
	Interim	Full year	Interim	Full year	Interim	Full year
Photosensitive materials	¥1,000	¥2,000	¥ 965	¥1,958	104%	102%
Information equipment	450	1,000	426	886	106%	113%
Cameras and optical equipment	250	600	275	559	91%	107%
Total	¥1,700	¥3,600	¥1,668	¥3,404	102%	106%

Forecasts are based on exchange rates of ¥105=US$1 and ¥105=Euro1

** Forecasts are estimations based on information available at the time they were made, and accordingly, contain risks and uncertainties. Therefore, the potential for actual results to differ from forecasts should be recognized.*

Dividends

Based on its dividend policy, Konica has decided to pay a year-end dividend of ¥5.00 per share, which, added to an interim dividend of ¥5.00 per share, brings the total dividend applicable to fiscal 2000 to ¥10.00 per share.

Due to the aforementioned changes to accounting standards for retirement benefits, Konica expects to post a net loss for the first half of fiscal 2001. However, a further increase in earnings power is expected to generate an improvement at the operating income level. Consequently, in line with its policy of maintaining stable dividend payments, Konica plans to pay an interim dividend of ¥5.00 per share.

4. (1) Consolidated Statements of Income and Retained Earnings

(Million yen)

	April 1, 1998 —March 31, 1999		April 1, 1999 —March 31, 2000		Increase/ Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Sales	¥584,342	100.0%	¥560,900	100.0%	¥(23,442)	(4.0)%
Cost of sales	342,543	58.6	323,710	57.7	(18,833)	(5.5)
Gross profit	241,798	41.4	237,190	42.3	(4,608)	(1.9
Selling, general and administrative expenses	227,223	38.9	204,058	36.4	(23,165)	(10.2)
Operating Income	14,575	2.5	33,131	5.9	18,556	127.3
Non-Operating Income	10,367	1.8	9,186	1.6	(1,181)	(11.4)
Interest and dividend income	1,974	0.3	1,722	0.3	(252)	(12.8)
Other	8,393	1.4	7,463	1.3	(930)	(11.1)
Non-Operating Expenses	23,662	4.0	23,841	4.3	179	0.8
Interest paid	13,748	2.4	10,454	1.9	(3,294)	(24.0)
Other	9,913	1.7	13,385	2.4	3,474	35.0
Recurring Profit	1,280	0.2	18,476	3.3	17,196	1,343.4
Extraordinary Profits	763	0.1	396	0.1	(367)	(48.1)
Gain on sales of fixed assets	762	0.1	288	0.1	(474)	(62.2)
Gain on sales of investment securities	1	0.0	108	0.0	107	10,700.0
Extraordinary Losses	12,688	2.2	3,665	0.7	(9,023)	(71.1)
Loss on disposal and sale of fixed assets	2,111	0.4	1,762	0.3	(349)	(16.5)
Loss on sale of investment securities	250	0.0	245	0.0	(5)	(2.0)
Valuation loss on marketable securities	269	0.0	1,657	0.3	1,388	516.0
Loss on restructuring/liquidation of Group companies	10,057	1.7	—	0.0	(10,057)	(100.0)
Income before income taxes	(10,643)	(1.8)	15,206	2.7	25,849	—
Corporate, inhabitants', and enterprise taxes	2,794	0.5	4,774	0.9	1,980	70.9
Income tax adjustments	(10,269)	(1.8)	2,808	0.5	13,077	—
Minority interest in earnings of subsidiaries	2	0.0	3	0.0	1	50.0
Net income	(3,166)	(0.5)	7,627	1.4	10,793	—
Consolidated retained earnings at the beginning of the period	55,282		41,880		(13,402)	(24.2)
Other retained earnings at the beginning of the period	43,343		—		(43,343)	
Earned surplus reserve at the beginning of the period	6,939		—		(6,939)	
Tax effect adjustment amount for the previous period	4,999		—		(4,999)	
Appropriations	10,235		3,576		(6,659)	(65.1)
Dividends	3,576		3,576		—	0.0
Directors bonuses	50		—		(50)	—
Adjustment to retained earnings as a result of	6,609		—		(6,609)	—
Consolidated retained earnings at the end of the period	41,880		45,932		4,052	9.7

4 (2) Consolidated Balance Sheets

(Million yen)

	As of March 31, 1999		As of March 31, 2000		Increase/ Decrease	
	Amount	% of total	Amount	% of total	Amount	YoY (%)
Current Assets	¥349,240	59.3%	¥335,899	61.1%	¥(13,341)	(3.8)%
Cash and deposits	40,053		53,618		13,565	
Notes and accounts receivable	140,020		138,475		(1,545)	
Marketable securities	28,938		18,867		(10,071)	
Inventory	119,827		104,221		(15,606)	
Deferred tax assets	5,688		9,585		3,897	
Other current assets	14,711		11,131		(3,580)	
Fixed Assets	232,992	39.5	205,144	37.3	(27,848)	(12.0)
Tangible assets	161,533		141,114		(20,419	
Investments and others	71,458		64,030		(7,428)	
Foreign translation adjustment account	6,969	1.2	8,659	1.6	1,690	24.3
Total Assets	589,201	100.0	549,703	100.0	(39,498)	6.7
Current Liabilities	280,922	47.7	272,568	49.6	(8,354)	(3.0)
Notes and accounts payable	78,349	22.1	87,058	20.8	8,709	(12.3)
Short-term loans	122,212		94,722		(27,490)	(5.9)
Convertible bonds due within one year	25,822		39,985		14,163	(99.8)
Other current liabilities	54,538		50,802		(3,736)	
Long-Term Liabilities	130,406		114,306		(16,100)	
Bonds and long-term loans	94,344		77,657		16,687	
Other long-term liabilities	36,062		36,649		587	
Total Liabilities	411,329	69.8	386,874	70.4	(24,455)	
Minority interests	19,130	3.2	36	0.0	(19,094)	
Capital stock	37,519	6.4	37,519	6.8	—	
Capital reserve	79,342	13.5	79,342	14.4	—	
Consolidated retained earnings	41,800	7.1	45,932	8.4	4,052	
Treasury stock	0	0.0	0	0.0	—	
Total shareholders' equity	158,742	26.9	162,793	29.6	4,051	2.6
Total liabilities, minority interests, and shareholders' equity	589,201	100.0	549,703	100.0	(39,498)	(6.7)

Notes:

(Million yen)

	Fiscal 1999	*Fiscal 2000*
1. Accumulated depreciation on tangible fixed assets	*¥264,140*	*¥265,154*
2. Provisions	*12,508*	*10,295*
3. Notes receivable	*201*	*89*
	(Share)	
4. Treasury stock	*1,466*	*2,054*

4. (3) Consolidated Statements of Cash Flows

(Million yen)

Category/Item	April 1, 1999—March 31, 2000
I. Cash flows from operating activities	
Income before income taxes	¥15,206
Depreciation and amortization	30,687
Decrease in allowance for doubtful receivables	(1,494)
Interest and dividends received	(1,722)
Interest expense	10,454
Increase in accounts receivable	(7,821)
Decrease in inventory	7,493
Increase in accounts payable	13,973
Other	6,676
Subtotal	73,452
Interest and dividends received	1,662
Interest paid	(10,345)
Income taxes	(3,505)
Net cash provided by operating activities	61,264
II. Cash flows from investing activities	
Payment for acquisition of marketable securities	(674)
Proceeds from the sale of marketable securities	3,416
Payment for acquisition of fixed assets	(22,962)
Proceeds from the sale of fixed assets	7,179
Payment for acquisition of investment securities	(167)
Proceeds from the sale of investment securities	506
Other	1,499
Net cash used in investment activities	(11,203)
III. Cash flows from financing activities	
Proceeds from short-term debt, net	(23,422)
Proceeds from long-term debt	22,090
Redemption of long-term debt	(13,472)
Proceeds from the issuance of bonds	3,000
Dividend payments	(3,576)
Other	(18,668)
Net cash used in financing activities	(34,048)
IV. Translation differences on cash and cash equivalents	(1,042)
V. Increase in cash and cash equivalents	14,969
VI. Cash and cash equivalents at the beginning of the year	40,053
VII. Cash and cash equivalents at fiscal year-end	55,022

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 61

Principal consolidated subsidiaries: Konica Business Machines Japan Co., Ltd. Konica Marketing Corporation, Konica Medical Electric Co., Ltd., Konica Chemical Corporation, Kyoritsu Medical Electric Co., Ltd., Konica Color Imaging Corporation, Konica Color Photo Equipment Co., Ltd., Konica Packaging Corporation,

Konica Manufacturing U.S.A. Inc., Konica Photo Imaging, Inc., Konica Business Machines Deutschland GmbH, Konica Australia Pty.Ltd., Konica Business Technologies, Inc., Konica Business Machines (U.K.) Ltd., Konica Europe GmbH, Konica Bureautique S.A., Konica Graphic Imaging International, Inc.

Number of nonconsolidated subsidiaries: 26

Nonconsolidated subsidiaries have not been included in consolidation because they are relatively small companies and their assets, sales, net income, and retained earnings do not have a material influence on consolidated results.

2. Scope of the Use of the Equity Accounting

Number of nonconsolidated subsidiaries accounted for by the equity method: 26

Principal nonconsolidated subsidiaries: Konica Photochem (Thailand) Co., Ltd., Konica Business Machines Belgium S.A.N.V.

Number of affiliates accounted for by the equity method: 4

Principal affiliates: Sekonic Co., Ltd.

The net income and retained earnings of 12 affiliates that are not accounted for by the equity method are small amounts that do not have an appreciable influence on consolidated results.

3. Accounting Standards and Methods

(1) Asset valuation

1) Marketable securities: Marketable securities are recorded at cost as determined by the moving average method.

2) Inventories: Parent company inventories are, in the main, recorded at cost as determined by the periodic average method. Domestic consolidated subsidiary inventories are, in the main, recorded at cost as determined by the last purchase price method. Overseas consolidated subsidiary inventories are recorded at lower of cost or market value, with cost determined by the first-in first-out method.

(2) Depreciation and amortization of depreciable assets

The depreciable assets of the Company and its domestic consolidated subsidiaries are depreciated using the declining balance method. Overseas consolidates subsidiaries adopt the straight line method.

(3) Reserves

1) Allowance for doubtful receivables

Provision is made for losses arising from uncollectable accounts based on an analysis of probable collection rates, and in accordance with the maximum amounts stipulated under the Corporate Tax Law.

2) Employees' retirement and severance benefits

An amount in transfered from pension assets to this reserve based on the amount the Company would be required to pay if all employees eligible for retirement benefits were to voluntarily terminate their employment at the balance sheet date.

(5) Foreign Currency Translation

Among foreign currency denominated assets and liabilities, short-term monetary debts and liabilities are translated at the market rates prevailing at the times such debts were acquired or liabilities incurred.

(6) Lease transactions

All leases are accounted for in accordance with accounting standards for ordinary rental transactions, with the exception of finance leases that stipulate the transfer of ownership rights to the lessee.

4. Valuation of Consolidated Subsidiary Assets and Liabilities

Assets and liabilities of all consolidated subsidiaries are recorded at market value.

5. Appropriations of Retained Earnings

The consolidated statements of income and retained earnings are based on the confirmed profits of consolidated subsidiaries for the fiscal year under review.

6. Scope of Funds in Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statement of cash flows comprises cash on hand and short-term investments that are easily convertible into cash for which there is minimal risk of value fluctuations.

Additional Information

1. In-house Software

Based on the provisional directives set forth in the Guidelines for Accounting for R&D Costs and Software (Japanese Institute of Certified Public Accountants, Accounting Standards Committee Report No.12., dated March 31, 1999), the Company has applied the same accounting treatment previously used for in-house use software in fiscal 2000.

However, in accordance with the directives, software for in-house use has been moved from "Other investments" under "Investments and other assets" to "Intangible Fixed Assets."

Lease Transactions

For the period April 1, 1998—March 31, 1999

(As lessor)

Finance lease transactions, other than those under which ownership rights to the leased asset are transferred to the lessee.

1. Amounts equivalent to the acquisition cost, accumulated depreciation, and the book value of leased assets of March 31, 2000.

(Million yen)

	Acquisition cost	Accumulated depreciation	Book value
Buildings and structures	¥ 28	¥ 18	¥ 9
Machinery and vehicles	6,015	2,956	3,059
Furniture and fittings	5,747	2,877	2,869
Prepaid long-term expenses	393	190	203
Total	¥12,185	¥6,042	¥6,143

2. Amounts equivalent to lease payment commitments as of March 31, 2000.

(Million yen)

Payable within one year	¥1,844
Payable after one year	4,298
Total	¥6,143

3. Amounts equivalent to lease payments and depreciation expense

(Million yen)

Lease payments	¥1,998
Depreciation expense	1,998

4. The calculation of amounts equivalent to depreciation is made using the straight-line method assuming a zero residual value. The lease period is taken as equal to the useful life of the asset.

5. Operating lease transactions

Amounts equivalent to lease payment commitments as of March 31, 2000.

(Million yen)

Payable within one year	¥ 6,565
Payable after one year	22,399
Total	¥28,965

For the period April 1, 1999—March 31, 2000

(As lessor)

Finance lease transactions, other than those under which ownership rights to the leased asset are transferred to the lessee.

1. Amounts equivalent to the acquisition cost, accumulated depreciation, and the book value of leased assets as of March 31, 2000.

(Million yen)

	Acquisition cost	Accumulated depreciation	Book value
Buildings and structures	¥ 24	¥ 8	¥ 15
Machinery and vehicles	12,154	3,211	8,943
Furniture and fittings	4,171	2,350	1,820
Prepaid long-term expenses	623	337	285
Total	¥16,973	¥5,907	¥11,066

2. Amounts equivalent to lease payment commitments as of March 31, 2000.

(Million yen)

Payable within one year	¥ 2,869
Payable after one year	8,196
Total	¥11,066

3. Amounts equivalent to lease payments and depreciation expense

(Million yen)

Lease payments	¥2,869
Depreciation expense	2,087

4. The calculation of amounts equivalent to depreciation is made using the straight-line method assuming a zero residual value. The lease period is taken as equal to the useful life of the asset.

5. Operating lease transactions

Amounts equivalent to lease payment commitments as of March 31, 2000

(Million yen)

Payable within one year	¥ 5,235
Payable after one year	17,025
Total	¥22,260

For the period April 1, 1998—March 31, 1999

(As lessee)

Finance lease transactions, other than those under which ownership rights to the leased asset are transferred to the lessee.

1. Amounts equivalent to the acquisition cost, accumulated depreciation, and the book value of leased assets as at March 31, 2000.

(Million yen)

	Acquisition cost	Accumulated depreciation	Book value
Rental assets	¥1,880	¥1,321	¥559
Total	¥1,880	¥1,321	¥559

2. Amounts equivalent to lease payments receivable as of March 31, 2000.

(Million yen)

Payable within one year	¥367
Payable after one year	276
Total	¥643

Note: As the percentage of lease payments receivable accounted for by fixed assets is low, amounts are recorded inclusive of interest.

3. Lease payments received and depreciation expense

(Million yen)

Lease payments received	¥1,269
Depreciation expense	1,104

For the period April 1, 1999—31, 2000

(As lessee)

Finance lease transactions, other than those under which ownership rights to the leased asset are transferred to the lessee.

1. Amounts equivalent to the acquisition cost, accumulated depreciation, and the book value of leased assets as of March 31, 2000.

(Million yen)

	Acquisition cost	Accumulated depreciation	Book value
Rental assets	¥1,919	¥1,564	¥355
Total	¥1,919	¥1,564	¥355

2. Amounts equivalent to lease payments receivable as of March 31, 2000.

(Million yen)

Payable within one year	¥300
Payable after one year	107
Total	¥408

3. Lease payments received and depreciation expense

(Million yen)

Lease payments received	¥1,318
Depreciation expense	1,146

Segment Information

(1) Information by Business Segment

Fiscal 2000 (April 1, 1999 to March 31, 2000)

(Million yen)

	Photosensitive Materials	Information Equipment	Total	Eliminations and companywide	Consolidated
I. Sales					
(1) Outside customers	¥321,084	¥239,816	¥560,900	¥ —	¥560,900
(2) Inter-segment sales/transfers	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
II. Assets, depreciation, and capital expenditure					
Assets	291,907	189,067	480,974	68,730	549,704
Depreciation	15,023	14,362	29,385	1,301	30,687
Capital expenditure	11,748	17,416	29,164	1,072	30,237

Notes: 1. Business classification: Based on similarities between such characteristics as product type, and end-user markets, the Company's operations are classified into the segments of Photosensitive Materials and Information Equipment.

2. Operating expenses not able to be properly allocated that are included in the eliminations and companywide column are principally basic R&D expenses incurred by the parent company and expenses associated with head office functions. In fiscal 2000, this amount was ¥9,789 million.

3.The assets in the eliminations and companywide column are principally excess parent company funds (cash and negotiable securities) under management, long-term investments (investment securities), and various assets and translation adjustment accounts of accounting sections. In fiscal 2000, this amount was ¥87,787 million.

Fiscal 1999 (April 1, 1998 to March 31, 1999)

(Million yen)

	Photosensitive Materials	Information Equipment	Total	Eliminations and companywide	Consolidated
I. Sales					
(1) Outside customers	¥336,643	¥247,698	¥584,342	¥ —	¥584,342
(2) Inter-segment sales/transfers	747	1,730	2,477	2,477	—
Total	¥337,390	¥249,428	¥586,819	¥ 2,477	¥584,342
Operating expenses	334,349	231,341	565,691	4,075	569,766
Operating income	3,041	18,086	21,128	6,553	14,575
II. Assets, depreciation, and capital expenditure					
Assets	310,035	206,617	516,652	72,549	589,201
Depreciation	16,545	14,833	31,379	1,109	32,488
Capital expenditure	16,568	25,294	41,863	839	42,702

(2) Information by Geographical Area

Fiscal 2000 (April 1, 1999 to March 31, 2000)

(Million yen)

	Japan	North America	Europe	Asia	Total	Eliminations or companywide	Consolidated
I. Sales and operating income							
(1) Outside customers	¥332,649	¥129,152	¥78,079	¥21,019	¥560,900	¥ —	¥560,900
(2) Inter-segment sales	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
II. Assets	342,435	97,036	42,037	14,151	495,660	54,044	549,704

Notes:1. Classification of areas is based on geographical proximity.

2. Principal country markets in the above areas are as follows:

(1) North America: United States, Canada

(2) Europe: Germany, France England

(3) Asia and other: Australia, Hong Kong, Singapore

3. Operating expenses not able to be properly allocated that are included in the eliminations and companywide column are principally basic R&D expenses incurred by the parent company and expenses associated with head office functions. In fiscal 2000, this amount was ¥9,789 million.

4. The assets in the eliminations and companywide column are principally excess parent company funds (cash and negotiable securities) under management, long-term investments (investment securities), and various assets and translation adjustment accounts of accounting sections. In fiscal 2000, this amount was ¥87,787 million.

Fiscal 1999 (April 1, 1998 to March 31, 1999)

(Million yen)

	Japan	North America	Europe	Asia	Total	Eliminations or companywide	Consolidated
I. Sales and operating income							
(1) Outside customers	¥328,570	¥150,376	¥86,006	¥19,388	¥584,342	¥ —	¥584,342
(2) Inter-segment sales	124,748	8,347	892	18,641	152,630	152,630	—
Total	¥453,319	¥158,723	¥86,899	¥38,030	¥736,972	¥152,630	¥584,342
Operating expenses	438,413	155,401	86,421	38,060	718,297	148,531	569,766
Operating income	14,905	3,321	478	30	18,674	4,099	14,575
II. Assets	350,202	132,233	53,510	12,818	548,764	40,436	589,201

(3) Overseas Sales

Fiscal 2000 (April 1, 1999 to March 31, 2000)

(Million yen)

	North America	Europe	Asia and others	Total
Overseas sales	¥139,380	¥85,694	¥79,001	¥304,076
Consolidated sales				560,900
Overseas sales as a percentage of consolidated sales	24.8%	15.3%	14.1%	54.2%

Notes: 1. Classification of areas is based on geographical proximity.

2. Principal country markets in the above areas are as follows:

(1) North America: United States, Canada

(2) Europe: Germany, France England

(3) Asia and other: Australia, Hong Kong, Singapore

Fiscal 1999 (April 1, 1998 to March 31, 1999)

(Million yen)

	North America	Europe	Asia and others	Total
Overseas sales	¥156,583	¥103,010	¥70,555	¥330,149
Consolidated sales				584,342
Overseas sales as a percentage of consolidated sales	26.8%	17.6%	12.1%	56.5%

6. Production and Orders

(1) Production Results

(Millions of yen)

Segment	April 1, 1999-March 31, 2000
Photosensitive materials	¥213,665
Information equipment	150,830
Total	364,495

Notes: 1. Amounts are based on manufacturer's sales prices

(2) Orders

The Company does not conduct order production.

7. Market Value Information for Marketable Securities

(Million yen)

Segment	As of March 31, 2000		
	Book value	Market value	Unrealized gains or losses
Current Assets			
Shares	¥14,595	¥17,890	¥ 3,294
Bonds	91	85	(5)
Other	1,259	1,153	(106)
Subtotal	¥15,946	¥19,129	¥ 3,183
Fixed Assets			
Shares	15,706	26,280	10,573
Bonds	—	—	—
Other	—	—	—
Subtotal	¥15,706	¥26,280	¥10,573
Total	¥31,653	¥45,409	¥13,756

Notes: 1. Calculation of Market Value
Listed Securities: Principally, closing trading prices on the Tokyo Stock Exchange on the last business day of the fiscal year
Securities traded over-the-counter: Trading prices published by the Japan Securities Dealers Association
Beneficiary certificates of unlisted equity investment trusts: Net asset value
2. Balance sheet value of marketable securities not shown in the above table
Fiscal 2000

(Current Assets)	*(Million yen)*
Money management funds	*¥1,322*
Unlisted foreign bonds	*1,099*
Unlisted bonds	*500*
(Fixed Assets)	
Unlisted shares	*¥2,114*

8. Contract amounts, market values, and unrealized gains/losses on derivative transactions

(1) Interest rate-related transactions

(Million yen)

Classification Type of security	Fiscal year ended March 31, 2000			
	Contract value	Due in more than 1 year	Market value	Unrealized gain/loss
Non-market transactions				
Interest rate swaps				
Fixed receipt _ variable payment	¥ 5,000	¥ 5,000	¥ 502	¥ 502
Fixed payment _ variable receipt	18,500	4,000	(734)	(734)
Interest rate swap options				
Sold	2,500	2,500	(20)	(20)
Bought	6	6		
Total	¥26,000	¥11,500	¥(252)	¥(252)

Notes: 1. Market values of interest rate swaps and other derivatives transactions are calculated on the basis of prices offered by financial institution counter-parties.
2. The amounts shown in the above table do not fully reflect the market risk related to derivative transactions.

(2) Product-related transactions

(Million yen)

Classification Type of security	Fiscal year ended March 31, 2000			
	Contract value	Due in more than 1 year	Market value	Unrealized gain/loss
Non-market transactions				
Swaps				
Fixed receipt _ variable payment	¥107	¥—	¥(39)	¥(39)
Total	¥107	¥—	¥(39)	¥(39)

Notes: Market values of product-related transactions are calculated on the basis of prices offered by financial institution counterparties.

9. Related Party Transactions

None