Speed Alliance Network

KONICA CORPORATION

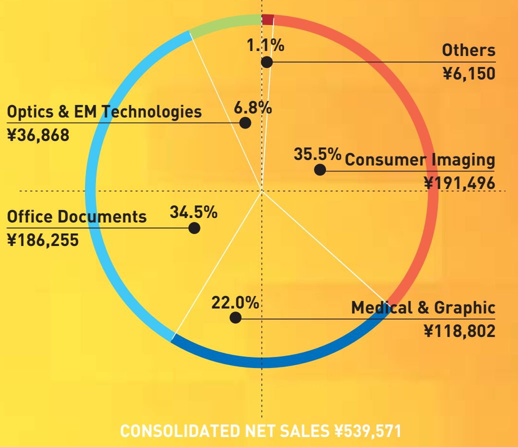
Since its establishment in 1873, Konica has continually served as a pioneer in its field, developing one ground breaking product after another and venturing into previously uncharted realms of technology. At the dawn of the 21st century, the Company maintains its innovative spirit, its relentless work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

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

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

SALES BREAKDOWN BY SEGMENT

(Millions of yen)



CONTENTS

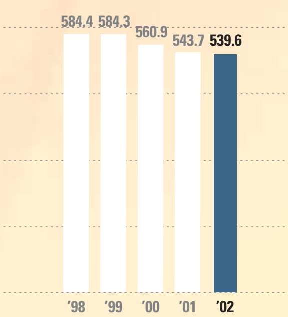
FORWARD-LOOKING STATEMENTS

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

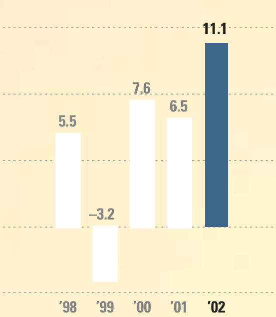
KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note)
	2002	2001	2002
For the Year:			
Net sales	¥539,571	¥543,719	$4,050,833
Operating income	29,609	30,543	222,290
Net income	11,059	6,457	83,026
Capital expenditure	45,593	30,424	342,290
R&D expenses	29,171	26,672	219,001
At Year-End:			
Total assets	¥527,360	¥518,181	$3,959,159
Shareholders' equity	171,226	160,259	1,285,480
	Yen		U.S. dollars
Per Share of Common Stock:			
Net income—primary	¥ 30.9	¥ 18.1	$ 0.23
Shareholders' equity	479.0	448.1	3.60
Cash dividends	10.0	10.0	0.08
	Percent		
Financial Ratios:			
Equity ratio	32.5%	30.9%	
Return on assets	2.10	1.21	
Return on equity	6.46	4.00	

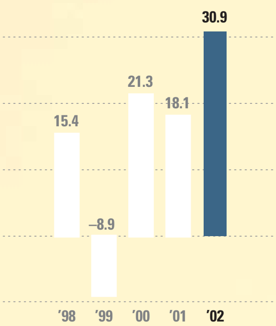
Note: U.S. dollar amounts above and elsewhere in this report are translated from yen, for convenience only, at the rate of ¥133.20=US$1, the approximate exchange rate prevailing at March 31, 2002.



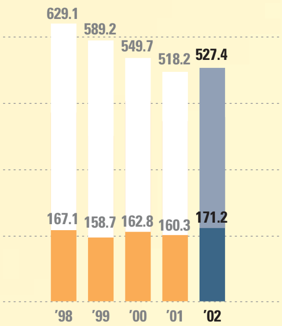
Net Sales
(Billions of yen)



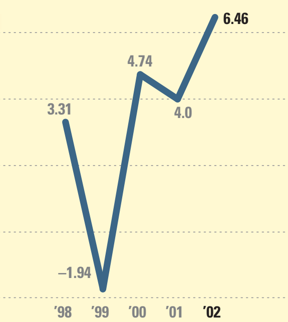
Net Income (Loss)
(Billions of yen)



Net Income (Loss) per Share
(Yen)



Total Assets / Shareholders' Equity
(Billions of yen)



Return on Equity
(%)

President and CEO
Fumio Iwai

AMID INCREASINGLY FIERCE GLOBAL COMPETITION AND RAPIDLY CHANGING MARKET STRUCTURES, KONICA IS PROGRESSING WITH A MAJOR SHIFT TOWARD DIGITAL FIELDS IN ITS BUSINESS FOCUS AS WELL AS WORKING TOWARD SPEEDY PRODUCT COMMERCIALIZATION AND FURTHER DEVELOPING ITS BUSINESS. THE COMPANY WILL ENHANCE ITS COMPETITIVENESS BY SPINNING OFF ALL OF ITS BUSINESS SEGMENTS INTO INDEPENDENT COMPANIES AND ESTABLISHING A HOLDING COMPANY IN APRIL 2003, OPENING A NEW ERA OF GROWTH FOR KONICA THROUGH FLEXIBLE DECISION MAKING CAPABILITIES AND STRONG DETERMINATION.

STRENGTHENING OUR COMPETITIVENESS THROUGH SPEEDY MANAGEMENT

Strengthening our competitiveness through quick-acting management is Konica's most urgent task in today's rapidly evolving market characterized by intensifying global competition. Realizing speedy management requires breaking away from past concepts while launching drastic management reforms.

Highlighting Konica's determination to achieve speedy management, the Company has formulated SAN Plan 2005, a new medium-term management plan. Moreover, in April 2003 Konica will separate all of its business segments into independent companies and establish a holding company that will own the equity in these companies. There have been very few instances in Japan in which business divisions have been spun off as entirely autonomous businesses, as there are a host of issues related to nurturing a corporate culture essential for ensuring that the setting up of independent companies successfully yields desired results. To prevail in an age of mounting competition, Konica is implementing dramatic management reforms with courage and flexible management decision making capabilities. Before explaining the specific details of SAN Plan 2005 and the establishment of business segments into separate companies, I will review our business results for fiscal 2002.

REVENUES DOWN, PROFITS UP IN FISCAL 2002

Konica posted mixed results in fiscal 2002, as it recorded lower sales but achieved growth in profits. Consolidated net sales amounted to ¥539.6 billion, down ¥4.1 billion from the previous fiscal year. On the other hand, net income rose ¥4.6 billion, to ¥11.1 billion, owing to an improvement in net interest expense that resulted from a reduction in interest-bearing debt and the effects of exchange rates. Although we operated in a persistently harsh environment, our performance benefited somewhat from the effects of the weakening of the U.S. dollar and the euro against the yen. Despite the rise in net income, Konica is not satisfied with its actual business results for the fiscal year.

By business segment, the Office Document Company, which handles such products as copiers and toner, made a large contribution to overall sales, posting a ¥12.2 billion rise in sales from the previous fiscal year, to ¥186.3 billion, and a ¥5.1 billion increase in operating income, to ¥12.5 billion. Particularly noteworthy was favorable sales of our highly acclaimed mid- and high-speed digital copiers, which underpinned sales in this segment. The Medical & Graphic Company reported a ¥2.0 billion decline in sales but registered a ¥1.5 billion increase in operating income. This segment handles medical and printing-use film and processing equipment.

On the other hand, the Consumer Imaging Company, which carries out business in color film and printing paper, continued to make important strides in trimming costs. However, this company posted declines in both revenues and income, with sales amounting to ¥11.1 billion and operating income totaling ¥2.9 billion. These decreases are attributable to a contraction of the domestic market and increasingly severe declines in prices. The EM & ID Business Group, which handles CD and DVD pickup lenses and triacetyl cellulose (TAC) film, recorded declines in revenues and income, mirroring the effects of the global IT meltdown. In our inkjet business, which was expected to experience firm demand, our media business achieved steady growth during the fiscal year. In the printer business, we placed top priority on establishing core technologies and focused on the development of new high-speed, high-quality printers in our existing businesses. As a result, sales remained at the same level as in the previous year, but operating income declined ¥0.8 billion.

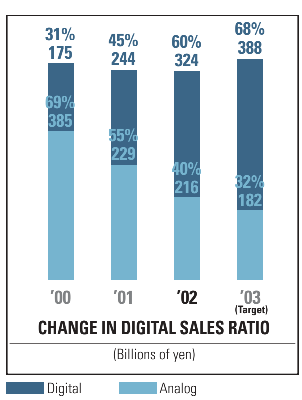
KONICA LAUNCHES SAN PLAN 2005

In April 2002 Konica launched SAN Plan 2005, a new medium-term management plan. Based on the watchwords "Speed," "Alliance," and "Network," the basic objectives of SAN Plan 2005 are to reallocate Companywide resources and promote a shift toward growth businesses. Under this plan, we aim to realize such management goals as raising our corporate value in international markets and enhancing levels of satisfaction for our shareholders, customers, and employees. Konica reviews each SAN plan annually, and prior to SAN Plan 2005, we had formulated SAN Plan 2003 and SAN Plan 2004, both of which yielded significant results. While the trend toward digital networking is progressing even faster than expected, the business environment has become increasingly severe and companies lacking technological capabilities, cost competitiveness, and the ability to reform their management and business operations, have been forced from the market. Amid this environment, under SAN Plan 2005, Konica will also focus on such basic goals as progressing with business portfolio management, strengthening and utilizing its core technologies, and implementing a system for separate companies for each business segment as well as a holding company.

BUSINESS DOMAINS AND VISION

Before explaining the strategies we will implement to achieve our goals, I will clarify Konica's business domains and talk about Konica's vision.

Recent years have witnessed breathtaking advances in information systems propelled by the establishment of high-speed communications infrastructure and progress in developing new types of information terminals. The revolution in imaging technologies, which has supported advances in communications networks, is likely to significantly alter all of Konica's business fields. As these trends unfold, Konica's vision is to be an "Imaging Solutions Company," and the Company will focus on this field as a business domain where it will pursue growth by vigorously reforming its businesses in tandem with an emphasis on digitization of input and output devices. In output imaging, we will cultivate and strengthen our inkjet technologies as a third technology platform along with our existing silver halide and copier technologies as we undertake revolutionary new businesses. We will also proactively pursue new business opportunities in hard output and display fields. In input-imaging fields, we foresee plentiful opportunities in such upstream sectors as optical units and key devices for input devices, and will focus on the development of this business.



CHANGE IN DIGITAL SALES RATIO
(Billions of yen)

COMPANYWIDE BUSINESS PORTFOLIO MANAGEMENT

In accordance with this vision, Konica will adopt management policies that include 1) implementing Companywide business portfolio management, 2) progressing further with digital networking, 3) enhancing management efficiency, 4) upgrading quality, and 5) implementing environmental accounting. In undertaking our Companywide business portfolio management, we have designated our optics and EM technology and inkjet technology businesses as strategic business fields and our office document business as our growth business. Accordingly, we will concentrate the allocation of management resources on these sectors as well as strengthen our ability to offer appealing products and bolster our marketing in these fields. We will energetically pursue both internal and external strategic alliances that utilize each partner's strengths, offer revolutionary new products and services drawing on our streamlined core technologies, and raise the value of our corporate brand. As an additional measure, we will introduce Konica Value Added (KVA), which focuses on the profitability of a project, as a new management indicator. With the aim of achieving returns in excess of capital costs, the Company will select and concentrate on those business segments that fulfill the criteria of KVA.

FURTHER PROMOTING DIGITAL NETWORKS

Determined to take advantage of the rapid expansion in digital networks, Konica will significantly shift its management resources toward digital business segments. Sales of digital products as a percentage of our net sales are rapidly growing. In fiscal 2000, digital products accounted for just 31% of total sales but surged to 60% of total sales in fiscal 2002. This trend is expected to gain momentum, and our goal is to increase digital-related products as a percentage of total company sales to 79% in fiscal 2006. Accordingly, we will raise the proportion of total investments allocated to digital products 14 percentage points from fiscal 2002 to 83% in fiscal 2006. At the same time, as it accelerates the introduction of new products and develops its businesses, the Company will vigorously pursue alliances and joint development that allows the strength of both partners to be utilized to the fullest. Konica's digital products include digital minilab systems and supplies, digital cameras, medical and graphic digital systems, copying machines and supplies, optical pickup lenses, optical-related products, inkjet-related products, and electronics materials.

ESTABLISHING SEPARATE COMPANIES FOR EACH BUSINESS AND A HOLDING COMPANY

I will now explain our planned implementation of a system for separating each of the Company's key business segments into independent companies as well as a holding company for overseeing these companies. In June 1999, Konica introduced an internal company system aimed at speeding its business and clarifying responsibilities to better respond to volatile fluctuations in the business environment. Subsequently, however, mounting global competition, coupled with trend toward digital networks, triggered abrupt changes to the structure of our markets. To prevail in intense competition amid this environment, Konica decided to establish separate business companies for each of its businesses as well as a holding company for these companies, with a target date of April 2003. This reorganization is aimed at enhancing the speed of management to strengthen our competitiveness while clearly separating management and execution functions and maximizing our corporate value. The operating companies will become independent corporations possessing clearly delineated responsibilities and authority and will be better able to execute operations more quickly through the optimal management of each business. Concurrently, Konica will unify the individual business companies under the holding company and will carry out strategic decision-making initiatives based on its business portfolio.

NEW SUBSIDIARIES TO INCLUDE FOUR BUSINESS COMPANIES AND TWO COMMON FUNCTION COMPANIES

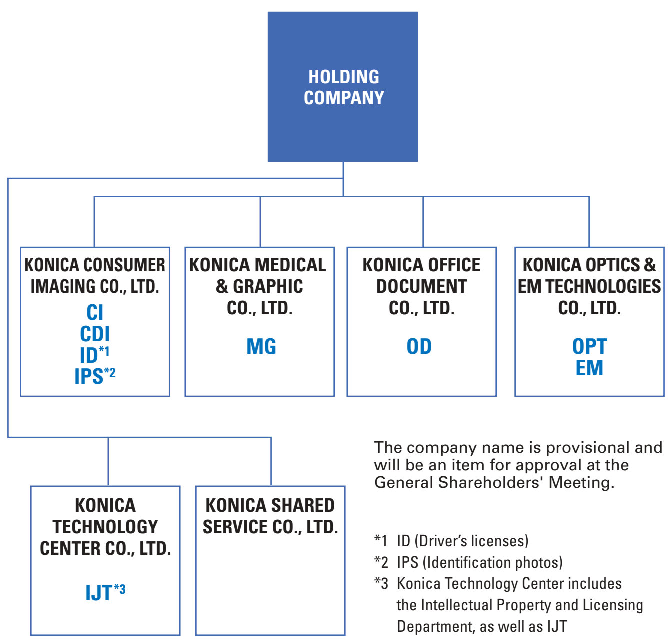
As shown in the diagram, by setting up our business segments as separate companies, our new organization will consist of four business companies and two common function companies, all of which will eventually become totally independent subsidiaries. Konica Consumer Imaging Company (tentative name) will take over the business of the Consumer Imaging Company as well as the ID systems (ID photo business) and camera businesses and will engage in the manufacture and sale of photosensitive materials and related products as well as cameras.

Konica Medical & Graphic Company (tentative name) will be the successor company for the Medical and Graphic Company and will engage in the manufacture and sale of such products as medical film, platemaking films, and processing systems.

Konica Office Document Company (tentative name) will take over the business of the Office Document Company and manufacture and sell such office equipment as copiers as well as related copier supplies. Konica Optics & EM Technologies Company (tentative name) will be the successor to the Optics Technology Company and will manufacture and sell optics products, related equipment, and electronics materials.

Konica Technology Center Company (tentative name) will take over the functions of the Central Research Laboratory, Ink Jet Technology Business Center, and the Intellectual Property

ORGANIZATION CHART (effective April 1, 2003)



The company name is provisional and will be an item for approval at the General Shareholders' Meeting.

*1 ID (Driver's licenses)
*2 IPS (Identification photos)
*3 Konica Technology Center includes the Intellectual Property and Licensing Department, as well as IJT

and Licensing Department. It will undertake commissioned research, promote commercialization of new technologies, and offer a service for the monitoring and management of intellectual property.

Konica Shared Service Company (tentative name) will take over business for offering such shared indirect functions as common corporate services for strengthening the Group's foundation and enhancing its efficiency. It will offer various types of management support and indirect services.

For an explanation of the business policies of each business company, with the exception of Konica Shared Service, please refer to the Review of Operations from pages 8 to 12.

Konica has already finished reorganizing its internal companies, business groups, and headquarters. We plan to implement this new system in April 2003 after a final decision is ratified by the Board of Directors and approved by a Special Shareholders' Meeting at the end of 2002. From April 2002, we plan to set up a simulated system for the separate companies and holding company and will carefully monitor management indicators and steadily reshape our organization to prepare for the implementation of this system.

EFFECTS OF REORGANIZATION

When considering the adoption of this holding company system, I continually envisioned a system that functions practically and yields results. A prerequisite for such a system is a corporate culture conducive to ensuring business can be carried out with the necessary authority and responsibility. Regarding this point, Konica is unfortunately lacking in a number of areas. Nevertheless, I am aware that setting up our operations as separate companies is meaningless unless these companies are given adequate authority to execute their operations. Nevertheless, rather than immediately transfer all authority to the individual business companies, we have initially provided the holding company with authority for decisions on personnel matters and investment amounts in portfolio management. Specifically, the holding company, which manages the portfolio, will determine investment amounts based on proposals from the individual business companies while the individual companies will make optimal investments in accordance with themes within the scope of the amount allocated. For personnel-related matters, the representatives of each business company are decided by the holding company and the representative of each company will choose the top management for individual companies.

THE BENEFITS OF THE SEPARATE COMPANIES AND HOLDING COMPANY SYSTEM

I am confident that the establishment of the separate companies and holding company will yield the three important benefits. First, we will be able to execute our operations more quickly. The spinning off of business segments into companies will help delineate the business domains of each company more clearly and will enable faster and more flexible decision making, thereby strengthening our competitiveness.

Second, each company will be more solidly positioned to pursue alliances. From the perspectives of technological innovation and future structural changes in the markets, such alliances will be essential for achieving growth. Until now, alliances with partners had to be formed with Konica as a whole. However, the establishment of separate companies will dramatically widen the scope of possibilities in forming tie-ups depending on specific business fields and allow each company to develop its own leading-edge technologies and cultivate new markets.

Third, internal corporate spirit will be revolutionized, as each company's business results become more transparent and the morale of individual employees will be heightened. Also, employees will feel closer to the management of their company. In addition, the performances of the individual companies will be strictly evaluated by the holding company. I believe that this will allow us to create a strict corporate culture that emphasizes performance and build an organization and cultivate personnel with a strong awareness of profit.

IMPLEMENTING "KONICA IN VIEW"

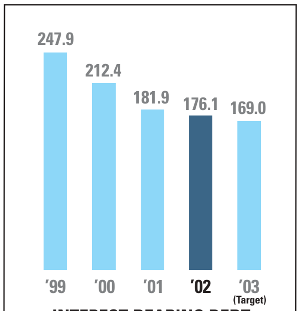
To the present, I have steadily implemented policies aimed at raising the transparency of our management to realize our disclosure concept of "Konica in View." This reflects our commitment to becoming a company with highly transparent management that is open to all stakeholders, including customers, shareholders, citizens of the local community, business partners, and our own employees.

As I stated previously, until the Konica corporate culture fully develops, the best course of action is for the holding company to maintain constant authority over the new business companies. From this perspective, I am confident that the realization of the "Konica in View" will accelerate the development of the Konica corporate culture. Employees raised within the traditional Japanese corporate culture are undoubtedly harboring trepidations about the separate companies system. Precisely for this reason, I would like to show all employees Konica's current situation and future prospects and call on all employees to think deeply about "Konica today, and Konica tomorrow."

STRENGTHENING OUR CORPORATE GOVERNANCE

While introducing our system for separate companies and a holding company, we are also strengthening our corporate governance. In addition to adding two external directors, we are considering the rapid introduction of a U.S.-type commission system following revisions to the Japanese Commercial Code.

We have decided to introduce such a system based on the principles of shareholder-oriented management. Konica is a company built by shareholders and we must therefore meet the expectations of shareholders, who have entrusted us with the management and operation of the Company's business. Accordingly, we will emphasize management that strives to redistribute profits to shareholders as well maintain a keen awareness of the Company's share prices with an eye to raising our corporate value.



INTEREST-BEARING DEBT
(Billions of yen)

BUILDING A NEW KONICA THROUGH STRONG DETERMINATION AND FLEXIBLE DECISION MAKING CAPABILITIES

In our fiscal 2001 annual report, I mentioned that the 21st century would be an age characterized by drastic change and intense competition and that the Company would meet the challenges of change with ambition and courage. Our determination in this area remains unchanged. If anything, by implementing our separate companies and holding company system, the direction that the Company should pursue has become even clearer. Through tireless determination and strong management, we will create a new age for Konica. As the industry undergoes a significant structural transformation, Konica will build a business model that responds quickly to the needs of the times and will promote management that emphasizes maintaining a sound balance sheet. This will enable Konica to raise its corporate value and meet the expectations of its shareholders.

In closing, we ask our shareholders for their continued guidance and support.

Fumio Iwai

Fumio Iwai
President and CEO
July 2002

OPTICS & EM TECHNOLOGIES COMPANY

THE OPTICS & EM TECHNOLOGIES COMPANY, WHICH SUCCEEDS THE OPTICS TECHNOLOGY COMPANY AND ELECTRONIC MATERIALS DIVISION, WILL MANUFACTURE AND SELL OPTICS PRODUCTS & RELATED EQUIPMENT AND ELECTRONIC MATERIALS.

President
Takashi Matsumaru

Konica has designated its Optics and EM (Electronic Materials) businesses as strategic business fields and aims to achieve high income in these fields.

Regarding its Optics business, in the optical pickup field, although PC-related markets remained in an adjustment phase, there was a recovery in the second half of the fiscal year, mainly in DVD-related markets. Sales of optical lens units for VTRs and other applications declined owing to falling market prices.

In our EM business demand in the market for LCDs was sluggish during the first half of the fiscal year due to a slump in IT-related markets. In the second half, however, there was a recovery in demand, mainly for our 40-micron triacetyl cellulose (TAC) film for LCD polarizing plates developed and introduced in advance of similar products by competitors. Nevertheless, sales in our EM business declined from the previous fiscal year.

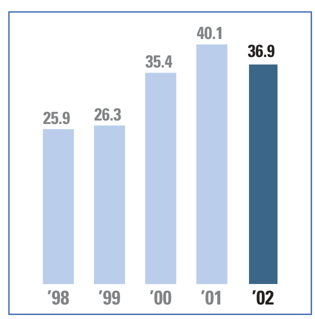
Integrating our Optics and EM businesses into a single company will allow us to take advantage of the characteristics of these businesses as a common upstream-type business and to combine such core technologies as optical technologies with technologies for functional materials, film creation, and coating for electronics materials. This, in turn, will lead to the creation of new businesses, including display-related businesses and enable us to expand our business in this field.

In the Optics business we will maintain the superiority of our aspherical plastic lenses for optical discs, mainly DVDs, while further expanding this business. These lenses integrate technologies that enable enhanced performance and more-compact products. We have secured an approximately 70% share of the market for these products. Looking ahead, we will center our R&D on aspherical plastic lenses for optical discs for use with blue-violet lasers, which are expected to become the principal type of laser used in the future. These efforts will be aimed at the timely development of new products; distinguishing product quality at all phases, from development and design to production; developing future-oriented technologies; and establishing a solid position in the market. As a new business, we are planning for the full-fledged commencement of our microcamera unit (MCU) business in fiscal 2003. MCUs are integrated into various information terminals that include mobile phones, PDAs, and digital still camera (DSCs), and we expect to steadily expand this business in the future. Konica aims to establish a solid foundation as a leading company in MCUs, focusing these efforts on its core technologies.

In its EM business, Konica will develop its information network-related business while vigorously participating in the field of materials for use in markets for displays, which are expected to grow sharply. Anticipating a recovery in the market from 2002, we will place particular emphasis on accelerating our investments in our TAC film business. These investments will be for the construction of new plants, as we increase and strengthen our production capabilities as well as develop new production technologies and expand our market share. In addition, we will strengthen our lineup of thin-film products that integrate our film creation technologies, which are core technologies, and improve our technologies and services as a TAC film vendor. Also, we will combine our material technologies and our coating technologies, which are also core technologies, as well as develop and manufacture films that meet the needs of customers and engage in high-value-added businesses. In particular, we aim for the quick start of sales of functional optical films that use TAC film as a material.

MO disk drive

Aspherical plastic lenses used in optical disk drives



NET SALES
(Billions of yen)

OFFICE DOCUMENT COMPANY

THE OFFICE DOCUMENT COMPANY, WILL MANUFACTURE AND SELL COPIERS AND COPIER SUPPLIES.

President
Hirofumi Sakaguchi

During the fiscal year we achieved smooth progress in shifting our business away from regular copiers toward mid-speed and high-speed digital copiers through the successive introduction of the Konica Sitios 7155/7165/7085 high-image quality, high-speed digital printers that integrate our own independently developed polymerization toner. Despite a decline in overall sales volume as a result of the sluggish economy, we achieved higher sales by reducing costs through the transfer of production to China and by strengthening our lineup of mid-speed and high-speed digital copiers. In addition, we upgraded numerous types of application software, including document control software, and expanded our sales channels for high-speed copiers for print-on-demand (POD) markets, including markets for light printing.

Working to achieve a further reduction in costs, we are proceeding with the transfer of production to China. In Europe, we are reorganizing our sales subsidiaries by bolstering their financial structures as well as rationalizing and raising their efficiency, and taking steps to expand business. Through a business tie-up with Minolta Co., Ltd., we are engaged in such activities as the mutual supply of parts and finished products and cooperative R&D efforts while proceeding with operations at a joint venture for the production of polymerization toner.

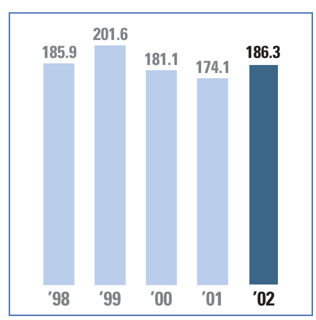
In our supplies business, we are promoting external sales, including those of our independently developed polymerization toner and high-durability drums. Polymerization toner, a next-generation toner, features finer particles that enable higher image quality than previously used pulverized toner.

We are also vigorously developing our solutions business, such as POD services, taking advantage of our high-speed color copiers.

At the same time, we will strive to attain a more-than 10% share of the global market by implementing such measures as forming strategic alliances and pursuing OEM strategies. We are aiming for net sales of ¥277 billion and operating income of ¥22 billion in fiscal 2005.

Konica Sitios 7085 / HV

Konica Sitios 7155 / HV



NET SALES
(Billions of yen)

CONSUMER IMAGING COMPANY

THE CONSUMER IMAGING COMPANY, WHICH SUCCEEDS THE CONSUMER IMAGING COMPANY, ID SYSTEMS DIVISION, AND CAMERAS & DIGITAL IMAGING DIVISION, WILL MANUFACTURE AND SELL CONSUMER & COMMERCIAL PHOTO-SENSITIZED MATERIALS AND EQUIPMENT.

President
Hideaki Iwama

Konica integrated its color film, color paper, camera, and ID photo businesses into the Consumer Imaging Company to better respond to the needs of the market while raising the efficiency of its business.

During the fiscal year under review, despite the commencement of sales of the new Konica Color Centuria Super series of film, sales prices declined in the domestic market due to intensifying competition while sales volumes in Europe and the United States decreased owing to the effects of the terrorist attacks. In Asian regions, where we have secured high market shares, efforts to strengthen and expand sales yielded particularly robust increases in the sales volume of printing paper. We established Konica Online Labs to respond to needs in digital printing using the Internet. Konica will bolster the foundation of its photo print business as a growth business for the future.

In our film camera business, two of our models received Good Design awards and we launched sales of three new digital camera models, including the Konica Digital Revio series. Nevertheless, sales in our film camera business declined from the previous fiscal year. In our color film and color paper business we focused on region-specific strategies to respond to the advance of digitization. In such growth markets as Asia, Russia, and Central and South America, where the advance of digitization has lagged, we recorded firm growth in sales, supported by the high quality of the Konica Photo Express minilab shops and our strong network and brand power. Also, we fortified our sales capabilities for paper films in these regions by taking such steps as carrying out local processing of paper film packaging to reduce costs and raise distribution efficiency. In such mature markets as Japan, Europe, and the United States, where digitization is rapidly advancing, falling prices have created a harsh business environment. In response, we are pruning fixed costs through restructuring and other measures while progressing with our digital photo business as we aim to build a new revenue model.

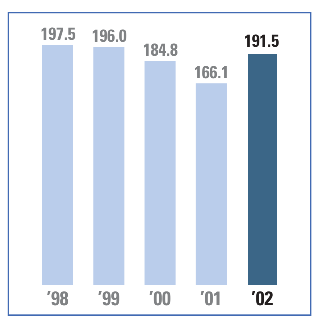
In the photo ID business we will maximize synergies from the reorganization of our Consumer Imaging Company as part of our downstream business for input and output services. We will maintain our top market share in Japan and use our infrastructure in the Consumer Imaging Company to expand this business in overseas markets.

We plan to maintain profit levels by increasing sales in growth regions to compensate for declining demand in mature markets for such existing businesses as film and paper. In addition, we will further develop our digital photo business and expand our ID and IPS business. Through these efforts, we aim to achieve net sales of ¥215.0 billion and operating income of ¥9.5 billion in 2005.

From the fiscal year ended March 2002, the previous Consumer Imaging division, Camera & Digital Camera division and ID division have been integrated into the Consumer Imaging Company.

Konica Digital Revio KD-400Z

Konica Color Centuria SUPER 400



NET SALES
(Billions of yen)

MEDICAL & GRAPHIC COMPANY

THE MEDICAL & GRAPHIC COMPANY, WHICH SUCCEEDS THE MEDICAL & GRAPHIC COMPANY, WILL MANUFACTURE AND SELL MEDICAL FILM, PLATEMAKING FILM, AND PROCESSING SYSTEMS.

President
Teruo Kawaura

In medical imaging products, Konica was quick to respond to the trend toward digitization and networking in hospitals and has introduced numerous new products in digital device fields, including the Konica Direct Digitizer REGIUS Model 350/550, as well as the Konica Laser Imager DRYPRO Model 751/752.

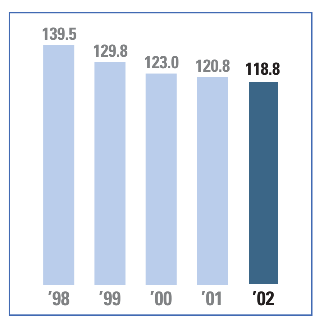
In graphic imaging products we responded to the trend toward digitization and expanded our color proof business by increasing sales of such products as our Digital Konsensus. Overseas we recorded higher sales of graphic imaging products from the previous fiscal year by working to expand sales and market share, primarily in Asian countries.

In our medical imaging businesses we will strengthen our lineup of digital input and output devices, supplies, and system software product capabilities and enhance profitability in parallel with efforts to upgrade our service structure. In particular, we will expand the market for dry-film X-ray imaging equipment along with the trend toward digitization and networking in hospitals. To respond to an expected rise in demand in this area, a new production plant for dry-film photosensitive materials at our Kofu business site commenced operation on schedule. Konica plans to strengthen its lineup of competitive system devices. Overseas, we are building a support network and strengthening our marketing capabilities to respond to the trends toward digitization and networking, mainly in Europe and the United States. We plan to shift our traditional businesses toward such growth regions as Asia and the Middle East to expand our medical imaging business and raise profitability.

In our Graphic Imaging Business we will secure a larger share of the digital proof market by further expanding markets for our competitive Konsensus brand. To carry out proposal-based sales activities that focus closely on the needs of the color proof market, we established Konica Graphic Imaging Co., Ltd., which combines various non-development and production related functions in Japan. By taking such measures, we are striving to strengthen our sales capabilities through direct sales and enhance our profitability. We will also designate the POD market as a high priority market and aggressively enter targeted segments of this market. In addition, Konica will also strive to reduce costs by consolidating and rationalizing production bases, while shifting the focus of its business away from regions where digitization is progressing rapidly toward rapid economic growth regions of Asia and the Middle East.

Konica DRYPRO MODEL 752

Konica Digital Konsensus Pro



NET SALES
(Billions of yen)

TECHNOLOGY CENTER

TECHNOLOGY CENTER WILL PROVIDE CUSTOMIZED R&D, PROMOTE BUSINESS OPPORTUNITIES FOR NEW TECHNOLOGIES, AND PROVIDE INTELLECTUAL PROPERTY MANAGEMENT AND SERVICES, SUCCEEDING THE FUNCTIONS OF KONICA'S CENTRAL LABORATORIES, INKJET TECHNOLOGY BUSINESS CENTER, AND INTELLECTUAL PROPERTY AND LICENSING DEPARTMENT.

President
Kaoru Onodera

Aiming to consolidate and strengthen technology development functions and business cultivation functions, in April 2002 Konica established the Technology Center, which combines the Inkjet Business Promotion Center, Intellectual Property Division, and Central Research Laboratory.

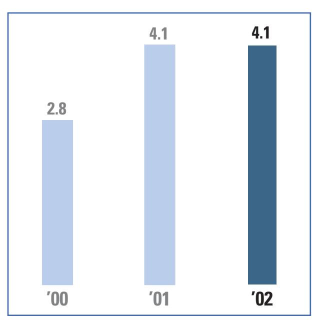
Konica has designated imaging input and output as a business domain and is strengthening three principal output technologies as innovation platforms in imaging fields. Among these, Konica has already developed sliver halide photo technologies and electronic photo technologies and is currently utilizing and strengthening these as core technologies. The third output technology is inkjet technology. Konica aims to cultivate and strengthen its inkjet technologies as a platform technology, with such efforts being spearheaded by the Technology Center.

Supported by R&D activities carried out to the present, we are rebuilding our inkjet business on two fronts. First in media businesses that have already been firmly established, we are expanding sales through strengthened sales capabilities that include securing new OEM products and upgrading our new product offerings by aggressively promoting the Konica brand. Second, in our printer business, we will strengthen internal tie-ups and develop high-speed, high-quality printers for our Consumer Imaging, Medical & Graphic, and Office Document Company.

In our Inkjet Business we are aiming for sales of ¥30 billion and operating income of ¥2 billion in fiscal 2005.

Our new business incubation period is focused on obtaining patents based on basic research and we will start up new businesses upon commercialization. To date, Konica has successfully started up such new businesses as aspherical plastic lenses used in optical disk drives and LCD polarizer TAC film. Specifically, we are developing new thin-film technologies that use our core technologies.

Konica Photolike QP



NET SALES
(Billions of yen)

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

	Millions of yen					
	2002	2001	2000	1999	1998	1997
For the Year:						
Net sales	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401	¥578,080
Cost of sales	309,633	319,163	323,710	342,543	342,452	345,237
Operating income	29,609	30,543	33,131	14,575	23,062	23,604
Net income (loss)	11,059	6,457	7,627	(3,166)	5,501	4,541
Depreciation and amortization	26,219	25,940	30,687	32,488	28,488	27,130
Capital expenditure	45,593	30,424	30,237	42,702	47,850	28,261
R&D expenses	29,171	26,672	25,730	27,944	26,666	23,957
At Year-End:						
Total assets	¥527,360	¥518,181	¥549,703	¥589,201	¥629,062	¥592,997
Total current assets	309,602	317,890	335,899	349,240	392,855	370,399
Property, plant and equipment—net	156,061	141,870	141,114	161,534	159,873	145,970
Total current liabilities	267,805	262,273	272,568	280,922	324,194	279,241
Long-term debt	46,472	57,099	77,657	94,344	76,010	87,018
Shareholders' equity	171,226	160,259	162,793	158,742	167,144	165,268
	Yen					
Per Share of Common Stock:						
Net income (loss)—primary	¥ 30.9	¥ 18.1	¥ 21.3	¥ (8.9)	¥ 15.4	¥ 12.7
Shareholders' equity	479.0	448.1	455.2	443.8	467.3	462.1
Cash dividends	10.0	10.0	10.0	10.0	10.0	10.0
	Percent					
Financial Ratios:						
Cost of sales ratio	57.4%	58.7%	57.7%	58.6%	58.6%	59.7%
Equity ratio	32.5	30.9	29.6	26.9	26.6	27.9
Return on assets	2.10	1.21	1.34	(0.52)	0.90	0.79
Return on equity	6.46	4.00	4.74	(1.94)	3.31	2.76
Other:						
Number of employees	17,319	17,595	17,839	18,953	18,388	18,664

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

SEGMENT INFORMATION BY PRODUCT

	Millions of yen					
	2002	2001	2000	1999	1998	1997
Net sales:						
Photographic materials	¥300,401	¥305,200	¥321,084	¥336,643	¥354,101	¥357,298
Business machines	239,170	238,518	239,816	247,698	230,300	220,782
Consolidated	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401	¥578,080
Operating income:						
Photographic materials	¥ 17,123	¥ 19,022	¥ 18,158	¥ 3,041	¥ 14,034	¥ 15,583
Business machines	21,677	20,174	24,786	18,086	18,490	10,782
Total	38,801	39,197	42,945	21,128	32,525	26,366
Eliminations and corporate	(9,191)	(8,654)	(9,813)	(6,553)	(9,462)	(2,761)
Consolidated	¥ 29,609	¥ 30,543	¥ 33,131	¥ 14,575	¥ 23,062	¥ 23,604

DOMESTIC SALES AND EXPORT SALES

	Millions of yen					
	2002	2001	2000	1999	1998	1997
Domestic sales (Note 1)	¥233,827	¥249,473	¥256,824	¥254,193	¥263,730	¥271,007
Export sales (Note 2):	305,744	294,246	304,076	330,149	320,671	307,073
North America	137,723	140,078	139,380	156,583	145,153	—
Europe	79,352	72,968	85,694	103,010	98,300	—
Asia and other	88,668	81,199	79,001	70,555	77,218	—
Ratio of export sales to net sales	56.7%	54.1%	54.2%	56.5%	54.9%	53.1%
Net sales	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401	¥578,080

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

SEGMENT INFORMATION BY GEOGRAPHIC REGION (NOTE 1)

	Millions of yen					
	2002	2001	2000	1999	1998	1997
Net sales:						
Japan	¥317,306	¥336,294	¥332,649	¥328,570	¥353,793	¥362,451
Overseas:	222,265	207,423	228,250	255,772	230,607	215,629
North America	126,361	120,016	129,152	150,377	131,560	—
Europe	73,009	66,549	78,079	86,006	78,445	—
Asia and other	22,894	20,858	21,019	19,389	20,602	—
Consolidated	¥539,571	¥543,719	¥560,900	¥584,342	¥584,401	¥578,080
Operating income:						
Japan	¥ 32,691	¥ 36,286	¥ 33,697	¥ 14,905	¥ 17,608	¥ 21,651
Overseas:	6,735	2,024	6,554	3,769	4,812	4,517
North America	3,511	2,154	5,037	3,321	3,284	—
Europe	1,943	(871)	689	478	1,529	—
Asia and other	1,280	741	828	(30)	(1)	—
Total	39,427	38,311	40,252	18,674	22,420	26,169
Eliminations and corporate	(9,817)	(7,767)	(7,121)	(4,099)	641	(2,564)
Consolidated	¥ 29,609	¥ 30,543	¥ 33,131	¥ 14,575	¥ 23,062	¥ 23,604
Assets:						
Japan	¥343,399	¥345,592	¥342,434	¥350,202	¥374,585	¥372,542
Overseas:	160,469	152,078	153,224	198,561	209,806	181,154
North America	98,286	93,245	97,036	132,233	145,157	—
Europe	43,771	43,079	42,037	53,510	50,785	—
Asia and other	18,412	15,754	14,151	12,818	13,864	—
Total	503,869	497,672	495,659	548,764	584,393	553,697
Eliminations and corporate	23,491	20,508	54,044	40,436	44,669	39,300
Consolidated	¥527,360	¥518,181	¥549,703	¥589,201	¥629,062	¥592,997

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

SALES RESULTS

In the fiscal year ended March 31, 2002, extremely severe conditions prevailed in the world economy, as sluggish economic conditions in major regions were exacerbated by the September 2001 terrorist attacks in the United States, and there were no visible signs of a an impending recovery. In the Japanese economy, capital investment contracted due to a lagging economic recovery and a marked deterioration in corporate earnings, while personal consumption remained lackluster owing to rising concerns about employment. The yen depreciated 12.9% against the U.S. dollar during the fiscal year, to an average of ¥122.85 at the end of March 2002, and 9.5% against the euro, to an average of ¥109.45 at the end of March 2002. This had the effect of reducing net sales 0.8% to ¥539.6 billion.

In our photographic materials segment, we recorded higher sales of medical imaging systems, thanks to the high acclaim of these systems, which were quick to be introduced in the market in response to the trend toward digital networking in hospitals. Sales in inkjets, for which we have high expectations as a new business, rose firmly as we expanded our business for photo-quality paper. On the other hand, in the EM & ID Business Group demand was sluggish in the market for liquid crystal displays (LCDs) owing to the slump in IT-related markets, and lower sales were recorded for triacetyl cellulose (TAC) film used for polarizing filters in LCDs.

Although the Consumer Imaging Company strengthened its sales in Asia, it recorded a decrease in sales in industrialized countries because of the trend toward digitization and the effects of the terrorist attacks in the United States. The graphic imaging business, which remained in an economic slump, posted an increase in sales volume from the previous year, mainly in Asia, but the value of those sales declined.

In our business machines segment, the Office Document Company introduced a succession of medium- and high-speed digital copiers and recorded a large increase in sales. The Optics & EM Technologies Company, which was affected by the bursting of the IT bubble, experienced a recovery in the second half of the year, mainly in DVD-related markets, but sales for the entire year declined. Sales for cameras and digital cameras also decreased.

COST OF SALES, AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The cost of sales during the fiscal year under review declined 3.0% compared with the previous period to ¥309.6 billion. This decrease was due to the decline in net sales as well as the implementation of cost-reduction measures, which covered the portion of cost increases resulting from the weakening of the yen. As a result, the cost of sales ratio improved 1.3 percentage points, from 58.7% to 57.4%. Gross profit edged up 2.4% from the previous year to ¥229.9 billion.

Selling, general and administrative (SG&A) expenses increased ¥6.3 billion, or 3.3%, from the previous year to ¥200.3 billion. Since net sales shrank 0.8%, the SG&A expenses ratio increased 1.4 percentage points compared with the previous fiscal year, from 35.7% to 37.1%. During the year we progressed with rationalization measures that included reductions in sales incentives while aggressively investing in R&D for digitization. Although actual expenses were held at the same level as in the previous fiscal year, the weakening of the yen had the effect of raising expenses ¥6.3 billion.

SALES RESULTS BY SEGMENT

Sales in our photographic materials segment declined 1.7% compared with the previous year to ¥301.8 billion, and operating income decreased 10% to ¥17.1 billion. Despite higher sales in growth regions, mainly in Asia, owing to the allocation of management resources to these regions, sales and operating income for the Consumer Imaging Company declined due to falling sales prices and lower demand in such mature markets as Japan and the United States. The Medical & Graphic Company recorded steady growth in sales in its medical imaging business, which is experiencing rising demand for dry film and X-ray imaging systems for dry film.The graphic imaging business posted higher overseas sales, mainly in Asia. However, domestic sales in graphic imaging declined. As a result, the Medical & Graphic Company registered an approximately ¥2.0 billion decline in sales but achieved a ¥1.5 billion rise in operating income by implementing cost-reduction measures and reducing sales and administrative expenses. The EM & ID Business Group, which handles TAC film used for polarizing filters in LCDs, posted declines in sales and operating income due to the collapse of the IT market. Sales in the Inkjet Business Group increased but the group posted an operating loss.

Sales in our business machines segment edged up 0.4% from the previous fiscal year to ¥240.4 billion, and operating income advanced 7.5% to ¥21.7 billion. The Office Document Company, which accounts for a relatively large proportion of sales in the business machines segment, recorded growth in both sales and operating income, thanks to a steady expansion in sales of its medium- and high-speed digital copiers as well as reductions in costs by shifting production to China. The Optics & EM Technologies Company suffered declines in both sales and operating income due to the bursting of the IT bubble.

ANALYSIS OF PROFIT AND LOSS

As detailed above, despite the positive effects of the weakening of the yen, net sales declined because of the collapse of the IT bubble. Conversely, SG&A expenses increased owing to the effects of a weaker yen. As a result, operating income declined 3.1% compared with the previous year to ¥29.6 billion, and the operating margin decreased 0.1 percentage point to 5.5%. In other income and expenses, the Company recorded a ¥4.9 billion improvement in operating expenses to ¥14.6 billion. Non-operating income items included ¥0.7 billion in interest and dividend income, compared with ¥1.2 billion in the previous year, and ¥2.9 billion in foreign currency gains, net, up from ¥1.6 billion. The decline in interest and dividend income was the result of selling off marketable securities.

Non-operating expense items included ¥6.7 billion in interest expenses, compared with ¥9.3 billion the previous year. This decline was due to our reduction of interest-bearing debt and lower interest rates in the United States.

As a result of the foregoing, income before income taxes jumped 35.6% from the previous fiscal year to ¥15.0 billion. Net income soared 71.3% to ¥11.1 billion. Net income per share of common stock was ¥30.93, up from ¥18.06 in the previous year. Return on equity rose to 6.5% from 4.0%, and return on assets rose to 2.1% from 1.2% in the previous fiscal year.

ASSETS AND LIABILITIES

Total assets at the end of the fiscal year under review increased 1.8% from the previous year-end, to ¥527.4 billion. In current assets, cash and cash equivalents declined ¥8.9 billion. This is because the Company repaid interest-bearing debt in an amount that exceeded free cash flow. Notes and accounts receivable—trade declined ¥3.1 billion due to the decrease in net sales.

Net property, plant and equipment increased ¥14.2 billion due mainly to an increase in buildings and structures as well as machinery and equipment, attributable to construction of a plant in Kofu for digital medical film and a plant in Kobe for TAC film for polarizing filters used in LCDs. Markets for both of these products are expected to grow in the future. The Kofu Plant for digital medical film commenced operations in April 2002, and plans call for the Kobe Plant for TAC film for polarizing filters used in LCDs to go online after summer 2002.

In investments and other assets, investment securities declined ¥3.7 billion due to the sale of marketable securities. Intangible assets rose ¥2.0 billion due to investments for promoting the increased use of IT.

On the liabilities side, total current liabilities rose ¥5.5 billion from the previous fiscal year-end, while total long-term liabilities decreased ¥7.4 billion. Within total current liabilities, the current portion of long-term debt declined ¥28.3 billion. However, transfer of the current portion of long-term debt to short-term debt resulted in a ¥33.1 billion rise in short-term debt, leading to the rise in current liabilities.

In total long-term liabilities, we redeemed ¥13.5 billion in long-term bonds while procuring an additional ¥2.9 billion in long-term debt. As a result, total long-term liabilities declined ¥10.6 billion. We reduced long-term liabilities by an amount that exceeded the rise in current assets, enabling us to progress with flexible fund raising. Thus, total short- and long-term interest-bearing debt decreased ¥5.8 billion to ¥176.1 billion. Although this amount surpasses the reduction target of our SAN Plan 2004 medium-term management plan, we aim to further reduce interest-bearing debt to ¥160.0 billion or less—equivalent to one-third of total assets—under our new SAN Plan 2005.

Total shareholders' equity increased ¥11.0 billion from the previous year-end due to a ¥7.4 billion expansion in retained earnings and a ¥3.8 billion increase in foreign currency translation adjustments. Although both total assets and total shareholders' equity rose from the previous fiscal year-end, since the rate of increase in shareholders' equity was higher than for total assets, the shareholders' equity ratio for the year under review was up 1.6 percentage points, to 32.5%.

CAPITAL EXPENDITURE

In accordance with its policy of "selection and concentration," Konica concentrated its capital expenditure on production divisions with aims that include strengthening and increasing production capabilities as well as rationalizing and achieving labor-saving production. Capital expenditure in the fiscal year under review totaled ¥45.6 billion, an increase of ¥15.2 billion from the previous period. Of this amount, ¥29.3 billion was allocated to the photographic materials segment, ¥14.9 billion to the business machines segment, and ¥1.3 billion was allocated for facilities shared by both business segments. A principal factor underlying this increase in capital expenditure was the construction of large-scale plants that included a plant in Kofu for digital medical film in our photographic materials segment and a new plant in Kobe for TAC film for polarizing filters used in LCDs.

CASH FLOWS

Net cash provided by operating activities in the year under review totaled ¥48.1 billion, a decline of ¥2.8 billion from the previous fiscal year. This consisted mainly of ¥15.0 billion in income before income taxes and ¥26.2 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥39.5 billion, an increase of ¥31.4 billion from the previous fiscal year. This resulted mainly from ¥41.6 billion in payment for acquisition of fixed assets.

Net cash used in financing activities totaled ¥19.0 billion, a decrease of ¥23.6 billion from the previous fiscal year. This consisted primarily of ¥15.2 billion in the redemption of bonds, as well as the repayment of long-term debt and reduction of short-term debt.

In the next fiscal year we will further reduce our assets while aiming to expand our business by continuing to take a vigorous approach to capital investments. We expect to create free cash flow of ¥7.0 billion and will further reduce interest-bearing debt as we strengthen our financial structure.

OUTLOOK

The trend toward digitization in the market is proceeding at a faster-than-expected rate. Despite some emerging signs of brightness in the world's principal economies, the direction of these economies still remains unclear. To ensure its continued growth amid this challenging environment, Konica will place top priority on reforming its operations in addition to upgrading its technical capabilities and cost competitiveness. Under SAN Plan 2005, a new management plan formulated in March 2002, Konica will implement management policies that include 1) carrying out Companywide portfolio management, 2) progressing further with the digital networks, 3) enhancing management efficiency, 4) improving quality, and 5) implementing environmental accounting. By taking these measures throughout the Group, we are aiming for consolidated net income of ¥30.0 billion and ROE of 12.5% in the fiscal year ending March 31, 2006. Also, to carry out optimal and swift management in each business segment, which will have clear-cut responsibilities and authority, we will spin off all our businesses as separate companies in April 2003. Konica will serve as the holding company and oversee all businesses while carrying out strategic decision making based on portfolio management. By taking this approach, we are pursuing balance-sheet management that quickly reflects the business characteristics of each company, further improves capital efficiency, and achieves growth in profits.

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2002	2001	2002
Current Assets			
Cash and cash equivalents (Note 4)	¥ 47,659	¥ 56,573	$ 357,800
Notes and accounts receivable—trade (Note 6)	137,224	140,329	1,030,210
Less: Allowance for doubtful accounts	(7,819)	(9,058)	(58,701)
Inventories	102,348	102,260	768,378
Deferred tax assets (Note 8)	12,963	10,680	97,320
Other accounts receivable	9,513	9,123	71,419
Other current assets	7,713	7,980	57,905
Total current assets	309,602	317,890	2,324,339
Property, Plant and Equipment:			
Land	19,335	18,585	145,158
Buildings and structures	112,104	107,196	841,622
Machinery and equipment	296,518	285,771	2,226,111
Construction in progress	20,691	8,267	155,338
Total property, plant and equipment	448,649	419,821	3,368,236
Less: Accumulated depreciation	(292,587)	(277,951)	(2,196,599)
Property, plant and equipment, net	156,061	141,870	1,171,629
Investments and Other Assets:			
Investment securities (Note 5)	13,469	17,200	101,119
Long-term loans	2,291	4,352	17,200
Deferred tax assets (Note 8)	18,826	15,493	141,336
Intangible assets	10,884	8,881	81,712
Long-term prepaid expenses	5,604	5,934	42,072
Other investments	13,053	11,966	97,995
Other assets	34	7	255
Less: Allowance for doubtful accounts	(2,469)	(5,417)	(18,536)
Total investments and other assets	61,696	58,421	463,183
Total assets	¥ 527,360	¥ 518,181	$ 3,959,159

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 3) 2002
Current Liabilities:			
Short-term debt (Note 7)	¥111,741	¥ 78,656	$ 838,896
Current portion of long-term debt (Note 7)	17,894	46,155	134,339
Notes and accounts payable—trade (Note 6)	68,256	74,738	512,432
Accrued expenses	34,945	34,771	262,350
Accrued income taxes (Note 8)	6,539	3,194	49,092
Other current liabilities	28,426	24,756	213,408
Total current liabilities	267,805	262,273	2,010,548
Long-Term Liabilities:			
Long-term debt (Note 7)	46,472	57,099	348,889
Accrued retirement benefits	35,078	31,144	263,348
Other long-term liabilities	6,036	6,718	45,315
Total long-term liabilities	87,587	94,961	657,560
Minority Interests	741	687	5,563
Shareholders' Equity (Note 10):			
Common stock, par value ¥50 per share:			
Authorized—800,000,000 shares			
Issued and outstanding—357,655,368 shares	37,519	37,519	281,674
Additional paid-in capital	79,342	79,342	595,661
Retained earnings	56,251	48,813	422,305
Unrealized gains on securities	891	1,064	6,689
Foreign currency translation adjustments	(2,659)	(6,478)	(19,962)
Less: Treasury common stock	(119)	(2)	(893)
Total shareholders' equity	171,226	160,259	1,285,480
Commitments and Contingent Liabilities (Note 11)			
Total liabilities and shareholders' equity	¥527,360	¥518,181	$3,959,159

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Net Sales (Note 6)	¥539,571	¥543,719	$4,050,833
Cost of Sales (Note 6)	309,633	319,163	2,324,572
Gross profit	229,937	224,555	1,726,254
Selling, General and Administrative Expenses	200,328	194,012	1,503,964
Operating income	29,609	30,543	222,290
Other Income (Expenses):			
Interest and dividend income	720	1,198	5,405
Interest expenses	(6,668)	(9,267)	(50,060)
Foreign currency gains, net	2,876	1,606	21,592
Equity in earnings (loss) of unconsolidated subsidiaries and affiliates	(1,020)	(248)	(7,658)
Gains on sales of fixed assets	410	8,587	3,078
Write-down on investment securities	(1,688)	(2,603)	(12,673)
Amortization of unrecognized obligation at transition (Note 13)	(1,647)	(22,096)	(12,365)
Gains on securities contribution to retirement benefit trust (Note 13)	—	8,873	—
Other, net	(7,597)	(5,534)	(57,035)
Total	(14,615)	(19,483)	(109,722)
Income before income taxes	14,994	11,059	112,568
Provision for Income Taxes (Note 8):			
Current	8,441	4,593	63,371
Deferred	(4,576)	(0)	(34,354)
Total	3,865	4,593	29,017
Minority Interests in Earnings of Consolidated Subsidiaries	(69)	(8)	(518)
Net Income	11,059	6,457	83,026
Retained Earnings at Beginning of the Year:	48,813	45,932	366,464
Appropriations:			
Cash dividends	(3,576)	(3,576)	(26,847)
Bonuses to directors and corporate auditors	(45)	—	(338)
Retained Earnings at End of the Year	¥ 56,251	¥ 48,813	$ 422,305

	Yen		U.S. dollars (Note 3)
Per Share of Common Stock:			
Net income	¥ 30.9	¥ 18.1	$ 0.23
Cash dividends	10.0	10.0	0.08

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

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2002 and 2001

	Shares of issued common stock (thousands)	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities	Foreign currency translation adjustments
Balance at March 31, 2002	357,655,368	¥37,519	¥79,342	¥56,251	¥(119)	¥ 891	¥(2,659)
Net income							
Balance at March 31, 2001	357,655,368	¥37,519	¥79,342	¥48,813	¥ (2)	¥1,064	¥(6,478)
Net income							
Balance at March 31, 2000	357,655,368	¥37,519	¥79,342	¥45,932	¥ (0)	¥ —	¥ —

	Shares of issued common stock (thousands)	Thousands of U.S. Dollars (Note 3)					
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains on securities	Foreign currency translation adjustments
Balance at March 31, 2002	357,655,368	$281,674	$595,661	$422,305	$(893)	$6,689	$(19,962)
Net income							
Balance at March 31, 2001	357,655,368	$302,817	$640,371	$393,971	$ (16)	$8,588	$(52,284)

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

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Cash Flows from Operating Activities:			
Income before income taxes	¥ 14,994	¥ 11,059	$ 112,568
Depreciation and amortization	26,219	25,940	196,839
(Decrease) increase in allowance for doubtful receivables	(2,055)	3,722	(15,428)
Interest and dividend income	(720)	(1,198)	(5,405)
Interest expenses	6,668	9,267	50,060
Loss (gain) on sales or disposals of fixed assets, net	4,088	(6,606)	30,691
Write-down on investment securities	1,688	2,603	12,673
Amortization of unrecognized net obligation at transition	1,647	13,223	12,365
Loss on liquidation of affiliated company	2,451	360	18,401
Decrease in notes and accounts receivable	9,164	3,067	68,799
Decrease in inventories	4,202	5,151	31,547
Decrease in notes and accounts payable	(13,349)	(7,560)	(100,218)
Decrease in accrued consumption tax payable	(1,405)	(740)	(10,548)
Other	5,609	5,383	42,110
Subtotal	59,205	63,673	444,482
Interest and dividend income received	697	973	5,233
Interest expenses paid	(6,773)	(9,244)	(50,848)
Income taxes paid	(5,003)	(4,479)	(37,560)
Net cash provided by operating activities	48,125	50,923	361,299
Cash Flows from Investing Activities:			
Proceeds from the sale of marketable securities	—	120	—
Payment for acquisition of fixed assets	(41,616)	(23,050)	(312,432)
Proceeds from the sale of fixed assets	5,483	12,112	41,164
Payment for acquisition of investment securities	(216)	(573)	(1,622)
Proceeds from the sale of investment securities	697	6,768	5,233
Other	(3,845)	(3,497)	(28,866)
Net cash used in investing activities	(39,496)	(8,119)	(296,517)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt	22,986	(23,200)	172,568
Proceeds from long-term debt	8,223	25,681	61,734
Redemption of long-term debt	(33,512)	(41,551)	(251,592)
Proceeds from the issuance of bonds	2,000	—	15,015
Redemption of bonds	(15,150)	—	(113,739)
Payments for repurchase of treasury stocks	(19)	(1)	(143)
Dividends paid	(3,576)	(3,576)	(26,847)
Net cash used in financing activities	(19,049)	(42,648)	(143,011)
Translation differences on cash and cash equivalents	904	966	6,787
(Decrease) increase in cash and cash equivalents	(9,515)	1,121	(71,434)
Cash and cash equivalents at the beginning of the year	56,573	55,022	424,722
Increase in cash and cash equivalents by new consolidation	602	429	4,520
Cash and cash equivalents at fiscal year-end	¥ 47,659	¥ 56,573	$ 357,800

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

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
For the fiscal years ended March 31, 2002 and 2001

1. Basis of Presenting Financial Statements

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

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

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

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

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

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and, with certain exceptions which are not material, those of its subsidiaries in which it has control. All significant intercompany transactions and accounts and unrealized profits are eliminated in consolidation.

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

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

(b) Translation of Foreign Currencies

Translation of Foreign Currency Transactions

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and revenues and costs are translated using average exchange rate for the period.

Translation of Foreign Currency Financial Statements

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

(c) Cash and Cash Equivalents

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

(d) Inventories

Inventories are valued principally on an average-cost basis.

(e) Property, Plant and Equipment Depreciation

Depreciation of property, plant and equipment for the Company and domestic consolidated subsidiaries is computed using the declining balance method except for depreciation of buildings acquired after April 1, 1998, based on the estimated useful lives of assets.

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

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

(f) Income Taxes

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

(g) Research and Development Expenses

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

(h) Financial Instruments

Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see Hedge Accounting below).

Securities

Securities held by the Company and its subsidiaries are classified into two categories:

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value.

Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at a net-of-tax amount.

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

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Hedge Accounting

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

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

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

The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(i) Accrued Retirement Benefits

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which was effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March 31, 2001 represented the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥27,929 million (US$225,416 thousand) included the amount of ¥22,096 million (US$178,337 thousand) that was fully amortized on the establishment of the trust for retirement benefit at April 1, 2000.

The remaining amount of ¥5,833 million (US$47,079 thousand) is being amortized on a straight-line basis over 5 years. The unrecognized actuarial differences are being amortized on a straight-line basis mainly over the period of 10 years from the next year in which they arise.

(j) Per Share Data

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

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

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥133.20=US$1, the rate of exchange on March 29, 2002, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Cash and bank deposits	**¥47,359**	¥55,492	**$355,548**
Money management funds	**300**	1,081	**2,252**
Cash and cash equivalents	**¥47,659**	¥56,573	**$357,800**

5. Securities

As of March 31, 2002

(a) Other Securities with Quoted Market Values

	Millions of yen		
	Original purchase value	Market value at the consolidated balance sheet date	Unrealized gains or losses
Securities for which the amounts in the consolidated balance sheets exceed the original purchase value			
(1) Shares	¥5,319	¥ 7,620	¥2,301
(2) Other	—	—	—
Subtotal	5,319	7,620	2,301
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value			
(1) Shares	3,697	2,876	(820)
(2) Other	98	91	(6)
Subtotal	3,796	2,968	(827)
Total	¥9,116	¥10,589	¥1,473
	Thousands of U.S. dollars		
Total	$68,438	$79,497	$11,059

(b) Other Securities Sold During the Fiscal Year Under Review

	Millions of yen		
	Sale value	Total profit	Total loss
Other securities	¥1,182	¥278	¥6
	Thousands of U.S. dollars		
Other securities	$8,874	$2,087	$45

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

Amounts on consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Money management funds	¥300	$2,252
Unlisted stocks	615	4,617
Unlisted foreign bonds	586	4,399

(d) Future Amortization Schedules of Other Securities with Maturity Dates

	Millions of yen	
	Within one year	One year or more, up to five years
Unlisted foreign bonds	¥293	¥293
	Thousands of U.S. dollars	
Unlisted foreign bonds	$2,200	$2,200

6. Investments in and Loans to Unconsolidated Subsidiaries and Affiliates

The following investments in and loans to unconsolidated subsidiaries and affiliates as of March 31, 2002 and 2001 are included in investment securities:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investments	¥1,751	¥3,272	$13,146
Loans	12	49	90
	¥1,763	¥3,321	$13,236

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Sales	¥ 4,806	¥11,389	$ 36,081
Purchases	23,278	30,282	174,760

Transaction balances as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Trade receivables	¥3,863	¥ 6,865	$29,002
Trade payables	7,541	12,969	56,614

7. Short-Term & Long-Term Debt with Banks

Short-term and long-term debt as of March 31, 2002 and 2001 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2002		2001	2002
		(Interest rate)		
Short-term loans	¥111,741	2.59%	¥ 78,656	$838,896
Current portion of				
long-term loans	2,540	1.96	31,155	19,069
Long-term loans	14,226	1.46	11,349	106,802
	¥128,508		¥121,161	$964,775

The annual maturities of long-term debt as of March 31, 2002 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥6,132	$46,036
2005	4,085	30,668
2006	16	120
2007	2,014	15,120

Bonds

Bonds as of March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Bonds	¥47,600	¥60,750	$357,357

The annual maturity of long-term debt as of March 31, 2002 is as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥15,354	$115,270
2004	5,000	37,538
2005	7,000	52,553
2006	10,000	75,075
2007	5,000	37,538

Assets pledged as collateral for short-term debt, long-term debt and guarantees as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Property, plant and equipment	¥2,374	¥4,659	$17,823

8. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2001 was 42.1%.

At March 31, 2002 and 2001, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	2002	2001
Statutory tax rate	42.1%	42.1%
Accumulated deficit	(13.6)	—
Other, net	(2.7)	(0.6)
Effective tax rate	25.8%	41.5%

At March 31, 2002 and 2001, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Gross deferred tax assets:			
Tax effect on loss of a consolidated subsidiary previously not recognized	¥ 3,057	¥ 1,298	$ 22,950
Tax loss carryforwards	9,459	7,511	71,014
Reserve for employees' retirement allowance	15,451	13,899	115,998
Inventories, etc	2,631	4,936	19,752
Other, net	16,477	14,346	123,701
Subtotal	47,075	41,992	353,416
Valuation allowance	(6,764)	(7,034)	(50,781)
Deferred tax assets total	40,311	34,957	302,635
Total gross deferred tax liabilities	(8,521)	(8,783)	(63,971)
Net deferred tax assets	¥31,789	¥26,174	$238,656

Deferred tax assets relating to operating losses are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

9. Research and Development Expenses

Total amounts charged to income for the fiscal years ended March 31, 2002 and 2001 are ¥29,171 million (US$219,002 thousand) and ¥26,672 million, respectively.

10. Shareholders' Equity

Until September 30, the Japanese Commercial Code required that an amount equal to at least 10% of cash distributions paid out of retained earnings should be appropriated to a legal reserve until this reserve equals 25% of common stock. Effective from October 1, 2001, the Japanese Commercial Code was amended such that an amount equal to at least 10% of the cash distribution paid out of retained earnings should be appropriated to the legal reserve until the total amount of this reserve and additional paid-in capital equals 25% of common stock. Thus, in accordance with the modified Japanese Commercial Code, the Company does not appropriate to the legal reserve. The legal reserve is not available for cash dividends but may be used to reduce a deficit by a shareholders' resolution or may be capitalized by a Board of Directors' resolution.

On June 25, 2002, the shareholders approved a cash dividend to be paid to shareholders on record as of March 31, 2002 totaling ¥1,787 million (US$13,416 thousand), at the rate of ¥5.00 (US$0.04) per share of common stock.

11. Commitments and Contingent Liabilities

The Company and its subsidiaries were contingently liable, as of March 31, 2002, for trade notes discounted with banks of ¥100 million (US$751 thousand) and for loans guaranteed of ¥1,545 million (US$11,599 thousand).

12. Lease Transactions

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

Lessee

1. Finance Leases

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Machinery and equipment	¥11,826	¥11,505	$ 88,784
Tools and furniture	6,913	6,001	51,899
Others	451	683	3,386
	19,192	18,191	144,084
Less: Accumulated depreciation	(9,392)	(7,471)	(70,511)
Net book value	9,799	10,720	73,566
Depreciation	¥ 3,463	¥ 3,274	$ 25,998

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

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥3,343	¥ 3,122	$25,098
Due over one year	6,456	7,598	48,468
	9,799	10,720	73,566
Lease rental expenses for the year	¥3,463	¥ 3,274	$25,998

2. Operating Leases

The scheduled maturities of future lease rental payments on such lease contracts as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 4,036	¥ 4,805	$ 30,300
Due over one year	14,568	12,133	109,369
	¥18,604	¥16,939	$139,670

Lessor

Finance Leases

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Leased tools and furniture:			
Purchase cost	¥ 766	¥ 972	$ 5,751
Accumulated depreciation	(689)	(896)	(5,173)
Net book value	¥ 77	¥ 76	$ 578

The scheduled maturities of future lease rental income on such lease contracts as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 88	¥ 87	$ 661
Due over one year	—	—	—
	88	87	661
Lease rental income for the year	792	1,030	5,946
Depreciation for the year	¥689	¥ 896	$5,173

13. Retirement Benefits Plan

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

The reserve for retirement benefits as of March 31, 2002 is analyzed as follows:

	Millions of yen	Thousands of U.S. dollars
a. Retirement benefit obligations	¥(112,988)	$(848,258)
b. Plan assets	59,511	446,779
c. Unfunded retirement benefit obligations (a+b)	(53,477)	(401,479)
d. Unrecognized transition amount	4,227	31,734
e. Unrecognized actuarial differences	15,620	117,267
f. Unrecognized prior service cost	(16)	(120)
g. Net amount on consolidated balance sheets (c+d+e+f)	(33,645)	(252,590)
h. Prepaid pension cost	1,432	10,751
i. Accrued retirement benefits (g–h)	¥ (35,078)	$(263,348)

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

Net pension expense related to the retirement benefits for the year ended March 31, 2002 is as follows:

	Millions of yen	Thousands of U.S. dollars
a. Service costs	¥ 5,473	$41,089
b. Interest costs	3,375	25,338
c. Expected return on plan assets	(1,096)	(8,228)
d. Amortization of transition amount	1,647	12,365
e. Actuarial differences that are accounted for as expenses	574	4,309
f. Prior service costs that are accounted for as expenses	(4)	(30)
g. Retirement benefit costs (a+b+c+d+e+f)	¥ 9,970	$74,850

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

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

14. Related Party Transactions

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the year ended March 31, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
Name of related company	SECONIC CORPORATION	
Paid-in capital	¥ 1,503	$ 11,284
Principal business	Production and sales of copy machines	
Equity ownership percentage by the Company	38%	
Description of the Company's transaction:		
Purchase amounts from April 2001 to March 2002	¥21,924	$164,595
Balance of accounts payable—trade as of March 31, 2002	¥ 6,054	$ 45,450

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

15. Segment Information

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

BY PRODUCT

	Millions of yen				
	Photographic materials	Business machines	Total	Eliminations and corporate	Consolidation
2002: Net sales					
Outside	¥300,401	¥239,170	¥539,571	¥ —	¥539,571
Intersegment	1,399	1,226	2,625	(2,625)	—
Total	301,800	240,396	542,196	(2,625)	539,571
Operating expenses	284,676	218,718	503,395	6,565	509,961
Operating income	¥ 17,123	¥ 21,677	¥ 38,801	¥ (9,191)	¥ 29,609
Assets	¥303,254	¥178,160	¥481,414	¥45,945	¥527,360
Depreciation	12,132	11,773	23,905	2,314	26,219
Capital expenditure	¥ 29,347	¥ 14,945	¥ 44,292	¥ 1,301	¥ 45,593

	Millions of yen				
	Photographic materials	Business machines	Total	Eliminations and corporate	Consolidation
2001: Net sales					
Outside	¥305,200	¥238,518	¥543,719	¥ —	¥543,719
Intersegment	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
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

	Thousands of U.S. dollars (Note 3)				
	Photographic materials	Business machines	Total	Eliminations and corporate	Consolidation
2002: Net sales					
Outside	$2,255,263	$1,795,571	$4,050,833	$ —	$4,050,833
Intersegment	10,503	9,204	19,707	(19,707)	—
Total	2,265,766	1,804,775	4,070,541	(19,707)	4,050,833
Operating expenses	2,137,207	1,642,027	3,779,242	49,287	3,828,536
Operating income	$ 128,551	$ 162,740	$ 291,299	$ (69,002)	$ 222,290
Assets	$2,276,682	$1,337,538	$3,614,219	$344,932	$3,959,159
Depreciation	91,081	88,386	179,467	17,372	196,839
Capital expenditure	$ 220,323	$ 112,200	$ 332,523	$ 9,767	$ 342,290

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

BY GEOGRAPHIC REGION

	Millions of yen						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidation
2002: Net sales							
Outside	¥317,306	¥126,361	¥73,009	¥22,894	¥539,571	¥ —	¥539,571
Intersegment	112,985	6,945	620	31,489	152,041	(152,041)	—
Total	430,291	133,307	73,629	54,384	691,613	(152,041)	539,571
Operating expenses	397,599	129,796	71,686	53,104	652,186	(142,224)	509,961
Operating income	¥ 32,691	¥ 3,511	¥ 1,943	¥ 1,280	¥ 39,427	¥ (9,817)	¥ 29,609
Assets	¥343,399	¥ 98,286	¥43,771	¥18,412	¥503,869	¥ 23,491	¥527,360

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

	Thousands of U.S. dollars (Note 3)						
	Japan	North America	Europe	Asia and Other	Total	Eliminations and Corporate	Consolidation
2002: Net sales							
Outside	$2,382,177	$ 948,656	$548,116	$171,877	$4,050,833	$ —	$4,050,833
Intersegment	848,236	52,140	4,655	236,404	1,141,449	(1,141,449)	—
Total	3,230,413	1,000,803	552,770	408,288	5,192,290	(1,141,449)	4,050,833
Operating expenses	2,984,977	974,444	538,183	398,679	4,896,291	(1,067,748)	3,828,536
Operating income	$ 245,428	$ 26,359	$ 14,587	$ 9,610	$ 295,998	$ (73,701)	$ 222,290
Assets	$2,578,071	$ 737,883	$328,611	$138,228	$3,782,800	$ 176,359	$3,959,159

EXPORT SALES

	Millions of yen	Thousands of U.S. dollars (Note 3)	Percentage of net sales
2002: Sales to			
North America	¥137,723	$1,033,956	25.5%
Europe	79,352	595,736	14.7
Asia and Other	88,668	665,676	16.5
2001: Sales to			
North America	¥140,078	$1,130,573	25.8%
Europe	72,968	588,927	13.4
Asia and Other	81,199	655,359	14.9

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

We have audited the accompanying consolidated balance sheets of KONICA CORPORATION and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated Financial position of KONICA CORPORATION and its consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

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

ChuoAoyama Audit Corporation

Tokyo, Japan
June 25, 2002

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of June 25, 2002

CHAIRMAN OF THE BOARD

Tomiji Uematsu

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fumio Iwai

DIRECTORS

Takanori Yoneyama
Takeo Koitabashi
Masaru Kanbe
Tsuyoshi Miyachi
Yoshihiko Someya
Tetsuya Katada
Hiroyuki Fujimura

SENIOR CORPORATE AUDITOR

Hideo Kubota

CORPORATE AUDITORS

Masayuki Matsumoto
Yasuyuki Wakahara
Kazunobu Kato

SENIOR EXECUTIVE OFFICERS

Takeo Koitabashi
Takamasa Shintani
Masaru Kanbe
Hirofumi Sakaguchi
Hideaki Iwama
Teruo Kawaura

EXECUTIVE OFFICERS

Tomohisa Saito
Yasunari Sata
Tsuyoshi Miyachi
Yoshihiko Someya
Kaoru Onodera
Toshifumi Hori

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of August 2002

DOMESTIC OPERATIONS

MARKETING & SERVICE

KONICA MARKETING CORPORATION

KONICA MEDICAL INC.

KYORITSU MEDICAL ELECTRIC CO., LTD.

KONICA COLOR IMAGING CORPORATION

KONICA BUSINESS MACHINES JAPAN CO., LTD.

KONICA GRAPHIC IMAGING JAPAN CO., LTD.

NIHON ID SYSTEM CO., LTD.

KONICA ID IMAGING CO., LTD.

KONICA LOGISTICS CO., LTD.

KONICA MEDITECH SERVICE CORPORATION

KONICA SOGO SERVICE CO., LTD.

KONICA ENGINEERING CO., LTD.

KONICA SERVICE CO., LTD.

KONICA TECHNOSEARCH CORPORATION

MANUFACTURING

KONICA OPTICS PRODUCTS CORPORATION

KONICA PACKAGING CORPORATION

KONICA CHEMICAL CORPORATION

KONICA MINOLTA SUPPLIES MANUFACTURING CO., LTD.

KONICA DENSHI CO., LTD.

KONICA REPRO CO., LTD.

KONICA SYSTEM EQUIPMENT CO., LTD.

OVERSEAS OPERATIONS

NORTH AMERICA & CENTRAL AMERICA

KONICA HEADQUARTERS NORTH AMERICA, INC.*
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Tel: 201-236-3700

KONICA PHOTO IMAGING, INC.
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Tel: 201-574-4000

KONICA MEDICAL IMAGING, INC.
411 Newark-Pompton Turnpike, Wayne, NJ 07470, U.S.A.
Tel: 973-633-1500

KONICA GRAPHIC IMAGING INTERNATIONAL, INC.
71 Charles Street, Glen Cove, NY 11542-2837, U.S.A.
Tel: 516-674-2500

KONICA BUSINESS TECHNOLOGIES, INC.
500 Day Hill Road, Windsor, CT 06095, U.S.A.
Tel: 860-683-2222

ALBIN INDUSTRIES, INC.
P.O. Box 346, Farmington, MI 48332, U.S.A.
Tel: 810-478-0005

KONICA OFFICE PRODUCTS, INC.
534 Broad Hollow Rd., Melville, NY 11747, U.S.A.
Tel: 516-753-1700

KONICA MANUFACTURING U.S.A., INC.
6900 Konica Drive, Whitsett, NC 27377, U.S.A.
Tel: 336-449-8000

KONICA SUPPLIES MANUFACTURING U.S.A., INC.
Upper Chesapeake Corporate Center, 1000 Konica Drive,
Elkton, MD 21921, U.S.A.
Tel: 410-398-7371

KONICA COMPUTER SOLUTIONS, INC.
7710 Kanamar Court, San Diego, CA 92121, U.S.A.
Tel: 858-549-2199

KONICA TECHNOLOGY, INC.*
47265 Fremont Blvd., Fremont, CA 94538, U.S.A.
Tel: 510-353-7566

KONICA FINANCE U.S.A. CORPORATION
725 Darlington Avenue, Mahwah, NJ 07430, U.S.A.
Tel: 201-236-3706

KONICA CANADA INC.
1329 Meyerside Drive, Mississauga, Ontario L5T 1C9, Canada
Tel: 905-670-7722

KONICA BUSINESS TECHNOLOGIES CANADA, INC.
1851 Sandystone Manor Pickering, Ontario L1W 3R9, Canada
Tel: 905-839-7921

KONICA BUSINESS TECHNOLOGIES DE MEXICO S.A. DE C.V.
Calle Lago Gran Oso No. 234-B, Col. Pensil,
Mexico D.F.C.P. 11430, Mexico
Tel: 5-527-6500

EUROPE

KONICA EUROPE GMBH
Friedrich-Bergius-Str., Gewerbegebiet, 85662 Hohenbrunn, Germany
Tel: 08102-8040

KONICA BUSINESS MACHINES DEUTSCHLAND GMBH
Frankenstrasse 7, 20097 Hamburg, Germany
Tel: 040-23602-0

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

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

KONICA UK LTD.
Plane Tree Crescent, Feltham, Middlesex TW13 7HD, U.K.
Tel: 020-8751-6121

KONICA BUSINESS MACHINES (U.K.) LTD.
Konica House, Miles Gray Road, Basildon, Essex SS14 3AR, U.K.
Tel: 1268-53-4444

KONICA PETER LLEWELLYN LTD.
11-12 De La Beche Street, Swansea SA1 3EZ, U.K.
Tel: 1792-466136

KONICA EAST DIRECT LTD.
Unit 7, Acorn Way, Oaktree Industrial Estate,
Mansfield NG18 3HD, U.K.
Tel: 1623-422227

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

KONICA CAPITAL EC (HOLLAND) B.V.*
Officia 1 de Boelelaan 7, 1083 HJ, Amsterdam, The Netherlands
Tel: 020-6465996

KONICA AUSTRIA GMBH
Hofbauergasse 3, A-1120, Wien, Austria
Tel: 1-834521-25

KONICA BUSINESS MACHINES ITALIA S.P.A.
Via Senigallia, 18/2-Edificio A 20161,
Milano-MI, Italy
Tel: 02-640051

KONICA BUSINESS MACHINES BELGIUM S.A.N.V.*
Avenue de la Metrologie 10, B-1130
Bruxelles, Belgium
Tel: 02-2442424

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

ASIA & OCEANIA

KONICA HONG KONG LTD.
Room 1818, Sun Hung Kai Centre, 30 Harbour Road,
Hong Kong, S.A.R., China
Tel: 2827-7288

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

KONICA MANUFACTURING VIETNAM CO., LTD.
No. 5 VSIP Street 4, Vietnam Singapore Industrial Park,
Thuan An District, Bin Duong Province, Vietnam
Tel: 84-65-075-6630

KONICA (DALIAN) CO., LTD.
No. 20 Dongbei Two Street
Dalian Economic and Technical Development Zone, Dalian 116600, China
Tel: 411-7622575

KONICA ASIA HEADQUARTERS PTE. LTD.
401 Commonwealth Drive #01-04,
Singapore 149598
Tel: 472-8724

KONICA SINGAPORE PTE. LTD.
401 Commonwealth Drive #01-04,
Singapore 149598
Tel: 473-1377

KONICA AUSTRALIA PTY. LTD.

A.B.E. RENTALS PTY. LTD.

K.B.A. PROPERTIES PTY. LTD.

APECO OF AUSTRALIA PTY. LTD.
22 Giffnock Avenue, North Ryde, N.S.W. 2113, Australia
Tel: 02-9878-5333

KONICA (THAILAND) CO., LTD.*
11th Floor, Sermmit Tower, 159 Asoke Road, Sukhumvit 21,
Bangkok 10110, Thailand
Tel: 2-260-8655

KONICA PHOTOCHEM (THAILAND) CO., LTD.*
600/24 Moo 11 Sukaphiban 8 Rd., Nongkham Sriracha
(Sriracha Industrial Park), Chonburi 20280, Thailand
Tel: 38-480429

KONICA MIDDLE EAST OFFICE**
P.O. Box 16988, Dubai, U.A.E.
Tel: 04-8816202

KONICA GRAPHIC IMAGING MIDDLE EAST LIAISON OFFICE**
Yuzyil Mah., Matbaacilar Sitesi No. 212 Bagcilar Sitesi,
Istanbul, Turkey
Tel: 212-629-5267

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

KONICA (SHANGHAI) CO., LTD.
Room A, 19 Floor, Majesty Building 138, Pu-dong Avenue, Shanghai, China
Tel: 21-6887-8868

* Unconsolidated subsidiary
** Representative office

KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2002

COMMON STOCK

Authorized: 800,000,000 shares

Outstanding: 357,655,368 shares

STOCK EXCHANGE LISTINGS

Tokyo, Osaka, Nagoya, Frankfurt, Düsseldorf

NUMBER OF SHAREHOLDERS

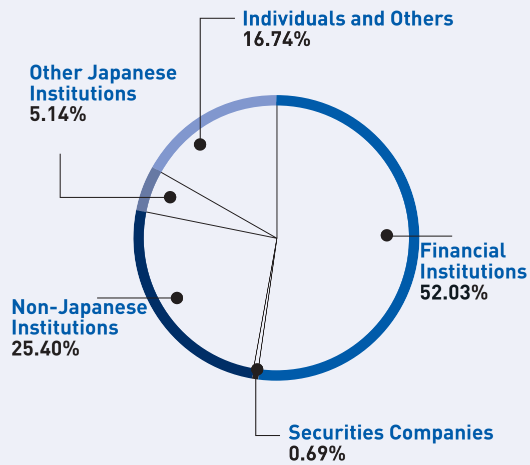
28,288

INDEPENDENT AUDITOR

ChuoAoyama Audit Corporation

TRANSFER AGENT FOR COMMON STOCK

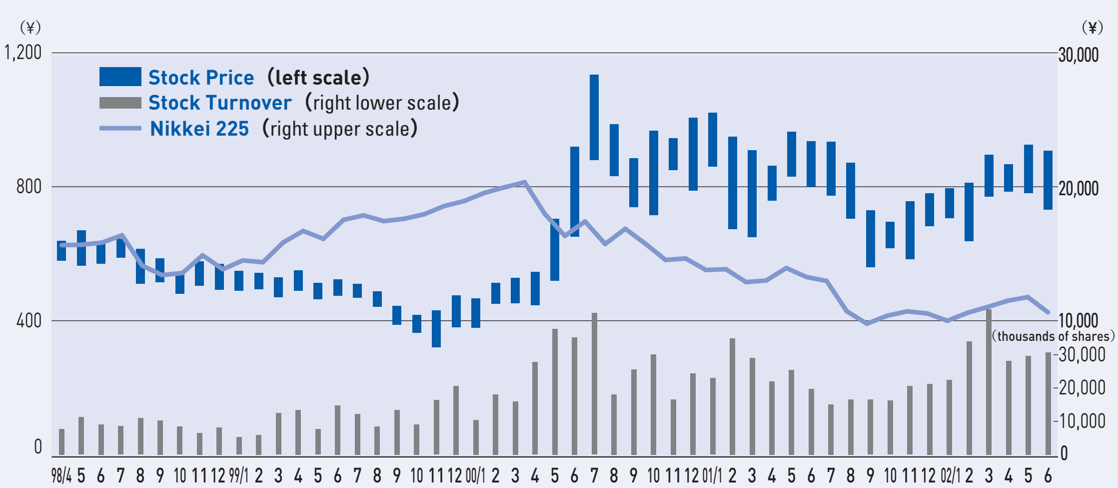
The Toyo Trust and Banking Co., Ltd,
4-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0005, Japan



MAJOR SHAREHOLDERS

Name	Investment in Konica	
	Number of Shares (thousands)	Percentage of Total Equity (%)
Japan Trustee Services Bank, Ltd.	31,301	8.75%
UFJ Bank, Ltd.	17,657	4.94%
The Tokyo-Mitsubishi Bank, Ltd.	17,015	4.76%
The Mitsubishi Trust and Banking Co., Ltd.	13,249	3.70%
Nippon Life Insurance Co.	9,455	2.64%
Trust & Custody Services Bank, Ltd.	8,457	2.36%
The Nomura Trust and Banking Co., Ltd.	8,450	2.36%
Asahi Mutural Life Insurance Co.	8,411	2.35%
Government of Singapore Investment Corporation, Pte Ltd.	8,373	2.34%
Mitsui Asset Trust and Banking Company, Ltd.	8,076	2.26%
Total	130,444	36.46%

STOCK PRICE CHART



KONICA CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2002

KONICA CORPORATION

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

YEAR OF ESTABLISHMENT

1873

PAID-IN CAPITAL (AS OF MARCH 31, 2002)

¥37,519 million (US$282 million)

NUMBER OF EMPLOYEES

17,319

UNDERWRITERS

The Nomura Securities Co., Ltd.
The Nikko Salomon Smith Barney Ltd.

PRODUCTS

Consumer Imaging Products:
Color film and paper, black-and-white film and paper, inkjet media, photofinishing equipment and chemicals, etc.

Cameras and Digital Imaging Products:
Compact 35mm cameras, digital still cameras, etc.

BUSINESS EQUIPMENT:

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

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

Graphic Imaging and Industrial Products:
Platemaking film, typesetting paper, color-proofing systems, image-processing systems, etc.

OPTICS PRODUCTS:

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

ELECTRONIC MATERIALS:

TAC film for polarizers of LCDs, etc.

KONICA CORPORATION

Shinjuku Nomura Building, 26-2,
Nishi Shinjuku 1-chome, Shinjuku-ku,
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