## Financial Results (Consolidated)
## for the Fiscal Year Ended March 31, 2003

English Translation or “KESSAN TANSHIN”
(April 1, 2002 to March 31, 2003)

# Konica Corporation

Company Name: Konica Corporation
Local Securities Code Number: 4902
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Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Head Office: 26-2 Nishishinjuku 1-chome, Shinjuku-ku, Tokyo 163-0512, Japan
Board of Directors Meeting for Approval of Consolidated Results: May 15, 2003
U.S. accounting practices have not been adopted in this statement

## 1. CONSOLIDATED FINANCIAL RESULTS FOR FISCAL 2003(APRIL 1, 2002, TO MARCH 31, 2003)

### (1) Operating Results (Figures less than ¥1 million have been omitted.)

(Million yen)

| | Net sales | | Operating income | | Recurring profit | |
|---|---|---|---|---|---|---|
| Fiscal 2003 | 559,041 | 3.6% | 42,855 | 44.7% | 32,438 | 30.7% |
| Fiscal 2002 | 539,571 | (0.8) | 29,609 | (3.1) | 24,820 | 23.1 |

| | Net income (Million yen) | | Net income per share (yen) | Net income per share (after full dilution) | Net income/ Shareholders' equity | Recurring profit /Total assets | Recurring profit /Sales |
|---|---|---|---|---|---|---|---|
| Fiscal 2003 | 16,375 | 48.1% | 45.72 | — | 9.3% | 6.2% | 5.8% |
| Fiscal 2002 | 11,059 | 71.3 | 30.93 | — | 6.7 | 4.7 | 4.6 |

Notes: 1. Equity in profit (loss) of unconsolidated subsidiaries and affiliates:
Fiscal 2003: ¥310 million
Fiscal 2002: ¥(1,020 million)
2. Average number of shares outstanding during the period (consolidated):
Year ended March 31, 2003: 357,162,497
Year ended March 31, 2002: 357,613,676
3. Changes in accounting methods: None
4. Percentages in the net sales, operating income, recurring profit, and net income columns indicate changes from the previous fiscal year.
5. Had the same method used in the previous fiscal year been applied, net income per share would have been ¥45.82 for the term ended March 31, 2003.

### (2) Financial Position

(Million yen)

| | Total assets | Shareholders' equity | Shareholders' equity ratio (%) | Shareholders' equity per share (Yen) |
|---|---|---|---|---|
| Fiscal 2003 | 515,956 | 181,019 | 35.1% | 506.82 |
| Fiscal 2002 | 527,360 | 171,226 | 32.5 | 478.96 |

Notes: 1. Number of shares outstanding at end of the period (consolidated):
March 31, 2003: 357,074,144
March 31, 2002: 357,495,421
2. Had the same method used in the previous fiscal year been applied, shareholders' equity per share would have been ¥506.50 for the term ended March 31, 2003.

**(3) Cash Flows** (Million yen)

| | Operating activities | Investing activities | Financing activities | Cash and cash equivalents at year-end |
|---|---|---|---|---|
| Fiscal 2003 | 66,437 | (37,328) | (24,685) | 51,876 |
| Fiscal 2002 | 48,125 | (39,496) | (19,049) | 47,659 |

**(4) Scope of Consolidation/Equity Method Accounting**

Consolidated subsidiaries: 75
Unconsolidated subsidiaries accounted for by the equity method: 15
Affiliates accounted for by the equity method: 3

**(5) Changes in Scope of Consolidation/Equity Method**

Newly consolidated subsidiaries: 7
Subsidiaries excluded from consolidation: 3
Companies included in equity method accounting: 2
Companies excluded from equity method accounting: 0

## 2. CONSOLIDATED RESULTS FORECAST FOR FISCAL 2004 (APRIL 1, 2003, TO MARCH 31, 2004)

(Million yen)

| | Net sales | Recurring profit | Net income |
|---|---|---|---|
| Interim | 290,000 | 16,000 | 6,000 |
| Full-year | 877,000 | 45,500 | 21,000 |

Note: Earnings forecasts for the full fiscal year are premised on business integration with Minolta on August 5, 2003. Consequently, Konica's consolidated forecasts have been aggregated with Minolta's consolidated forecasts for the second half of the term. Business integration expenses are provided in a separate section for reference.

* The above forecasts and those presented in appended material are based on future-oriented assumptions, projections, and targets, so they contain elements of risk and uncertainty. Actual results may differ from these forecasts due to various important elements. Please reference page 10 for items related to the above forecasts.

## 1. KONICA GROUP ORGANIZATION

The Konica Group comprises 75 consolidated subsidiaries, 18 unconsolidated subsidiaries, and 9 affiliate companies. The organization of Group companies is outlined below.

| **Konica Corporation** (1) | |
|---|---|
| *(Photographic Materials and Photo-related Industrial Equipment)*<br>Film, paper, photographic chemicals, miscellaneous chemicals, photographic equipment, others | *(Business Machines, Cameras, and Optical Products)*<br>Copiers, facsimiles, printers, cameras, optical products, others |

| *Photographic Materials and Photo-related Industrial Equipment*<br>Production (Domestic) | *Business Machines, Cameras, and Optical Products*<br>Production (Domestic) |
|---|---|
| • Konica Packaging Corporation<br>• Konica Chemical Corporation<br>• Konica Repro Co., Ltd.<br>* Toho Chemical Laboratory Co., Ltd.<br>Other Unconsolidated Subsidiaries: 1<br>Other Affiliates: 1 | • Konica Optics Products Corporation (2)<br>• Konica Minolta Supplies Manufacturing Co., Ltd.<br>• Konica Technoproducts Corp. (1)<br>• Konica Denshi Co., Ltd. (1)<br>* Seconic Co., Ltd. |

| Production (Overseas) | Production (Overseas) |
|---|---|
| • Konica Manufacturing U.S.A., Inc.<br>■ Konica Photochem (Thailand) Co., Ltd.<br>Other Unconsolidated Subsidiaries: 1 | • Konica Supplies Manufacturing U.S.A., Inc.<br>• Konica Manufacturing (H.K.) Ltd.<br>Other Consolidated Subsidiaries: 1 |

| Sales and Service (Domestic) | Sales and Service (Domestic) |
|---|---|
| • Konica Marketing Corporation (3)<br>• Konica Color Imaging Corporation<br>• Konica Medical Inc.<br>• Kyoritsu Medical Co., Ltd.<br>• Konica Meditech Service Corporation<br>• Konica Graphic Imaging Japan Co., Ltd. (4)<br>• Nihon ID System Co., Ltd.<br>• Konica ID Imaging Co., Ltd.<br>• Konica Logistics Co., Ltd.<br>• Konica Sogo Service Co., Ltd.<br>• Konica Engineering Co., Ltd.<br>• Konica Technosearch Corporation<br>Other Consolidated Subsidiaries: 5<br>Other Unconsolidated Subsidiaries: 4<br>Other Affiliates: 1 | • Konica Business Machines Japan Co., Ltd.<br>• Konica Techno Tokyo Co., Ltd.<br>• Konica Techno Kansai Co., Ltd. (6)<br>• Konica Service Co., Ltd.<br>Other Consolidated Subsidiaries: 11<br>Other Unconsolidated Subsidiaries: 1<br>Other Affiliates: 3 |

| Sales and Service (Overseas) | Sales and Service (Overseas) |
|---|---|
| • Konica Photo Imaging, Inc. (U.S.)<br>• Konica Canada Inc.<br>• Konica Graphic Imaging International, Inc. (U.S.)<br>• Konica Europe GmbH (Germany)<br>• Konica UK Ltd.<br>• Konica France S.A.S. (6)<br>• Konica Asia Headquarters Pte. Ltd. (Singapore)<br>Other Consolidated Subsidiaries: 7<br>Other Unconsolidated Subsidiaries: 5 | • Konica Business Technologies, Inc. (8)<br>• Konica Business Machines Europe GmbH (Germany) (9)<br>• Konica Business Machines Deutschland GmbH (Germany) (9)<br>• Konica Bureautique S.A.S. (France) (10)<br>• Konica Business Machines (U.K.) Ltd.<br>• Konica Business Machines Italia S.p.A.<br>• Konica Australia Pty. Ltd.<br>■ Konica Capital EC B.V. (Netherlands)<br>Other Consolidated Subsidiaries: 11<br>Other Unconsolidated Subsidiaries: 3<br>Other Affiliates: 1 |

• Consolidated subsidiary
■ Unconsolidated subsidiary
* Affiliate

(1) On October 1, 2002, Konica System Equipment Co., Ltd., Konica Denshi Co., Ltd., and Konica Corporation's Equipment Production Departments were merged, thereby establishing Konica Technoproducts Corporation.
(2) On April 1, 2002, Yamanashi Konica Co., Ltd., and Kofu Konica Co., Ltd., merged, and Konica Optics Products Corporation was established.
(3) Konica Color Photo Equipment Co., Ltd., was absorbed by Konica Marketing Corporation on April 1, 2002.
(4) As of April 1, 2002, Konica Graphic Systems adopted the new corporate name Konica Graphic Imaging Japan Co., Ltd.
(5) As of April 1, 2003, Konica Photo Imaging, Inc. adopted the new corporate name Konica Photo Imaging U.S.A.
(6) As of July 1, 2002, Konica France S.A. adopted the new corporate name Konica France S.A.S.
(7) Konica Techno Kansai Co., Ltd., was dissolved on September 1, 2002.
(8) As of April 1, 2003, Konica Business Technologies, Inc. adopted the new corporate name Konica Business Technologies U.S.A., Inc.
(9) On July 1, 2002, Konica Business Machines Deutschland GmbH took over Konica Machines Europe GmbH.
(10) On November 1, 2002, Konica Bureautique S.A. adopted the new corporate name Konica Bureautique S.A.S.

## 2. MANAGEMENT POLICY

### (1) Basic Policy and Medium- to Long-Term Management Strategy

Konica's fundamental management philosophy is to contribute to society through "inspired creativity." With business domains in every imaging field, the Konica Group aims to enhance its corporate value by providing inspiring, creative products and services and meeting the satisfaction of shareholders, customers, and employees alike.

To win out over competition in a market whose structure is rapidly changing with the intensification of global competition and shift to digital networking, Konica drafted its SAN (Speed, Alliance, and Network) 2003 medium-term management plan in 2000. Under the plan, Konica developed a framework to enhance the value of its business portfolio by promoting the shift to digital networking in each of its operating areas, concentrating corporate resources in growth fields, and strengthening core technologies. At the same time, the Company works to proactively improve its management mechanisms ahead of the competition. On April 1, 2003, Konica spun off all of its business units as separate companies and set up a holding company for the individual companies. The Company has separated its operations into four business companies and two shared functional companies, which were set up to improve the efficiency of indirect operations throughout the Group and enhance the Group's level of expertise. The individual companies carry out expedited business management that is optimal for their particular operating environments and strive to increase their own competitive capabilities. At the Group level, the holding company strives to optimally allocate corporate resources; improve business efficiency; bolster alliance strategies; foster new, large-scale businesses; and implement Groupwide business portfolio management to maximize corporate value.

### (2) Policy Regarding Distribution of Profits

Amid an operating environment expected to remain harsh, Konica will improve management efficiency, raise profitability, and strengthen its financial position through the implementation of its medium-term management plan. Although seeking to secure the levels of internal reserves required for future business expansion and profitability enhancement, the Company is also intent on continuing a policy of stable dividend payments to shareholders.

### (3) View and Policy Regarding Changing the Number of Shares Constituting One Voting Unit

Konica recognizes the importance of increasing the trading volume of the Company's stock and broadening its shareholder base. Taking into account the outlay of funds currently needed to invest in the Company, management plans to change the number of shares constituting one voting unit to 500 shares from 1,000 shares, to be done at the time of the share exchange with Minolta Co., Ltd. This plan will be put forth as a resolution at the 2003 General Meeting of Shareholders.

### (4) Future Issues

Although the shift to digital networking continues at a rapid pace, the major economies of the world still show no signs of recovery. Konica thinks it is important to pursue expedited business portfolio management in accordance with its SAN medium-term management plan to ensure that it wins out over the competition. Specifically, in fiscal 2003 ending March 31, 2004, Konica will, for the first time, conduct operations under a holding company/independent business unit format. The Company also intends to steadily expedite the integration of its operations with those of Minolta. Our task is to produce positive results from these endeavors at the earliest possible date.

### (5) Business Integration with Minolta

Although the outlook for growth in the Company's business domain—the imaging field—is good, technical innovation is creating more powerful global competitors and broadening the gap between the top-tier companies and the mid- and lower-tier players. Konica forged an alliance with Minolta in the area of information equipment in 2000, and this partnership produced solid results. During this period, the two companies deepened their mutual trust and became convinced that further business integration, not only in the information equipment field but also in optics and cameras, would create a company with competitive capabilities to enhance the strengths and compensate the shortcomings of the individual firms. Consequently, in January 2003, the companies agreed to integrate their businesses through a share exchange, with 1.000 Minolta share exchanged for 0.621 Konica share. On May 15, 2003, the companies concluded the share exchange agreement. On August 5, 2003, Minolta will be added to the Konica Group, and Konica is to change its name to Konica Minolta Holdings, Inc., and continue to oversee the Group under a holding company system. Additionally, the companies unveiled a plan to reorganize/integrate the respective businesses of the two companies in October 2003.

**(6) Management Organization and Corporate Governance**

Recognizing the importance of strengthening corporate governance, Konica has clearly separated decision-making and supervisory functions from operational execution functions, thereby strengthening each function. In 2002, the Company introduced an outside director system and reduced the term of office of board members to one year from two years. To promote further reform and increase management transparency, in June 2003, the Company plans to adopt the committee system, involving the nominating, audit, and compensation committees. The nominating committee and the compensation committee will comprise a majority of outside directors. Members of the audit committee may not serve simultaneously as committee members and as an operating officer or employee of the Company. This committee will also comprise a majority of outside directors. Although the Company plans to increase the number of outside directors to 4 from 2, it expects to have a total of 12 directors following the business integration with Minolta in August 2003.

## 3. BUSINESS RESULTS AND FINANCIAL CONDITION

### (1) Business Results

### 1. Fiscal 2003 Summary

Signs of modest recovery in the world's principal economies were apparent during the fiscal year under review. However, the economies of the United States and Europe further decelerated from mid-year. Subsequently, prospects for economic recovery dried up because of anxiety over weak stock prices and the conflict in Iraq. The Japanese economy remained sluggish, owing to uncertainty over the future spurred by such issues as nonperforming loans and low stock prices, coupled with an ongoing slump in capital investment and persistently low levels of personal consumption due to concerns regarding the employment environment.

The average yen-dollar and yen-euro exchange rates were ¥124.17 and ¥118.89, respectively, representing yen depreciation of 1.1% YoY against the dollar and 8.6% against the euro. Despite the impact of the yen's depreciation, Konica's consolidated net sales rose 3.6% year on year, or ¥19.4 billion, to ¥559.0 billion.

Looking at sales to outside customers by segment, sales in the Photographic Materials and Photo-related Industrial Equipment segment fell 2.0%, or ¥6.0 billion, to ¥294.3 billion, and sales in the Business Machines, Cameras, and Optical Products segment rose 10.7%, or ¥25.5 billion, to ¥264.7 billion. Depreciation rose due to the start of operations at the Company's new medical-use dry film plant at its Kofu facility and the start of operations at the No. 2 triacetyl cellulose (TAC) film plant at its Kobe facility. R&D expenses rose as well. However, thanks to sharply higher sales of new products and lower selling, general and administrative (SG&A) expenses, operating income rose 44.7%, or ¥13.2 billion, to ¥42.8 billion. Recurring profit rose 30.7%, or ¥7.6 billion, to ¥32.4 billion, mainly as a result of lower interest payments. Net income rose 48.1%, or ¥5.3 billion, to ¥16.3 billion. Consequently, consolidated operating income, recurring profit, and net income all reached record highs.

**Segment Results**

**<Photographic Materials and Photo-Related Industrial Equipment>**

(¥ million)

| | Fiscal 2003 | Fiscal 2002 | Increase (decrease) | % change |
|---|---|---|---|---|
| Sales to outside customers | 294,319 | 300,401 | (6,082) | 98.0% |
| Intersegment sales | 3,958 | 1,399 | 2,559 | 282.9% |
| Total sales | 298,278 | 301,800 | (3,522) | 98.8% |
| Operating income | 15,866 | 17,123 | (1,257) | 92.7% |

***Consumer Imaging Company***

The remarkable rise in digital camera use is causing needs in the photographic (print) market to become increasingly diverse, as needs associated with conventional silver-halide photography are supplemented by customer needs regarding the outputting with ink-jet printers and other methods of photos that are edited and otherwise modified with digital processing methods. To respond to the speed of the shift to digital technology around the world and meet market needs, the Consumer Imaging Company focused on regional strategies with the aim of achieving sustainable business growth.

In Japan, where digital cameras have the highest penetration rate in the world, demand for color film remained on a downtrend from last year, which also hurt demand for photographic paper. In addition, prices declined, creating a harsh business environment. In response to the shift to digital networking, the company quickly brought out a more advanced version of its minilab digital equipment. This new product is the Konica Digital Minilab System R1 Super. In networked applications, the company launched the Konica DPE Box, a system that allows customers to order digital prints at photo developing shops. Konica aims to leverage these products along with its Konica Online Labs to expand its photo Internet printing business—an area where future growth is anticipated. Overseas, the Konica Centuria Super series was named European Film of the Year 2002–2003. This series of film was also named Film of the Year in other countries, an indication of how well the film is regarded around the world. In addition, the Company concentrated corporate resources and enhanced sales in the Asia outside Japan and Russia, where there is growing demand for silver-halide film, an area where Konica has a substantial share of the market. In the vast markets of Russia, India, and the People’s Republic of China, the Company worked to strengthen its sales and technical service bases, and sales of color film and photographic paper increased as a result. Meanwhile, firm sales in Europe compensated for the decline in sales volume in Japan.

***Medical and Graphic Imaging Company***

In light of the growing use of digital technologies at all types of medical facilities, from large-scale hospitals to the offices of independent medical practitioners, the Company worked to bolster its digital input/output equipment. In the year under review, Konica launched the Konica Direct Digitizer REGIUS Model 170—a compact, high-definition, cassette-type digital X-ray imaging system. The design concepts of high-quality images and an open network have been well received in the market, resulting in a sharp rise in sales in Japan and overseas. Sales of dry film used for image output in this system also rose sharply. With the shift from wet film to dry film used in laser imagers to output high-quality digital images, mainly in industrialized nations, the Company upgraded its production by establishing a new plant at its Kofu facility in April 2002. In addition, in the future, the Company plans to roll out a broad consulting business to encompass image input/output systems, image management, X-ray reading, electronic patient charts, and hospital management.

The graphic imaging business recorded lower sales volume owing to weak demand for print film due to the slack Japanese economy and the shift to film-less imaging. Consequently, the Company worked to improve its earnings capabilities through solution-based sales and narrowing its sales base. In addition, the Company launched the Konica Digital Consensus Pro in the color proof field, where the Company enjoys a competitive edge, to maintain the top share of this market. Overseas, although demand is falling, efforts to boost sales resulted in higher volume and top market shares in the United States, Asia, the Middle East, and Oceania. As a result, overall volume increased.

### *Ink-jet Business Group*

Konica's medium-term management plan positions ink-jets as the Company's third core imaging technology field, after silver-halide photography and electrophotography. While keeping close watch on the scale of operations and profitability, the Company plans to make the ink-jet business a new core business. After full commercialization, the business of premium glossy ink-jet paper was transferred to the consumer imaging business in the second half of the year under review. As a result of a full-scale strengthening of sales, volume rose sharply. The development of core technologies, including ink-jet heads used in commercial printers remained under way at the technology center with the aim of commercialization.

### *Electronics Materials Business Group*

Although demand for silver-halide film is not likely to rise in the future, demand for electronics materials that use film with optical functions that exploit technologies cultivated from silver-halide film is expected to increase. Consequently, the Company accelerated the shift of corporate resources to that business. Although the outlook for the market for LCD displays is not as bright as for the aforementioned application, sales volume for TAC film for use in LCD polarization plates more than tripled on a recovery in sales in Japan and overseas. In addition, the Company commenced sales of high-added-value optical performance film and sought to differentiate it along with thin-type TAC film. To meet growing demand, the Company constructed and started operations on plant No. 2 at its Kobe facility.

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

(¥ million)

| | Fiscal 2003 | Fiscal 2002 | Increase (decrease) | % change |
|---|---|---|---|---|
| Sales to outside customers | 264,721 | 239,170 | 25,551 | 110.7% |
| Intersegment sales | 1,290 | 1,226 | 64 | 105.2% |
| Total sales | 266,012 | 240,396 | 25,616 | 110.7% |
| Operating income | 36,499 | 21,677 | 14,822 | 168.4% |

***Office Document Company***

Strong sales of medium- and high-speed digital multifunction machines—the Company's strong suit—resulted in higher volume, which in turn resulted in record sales and a sharp rise in operating income. Sales of next-generation polymerization toner also rose steadily, and, in spring 2003, the Company quadrupled production capacity. In addition, the alliance with Minolta concluded in 2000, including mutual product supply arrangements, collaborative development programs, and the operation of a polymerization toner manufacturing joint venture contributed significantly to improved performance. Meanwhile, as the two companies compete on sales, if Konica and Minolta were able to consistently cooperate in all areas, from development and production to sales, the benefits would likely be substantial. In the fields of medium- and high-speed multifunction equipment, which is expected to grow going forward, color copiers, and color laser printers, plans are to consolidate the strong suits of both companies and become one of the industry's top groups. Efforts are under way to create a business base appropriate for a core business in the Konica Minolta Group to be formed in August 2003.

***Optics Technology Company***

The Optics Technology Company is an important strategic business that utilizes Konica's highly superior optics technologies as core technologies. During the year under review, in the first half, growth in the optical pickup market was fueled by lower prices for DVD players, the release of more software, and fast growth in the Chinese market. Also fueling the fast pace of growth in the optical pickup market in the first half was higher demand for video players and CD players in India and other Southwest Asian nations. In the second half, inventory adjustments brought inventory levels for these products to normal levels.

Meanwhile, DVD recorders, which have comparatively high unit prices, experienced solid growth in volume, and, in the period under review, overall pickup lens volume rose approximately 50% from the previous year. The Company continued to bolster its R&D capabilities in next-generation optical pickup lenses that use blue-violet lasers. Working to capture the number one spot in this field, the Company aims to increase production capacity and improve production technologies to reduce costs and boost profitability.

Demand for lens units used in VCRs and digital cameras rose sharply from the second half, and the Company is making progress in preparations to expand the plant at its production subsidiary in Dalian, China. The Company entered the field of microcamera units, for which growth is expected in such future applications as portable videophones that combine optical pickup lens and digital camera technologies. Going forward, the Company intends to bolster its development activities with a focus on high-pixel and high-added-value products, areas where it excels. At the same time, it plans to ramp up production capacity so that the optical technology business becomes an engine of growth.

***Camera and Digital Camera Business Group***

Konica's sales volume of conventional cameras decreased at a faster pace, and growth in sales volume of digital cameras accelerated. In the period under review, the Company bolstered its lineup of digital cameras with the launch of the Digital Revio KD-210Z, 310Z, 400Z, and 500Z as well as the Revio C2 card-type model. High-end models capable of 4 megapixels and 5 megapixels were well received by the market, and sales and profits contributed significantly to overall earnings.

**Dividends**

Based on its fundamental dividend policy, Konica plans to pay a year-end dividend of ¥5 per share. The Company paid an interim dividend of ¥5 per share, bringing the planned dividend for the fiscal year to ¥10 per share.

## 2. Outlook for the Next Fiscal Year

Although the outlook for the global economy remains unclear, Konica intends to achieve the following sales and earnings targets by pursuing expedited business portfolio management and integrating operations, as outlined in the Future Issues section of this document.

**(Consolidated)**

(¥100 million)

| | Fiscal 2003 | | Fiscal 2002 | | % Change | |
|---|---|---|---|---|---|---|
| | Interim | Full year | Interim | Full year | Interim | Full year |
| Sales | 2,900 | 8,800 | 2,789 | 5,590 | 104.0% | 156.9% |
| Operating income | 180 | 555 | 194 | 428 | 92.8% | 129.7% |
| Recurring profit | 160 | 455 | 130 | 324 | 123.1% | 140.4% |
| Net income | 60 | 210 | 67 | 163 | 89.6% | 128.8% |

Note: Earnings forecasts for the full fiscal year are premised on business integration with Minolta on August 5, 2003. Consequently, Konica's consolidated forecasts have been aggregated with Minolta's consolidated forecasts for the second half of the term. Business integration expenses are provided in a separate section for reference.

The above forecasts are premised on the following exchange rates:

| | |
|---|---|
| US$ | ¥115 |
| Euro | ¥120 |

**Dividends**

To continue its policy of maintaining stable dividends and taking into account the need for internal reserves sufficient to strengthen the Company's corporate structure following integration with Minolta and finance future business expansion, Konica plans to pay an interim cash dividend of ¥5 per share and a term-end cash dividend of ¥5, for a dividend of ¥10 per share for the entire fiscal year.

**(2) Financial Position**

**1. As of March 31, 2003**

**Financial Position**

(\ million)

| | Year-end | Previous year-end | Increase (decrease) |
|---|---|---|---|
| Total assets (¥ million) | 515,956 | 527,360 | (11,404) |
| Total Shareholders' equity (¥ million) | 181,019 | 171,226 | 9,792 |
| Shareholders' equity per share (¥) | 506.82 | 478.96 | 27.86 |
| Shareholders' equity ratio (%) | 35.1 | 32.5 | 2.6 |

Had the same method used in the previous fiscal year been applied, shareholders' equity per share would have been ¥506.50 for the term ended March 31, 2003.

**Total Assets**

Total assets totaled ¥515.9 billion, down ¥11.4 billion year on year, because of the use of free cash flow to reduce interest-bearing debt by ¥24.0 billion.

**Total Shareholders' Equity**

Total shareholders' equity totaled ¥181.0 billion, up ¥9.7 billion, because of a healthy rise in net income. On a per-share basis, shareholders' equity totaled ¥506.82, up ¥27.86. In addition, the shareholders' equity ratio rose to 35.1% from 32.5% at the end of the previous year because of a reduction in total assets and an increase in shareholders' equity.

**Net Cash Flows**

(¥ million)

| | Fiscal 2003 | Fiscal 2002 | Increase (decrease) |
|---|---|---|---|
| Cash flows from operating activities | 66,437 | 48,125 | 18,312 |
| Cash flows from investing activities | (37,328) | (39,496) | 2,168 |
| Total (Free cash flow) | 29,109 | 8,628 | 20,480 |
| Cash flows from financing activities | (24,685) | (19,049) | (5,636) |

**Net cash flows from operating activities**
Net cash provided by operating activities increased ¥18.3 billion, to ¥66.4 billion, on a year-on-year basis. This reflected ¥24.7 billion in income before income taxes and minority interests, which increased ¥9.7 billion, and ¥28.4 billion in depreciation and amortization expenses, which increased ¥2.2 billion. Cash inflows increased because of the reduction in working capital, including lower accounts receivable. Corporate taxes amounted to ¥10.9 billion, a ¥5.9 billion increase.

**Net cash flows from investing activities**

Net cash used in investing activities rose ¥2.1 billion, to ¥37.3 billion. This mainly reflected an expenditure of ¥29.5 billion for the acquisition of tangible fixed assets. These assets are mainly related to increased production capacity for medical-use dry film, TAC film for LCD polarization plates, nonspherical plastic lenses used in optical discs, and polymerization toner.

**Net Cash Flows from Financing Activities**
Net cash from financing activities declined ¥5.6 billion, to ¥24.6 billion, reflecting mainly the repayment of long-term loans from financial institutions and the redemption of debt. At year-end, borrowing and bonds outstanding totaled ¥152.0 billion, down ¥24.0 billion from the end of the previous year.

As a result of the above changes and a ¥200 million translation difference on cash and cash equivalents, cash and cash equivalents for the period under review totaled ¥51.8 billion, up ¥4.2 billion year on year.

Trends in cash flow indicators are as follows:

| | Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 |
|---|---|---|---|---|
| Equity ratio (%) | 29.6 | 30.9 | 32.5 | 35.1 |
| Equity ratio based on current market prices (%) | 30.4 | 53.1 | 55.5 | 65.0 |
| Debt redemption period (years) | 3.5 | 3.6 | 3.7 | 2.3 |
| Interest coverage ratio | 5.9 | 5.5 | 7.1 | 14.3 |

(Calculation Methods)
Equity ratio = shareholders' equity / total assets
Equity ratio based on current market prices = total market value of common stock / total assets
Debt redemption period (years) = interest-bearing debt / net cash provided by operating activities
Interest coverage ratio = net cash provided by operating activities / interest payments

Notes:
1. All indicators are calculated based on consolidated financial figures.
2. Total market value of common stock is calculated by multiplying the final closing price of the Company's stock on the balance-sheet date by the number of outstanding shares on the balance-sheet date (less the number of treasury stock shares).
3. Figures for net cash provided by operating activities are those from the consolidated cash flow statement. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made. Figures for interest payments are those from the consolidated cash flow statement.

## 2. Outlook for the Fiscal Year Ending March 31, 2004

Cash Flow Projection

The Company projects that free cash flow, defined as aggregate net cash flows from operating and investing activities, will amount to approximately ¥30.0 billion. This projection is premised on the business integration of Konica and Minolta on August 5, 2003.

## 4. CONSOLIDATED FINANCIAL STATEMENTS

### (1) Consolidated Statements of Income

(Million yen)

| | April 1, 2001—March 31, 2002 | | **April 1, 2002—March 31, 2003** | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| Net Sales | 539,571 | 100.0 | 559,041 | 100.0 | 19,469 | 3.6 |
| Cost of sales | 309,633 | 57.4 | 321,381 | 57.5 | 11,747 | 3.8 |
| Gross profit | 229,937 | 42.6 | 237,660 | 42.5 | 7,722 | 3.4 |
| Selling, general and administrative expenses | 200,328 | 37.1 | 194,804 | 34.8 | (5,523) | (2.8) |
| **Operating income** | 26,609 | 5.5 | 42,855 | 7.7 | 13,245 | 44.7 |
| Non-operating income | 10,061 | 1.9 | 6,765 | 1.2 | (3,295) | (32.8) |
| Interest and dividend income | 720 | | 1,051 | | 331 | |
| Equity Method Profits | — | | 310 | | 310 | |
| Other | 9,340 | | 5,403 | | (3,937) | |
| Non-operating expenses | 14,849 | 2.8 | 17,181 | 3.1 | 2,331 | 15.7 |
| Interest expense | 6,668 | | 4,484 | | (2,184) | |
| Equity in loss of nonconsolidated subsidiaries and affiliated companies | 1,020 | | — | | (1,020) | |
| Other | 7,161 | | 12,697 | | 5,536 | |
| **Recurring profit** | 24,820 | 4.6 | 32,438 | 5.8 | 7,618 | 30.7 |
| Extraordinary profit | 461 | 0.1 | 8,263 | 1.5 | 7,801 | — |
| Gain on sales of fixed assets | 410 | | 181 | | (229) | |
| Gain on sales of investment securities | 50 | | 0 | | (49) | |
| Return of the proxy portion of the national employees' pension fund | — | | 8,081 | | 8,081 | |
| Extraordinary losses | 10,287 | 1.9 | 15,973 | 2.9 | 5,685 | 55.3 |
| Loss on disposal and sale of fixed assets | 4,499 | | 3,294 | | (1,205) | |
| Loss on sale of investment securities | 0 | | 12 | | 12 | |
| Write-down on investment securities | 1,688 | | 2,167 | | 479 | |
| Loss on liquidation of subsidiaries and affiliated companies | 2,451 | | — | | (2,451) | |
| Provision of reserve for reorganization/liquidation expenses | — | | 5,637 | | 5,637 | |
| Transition obligations due to adoption of new accounting standards for retirement benefits | 1,647 | | 1,325 | | (322) | |
| Special premium withdrawal from national employees' pension fund | — | | 543 | | 543 | |
| Expenses related to switch to defined benefit pension plan | — | | 2,993 | | 2,993 | |
| **Income before income taxes and minority interests** | 14,994 | 2.8 | 24,728 | 4.4 | 9,734 | 64.9 |
| Income taxes | 8,441 | | 14,375 | | 5,933 | |
| Deferred income taxes | (4,576) | | (6,195) | | (1,618) | |
| Minority interest in earnings of consolidated subsidiaries | 69 | | 172 | | 103 | |
| **Net income** | 11,059 | 2.0 | 16,375 | 2.9 | 5,315 | 48.1 |

## (2) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2002 | | **As of March 31, 2003** | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| **Current assets** | 309,602 | 58.7 | 311,818 | 60.4 | 2,215 | 0.7 |
| Cash and deposits | 47,359 | | 51,876 | | 4,516 | |
| Trade notes and accounts receivable | 137,224 | | 129,212 | | (8,011) | |
| Marketable securities | 300 | | 0 | | (300) | |
| Inventories | 102,348 | | 98,848 | | (3,499) | |
| Deferred tax assets | 12,963 | | 22,759 | | 9,796 | |
| Other accounts receivable | 9,513 | | 9,942 | | 428 | |
| Other current assets | 7,713 | | 5,925 | | (1,788) | |
| Allowance for doubtful accounts | (7,819) | | (6,746) | | 1,073 | |
| **Fixed assets** | 217,757 | 41.3 | 204,137 | 39.6 | (13,620) | (6.3) |
| *Tangible fixed assets* | 156,061 | 29.6 | 148,040 | 28.7 | (8,021) | (5.1) |
| Buildings and structures | 51,174 | | 52,270 | | 1,096 | |
| Machinery and vehicles | 41,359 | | 50,002 | | 8,643 | |
| Land | 19,335 | | 18,672 | | (663) | |
| Leased business-use assets | 16,683 | | 14,416 | | (2,266) | |
| Other property, plant and equipment | 27,509 | | 12,678 | | (14,830) | |
| *Intangible fixed assets* | 10,884 | 2.1 | 10,646 | 2.1 | (238) | (2.2) |
| *Investments and others* | 50,811 | 9.6 | 45,451 | 8.8 | (5,360) | (10.5) |
| Investment securities | 13,469 | | 14,201 | | 731 | |
| Long-term loans | 2,291 | | 1,103 | | (1,188) | |
| Long-term prepaid expenses | 5,604 | | 5,268 | | (336) | |
| Deferred tax assets | 18,826 | | 14,343 | | (4,483) | |
| Other investments | 13,088 | | 12,834 | | (253) | |
| Allowance for doubtful accounts | (2,469) | | (2,300) | | 168 | |
| **Total assets** | 527,360 | 100.0 | 515,956 | 100.0% | (11,404) | (2.2) |

(Million yen)

| | As of March 31, 2002 | | **As of March 31, 2003** | | Increase/Decrease | |
|---|---|---|---|---|---|---|
| | Amount | % of total | Amount | % of total | Amount | YoY (%) |
| **Current liabilities** | 267,805 | 50.8 | 244,033 | 47.3 | (23,771) | (8.9) |
| Trade notes and accounts payable | 72,983 | | 73,311 | | 328 | |
| Short-term loans | 111,741 | | 90,592 | | (21,149) | |
| Long-term loans due within one year | 2,540 | | 5,121 | | 2,580 | |
| Bonds due within one year | 15,354 | | 5,054 | | (10,300) | |
| Accrued expenses | 34,945 | | 37,315 | | 2,370 | |
| Accrued income taxes | 6,539 | | 9,913 | | 3,373 | |
| Allowance for product warranty | 1,242 | | 1,148 | | (94) | |
| Reserve for restructuring/liquidation losses | — | | 5,637 | | 5,637 | |
| Other current liabilities | 22,457 | | 15,939 | | (6,518) | |
| **Long-term liabilities** | 87,587 | 16.6 | 88,679 | 17.2 | 1,092 | 1.2 |
| Bonds | 32,246 | | 27,192 | | (5,054) | |
| Long-term loans | 14,226 | | 24,126 | | 9,900 | |
| Long-term accrued liabilities | — | | 8,204 | | 8,204 | |
| Reserve for retirement benefits and pension plans | 35,078 | | 24,303 | | (10,774) | |
| Other long-term liabilities | 6,036 | | 4,852 | | (1,184) | |
| **Total liabilities** | 355,392 | 67.4 | 332,712 | 64.5 | (22,679) | (6.4) |
| **Minority interests** | 741 | 0.1 | 2,224 | 0.4 | 1,482 | 200.0 |
| **Capital stock** | 37,519 | 7.1 | 37,519 | 7.3 | — | |
| **Capital reserve** | 79,342 | 15.1 | 79,342 | 15.4 | — | |
| **Accumulated earnings** | 56,251 | 10.7 | 69,052 | 13.4 | 12,800 | |
| **Net unrealized gain on securities** | 891 | 0.2 | 825 | 0.1 | (66) | |
| **Translation adjustment** | (2,659) | (0.5) | (5,309) | (1.0) | (2,650) | |
| **Treasury stock** | (119) | (0.0) | (410) | (0.1) | (291) | |
| **Total shareholders' equity** | 171,226 | 32.5 | 181,019 | 35.1 | 9,792 | 5.7 |
| **Total liabilities, minority interests, and shareholders' equity** | 527,360 | 100.0 | 515,956 | 100.0 | (11,404) | (2.2) |

Notes:

| | Fiscal 2002 | Fiscal 2003 | Increase/Decrease |
|---|---|---|---|
| 1. Accumulated depreciation on tangible fixed assets (million yen) | 292,587 | 281,329 | (11,258) |
| 2. Discount on trade notes receivable (million yen) | 100 | — | (100) |
| 3. Number of shares of treasury stock | 159,947 | 581,224 | 421,277 |
| (Breakdown) | | | |
| Treasury stock | 159,947 shares | 399,141 shares | 239,194 shares |
| Shares of equity-method affiliates | — | 182,083 shares | 182,083 shares |

### (3) Statement of Retained Profits (Consolidated)

(Million yen)

| | April 1, 2001—March 31, 2002 | **April 1, 2002—March 31, 2003** | Increase/Decrease |
|---|---|---|---|
| | Amount | Amount | Amount |
| (Capital surplus portion) | | | |
| Capital surplus at beginning of period | 79,342 | 79,342 | — |
| Capital reserve at beginning of period | 79,342 | 79,342 | — |
| Capital surplus at end of period | 79,342 | 79,342 | — |
| (Accumulated earnings portion) | | | |
| Accumulated earnings at beginning of period | 48,813 | 56,251 | 7,438 |
| Consolidated accumulated earnings at beginning of period | 48,813 | 56,251 | 7,438 |
| Accumulated earnings | 11,059 | 16,375 | 5,315 |
| Net income | 11,059 | 16,375 | 5,315 |
| Decrease in retained earnings | 3,621 | 3,574 | (46) |
| Dividends | 3,576 | 3,574 | (1) |
| Bonuses to directors and corporate auditors | 45 | — | (45) |
| Accumulated earnings at end of period | 56,251 | 69,052 | 12,800 |

## (4) Consolidated Statements of Cash Flows

(Million yen)

| | April 1, 2001—<br>March 31, 2002<br>Amount | **April 2002—<br>March 31, 2003**<br>Amount |
|---|---|---|
| **I. Cash flows from operating activities** | | |
| Net income before income taxes and minority interests | 14,994 | 24,728 |
| Depreciation and amortization | 26,219 | 28,497 |
| Increase in allowance for doubtful accounts | (2,055) | (2,163) |
| Interest and dividend income | (720) | (1,051) |
| Interest expense | 6,668 | 4,484 |
| Loss (gain) on sales or disposals of tangible fixed assets | 4,088 | 3,112 |
| Valuation loss (gain) on investment securities | 1,688 | 2,167 |
| Transition obligations due to adoption of new accounting standards for retirement benefits | 1,647 | 1,325 |
| Gain on return of proxy portion of national employees' pension fund | — | (8,081) |
| Special premium for withdrawal from national employee's pension fund | —<br>— | 543 |
| Expenses related to switch of defined contribution benefit plan | 2,451 | 2,993 |
| Loss on liquidation of subsidiaries and affiliated companies | — | — |
| Provision of reserve for reorganization/liquidation expenses | 9,164 | 5,637 |
| Decrease (increase) in trade notes and accounts receivable | 4,202 | 7,686 |
| Decrease (increase) in inventories | (13,349) | 2,187 |
| Increase (decrease) in trade notes and accounts payable | (1,405) | 3,337 |
| Increase (decrease) in accrued consumption tax payable | 5,609 | 155 |
| Other | | 4,991 |
| **Subtotal** | 59,205 | 80,552 |
| Interest and dividends received | 697 | 1,506 |
| Interest paid | (6,773) | (4,653) |
| Income taxes paid | (5,003) | (10,968) |
| **Net cash provided by operating activities** | 48,125 | 66,437 |
| **II. Cash flows from investing activities** | | |
| Payment for acquisition of tangible fixed assets | (41,616) | (29,545) |
| Proceeds from sale of tangible fixed assets | 5,483 | 2,177 |
| Payment for acquisition of intangible fixed assets | — | (3,669) |
| Payment for borrowings | — | (5,743) |
| Proceeds from loan recovery | — | 2,963 |
| Payment for acquisition of investment securities | (216) | (706) |
| Proceeds from sale of investment securities | 697 | 746 |
| Payment for other investments | — | (3,533) |
| Other | (3,845) | (18) |
| **Net cash used in by investing activities** | (39,496) | (37,328) |
| **III. Cash flows from financing activities** | | |
| Net (decrease) increase in short-term loans payable | 22,986 | (19,551) |
| Proceeds from long-term loans payable | 8,223 | 16,000 |
| Repayment of long-term loans payable | (33,512) | (3,300) |
| Proceeds from the issuance of bonds | 2,000 | — |
| Redemption of bonds | (15,150) | (15,354) |
| Income from addition to capital by minority investor | — | 1,300 |
| (Increase) decrease in treasury stock | (19) | (204) |
| Dividend payments | (3,576) | (3,576) |
| **Net cash used in financing activities** | (19,049) | (24,685) |
| **IV. Translation differences on cash and cash equivalents** | 904 | (206) |
| **V. Increase in cash and cash equivalents** | (9,515) | 4,216 |
| **VI. Cash and cash equivalents at beginning of the period** | 56,573 | 47,659 |
| **VII. Increase in cash and cash equivalents due to newly consolidation subsidiaries (y)** | 602 | — |
| **VIII. Cash and cash equivalents at end of the period** | 47,659 | 51,876 |