# Financial Results (Consolidated)
# for the Fiscal Year Ended March 31, 2001

English Translation or "KESSAN TANSHIN"
(April 1, 2000 to March 31, 2001)

## 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 17, 2001
Application of U.S. Accounting Standards: None

### 1. Consolidated financial results for fiscal 2001 (April 1 2000 to March 31, 2001)

(1) Operating Results (Million yen)

| | Net sales | | Operating income | | Recurring profit | |
|---|---|---|---|---|---|---|
| Fiscal 2001 | ¥543,719 | (3.1)% | ¥30,543 | (7.8)% | ¥20,162 | 9.1% |
| Fiscal 2000 | 560,900 | (4.0) | 33,131 | 127.3 | 18,476 | — |

(Million yen)

| | Net income | | Net income per share | Net income per share (diluted) | Net income/ Shareholders' equity | Recurring profit /Capital | Recurring profit /Sales |
|---|---|---|---|---|---|---|---|
| Fiscal 2001 | ¥6,457 | (15.3)% | ¥18.06 | ¥— | 4.0% | 3.8% | 3.7% |
| Fiscal 2000 | 7,627 | — | 21.33 | — | 4.7 | 3.4 | 3.3 |

*Notes: 1. Equity in profit/(loss) of nonconsoldiated subsidiaries and affiliates:*
*Fiscal 2001: ¥(248) million*
*Fiscal 2000: ¥52 million*
*2. Average number of shares outstanding during the period (consolidated):*
*Year ended March 31, 2001: 357,653,044*
*Year ended March 31, 2000: 357,653,608*
*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 2001 | ¥518,181 | ¥160,259 | 30.9% | ¥448.09 |
| Fiscal 2000 | 549,703 | 162,793 | 29.6 | 455.17 |

*Note: Number of shares outstanding at the end of the period (consolidated):*
*March 31, 2001: 357,652,775*
*March 31, 2000: 357,653,314*

(3) Cash Flows (Million yen)

| | Operating activities | Investment activities | Financing activities | Cash and cash equivalents at year-end |
|---|---|---|---|---|
| Fiscal 2001 | ¥50,923 | ¥ (8,119) | ¥(42,648) | ¥56,573 |
| Fiscal 2000 | 61,264 | (11,203) | (34,048) | 55,022 |

(4) Scope of consolidation/equity method accounting
Consolidated subsidiaries: 61
Subsidiaries accounted for by the equity method: 23
Affiliates accounted for by the equity method: 3

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

### 2. Consolidated results forecast for fiscal 2002 (April 1, 2001 to March 31, 2002)

(Million yen)

| | Net sales | Recurring profit | Net income |
|---|---|---|---|
| Interim | ¥275,000 | ¥11,000 | ¥ 4,000 |
| Full-year | 570,000 | 28,000 | 12,000 |

*Estimated net income per share for FY 2002 is ¥33.55.*

1-1 Konica Group Organization

The Konica Group comprises 61 consolidated subsidiaries, 23 nonconsolidated subsidiaries, and 10 affiliate companies. The organization of Group companies is outlined below.

***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***

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 U.S.A., 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 Minolta Supplies Manufacturing Co., Ltd.[*1]
● Konica Denshi Co., Ltd.
■ Seconic 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

***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.
● Konica Sogo Service Co., Ltd.
● Konica Engineering Co., Ltd.
● Konica Technosearch Corporation
Other Consolidated Subsidiaries: 1
Other Nonconsolidated Subsidiaries: 4
Other Affiliates: 1

Sales and Service (Overseas)

● Konica Photo Imaging, Inc.
● Konica Canada, Inc.
● Konica Graphic Imaging International, Inc.
● Konica Europe GmbH
● Konica UK Ltd.
● Konica France S.A.
● Konica Asia Headquarters Pte. Ltd.
Other Consolidated Subsidiaries: 7
Other Nonconsolidated Subsidiaries: 3

***Business Machines, Cameras, and Optical Products***

Sales and Service (Domestic)

● Konica Business Machines Japan Co., Ltd.
● Konica Service Co., Ltd.
● Konica U-Bix Tokyo Co., Ltd.[*2]
● Konica U-Bix Kansai Co., Ltd.[*3]
Other Consolidated Subsidiaries: 9
Other Affiliates: 5

Sales and Service (Overseas)

● Konica Business Technologies 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) Konica Minolta Supplies Co., Ltd.: After an investment in Konica Supplies Co., Ltd., on December 4, 2000, by Minolta Co., Ltd., the name of that company was changed to Konica Minolta Supplies.*
*(*2) Konica U-Bix Tokyo Co., Ltd.: Name changed from Konica Techno Tokyo Co., Ltd., on April 1, 2001*
*(*3) Konica U-Bix Kansai Co., Ltd.: Name changed from Konica Techno Kansai Co., Ltd., on April 1, 2001*

● *consolidated subsidiary*
■ *nonconsolidated subsidiary*
▲ *affiliate company*

**2. Management Policy**

(1) Basic Management Policy

Konica's business vision is to create enjoyment for people through its products and services and to be an "Imaging Solution Company." To achieve this vision, Konica seeks to significantly heighten the awareness of enjoyment and offer solutions that anticipate customer needs to increase their enjoyment. The Company's profitability is a reflection of its ability to achieve these goals. The rapid advance of digital technologies and the IT revolution are 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.

Konica designated fiscal 1999 as the year for emphasizing cash flow and selectively allocating resources to achieve selectivity and concentration, with the aim of increasing operating profit, and, as a result, the Company achieved a V-shaped recovery in performance. Based on these results, the Company prepared a medium-term management plan entitled SAN Plan 2003 based on the three key words, SPEED, ALLIANCE, and NETWORK and set four basic goals: (1) increase corporate value, (2) strengthen operating and financial positions, (3) move substantially closer toward digitization in all business areas and allocate resources to growth areas, and (4) actively establish alliances.

Fiscal 2000 was the first year for implementation of this plan. Growth businesses steadily expanded, the ratio of sales of digital and network-enabled products rose substantially, and steady progress was made.

In fiscal 2001, we examined the progress toward implementation of the plan, made partial changes in numerical objectives based on SAN Plan 2003, added management issues for fiscal 2001, and upgraded the content of SAN Plan 2004 to steadily implement the medium-term plan.

As a result, we established the goal of ¥27.0 billion in net income, or 12% ROE, for the year ending March 31, 2005.

(2) Basic Policy Regarding the Distribution of Profits
Amid an operating environment that is predicted to remain challenging, Konica will implement measures set out in its medium-term management plan to improve management efficiency, raise profitability, and strengthen its financial position. At the same time, the Company will maintain a policy of paying stable dividends, giving adequate consideration to the internal funds required to finance business activities that will strengthen competitiveness and improve profitability, while building corporate value.

(3) Management Organization and Corporate Governance
Konica has introduced an internal company system to accelerate decision making and promote speedy action to deal with changes in the operating environment. To further strengthen corporate governance, the Company introduced an executive officer system in June 2000 and, to the greatest extent possible, has separated the decision making and management supervisory functions from the management of day-to-day activities and worked to strengthen executive management functions. Steps have also been taken to reform the Board of Directors, and, along with the introduction of the executive officer system, the number of directors has been reduced from 17 to 11 with the objective of promoting substantially more discussion and making more accurate management decisions. To strengthen the management functions of the executive officers selected by the Board, authority has been delegated to these officers from the representative directors, and, they concentrate on conducting operations under the supervision of the representative directors.

(4) Issues to Be Addressed
Prospects are for an extremely challenging operating environment, with deflation continuing in Japan and a sharp slowdown in the world economy. Moreover, the rapid progress in digital technology, the IT revolution, and other developments are expected to bring competition on a global scale, transcending industrial boundaries. As a consequence, the environment for Konica's operations is forecast to undergo rapid change. To deal with this challenging environment, Konica aims to steadily implement the following Companywide policies set under SAN Plan 2004.

a. Aggressively promote transition in the Company's activities from analogue to digital and network businesses, while also promoting selectivity and concentration of resources as well as alliances both within the Company and with outside partners
b. Reallocate management resources, including funds and personnel, on a Companywide basis and make investments in priority areas
c. Improve the effectiveness of the internal company system and make preparations for establishing certain activities as separate corporations and a holding company
d. View operations from the point of view of customer satisfaction and promote improvement in the quality of product development, production, and sales as an integrated process
e. Promote a clear focus on environmental issues through the implementation of environmental accounting systems

The Company has consistently positioned preservation of the earth's environment as one of its most important ideals, based on the belief that harmony and symbiosis with the natural environment are essential. The Company is implementing policies for preventing global warming and the realization of a recycling society that meets the requirements for economic viability. Particularly, during the current fiscal year, Konica set aside an environmental budget to promote environmental risk management and is actively disclosing environmental information.

These activities are being conducted throughout the Konica Group, and the Company is aiming to enhance its presence both in Japan and overseas, while continuing to be a company that creates enjoyment for people through its products and services.

**3. Management Results**

(1) A Summary of Business Performance for the Fiscal Year
Looking at overseas economies during the fiscal year, conditions were generally favorable in various areas, but from fall 2000, IT-related industries, which had been the driving force, especially in the United States, moved into a period of adjustment, and future prospects became significantly more challenging. In Japan, although investment showed recovery in some sectors, recovery in consumer spending was delayed and in the latter half of the year stock prices stagnated, leading to little sense of recovery in the economy.

During the previous fiscal year, Konica prepared a four-year medium-term management plan, entitled SAN Plan 2004, covering the period through the March 2004 fiscal year. The period under review, ended March 31, 2001, was the first year for the implementation of the plan. In accordance with the plan, the Company reported solid progress toward its objectives, steadily expanding its business activities in growth sectors, substantially increasing the ratio of its sales generated by digital and network products, and raising operating profit. In addition, in June 2000 Konica adopted measures to improve corporate governance by simultaneously reforming the Board of Directors and introducing an executive officer system.

Since 1998, the Konica Group has positioned improvement in cash flow as its most important theme. For the year under review, on a consolidated basis, the Group generated ¥42.8 billion in free cash flow (Please refer to Note 1) and reduced its interest-bearing debt (Note 2) to ¥181.9 billion, well below the goal of ¥200 billion.

During the year under review, on average, the yen appreciated against both the U.S. dollar and euro, with the yen rising to ¥108.83 to the dollar, or an increase in value of 3.9%, and to ¥99.94 to one euro, an increase in value of 16.5%, thus having a major impact on the Company's performance. As a consequence, Konica's sales declined ¥17.2 billion, or 3.1%, to ¥543.7 billion. The Company moved forward with cost reduction measures through rationalization and lowered selling, general and administrative expenses, but operating income declined ¥2.6 billion, or 7.8%, to ¥30.5 billion. On the other hand, profits/losses from foreign exchange settlement took a turn for the better and interest expenses fell accompanying the reduction in interest-bearing debt, thus leading to an improvement in net non-operating income and expenses. As a result, recurring profit rose ¥1.7 billion, or 9.1%, to ¥20.1 billion, and the Company attained its recurring profit objective set at the beginning of the fiscal year.

On the other hand, the Company set the objective of dealing in full with the difference arising from the application of new accounting standards accompanying the introduction of employees' retirement benefit accounting. To accomplish this objective, the Company established an employees' retirement benefit trust in the amount of ¥20.4 billion through the transfer of a portion of its stock holdings to the trust. In connection with the establishment of this trust, the Company reported an extraordinary gain of ¥8.8 billion and an extraordinary loss of ¥20.4 billion due to the change in accounting standards for retirement liabilities.

Moreover, accompanying the introduction of accounting standards for financial products, the Company fully applied the new standards and revalued its portfolio of securities at market value; as a result, the Company reported an evaluation loss of ¥2.6 billion on investment securities. In addition, to improve asset efficiency, the Company sold the Muromachi Center Building in central Tokyo, which it had been renting, thus posting a gain from the sale of fixed assets amounting to ¥8.5 billion. As a result, extraordinary profits for the fiscal year amounted to ¥18.1 billion, and extraordinary losses were ¥27.2 billion.

As a result of the foregoing, net income was down ¥1.2 billion, or 15.3%, from the previous fiscal year and amounted to ¥6.4 billion.

(2) Results Breakdown

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

| | Fiscal 2001 | Fiscal 2000 | Increase/Decrease | YoY Change |
|---|---|---|---|---|
| Sales to outside customers | ¥305,200 | ¥321,084 | ¥(15,844) | 95.1% |
| Intersegment elimination | 1,666 | 866 | 800 | 192.4% |
| Sales | 306,866 | 321,951 | (15,085) | 95.3% |
| Operating income | 19,022 | 18,158 | 864 | 104.8% |

*Consumer Imaging Company*

The Consumer Imaging Company, which handles color film and paper, expanded its lineup of color films during the year. New products included the Konica Color New CENTURIA series of color films, which feature the highest level of effective sensitivity and the longest image life, and a new series of reversible films, Konica Chrome SINBI, which has strengths in a number of photographic scenes.

In the film business, in Japan the operating environment remains challenging characterized by continued declines in prices for film-plus-lens cameras and other products, but overseas the Company was successful in expanding sales in the rest of Asia where growth rates are high and the Company has a high market share.

On the other hand, along with the expanded use of the Internet, the enhancement of the telecommunications infrastructure, and exceptionally rapid growth in digital camera sales, expectations regarding online photo services are rising, especially in Europe and the United States. In North America, the Company arranged tie-ups with a number of leading network service providers and began to make preparations for entering the photonet printing business. In Japan, Konica completed systems for responding to a range of customer needs by offering digital photo services at outlets, principally the Company's nationwide network of Konica Photo Express and Konica Digital Photo Express minilab outlets.

*Medical & Graphic Imaging Company*

In the field of medical imaging products, major growth in demand is not expected and the operating environment is severe. However, along with the trends toward digitization and networking within hospitals, sales of Konica Laser Imager DRY PRO Model 722, a high-definition digital image output system for hospitals, and the Direct Digitizer Regius Model 150, a cassette-type high-definition digital imaging system were strong. Accompanying the sale of units, shipments of dry film have also expanded substantially and overall performance of films has been favorable.

Sales of graphic imaging products declined owing to a severe operating environment created by the weakness of the economy in Japan and increased competition because of new entrants from other industries.

On the other hand, marketing efforts brought increased sales overseas. To raise cost competitiveness, the Company has begun to concentrate its production facilities, and is placing greater emphasis on sales in the color proof market, where it has a strong reputation, to enhance profitability.

*Inkjet Business Group*

Under its medium-term management plan, Konica designated inkjets as one of its strategic business fields and has developed technologies to achieve high-quality image output in an age of networking while striving to cultivate this sector into a large-scale business. Konica plans to carry out three-tiered unified development that encompasses high-speed, high-quality, high-resolution printer heads and ink as well as inkjet paper, which has already earned strong acclaim in the market. In addition, the Company successfully started up its component business, including heads and inks.

*EM & ID Business Group*

In March 2000, the Company completed a new production facility in Kobe for triacetyl cellulose (TAC) film, which is experiencing conspicuous growth as an IT-related product for use in liquid crystal displays.

The new plant has begun operations smoothly, and work is under way to further expand capacity. The plant has production technology that is fully capable of responding to the difficult quality demands of the market. During the latter half of the fiscal year under review, demand for liquid crystal panels slowed temporarily owing to the impact of the deceleration of the U.S. economy, but sales for the fiscal year were substantially higher than the previous year.

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

| | Fiscal 2001 | Fiscal 2000 | Increase/Decrease | YoY Change |
|---|---|---|---|---|
| Sales to outside customers | ¥238,518 | ¥239,816 | ¥(1,298) | 99.5% |
| Intersegment elimination | 865 | 1,336 | (471) | 64.7% |
| Sales | 239,384 | 241,152 | (1,768) | 99.3% |
| Operating income | 20,174 | 24,786 | (4,612) | 81.4% |

*The Office Document Company*

Konica introduced new medium-speed digital combination Konica Sitios 7025/7035 models in its Sitios digital copier series to offer a full line of copier products. In particular, the Konica Sitios 7035, which incorporates Konica's uniquely developed polymerization toner, achieves world-class image quality.

These combination copiers have powerful input/output capabilities through networks and Konica is promoting business solution type sales along with a range of application software, including document filing programs. To further expand sales of solutions for the office in the network era, Konica established a solution center in Germany to serve the European market, which followed the establishment of a similar center on the U.S. West Coast and is stepping up support for software development and sales.

In April 2000, Konica announced an operating tie-up with Minolta Co., Ltd., and in December set up a joint venture in the combination toner production field. The tie-up will also cover joint procurement of components, mutual supply of products, and cooperation in product development.

*Optics Technology Company*

Aspherical plastic pick-up lenses used in optical disk pickups were impacted by the inventory adjustment in leading-edge businesses, principally PCs in the U.S. market, and the slowdown in the economy in the latter half of the fiscal year. This led to a temporary slowdown in growth, but for the fiscal year as a whole sales and volume expanded at double-digit rates. In addition, sales of lenses for laser printers and other optical components, as well as lens units and optical units for VTR and digital cameras and compact cameras also continued strong. Moreover, the company's began to ship 640MB 3.5-type MO drives with USB compatibility in November 2000.

*The Camera and Digital Photo Business*

The market for film cameras in Japan, the United States, and Europe, showed a substantial drop, and Konica's sales in volume and monetary terms fell for the year. In the midst of these developments, however, the Konica HEXAR RF and Konic Revio CL were selected for Good Design Prizes in 2000.

In addition, in the digital camera area the Company introduced the Konica e-mini series. Konica's digital cameras have received a high evaluation in the market, and the Company continued to expand its sales through supplying OEM units.

*Outlook for Fiscal 2002*

The environment for the Company's operations in fiscal 2002, ending March 31, 2002, will be challenging because of continuing deflation in the Japanese economy and the sharp deceleration of the international economy. Moreover, along with the rapid development of digital technologies, the IT-revolution, and other developments competition transcending industrial boundaries will become more intense, and the business environment is forecast to undergo sudden change.

To respond to this change, the Konica Group will focus on the implementation of the management policies of SAN Plan 2004, as previously outlined, and will aim to reach the following targets for sales and income.

Consolidated Results Forecasts (Hundred million yen)

| | Fiscal 2001 | | Fiscal 2000 | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | Interim | Full year | Interim | Full year | Interim | Full year |
| Sales | ¥2,750 | ¥5,700 | ¥2,710 | ¥5,437 | 101% | 105% |
| Operating income | 125 | 340 | 184 | 305 | 68 | 111 |
| Recurring profit | 110 | 280 | 101 | 201 | 109 | 139 |
| Net income | 40 | 120 | 6 | 64 | 667 | 188 |

| | Fiscal 2001 | | Fiscal 2000 | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | Interim | Full year | Interim | Full year | Interim | Full year |
| Photosensitive materials | ¥1,520 | ¥3,140 | ¥1,525 | ¥3,052 | 100% | 103% |
| Information equipment | 1,230 | 2,560 | 1,185 | 2,385 | 104 | 107 |
| Total | ¥2,750 | ¥5,700 | ¥2,710 | ¥5,437 | 101% | 105% |

Parent Company Results Forecasts (Hundred million yen)

| | Fiscal 2001 | | Fiscal 2000 | | Year-on-Year Change | |
|---|---|---|---|---|---|---|
| | Interim | Full year | Interim | Full year | Interim | Full year |
| Sales | ¥1,750 | ¥3,700 | ¥1,716 | ¥3,452 | 102% | 107% |
| Operating income | 65 | 180 | 92 | 178 | 71 | 101 |
| Recurring profit | 60 | 170 | 73 | 171 | 82 | 99 |
| Net income | 30 | 90 | 7 | 36 | 429 | 250 |

*Forecasts are based on exchange rates of ¥115=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 policy of sharing profits with shareholders, Konica will pay a cash dividend of ¥5 per share for the second six months of the fiscal year. Together with the ¥5 per share paid for the first half of the year, this will bring the dividend for the full year to ¥10 per share.

Regarding the dividend for fiscal 2002, to continue its policy of paying stable dividends, the Company will work to pay interim and final dividends of ¥5 per share each, bringing the dividend for the year to ¥10 per share.

*Notes 1: Free cash flow is defined as the sum of consolidated cash flows from operating activities and cash flows from investing activities, as presented in the consolidated statements of cash flows.*

*2: Interest-bearing debt is defined as the sum of short-term borrowings, long-term borrowings, and bonds.*

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

(Million yen)

| | April 1, 1999—March 31, 2000 | | April 1, 2000—March 31, 2001 | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| Sales | ¥560,900 | 100.0% | ¥543,719 | 100.0% | ¥(17,181) | (3.1) |
| Cost of sales | 323,710 | 57.7 | 319,163 | 58.7 | (4,547) | (1.4) |
| Gross profit | 237,190 | 42.3 | 224,555 | 41.3 | (12,635) | (5.3) |
| Selling, general and administrative expenses | 204,058 | 36.4 | 194,012 | 35.7 | (10,046) | (4.9) |
| Operating Income | 33,131 | 5.9 | 30,543 | 5.6 | (2,588) | (7.8) |
| **Non-operating income** | 9,186 | 1.6 | 9,180 | 1.7 | (6) | (0.1) |
| Interest and dividend income | 1,722 | | 1,198 | | (524) | |
| Gain on equity in affiliated companies | 52 | | — | | (52) | |
| Other | 7,411 | | 7,982 | | 571 | |
| **Non-operating expenses** | 23,841 | 4.3 | 19,561 | 3.6 | (4,280) | (18.0) |
| Interest paid | 10,454 | | 9,267 | | (1,187) | |
| Loss on equity in affiliated companies | — | | 248 | | 248 | |
| Other | 13,386 | | 10,044 | | (3,342) | |
| **Recurring profit** | 18,476 | 3.3 | 20,162 | 3.7 | 1,686 | 9.1 |
| **Extraordinary profits** | 396 | 0.1 | 18,138 | 3.3 | 17,742 | — |
| Gain on sales of fixed assets | 288 | | 8,587 | | 8,299 | |
| Gains on securities contribution to employees' retirement benefit trust | — | | 8,873 | | 8,873 | |
| Gain on sales of investment securities | 108 | | 677 | | 569 | |
| **Extraordinary losses** | 3,665 | 0.7 | 27,241 | 5.0 | 23,576 | 643.3 |
| Differences in pension obligations due to a change in accounting standards | — | | 22,096 | | 22,096 | |
| Loss on disposal and sale of fixed assets | 1,762 | | 1,981 | | 219 | |
| Valuation loss on investment securities | — | | 2,603 | | 2,603 | |
| Loss on liquidation of affiliated companies | — | | 360 | | 360 | |
| Loss on sale of investment securities | 245 | | 200 | | (45) | |
| Valuation loss on marketable securities | 1,657 | | — | | (1,657) | |
| **Income before income taxes** | 15,206 | 2.7 | 11,059 | 2.0 | (4,147) | (27.3) |
| Corporate, inhabitants', and enterprise taxes | 4,774 | | 4,593 | | (181) | |
| Income tax adjustments | 2,808 | | (0) | | (2,808) | |
| Minority interest in earnings of subsidiaries | (3) | | 8 | | 11 | |
| **Net income** | 7,627 | 1.4 | 6,457 | 1.2 | (1,170) | (15.3) |
| **Consolidated retained earnings at the beginning of the period** | 41,880 | | 45,932 | | 4,052 | |
| **Increase in consolidated retained earnings** | — | | — | | — | |
| **Decrease in consolidated retained earnings** | 3,576 | | 3,576 | | — | |
| Dividends | 3,576 | | 3,576 | | — | |
| **Consolidated retained earnings at the end of the period** | ¥45,932 | | ¥48,813 | | ¥ 2,881 | |

#### 4. (2) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2000 | | As of March 31, 2001 | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| **Current assets** | ¥335,899 | 61.1% | ¥317,890 | 61.3% | ¥(18,009) | (5.4)% |
| Cash and deposits | 53,618 | | 55,492 | | 1,874 | |
| Notes and accounts receivable | 138,475 | | 140,329 | | 1,854 | |
| Marketable securities | 18,867 | | 1,081 | | (17,786) | |
| Inventory | 104,221 | | 102,260 | | (1,961) | |
| Deferred tax assets | 9,585 | | 10,680 | | 1,095 | |
| Other accounts receivable | 10,712 | | 9,123 | | (1,589) | |
| Other current assets | 7,752 | | 7,980 | | 228 | |
| Allowance for doutful accounts | (7,334) | | (9,058) | | (1,724) | |
| **Fixed assets** | 205,144 | 37.3 | 200,291 | 38.7 | (4,853) | (2.4) |
| Tangible assets | 141,114 | 25.7 | 141,870 | 27.4 | 756 | 0.5 |
| Buildings and structures | 52,902 | | 49,868 | | (3,034) | |
| Machinery and transportation equipment | 42,163 | | 41,695 | | (468) | |
| Land | 19,288 | | 18,585 | | (703) | |
| Leased business-use asset | 17,362 | | 16,559 | | (803) | |
| Other property, plant, and equipment | 9,397 | | 15,161 | | 5,764 | |
| Intangible assets | 7,784 | 1.4 | 8,881 | 1.7 | 1,097 | 14.1 |
| Investments and others | 56,245 | 10.2 | 49,539 | 9.6 | (6,706) | (11.9) |
| Investment securities | 17,820 | | 17,200 | | (620) | |
| Long-term loans | 5,289 | | 4,352 | | (937) | |
| Long-term prepaid expenses | 7,504 | | 5,934 | | (1,570) | |
| Deferred tax assets | 15,694 | | 15,493 | | (201) | |
| Other investments | 12,897 | | 11,974 | | (923) | |
| Allowance for doubtful account | (2,961) | | (5,417) | | (2,456) | |
| **Foreign translation adjustment account** | 8,659 | 1.6 | — | — | (8,659) | — |
| **Total assets** | ¥549,703 | 100.0% | ¥518,181 | 100.0% | ¥(31,522) | (5.7)% |

(Million yen)

| | As of March 31, 2000 | | As of March 31, 2001 | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| **Current liabilities** | ¥272,568 | 49.6% | ¥262,273 | 50.6% | ¥(10,295) | (3.8)% |
| Notes and accounts payable | 87,058 | | 79,566 | | (7,492) | |
| Short-term loans | 94,722 | | 78,656 | | (16,066) | |
| Long-term loans due within one year | 39,985 | | 31,155 | | (8,830) | |
| Corporate bonds due within one year | — | | 15,000 | | 15,000 | |
| Accrued expenses | 33,318 | | 34,771 | | 1,453 | |
| Accrued corporate taxes | 3,080 | | 3,194 | | 114 | |
| Allowance for product warranty | 1,648 | | 1,549 | | (99) | |
| Other current liabilities | 12,754 | | 18,379 | | 5,625 | |
| **Long-term liabilities** | 114,306 | 20.8 | 94,961 | 18.3 | (19,345) | (16.9) |
| Straight bonds | 60,750 | | 45,750 | | (15,000) | |
| Long-term loans | 16,907 | | 11,349 | | (5,558) | |
| Reserve for retirement and severance benefits | 27,601 | | — | | (27,601) | |
| Reserve for retirement benefits and pension plans | — | | 31,144 | | 31,144 | |
| Other long-term liabilities | 9,047 | | 6,718 | | (2,329) | |
| **Total liabilities** | 386,874 | 70.4 | 357,234 | 68.9 | (29,640) | (7.7) |
| **Minority interests** | 36 | 0.0 | 687 | 0.1 | 651 | — |
| Capital stock | 37,519 | 6.8 | 37,519 | 7.2 | — | |
| Capital reserve | 79,342 | 14.4 | 79,342 | 15.3 | — | |
| Consolidated retained earnings | 45,932 | 8.4 | 48,813 | 9.4 | 2,881 | |
| Unrealized gain on securities | — | — | 1,064 | 0.2 | 1,064 | |
| Translation adjustment | — | — | (6,478) | (1.3) | (6,478) | |
| Treasury stock | (0) | (0.0) | (2) | (0.0) | (2) | |
| **Total shareholders' equity** | 162,793 | 29.6 | 160,259 | 30.9 | (2,534) | (1.6) |
| **Total liabilities, minority interests, and shareholders' equity** | ¥549,703 | 100.0% | ¥518,181 | 100.0% | ¥(31,522) | (5.7)% |

*Notes:*

*(Million yen)*

| | *Fiscal 2000* | *Fiscal 2001* | *Increase/Decrease* |
|---|---|---|---|
| *1. Accumulated depreciation on tangible fixed assets* | *¥265,154* | *¥277,951* | *¥12,797* |
| *2. Notes receivable* | *89* | *63* | *(26)* |
| | | *(Shares)* | |
| *3. Treasury stock* | *2,054* | *2,593* | *539* |

**4. (3) Consolidated Statements of Cash Flows** (Million yen)

| Category/Item | April 1, 1999— March 31, 2000 | April 1, 2000— March 31, 2001 |
|---|---|---|
| **I. Cash flows from operating activities** | | |
| Income before income taxes | ¥15,206 | ¥11,059 |
| Depreciation and amortization | 30,687 | 25,940 |
| Increase in allowance for doubtful receivables | (1,494) | 3,722 |
| Interest and dividends received | (1,722) | (1,198) |
| Interest expense | 10,454 | 9,267 |
| Loss (gain) on sales or disposals of tangible fixed assets | 1,172 | (6,606) |
| Valuation loss on investment securities | 1,657 | 2,603 |
| Differences in pension obligations due to a change in accounting standards | — | 13,223 |
| Decrease in accounts receivable | (7,821) | 3,067 |
| Decrease in inventory | 7,493 | 5,151 |
| Decrease in accounts payable | 13,973 | (7,560) |
| Decrease in accrued consumption tax payable | 1,264 | (740) |
| Other | 2,583 | 5,743 |
| Subtotal | 73,452 | 63,673 |
| Interest and dividends received | 1,662 | 973 |
| Interest paid | (10,345) | (9,244) |
| Income taxes | (3,505) | (4,479) |
| Net cash provided by operating activities | 61,264 | 50,923 |
| **II. Cash flows from investing activities** | | |
| Payment for acquisition of marketable securities | (674) | — |
| Proceeds from the sale of marketable securities | 3,416 | 120 |
| Payment for acquisition of fixed assets | (22,962) | (23,050) |
| Proceeds from the sale of fixed assets | 7,179 | 12,112 |
| Payment for acquisition of investment securities | (167) | (573) |
| Proceeds from the sale of investment securities | 506 | 6,768 |
| Other | 1,499 | (3,497) |
| Net cash used in investing activities | (11,203) | (8,119) |
| **III. Cash flows from financing activities** | | |
| Proceeds from short-term debt, net | (23,422) | (23,200) |
| Proceeds from long-term debt | 22,090 | 25,681 |
| Redemption of long-term debt | (13,472) | (41,551) |
| Proceeds from the issuance of bonds | 3,000 | — |
| Payments for repurchase of treasury stocks | — | (1) |
| Dividend payments | (3,576) | (3,576) |
| Other | (18,667) | — |
| Net cash used in financing activities | (34,048) | (42,648) |
| **IV. Translation differences on cash and cash equivalents** | (1,042) | 966 |
| **V. Increase in cash and cash equivalents** | 14,969 | 1,121 |
| **VI. Cash and cash equivalents at the beginning of the year** | 40,053 | 55,022 |
| **VII. Increase in cash and cash equivalents by new consolidation** | — | 429 |
| **VIII. Cash and cash equivalents at fiscal year-end** | ¥55,022 | ¥56,573 |

**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 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: 23

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 Equity Accounting

Number of nonconsolidated subsidiaries accounted for by the equity method: 23

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: 3

Principal affiliates: Seconic Co., Ltd.

The net income and retained earnings of 7 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:* With quoted market values: Valued by the market value method using the market price on the balance sheet date (The difference in valuation is accounted for using the method of adding it directly to shareholders' equity and is computed using the amortizable value, 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.

3) *Derivatives:* Valued at market

(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. However, for the Parent Company and domestic consolidated subsidiaries, depreciation of buildings (excluding equipment) purchased after April 1, 1998, was computed using the straight-line method.

(3) Reserves

1) Allowance for doubtful receivables

To prepare for possible losses on doubtful accounts, the Company makes additions to the general allowance for doubtful accounts using actual default ratios, and, for specific accounts where collection is viewed as doubtful, consideration is given to the possibility of recovery on an individual basis, and the amount deemed unrecoverable is added to the specific allowance for doubtful accounts.

2) Allowance for product warranties

To provide for after-service costs of cameras, facsimile machines, and copiers, the following additions are made to the allowance for product warranties: The estimated cost of service during the warranty period for cameras and facsimile machines and the value of sales of copiers times the actual ratio of repair costs according to previous experience.

3) Employees' retirement and severance benefits

To provide for employees' retirement benefits, an allowance has been set aside based on the liabilities for such benefits at the end of the fiscal year and anticipated pension assets. Please note that the difference resulting from the change in accounting methods for employees' retirement benefits of ¥27,912 million has been fully amortized through the establishment of an employees' benefit trust containing securities transferred from the Parent Company's holdings. For consolidated subsidiaries, such liabilities have been treated as an expense amortized mainly over a five-year period.

(4) Foreign currency translation

Among the foreign currency assets and liabilities of the Parent Company, those which are monetary assets and liabilities have been converted to yen at the prevailing spot exchange rate at the balance sheet date, and the resulting difference has been treated as a gain or loss, as appropriate. Please note that the assets and liabilities of overseas subsidiaries have been converted to yen using the spot exchange rate at the balance sheet date, while income and expenses have been converted to yen at the average exchange during the period. Differences due to conversion have been accounted for in the foreign currency exchange adjustment account under Shareholders' Equity.

(5) Method of accounting for significant 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.

(6) Principal accounting methods for significant hedge transactions

1) Hedge accounting methods

The deferred hedge method is used. Interest rate swaps that meet certain conditions are treated according to special measures.

2) Hedge methods and hedge targets

Derivatives are used as the hedge method (forward foreign exchange contracts, interest rate swaps, and commodity swaps)

The hedge targets are scheduled foreign currency transactions, bonds, borrowings, and raw materials.

3) Hedge policy

Based on the Company's internal rules for derivative transactions, hedges are employed to maintain foreign currency risk, interest rate risk, and risk of fluctuations in prices of raw materials within defined limits.

4) Methods for evaluating the effectiveness of hedges

Effectiveness is evaluated by confirming that there is a high degree of correlation between the market prices (foreign exchange rates, interest rates, and raw material prices) hedged, cash flow, and the hedge method.

(7) Treatment of consumption taxes

Consumption taxes are not included in sales and other figures.

4. Valuation of Consolidated Subsidiary Assets and Liabilities

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

**Supplementary Information**

1. Accounting for employees' retirement benefits

Beginning with the period under review, the Company has applied accounting standards for retirement benefits and pension plans contained in the "Opinion on establishment of accounting standards for retirement benefits and pension plans" (issued by the Financial Accounting Deliberation Council on June 16, 1998). As a consequence, recurring income for the period was ¥41.5 billion higher and income before income taxes was ¥12,807 million lower than under the method previously applied. In addition, the Company reported an extraordinary loss of ¥22,096 million owing to the change in accounting standards for retirement benefits and an extraordinary gain of ¥8,873 million related to the establishment of an employees' retirement benefit trust.

*Note: Unpaid retirement benefits and pension plan liabilities for employees' service in prior years are included in the reserve for employees' retirement and severance benefits.*

2. Accounting for financial instruments

Beginning with the period under review, the Company has applied accounting standards for financial instruments contained in the "Opinion on establishment of accounting standards for retirement benefits and pension plans" (issued by the Financial Accounting Deliberation Council on January 22, 1999). As a result of the revaluation of other securities having market quotes according to the market value method, deferred tax assets declined ¥74.7 billion and a valuation difference on other securities of ¥1,064 million was included in the Balance Sheets. This accounting change had only a slight effect on income. In addition, after an examination of the purposes for holding various securities in the Company's securities portfolio at the beginning of the interim period, securities maturing within one year have been included under marketable securities among current assets while all other securities have been accounted for under investment securities. As a result, ¥17,342 million in securities were transferred from marketable securities to investment securities.

3. Accounting standards for foreign currency transactions

Beginning with the period under review, the Company has applied the revised standards for foreign currency transactions, etc., contained in the "Opinion on the standards for treatment of foreign currency transactions, etc." (issued by the Financial Accounting Deliberation Council on October 22, 1999). As a result, recurring profit and income before income taxes were both ¥714 million higher than they would have been under the previous method of accounting. In addition, accompanying the revision in rules for the preparation of consolidated financial statements, the foreign currency translation adjustment account, which was included in assets through the end of the previous fiscal period, has been included in shareholders' equity and minority interests for the fiscal year under review.

**Lease Transactions**

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 | ¥2,087 |
| 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, 2000—March 31, 2001

(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, 2001:

(Million yen)

| | Acquisition cost | Accumulated depreciation | Book value |
|---|---|---|---|
| Buildings and structures | ¥ 122 | ¥ 62 | ¥ 59 |
| Machinery and vehicles | 11,505 | 4,154 | 7,350 |
| Furniture and fittings | 6,001 | 2,838 | 3,162 |
| Prepaid long-term expenses | 561 | 414 | 147 |
| Total | ¥18,191 | ¥7,471 | ¥10,720 |

2. Amounts equivalent to lease payment commitments as of March 31, 2001:

(Million yen)

| | |
|---|---|
| Payable within one year | ¥ 3,122 |
| Payable after one year | 7,598 |
| Total | ¥10,720 |

3. Amounts equivalent to lease payments and depreciation expense:

(Million yen)

| | |
|---|---|
| Lease payments | ¥3,274 |
| Depreciation expense | 3,274 |

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, 2001:

(Million yen)

| | |
|---|---|
| Payable within one year | ¥ 4,805 |
| Payable after one year | 12,133 |
| Total | ¥16,939 |

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 |

For the period April 1, 2000—March 31, 2001

(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, 2001:

(Million yen)

| | Acquisition cost | Accumulated depreciation | Book value |
|---|---|---|---|
| Rental assets | ¥972 | ¥896 | ¥76 |
| Total | ¥972 | ¥896 | ¥76 |

2. Amounts equivalent to lease payments receivable as of March 31, 2001:

(Million yen)

| | |
|---|---|
| Payable within one year | ¥87 |
| Payable after one year | — |
| Total | ¥87 |

*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 | ¥1,030 |
| Depreciation expense | 896 |

**Retirement Benefits**

(1) Outline of the retirement benefit system adopted by the Company

Konica and its domestic subsidiaries adopt the following defined benefit plans: the National Welfare Pension Plan, a tax-qualified benefit plan, and a lump-sum retirement allowance. In addition, in some cases when employees retire, the Company provides for additional retirement benefits that are not related to the retirement benefit liabilities computed according to actuarial methods in accordance with retirement benefit accounting.

(2) Items related to retirement benefit liabilities (As of March 31, 2001)

(Unit: Million yen)

| | |
|---|---|
| a. Retirement benefit liabilities | ¥(107,039) |
| b. Pension assets | 65,795 |
| c. Unfunded retirement benefit liabilities (a+b) | (41,243) |
| d. Amount of difference due to changes in accounting standards not yet amortized | 5,833 |
| e. Unrecognized difference under actuarial calculations | 5,106 |
| f. Unrecognized liabilities for employees' prior service (reduction in liabilities) | — |
| g. Net amount on consolidated balance sheets (c+d+e+f) | (30,303) |
| h. Prepaid pension costs | 840 |
| i. Allowance for retirement benefits (g - h) | ¥ (31,144) |

*Notes: 1. The amount of the National Welfare Pension Fund includes contributions by the employer.*
*2. Certain subsidiaries use a simplified method for computing retirement benefit liabilities.*

(3) Items related to retirement benefit costs (From April 1, 2000 to March 1, 2001)

(Unit: Million yen)

| | |
|---|---|
| a. Employment costs | ¥ 5,597 |
| b. Interest costs | 3,283 |
| c. Expected income from management of funds | (1,179) |
| d. Amount amortized of difference due to changes in accounting standards | 22,096 |
| e. Amount amortized of difference under actuarial calculations | — |
| f. Amount amortized of liabilities for employees' prior service | — |
| g. Retirement benefit costs (a+b+c+d+e+f) | ¥29,797 |

*Notes: 1. The amount of the National Welfare Pension Fund paid by employees has been deducted.*
*2. Since the Company established a retirement benefit trust for the consolidated year under review, which is the year these accounting standards were introduced, ¥20,451 million in lump-sum costs for retirement benefit liabilities at the beginning of the fiscal year, which corresponds to the market value of the assets placed in the trust are included.*
*3. Retirement benefit costs for consolidated subsidiaries using a simplified method are included in a. Employment costs.*

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

a. Method for intertemporal allocation of the expected amount of retirement benefits: Periodic allocation method for projected benefit obligations

b. Discount rate: Mainly 3.5%

c. Expected return on plan assets: Mainly 2.5%

d. Period for amortization of prior service cost: Mainly 10 years
(Amortization is made over a certain period, using the straight-line method, within the average remaining years of service of employees when liabilities are accrued.)

e. Period for amortization of differences under actuarial calculations: Mainly 10 years (Amortization is made over a certain period, using the straight-line method, within the average remaining years of service of employees when liabilities are accrued.)

f. Period for amortization of differences arising due to changes in accounting standards: Since the Company established the retirement benefit trust to amortize in full its retirement benefit liabilities at the beginning of the fiscal year, no difference arose due to changes in accounting standards.

**5. Segment Information**

(1) Information by Business Segment

Fiscal 2001 (April 1, 2000 to March 31, 2001)

(Million yen)

| | Photographic materials | Business machines | Total | Elimination & corporate | Consolidation |
|---|---|---|---|---|---|
| I. Sales | | | | | |
| (1) Outside customers | ¥305,200 | ¥238,518 | ¥543,719 | ¥ — | ¥543,719 |
| (2) Intersegment sales/transfers | 1,666 | 865 | 2,531 | 2,531 | — |
| 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 |
| II. Assets, depreciation, and capital expenditure | | | | | |
| 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 |

*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 Photographic materials and Business machines.*

*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 2001, this amount was ¥8,648 million.*

*3. The assets in the eliminations and Companywide column include ¥60,839 million in Companywide assets. These consisted mainly of excess Parent Company funds (cash and marketable securities) under management, long-term investments (investment securities), and various assets and other items of the administrative sections.*

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

(Million yen)

| | Photographic materials | Business machines | Total | Elimination & corporate | Consolidation |
|---|---|---|---|---|---|
| I. Sales | | | | | |
| (1) Outside customers | ¥321,084 | ¥239,816 | ¥560,900 | ¥ — | ¥560,900 |
| (2) Intersegment 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 |

(2) Information by Geographical Area

Fiscal 2001 (April 1, 2000 to March 31, 2001)

(Million yen)

| | Japan | North America | Europe | Asia | Total | Elimination & corporate | Consolidation |
|---|---|---|---|---|---|---|---|
| I. Sales and operating income | | | | | | | |
| (1) Outside customers | ¥336,294 | ¥120,016 | ¥66,549 | ¥20,858 | ¥543,719 | ¥ — | ¥543,719 |
| (2) Intersegment sales | 100,679 | 7,725 | 642 | 25,464 | 134,511 | 134,511 | — |
| 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 |
| II. Assets | ¥345,592 | ¥ 93,245 | ¥43,079 | ¥15,754 | ¥497,672 | ¥ 20,508 | ¥518,181 |

*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, United Kingdom*
*(3) Asia and other: Australia, China, Singapore*
*3. Operating expenses not able to be properly allocated that are included in the elimination and corporate column are principally basic R&D expenses incurred by the Parent Company and expenses associated with head office functions. In fiscal 2001, this amount was ¥8,648 million.*
*4. The assets in the eliminations and Companywide column include ¥60,839 million in Companywide assets. These consisted mainly of excess Parent Company funds (cash and marketable securities) under management, long-term investments (investment securities), and various assets and other items of the administrative sections.*

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

(Million yen)

| | Japan | North America | Europe | Asia | Total | Elimination & corporate | Consolidation |
|---|---|---|---|---|---|---|---|
| I. Sales and operating income | | | | | | | |
| (1) Outside customers | ¥332,649 | ¥129,152 | ¥78,079 | ¥21,019 | ¥560,900 | ¥ — | ¥560,900 |
| (2) Intersegment 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 |

(3) Overseas Sales

Fiscal 2001 (April 1, 2000 to March 31, 2001)

(Million yen)

| | North America | Europe | Asia and others | Total |
|---|---|---|---|---|
| Overseas sales | ¥140,078 | ¥72,968 | ¥81,199 | ¥294,246 |
| Consolidated sales | | | | 543,719 |
| Overseas sales as a percentage of consolidated sales | 25.8% | 13.4% | 14.9% | 54.1% |

*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, United kingdom*
*(3) Asia and other: Australia, China, Singapore*

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% |

**6. Production and Orders**

(1) Production Results:

(Million yen)

| Segment | April 1, 2000—March 31, 2001 | YoY (%) |
|---|---|---|
| Photographic materials | ¥205,938 | (3.6)% |
| Business machines | 148,356 | (1.6) |
| Total | ¥354,294 | (2.8)% |

*Notes: 1. Amounts are based on manufacturers' sales prices.*
*2. Consumption taxes are not included in these figures.*

(2) Orders

The Company does not conduct order production.

**7. Market Value Information for Marketable Securities**

As of March 31, 2001

(1) Other securities with quoted market values:

(Million 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 |

(2) Other securities sold during the fiscal year under review:

(Million yen)

| | Sale value | Total profit | Total loss |
|---|---|---|---|
| Other securities | ¥5,616 | ¥23 | ¥470 |

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

(Million yen)

| | Amounts on consolidated balance sheets |
|---|---|
| Money management funds | ¥1,081 |
| Unlisted stocks | 733 |
| Unlisted foreign bonds | 817 |

(4) Future amortization schedule of other securities with maturity dates within one year and one year or more, up to five years:

(Million yen)

| | Within one year | One year or more, up to five years |
|---|---|---|
| Unlisted foreign bonds | ¥272 | ¥545 |

(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) Currency-related derivatives

(Million yen)

| Classification / Type of security | Previous fiscal year (ended March 31, 2000) Contract value | Due in more than 1 year | Market value | Unrealized gain/loss | Fiscal year under review (ended March 31, 2001) Contract value | Due in more than 1 year | Market value | Unrealized gain/loss |
|---|---|---|---|---|---|---|---|---|
| **Non-market transactions** | | | | | | | | |
| Forward exchange contracts: | | | | | | | | |
| Sold: | | | | | | | | |
| U.S. dollars | ¥— | ¥— | ¥— | ¥— | ¥17,817 | ¥— | ¥19,048 | ¥(1,231) |
| Euros | — | — | — | — | 9,671 | — | 9,976 | (305) |
| Other currencies | — | — | — | — | 1,383 | — | 1,384 | (0) |
| Bought: | | | | | | | | |
| U.S. dollars | — | — | — | — | 284 | — | 375 | 91 |
| Option transactions: | | | | | | | | |
| Sold: | | | | | | | | |
| Euros | — | — | — | — | 8 | — | 7 | 0 |
| Bought: | | | | | | | | |
| Euros | — | — | — | — | 8 | — | 8 | 0 |
| Total | ¥— | ¥— | ¥— | ¥— | ¥29,172 | ¥— | ¥30,801 | ¥(1,444) |

*Notes:*
*Previous fiscal year*
*(Ended March 31, 2000)*
*1. Computation of market value: For forward foreign currency transactions, market value is computed using the forward rates prevailing on the consolidated balance sheet date.*
*2. Foreign currency assets and liabilities covered by forward contracts for which final settlement amounts are known are included in the balance sheets at their value after settlement and are not disclosed here.*

*Notes:*
*Fiscal year under review*
*(Ended March 31, 2001)*
*1. Computation of market value: Same as for the previous year (on left)*
*2. Derivatives for which hedge accounting is applicable have been excluded here.*

(2) Interest rate-related transactions

(Million yen)

| Classification / Type of security | Previous fiscal year (ended March 31, 2000) Contract value | Due in more than 1 year | Market value | Unrealized gain/loss | Fiscal year under review (ended March 31, 2001) 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) | ¥— | ¥— | ¥— | ¥— |

*Note:*
*Previous fiscal year*
*(Ended March 31, 2000)*
*1. Computation of market value: At the price provided by financial institutions arranging the transactions*

*Notes:*
*Fiscal year under review*
*(Ended March 31, 2001)*
*1. Computation of market value: Same as for the previous year (on left)*
*2. Derivatives for which hedge accounting is applicable have been excluded here.*

(3) Product-related transactions

(Million yen)

| Classification / Type of security | Previous fiscal year (ended March 31, 2000) Contract value | Due in more than 1 year | Market value | Unrealized gain/loss | Fiscal year under review (ended March 31, 2001) 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) | ¥— | ¥— | ¥— | ¥— |

*Note:*
*Previous fiscal year*
*(Ended March 31, 2000)*
*1. Computation of market value: At the price provided by financial institutions arranging the transactions*

*Notes:*
*Fiscal year under review*
*(Ended March 31, 2001)*
*1. Computation of market value: Same as for the previous fiscal year (on left)*
*2. Derivatives for which hedge accounting is applicable have been excluded here.*

**9. Transactions with a Related Company**

Fiscal year under review (April 1, 2000 to March 31, 2001)
Subsidiaries and others

| Characteristics | Name of company | Address | Capital or amount invested | Lines of business | Percentage ownership | Nature of relationship: Directors seconded | Business relationship | Content of transactions | Amount of transactions | Applicable item | Outstanding at fiscal year-end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Related company | Seconic Co., Ltd. | Nerima Ward, Tokyo | ¥1,503 million | Manufacturing and sales of copiers, etc. | 38.0% | Two | Manufacturing Konica products | Business transactions | ¥31,526 million | Accounts payable | ¥10,707 million |

Terms of transactions or the method for determining terms of transactions:

(1) For the Company's products, prices are computed from market prices and decided on the basis of negotiations each period after taking account of an estimate of the prices submitted by the Company.

(2) For purchases of materials, prices are determined by market prices and on the basis of negotiations each period after taking account of an estimate of the prices submitted by the Company.

(3) The value of transactions excludes consumption taxes, but the balance of assets and liabilities includes the amounts of consumption taxes.

Previous fiscal year (April 1, 1999 to March 31, 2000)
No transactions