

## 9. Outline of Financial Statements of the Parent Company

English Translation of "KESSAN TANSHIN"  
(November 16, 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  
Inquiries: Yasukazu Saito, General Manager, Corporate Communications  
Tel: (03) 3349-5251  
Approved by the Board of Directors meeting: November 16, 2000  
Interim dividend payments to begin: December 8, 2000  
Provision for interim dividends: Yes

#### 1. Non-consolidated financial results for the interim period of fiscal 2001 (April 1, 2000, to September 30, 2000)

##### (1) Operating Results

(Million yen)

	Net sales		Operating income		Recurring profit	
Interim period ended September 30, 2000	¥171,633	2.9 %	¥ 9,246	23.0%	¥ 7,332	35.3%
Interim period ended September 30, 1999	166,805	(11.6)	7,519	58.1	5,419	(26.2)
Fiscal year ended March 31, 2000	¥340,472		¥14,562		¥10,249	

(Million yen)

	Net income		Net income per share for the interim period under review
Interim period ended September 30, 2000	¥ 724	(78.3)%	¥ 2.02
Interim period ended September 30, 1999	3,344	30.9	9.35
Fiscal year ended March 31, 2000	¥4,710		¥13.17

Notes: 1. Average number of shares outstanding as of:

Interim period ended September 30, 2000 :357,655,368 shares

Interim period ended September 30, 1999 :357,655,368 shares

Fiscal year ended March 31, 2000 :357,655,368 shares

2. Changes in accounting methods: None

3. Percentages in net sales, operating income, recurring profit, and net income columns indicate changes from the previous fiscal year.

##### (2) Dividends

(Million yen)

	Cash dividends per share (¥) Interim	Cash dividends per share (¥) Year-end
Interim period ended September 30, 2000	¥5.00	—
Interim period ended September 30, 1999	5.00	—
Fiscal year ended March 31, 2000	—	¥10.00

Notes: The breakdown of the dividend for the year ended March 31, 2000, was as follows: Commemorative dividend: ¥0.00, Special dividend: ¥0.00

##### (3) Financial Position

(Million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Interim period ended September 30, 2000	¥395,373	¥196,561	¥49.7	¥549.58
Interim period ended September 30, 1999	402,351	196,252	48.8	548.72
Fiscal year ended March 31, 2000	¥399,364	¥195,830	¥49.0	¥547.54

Notes: Average number of shares outstanding as of:

Interim period ended September 30, 2000: 357,655,368 shares

Interim period ended September 30, 1999: 357,655,368 shares

Fiscal year ended March 31, 2000: 357,655,368 shares

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

(Million yen)

	Net sales	Recurring profit	Net income	Cash dividends per share (¥)	
				Year-end	
Full fiscal year	¥355,000	¥13,000	¥4,000	¥5.00	¥10.00

Estimated net income per share for fiscal 2001 is ¥11.18.

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

(Million yen)

	Interim period of fiscal 2001 April 1, 2000 —September 30, 2000		Interim period of fiscal 2000 April 1, 1999 —September 30, 1999		Fiscal 2000 April 1, 1999 —March 31, 2000	
	Amount	% of total	Amount	% of total	Amount	% of total
Operating Revenue						
Sales	¥171,633	100.0%	¥166,805	100.0%	¥340,472	100.0%
Operating Expenses						
Cost of sales	110,425	64.3	106,105	63.6	218,077	64.0
Selling, general and administrative expenses	51,962	30.3	53,180	31.9	107,832	31.7
Operating Income	9,246	5.4	7,519	4.5	14,562	4.3
Non-Operating Income	(5,160)	3.0	(4,328)	2.6	(7,519)	2.2
Interest and dividend income	2,267		869		1,647	
Miscellaneous income	2,893		3,459		5,872	
Non-Operating Expenses	(7,073)	4.1	(6,428)	3.9	(11,832)	3.5
Interest paid	1,239		1,317		2,568	
Miscellaneous expenses	5,834		5,110		9,264	
Recurring Profit	7,332	4.3	5,419	3.2	10,249	3.0
Extraordinary Profits	(17,297)	10.0	(85)	0.1	(171)	0.1
Gain owing to establishment of a retirement allowance trust	8,873		—		—	
Gain on sales of fixed assets	8,423		2		88	
Gain on sales of investment securities	—		82		82	
Extraordinary Losses	(24,215)	14.1	(595)	0.4	(3,285)	1.0
Difference due to change in accounting standards for retirement allowances and pensions	20,451		—		—	
Loss on revaluation of securities	2,564		—		—	
Loss on liquidation of subsidiaries	623		—		455	
Valuation loss on marketable securities	575		587		1,172	
Loss on disposal and sale of fixed assets	—		8		1,657	
Income before income taxes	414	0.2	4,910	2.9	7,135	2.1
Corporate, inhabitants', and enterprise taxes	17		27		31	
Reversal of prior year corporate, inhabitants', and enterprise taxes	20		78		129	
Income tax adjustments	(307)		1,616		2,523	
Net income	724	0.4	3,344	2.0	4,710	1.4
Retained earnings brought forward from the previous period	3,708		3,612		3,612	
Interim cash dividends					1,788	
Earned surplus reserve					178	
Unappropriated retained earnings at end of the period	4,432		6,956		6,355	

## 1. (2) Consolidated Balance Sheets

(Million yen)

	Interim period of fiscal 2001 April 1, 2000 —September 30, 2000		Interim period of fiscal 2000 April 1, 1999 —September 30, 1999		Fiscal 2000 April 1, 1999 —March 31, 2000	
	Amount	% of total	Amount	% of total	Amount	% of total
Current Assets	¥(203,640)	(51.5)%	¥(208,133)	(51.7)%	¥(207,353)	(51.9)%
Cash and deposits	30,060		22,176		21,759	
Notes receivable	18,075		32,392		31,448	
Accounts receivable	84,301		61,089		66,358	
Marketable securities	200		21,230		18,688	
Treasury stock	3		1		0	
Manufactured goods and merchandise	22,708		24,332		23,606	
Raw materials	9,800		9,829		9,544	
Work in progress	16,221		16,424		15,387	
Finished goods	1,561		2,170		2,050	
Prepaid expenses	2,985		1,972		1,868	
Deferred tax assets	6,167		6,539		5,791	
Accrued revenue	9,126		8,882		10,051	
Other current assets	2,890		1,568		1,293	
Allowance for doubtful receivables	(462)		(476)		(496)	
Fixed Assets	(191,733)	(48.5)	(194,217)	(48.3)	(192,011)	(48.1)
Tangible fixed assets	(74,028)	18.7	(82,343)	20.5	(75,458)	18.9
Buildings	25,739		28,482		27,558	
Structures	2,142		2,295		2,248	
Machinery & equipment	29,056		32,074		29,650	
Vehicles	123		151		135	
Tools furniture and fixtures	3,503		3,693		3,429	
Land	11,260		11,677		11,308	
Construction in progress	2,201		3,968		1,128	
Intangible fixed assets	(2,752)	0.7	(2,508)	0.6	(2,728)	0.7
Software	2,529		2,280		2,503	
Other intangible assets	223		227		224	
Investments and other assets	(114,952)	29.1	(109,366)	27.2	(113,824)	28.5
Investment securities	17,556		16,813		16,812	
Shares in subsidiaries	80,141		70,375		75,173	
Investment in subsidiaries	5,359		5,359		5,359	
Long-term loans receivable	2,301		1,706		2,568	
Long-term prepaid expenses	1,628		2,769		2,151	
Deferred tax assets	6,356		7,886		7,727	
Other investments	6,154		7,729		6,526	
Allowance for doubtful receivables	(4,545)		(3,273)		(2,495)	
Total Assets	395,373	100.0	402,351	100.0	399,364	100.0

(Million yen)

	Interim period of fiscal 2001 April 1, 2000 —September 30, 2000		Interim period of fiscal 2000 April 1, 1999 —September 30, 1999		Fiscal 2000 April 1, 1999 —March 31, 2000	
	Amount	% of total	Amount	% of total	Amount	% of total
Current Liabilities	¥(118,051)	(29.9)%	¥(114,849)	(28.5)%	¥(119,469)	(29.9)%
Notes payable, trade	10,539		13,661		12,752	
Accounts payable, trade	49,993		46,635		49,125	
Short-term loans payable	13,590		13,590		13,590	
Portion of long-term loans due within one year	6,238		6,882		12,617	
Portion of bonds due within one year	5,000		—		—	
Accounts payable	4,578		3,080		3,520	
Accrued expenses	23,916		22,557		23,934	
Accrued corporate tax	17		27		31	
Advanced receipts	277		252		363	
Allowance for product warranty	1,452		1,645		1,516	
Allowance for loss on restructuring/liquidation	1,735		4,327		1,181	
Other current liabilities	713		2,189		837	
Long-Term Liabilities	(80,760)	(20.4)	(91,249)	(22.7)	(84,065)	(21.1)
Straight bonds	55,000		60,000		60,000	
Long-term loans payable	3,568		8,928		2,693	
Long-term deposits received	199		1,083		1,041	
Reserve for retirement and severance benefits	—		21,237		20,329	
Reserve for retirement benefits and pension plans	21,992		—		—	
Total Liabilities	198,812	(50.3)	206,099	(51.2)	203,534	(51.0)
Shareholders equity:						
Capital stock	(37,519)	(9.5)	(37,519)	(9.3)	(37,519)	(9.4)
Legal reserve	(86,740)	(21.9)	(86,383)	(21.5)	(86,561)	(21.6)
Capital reserve	79,342		79,342		79,342	
Earned surplus	7,397		7,040		7,219	
Retained earnings	(70,506)	(17.8)	(72,349)	(18.0)	(71,749)	(18.0)
Special depreciation reserve	182		182		182	
Advanced depreciation reserve	2,027		2,246		2,246	
Special reserve fund	63,864		62,964		62,964	
Unappropriated earnings	4,432		6,956		6,355	
(net income for the period)	(724)		(3,344)		(4,710)	
Other evaluation difference on securities	(1,795)	(0.5)	(—)	(—)	(—)	(—)
Total shareholders' equity	196,561	(49.7)	196,252	(48.8)	195,830	(49.0)
Total liabilities, and shareholders' equity	395,373	100.0	402,351	100.0	399,364	100.0

Notes:

	(Million yen)		
	Interim period of fiscal 2001	Interim period of fiscal 2000	Fiscal 2000
1. Accumulated depreciation of tangible fixed assets	¥175,103	¥170,657	¥173,702
2. Guarantees for indebtedness of subsidiaries and others (including scheduled guarantees, etc.)	45,346 (28,073)	62,243 (44,014)	54,967 (33,264)
3. Treasury stock (number)	3,725 shares	2,493 shares	2,054 shares
4. Assets pledged as collateral			
Land	133	1,214	1,030
Buildings	—	141	94

## **1. Basis and methods for evaluation of assets**

### **1) Inventories**

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

### **2) Securities**

Equities of subsidiaries and associated companies are valued at cost determined by the moving average method. Securities with quoted market prices are stated at market value based on the price at the balance sheet date. (Differences between such valuations and book valuations at the end of the previous accounting term are entered directly in shareholders' equity. Sales prices are computed using the moving average method.) Securities without quoted market prices are stated at cost using the moving average method.

### **3) Derivatives**

The mark-to-market method is used in evaluating derivatives.

## **2. Depreciation of Fixed Assets and Amortization of Long-Term Prepayments**

1) Tangible fixed assets: The methods specified in corporate tax laws are applied and depreciation is computed by the declining balance method. However, for buildings acquired after April 1, 1998, (excluding fixtures), the straight-line method is applied.

2) Intangible fixed assets: The methods specified in corporate tax laws are applied and depreciation is computed by the straight-line method. For computer software used internally, depreciation is computed by the straight-line method based on the useful life of such assets (five years).

3) Long-term prepayments: Such payments are amortized in equal amounts according to the number of years specified in corporate tax laws.

## **3. Basis of Accounting for Reserves**

1) Allowance for doubtful receivables: For receivables in general, an amount is provided based on the ratio of actual historical default experience (however, when the default ratio exceeds the legal provision ratio permitted in current corporate tax laws, the legal ratio is applied). For those receivables where there is concern about collectibility and certain other claims, the likelihood of recovery is considered on an individual basis, and the amount deemed uncollectible is added to the allowance for doubtful receivables.

### **2) Allowance for product warranty**

In order to provide for expenses related to after-sales service for cameras and facsimiles, an amount is set aside based on estimated service expenses within product guarantee period. As regards copiers, an amount is set aside based on after-sales service expenses as a percentage of net sales in previous years.

### **3) Reserves for employees' retirement and severance benefits**

In preparation for the payment of retirement benefits, an amount is provided into this reserve equivalent to the amount recognized as necessary at the end of the current interim period under review based on the expected retirement and severance obligations and the assets of pension plans at the current fiscal year-end. However, the amount of difference owing to changes in accounting standards for retirement allowances and pensions (¥20,451 million) has been fully amortized through the establishment of a retirement allowance trust (¥20,451 million) containing certain stocks held by the Company.

## **4. Standards for conversion of foreign currency assets and liabilities into yen**

Foreign currency assets and liabilities are converted into yen at the spot rates prevailing as of the balance sheet date. Gains or losses on conversion are accounted for as profit or loss for the period.

## **5. Accounting for lease transactions**

Finance lease transactions, other than those for which the ownership of the leased item is regarded as being transferred to the lessor, are primarily accounted for as normal rental transactions.

## 6. Accounting for hedge transactions

1) Accounting method for hedge transactions: deferred hedge method

2) Hedge method and transactions hedged

*Method:* Derivatives are used in hedging operations, including forward foreign exchange contracts, interest rate swaps, and commodity swaps)

*Transactions hedged:* Scheduled foreign exchange transactions, bond and borrowings, and raw materials

3) Hedging policy

Forward foreign exchange transactions are used to hedge the risk of fluctuations in foreign exchange rates, but are conducted only for actual transactions and not for dealing purposes with the aim of gaining a profit. Interest rate swaps and certain other transactions are used for the purpose of reducing interest rate costs on bonds and borrowings or for lowering the future costs of fund raising. Commodity swap transactions are employed to stabilize the cost of raw materials but are confined to actual transactions and are not used for speculative purposes.

4) Method for evaluating the effectiveness of hedging

The Company confirms that there is a high degree of correlation between fluctuations in markets where its hedges, cash flow, and hedging methods to evaluate effectiveness of hedging operations.

5) Other items: None

Since the Company did make any arrangements for forward foreign exchange transactions scheduled during the interim period, there were no amounts to be reported as deferred hedge transactions.

### *Additional Information*

#### **1. Accounting for retirement benefits and pension plans**

Beginning with the interim 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, the Company's retirement benefits and pension plan costs were ¥68 billion higher than under the previous method of accounting and recurring income for the interim period was ¥68 billion lower. Accompanying the introduction of accounting standards for retirement benefits and pension plans during the interim period, the difference owing to this accounting change was amortized through the establishment of a retirement benefit and pension plan trust, resulting an extraordinary profit in connection with the trust of ¥8,873 million and an extraordinary loss of ¥20,451 million, owing to the accounting change. As a consequence, income before income taxes was ¥11,646 million less than under the previously applied method.

Note that unpaid retirement benefits and pension plan liabilities for employees' services in prior years are included in the reserve for employees' retirement and severance benefits.

#### **2. Accounting for financial instruments**

Beginning with the interim 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). 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, ¥17,267 million in securities were transferred from marketable securities to investment securities.

#### **3. Accounting standards for foreign currency transactions**

Beginning with the interim 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 taxes were ¥616 million lower than they would have been under the previous method of accounting.